December Issue 2019

Accountancy Plus

The Official Journal of CPA Ireland

Presidents Dinner 2019

Finance Bill 2019/ Budget 2020

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Leadership Insight: Eamonn Siggins

CPA IRELAND

Editorial

Accountancy Plus
December 2019

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President's Message

Welcome to the December 2019 Edition of Accountancy Plus.

December is always a good month for reflection. For my part, I can reflect on a very positive experience in my first 8 months as President of CPA Ireland. At almost every event I have attended, the word "change" has featured somewhere on the agenda. And yes, we are living in an era of incredible change as digitalisation, artificial intelligence and machine learning impact on the nature of work which accountants traditionally complete, the workforce required to carry out that changing work and the workplace from which work can be completed.

None of this is new and, in 2016, Richard and Daniel Susskind, in their book entitled: "The Future of the Professions: How Technology Will Transform the Work of Human Experts", predicted the decline of today's professions and describes the people and systems that will replace them. One quotation from the book appears, to me, to suggest that professions, including accountants, are resistant to the change that is occurring in the world around them.

"If we leave it to the professionals themselves to reinvent the workplace, we are asking the rabbits to guard the lettuce".

The reality is something quite different, in that artificial intelligence is helping humans to make better decisions in so many ways and will continue to do so. I have met hundreds of CPAs, nationally and internationally who are meeting change head on and will thrive in the workplace of the future.

In November, I was privileged to attend the Council meeting of the International Federation of Accountants in Vancouver, Canada. This annual meeting of member bodies brings the Presidents and CEOs of professional accountancy bodies from every corner of the globe together and provides an ideal opportunity for sharing experiences as to how the profession is responding to change.

My sense from meeting international peers in the profession, and this sense is amplified from meeting with individual CPAs, is that the accountancy profession is already embracing a changing world of work, supported by technology.

My engagement with peer professional bodies caused me to reflect on what CPA Ireland has done and will continue to do to enable CPAs and CPA students thrive in the new world of work.

- We are engaged in a complete review of our curriculum, which is based on research and stakeholder engagement, to ensure that the CPA qualification underpins a future fit for a professional cohort of CPAs.
- We have engaged in global research, through our membership of the Edinburgh Group, which identifies the challenges facing the profession with a particular focus on those challenges facing the Small to Medium Practice (SMP) of the Future. CPA Ireland has prioritised support initiatives to address those challenges.
- We have launched two innovative Diploma programmes in Forensic Accounting and in Data Analytics and we will offer the Leadership programme again in early 2020 to empower CPAs to develop their distinctive human strengths and progress to leadership positions.
- In relation to our online learning, I am very proud of the acknowledgement received from our peer professional bodies in Accountancy Europe where we were given an award at the Digitalisation Awards held in Brussels on 19 November 2019. The Digitalisation Awards are held to recognise the most promising digitalisation initiatives by Accountancy Europe members.
- The CPA executive team is engaged with some of the leaders in artificial intelligence solutions for the accountancy profession to ensure that CPAs receive the best advice on solutions appropriate to their workplace.

So, as we enter into the third decade of the 21st Century we must adapt a digital mindset and accept that data entry is history, business relationships are in real time and technology will prompt service interventions based on movements in the financial affairs of a business.

When reflecting on change during 2019, I must acknowledge some senior leadership changes in CPA Ireland. We marked the retirements of both Paul Heaney and David FitzGerald from the Director team, both of whom had given 15 years of exemplary service to CPA Ireland. Our Chief Executive, Eamonn Siggins, who celebrated 30 years of service to CPA Ireland in October, is now supported by a Director team of Cait Carmody, Deirdre McDonnell, Gillian Peters and Patricia O'Neill. Together, this dedicated and talented team will deliver on the change agenda facing CPA Ireland.

May I wish all of you a peaceful Christmas and a prosperous 2020.

Gearóid O'Driscoll

Gearóid O'Driscoll
President CPA Ireland

Contents

Pictured L – R:
Gearóid O'Driscoll, President, CPA Ireland and Catherine Page, Counsellor, British Embassy Ireland.

CPA Profile
Brendan McGowan

Title:
Head of Finance and Assets, Agribusiness

Company:
Aurivo Co-operative Society Ltd

Qualifications:
CPA & Professional Diploma in Management Excellence, UCD.

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

When I finished post primary education, I actually had no idea what career path I wanted to embark on. I was accepted on an Engineering degree course in UCG which I tried for two years but from early on in this venture I realised this was not for me. I did however enjoy the college life there and participated in the vibrant student culture that's present in Galway. Having left college, I returned to my home in Tubbercurry and commenced work in the local Co-op Head Office of North Connacht Farmers Co-op. Working primarily in the accounts area, I quickly discovered that this was the road I should persue. With the support of the Co-op and my superiors I began my studies and accountancy journey. I first completed the Accountants Technician exams and shortly thereafter set out in quest of the CPA qualification.

Why did you choose CPA Ireland as your qualification route?

Having decided on what I wanted to do I looked at the various options available. Returning to full time education wasn't an option whilst working full time in a busy and diverse environment. The CPA route fitted well into my work and personal life schedule. The student supports that were on offer were also a deciding factor. With a combination of weekend education in Dublin and lots of time grinding at the books at home, in 1999 the qualification eventually arrived. The fact that CPA is a well-recognised and respected qualification here in Ireland and internationally also swayed my thinking that this was the accounting body that I wanted to be a member of.

Please provide a brief history of your career.

I have spent all of my working career with the same employer. That is North Connacht Farmers Co-op, Connacht Gold Co-op and now known as Aurivo Co-operative Society Ltd. I started as an accounts clerk and once I got my accounting technician qualification I

was appointed as accounts payable supervisor. I remained in this role for a number of years whilst studying for my CPA qualification. Following my CPA qualification, I was appointed as accountant for the stores/retail section of Agribusiness.

Shortly thereafter I took the accounting responsibility for all of Agribusiness, 30+ stores/retail outlets and the Animal Feed processing plant, Nutrias, in Ballaghaderreen. This is a business with an annual turnover of circa of €120million, primarily animal feed, fertiliser and farm inputs. We also have Hardware, Household offerings and Garden Centres.

My current role is Head of Finance and Assets for Aurivo Agribusiness. I work closely with my fellow finance colleagues in the other areas of the business – Dairy Ingredients, Consumer Foods, Marts and My Goodness Ltd. The total Aurivo turnover is circa €450million.

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

Unquestionably the CPA qualification has been the backbone of my journey with Aurivo Co-op. Achieving this qualification while working was the spring board for the progression towards my current role in the Co-op. My managers at the time recognised my achievement and the drive and commitment I had to achieve that goal.

What has been your biggest career achievement?

There have been many notable landmarks in my 33-year career with Aurivo. Two that are prominent in my mind would be the amalgamation / merger of NCF and Kiltoghert Co-op's and recently, the introduction of a totally new software system in our retail and milling business. The financial implications of these two events posed many challenges but with careful planning, the co-operation of colleagues and knowledge of the business, a relatively seamless transition ensued.

What do you think are the most pressing issues for Accountants and the Industry you operate in?

The primary issue right now for the Agribusiness / Food sector is undoubtedly the massive uncertainty surrounding Brexit. This is the sector of the economy that will be most affected by a disorderly exit by Britain from the EU. Much forward planning and forecasting has been done in order to mitigate the fallout, but this period of volatility appears to be set to continue.

How do you unwind?

Outside of my professional life my passion is for Amateur Drama. Though not an actor, I know my limitations, I'm deeply involved in the Amateur Drama world, particularly the Drama Festival movement, locally and nationally and have served as secretary and chairman of the Amateur Drama Council of Ireland.

CPA Profile
Áine Collins

Title:
Business Development Director

Company:
EFM Ireland

Qualifications:
CPA. IOD

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

I discovered the value of work and reward from a young age while selling cabbage at local markets in Cork with my Dad. The incentive was you had to pick the cabbage for the day, and I could keep any money I made.

Following this, I got my first office job aged 19, as a legal cashier at Bolton & Lowe, a law firm at Temple Bar in London.

I loved the work, I really enjoyed working with numbers and this provided me with the impetus to study accountancy, later qualifying as a CPA. I believe lessons learned in your first job can lay the foundations for the rest of your career – and this job certainly fuelled my passion to enter the world of finance and working in the world of business.

Why did you choose CPA Ireland as your qualification route?

I worked in a CPA practice in my final year to get more experience with a growing firm. I have found CPA Ireland to be incredibly helpful with my career over the years as well as very flexible and holistic in their approach.

Please provide a brief history of your career.

Shortly after qualifying as an accountant in 1996 l opened an Accountancy Practice in Millstreet, Co Cork. I spent the following nine years growing the practice and I really enjoyed helping my clients manage and grow their businesses.

In 2005 l joined the SWS Group which was a multi sectoral business in the areas of Forestry, Renewal Energy and Corporate Services. They were growing their corporate services operation, acquiring accountancy practices at the time and worked on transformation and growth within corporate services function.

As my working life continued, so did my passion for politics. In 2011 I was elected to Dáil Eireann as a Fine Gael TD for Cork North West. I went on to represent my constituency for 5 years. During that time l lead the policy for equalisation of the taxation and PRSI system between the self-employed and employees as it had been unequal for years. I also worked to deliver the approval of payment of the Kalydeco drug for people who live with Cystic Fibrosis as well as making over 5000 representation from constituents during that time on various issues from business concerns, education issues, medical cards, social welfare, housing, etc.

From 2016 to 2019, l worked on a project with UCC as well as setting up my own business Blueprint Consulting – advising on business finance and strategy.

In 2017/2018, l returned to study and completed a Diploma with the Institute of Directors. Earlier this year I was appointed as Business Development Director with EFM Ireland who provide strategic financial and advisory services to Irish Businesses.

We have a team of highly experienced Finance Directors who are available to offer operational finance and strategic support on a flexible, part-time basis, which offers the benefit of having that expert input, without bearing the full-time cost of hiring a Finance Director in-house. We work with businesses from the ground - up, to support with growth, development and to effectively and efficiently scale-up their business.

This role really resonates with me following my long career of working with Irish Business and understanding the challenges that businesses face every day.

What has been your biggest career achievement?

Serving as TD for Cork North West.

I found being a member of Dáil Eireann an exceptionally fulfilling role, where I helped make a difference on issues that were of major importance and that had direct effect on our countries policy making and governance. Being a CPA accountant and former business owner, my knowledge base contributed significantly to my work as a TD.

On a personal bases my greatest achievement is being a mom to 3 children; one who is now an adult living in Toronto and 2 who are still in National school and of course a supportive husband in all that l do.

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

Like many careers today, there is a lot of disruptive technologies in the world of Accountancy & Finance. As a result, accountants now have to adapt to more of a role in business planning, financial and strategic advisory services. As humans, we must become tech fluent and augment artificial intelligence with human skills that cannot be digitised e.g. analysis, scepticism and creativity.

What traits do you admire most in others?

Honesty, Fairness, Courage, Openness, Resilience and Loyalty .

How do you unwind?

I relax by taking time out to enjoy activities such as current affairs, hiking particularly in the Kerry Mountains, going to the gym, meditation (trying!) cooking and spending time with family and close friends.

Financial Reporting News

IAASA publishes review on the IFRS 16 Leases disclosures within the 2019 half-yearly financial reports

IAASA, Ireland's accounting enforcer, has published an Information Note highlighting the findings of a desktop review on the IFRS 16 Leases disclosures in the 2019 half-yearly financial reports.

The purpose of this Information Note is to provide readers with:

- an analysis of the nature, extent and impact of the information disclosed by issuers in relation to the transition to IFRS 16 Leases in their 2019 half-yearly financial reports; and
- a comparison of the actual transitional impact of IFRS 16 as disclosed in the half-yearly financial statements with the estimated impact disclosed by the issuers in their prior year annual financial statements.

IFRS 16 is required to be applied to annual reporting periods beginning on or after 1 January 2019. As such, the 2019 half-yearly financial reports are the first financial statements that issuers had to prepare and publish in which mandatory IFRS 16 information was required, including the impact of transition.

Overall, IAASA found that issuers provided high quality disclosures regarding their accounting policy for leases and the financial impact of the adoption of the new accounting standard.

The most significant impact for issuers' reported results arising from transitioning to IFRS 16 is that leases previously defined as operating leases under IAS 17 and treated as "off-balance sheet" are now required to be recognised in the Statement of Financial Position as a "right of use" asset and a related lease liability.

The Information Note is available here

Source: www.iaasa.ie

Common enforcement priorities

The European Securities and Markets Authority ('ESMA') has published its annual priorities statement titled 'European common enforcement priorities for 2019 annual financial reports' setting out those topics which company directors, Audit Committees and auditors should particularly consider when preparing, reviewing and auditing International Financial Reporting Standards ('IFRS') financial statements for the year ending 31 December 2019.

The three priorities for 2019, selected on the basis of the significant changes that these new requirements introduce and their impact on EU capital markets, are:

- specific issues related to the application of IFRS 16 Leases;
- follow-up of specific issues related to the application of IFRS 9 Financial Instruments for credit institutions and IFRS 15 Revenue from Contracts with Customers for corporate issuers; and
- specific issues related to application of IAS 12 Income Taxes (including application of IFRIC 23 Uncertainty over Income Tax Treatments).

In its statement, ESMA reiterates the importance for companies to present entity-specific information in their financial reports and provide information that aids readers' understanding of the company's financial performance and financial position.

ESMA highlights potentially significant implications of transition from one interest rate benchmark rate to another on financial reporting and the importance of timely disclosure of its consequences.

ESMA's statement also draws attention to some specific requirements relating to the sections of the annual financial report other than the financial statements, namely:

- the disclosures of non-financial information focusing on:
  - environmental and climate change related matters;
  - key-performance indicators;
  - the use of disclosure frameworks and supply chains; and
- specific aspects related to the application of the ESMA Guidelines on Alternative Performance Measures (APMs) to measures modified or included as a result of the new accounting standards.

Source: www.iaasa.ie

FRC sets out expectations for corporate reporting to improve trust in business

The Financial Reporting Council (FRC) has today called for improvements to corporate reporting in an open letter to all Audit Committee Chairs and Finance Directors. The letter reflects findings from the FRC's Annual Review of Corporate Reporting 2018/19 (published today) and the scope for companies to improve their reporting to address matters of increasing concern to investors and enhance public trust in business.

The FRC expects companies to improve the quality reporting of forward-looking information, the potential impact of emerging risks on future business strategy, the carrying value of assets and the recognition of liabilities. Failure to report on these crucial areas undermines trust in business and can lead to the conclusion that management is either unaware of their potential impact, is being opaque, or is not managing them effectively.

In times of uncertainty, investors and other stakeholders expect greater transparency of the risks to which companies are exposed and the actions they are taking to mitigate the impact of those uncertainties. The FRC expects companies to think beyond the period covered by their viability statement and identify those keys risks that challenge their business models in the medium to longer term and have a particular focus on environmental issues.

The FRC welcomes some improvement in key disclosures of critical judgements and estimates and alternative performance measures (APMs) as reflected in companies' strategic reports. It will continue to press companies who do not clearly report the specific judgements they have taken or who do not present APMs clearly in accordance with best practice.

Financial Reporting in the Pharmaceutical Industry

by Robert Kirk

In this issue of Accountancy Plus I have taken the opportunity to investigate how accounting standards (both local and international) play a unique role in the financial statements of pharmaceutical companies. Clearly a number of the standards would apply equally to other industries but the following topics play a central role in this particular industry:

- **Research and development expenditure**
- **Research and development tax credits**
- **The valuation of inventories**
- **Product licencing and revenue recognition**

Research and development expenditure

Under international reporting, IAS 38 Intangible Assets, capitalisation of all development expenditure is compulsory from the point when it becomes probable that attributable economic benefits will be realised. The key issue has been what does probability mean? Superficially, the standard is clear, no expenditure may be capitalised for research, but one must be recognised for development, if six criteria are met. These are as follows:

- It is technically feasible to complete the intangible asset for use or sale;
- It is the entity's intention to complete the intangible asset for use or sale;
- The entity has the ability to use or sell the intangible asset;
- It can be demonstrated that it is probable that the intangible asset will generate future-economic benefits;
- The entity has adequate technical, financial and other resources to complete the development; and
- The entity can measure reliably the expenditure attributable to the intangible asset during its development.

The challenge has been trying to match these generic criteria with the actual processes and risks of pharmaceutical product development. In the United States a very prudent approach has been adopted and all research and development must be written off immediately as an expense.

Some of the key questions that arise include:

- Could costs be capitalised prior to obtaining first major market approval?
- Is there sufficient certainty at any point in the approval process to support an argument of probable future benefit?
- Does recognition have to be deferred until final approval has been obtained?

Given the strong market reactions to announcements of changes in the status and timing of regulatory approvals, there clearly is a risk discount built in by the market for development uncertainty until final approval and labelling is cleared.

What about costs incurred after first major market approval - is there now sufficient certainty of a product's commercial viability? There is no clear-cut answer. Different products will have different success in different markets and recent history has shown that gaining approval in one market is not a guarantee of approval elsewhere.

How is post launch expenditure to be accounted for? There is a strong argument that this is, in substance, marketing spend and thus should be expensed.

Although the capitalisation of development expenditure does increase the value of intangible assets and (short-term) profitability the industry at large usually assesses the uncertainties of getting a drug approved to be too great to justify capitalising significant development costs. An example of a typical accounting policy adopted for Irish pharmaceutical companies is illustrated by Trinity Biotech Plc as follows:

Trinity Biotech Plc

Notes to the consolidated financial statements December 31 2018

Basis of Preparation and Significant Accounting Policies (Extract)

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and attributable overheads and third-party costs. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The technical feasibility of a new product is determined by a specific feasibility study undertaken at the first stage of any development project. The majority of our new product developments involve the transfer of existing product know-how to a new application. Since the technology is already proven in an existing product which is being used by customers, this facilitates the proving of the technical feasibility of that same technology in a new product.

The results of the feasibility study are reviewed by a design review committee comprising senior managers. The feasibility study occurs in the initial research phase of a project and costs in this phase are not capitalised.

The commercial feasibility of a new product is determined by preparing a discounted cash flow projection. This projection compares the discounted sales revenues for future periods with the relevant costs. As part of preparing the cash flow projection, the size of the relevant market is determined, feedback is sought from customers and the strength of the proposed new product is assessed against competitors' offerings. Once the technical and commercial feasibility has been established and the project has been approved for commencement, the project moves into the development phase.

All other development expenditure is expensed as incurred. Subsequent to initial recognition, the capitalised development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses (Note 1(viii)).

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of operations as an expense as incurred.

Under the local standard, FRS 102, local companies have a clear choice as to whether or not to capitalise development expenditure using the same criteria as IAS 38 but again there is a reluctance to do so. Under the micro standard, FRS 105, all research and development must be expensed immediately so a micro pharmaceutical company may decide to opt for a higher level of reporting under FRS 102 if they wish to capitalise development costs.

Randox Laboratories Ltd in Northern Ireland and Aerogen Ltd in the Republic of Ireland are two companies that have opted to capitalise development costs under FRS 102:

Randox Laboratories Ltd

Notes to the financial statements year ended 31st December 2018

Accounting policies (Extract)

Intangible assets

Development expenditure:

Development expenditure relating to diagnostic products manufactured by the company is written off as incurred, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised and amortised over the period in which the company is expected to benefit. This period is typically three years. Provision is made for any impairment.

Capitalised development costs include external direct costs of materials and services together with direct labour costs and overheads relating to development expenditure. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use or sell it;
- There is an ability to use or sell the product;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- The expenditure attributable to the product during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Aerogen Ltd

Year ended 31st December 2017

Notes

Significant accounting policies (Extract)

Intangible assets

Research and development (R&D)

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred. R&D tax credits are credited to administrative expenses as earned.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development.

R&D tax credits

There is no accounting standard on the topic but it is generally agreed that it is appropriate to consider that under IFRS the R&D tax credit is, in substance, a government grant toward R&D expenditure (having regard to the government's expressed aim of reducing the economic cost of undertaking R&D activity in Ireland, and the method by which the amount of the relief is now determined), and, accordingly, it could be presented in the income statement as a pre-tax government grant.

However, a number of companies have chosen to record the tax credit as a reduction in the income tax charge for the year.

It is interesting to note that Aerogen Ltd have treated the tax credit as a reduction in administrative expenses (see above) rather than as a separate pre-tax income but they have also recorded grants on research and development as other income.

There are no accounting differences between companies reporting under IFRS or local accounting standards.

Other operating income

Other operating income	2017	2016
Government grants (market access and R&D)	108,908	175,390

There are no accounting differences between companies reporting under IFRS or local accounting standards.

The valuation of inventories

Similar to other manufacturing companies all costs required to bring the inventories to their precise location and condition should be included in their valuation. The key issue is which overheads to include and how much overhead.

Clearly all production overheads must be included but what other overheads? Having visited a number of large pharmaceutical manufacturing sites in England over the years I have been surprised that a number include accountants' salaries in their valuation on the grounds that everyone on the site is contributing to the manufacturing process and this seems to be acceptable to the auditors.

There is certainly a lot of judgment in deciding which overheads to include as well as deciding what the normal level of capacity is to absorb the overheads into the valuation. Most companies take the view their current budget is acceptable as long as it is not out of line with previous years.

Another issue is the problem of obsolescence and slow-moving inventory which must be reduced to their fair value less costs to sell (net realisable value) under both IAS 2 and FRS 102.

One company which had problems a number of years ago was the Elan Corporation Plc who had to write-

down €14million inventory when the drug Tysabri was withdrawn from the US market after a medical scare.

Elan Corporation Plc

Year ended 31st December 2005. Notes to the financial statements (Extract)

8. Inventory

Product inventories at December 31 of each year consisted of the following (in millions):

	2005	2004
	$	$
Raw materials	8.3	6.8
Work-in-process	9.7	8.2
Finished goods	7.3	14.0
Total inventory	**25.3**	**29**

During the year ended December 31, 2005, we recognised a write-down of finished goods of $14.0 million related to Tysabri, as a result of the voluntary suspension of the marketing and dosing in clinical trials of the product.

After further testing the drug re-entered the market under strict conditions of use two years later and although it is possible to reverse the write-down it was too late for the company as the drugs were by that time out of date.

Product licencing and revenue recognition

Increasingly, pharmaceutical companies are licensing development drugs or entering into collaboration agreements. The accounting is complex if it involves milestone payments, equity stakes or ongoing commitments such as shared R&D or manufacturing.

Under FRS 102, if an acquired product is in early stage development, the licence cost typically is written off - the upfront amounts tend to be small and likelihood of success considered too low to recognise the value as an asset. But practice for late stage licence-ins varies. Some pharmaceutical companies capitalise late stage licence costs while others choose to be vaguer.

Under IAS 38, intangibles that are acquired outside a business combination are assumed to be assets, and not an expense. IAS 38 effectively presumes that development risk is factored into the purchase price and an intangible asset should be recognised.

How about the more complex arrangements such as when a large pharmaceutical company takes a stake in a biotech to gain access to specific products or technologies?

It may appear that the company has acquired an equity investment which may be a financial asset or an associate, joint venture, or even a subsidiary. Is this really a purchase of R&D and should this amount be treated in whole or in part as an intangible asset? Questions include whether the entity is, in substance, a stand-alone enterprise, and whether it has the resources to continue on a going concern basis.

If the conclusion is that the arrangement is an investment, IFRS 9 requires equity investments to be carried at fair value, with changes in value recognised either directly in profit and loss or in other comprehensive income, if it is not held for trading.

And how about the revenue? A licensor needs to assess whether the licence is distinct or not. Accounting for a normal licence should be - straightforward if distinct - under IFRS 15 and FRS 102 royalties generally are recognised on a straight-line basis over the life of the agreement. But if not distinct, under IFRS 15, it will be combined with the manufacturing service as a single performance obligation.

Trinity Biotech Plc

Notes to the consolidated financial statements December 31, 2018

Basis of Preparation and Significant Accounting Policies

xvi) Revenue recognition (Extract)

The Group operates a licensed referenced laboratory in the US, which provides testing services to institutional customers and insurance companies. In the US, there are rules requiring all insurance companies to be billed the same amount per test. However, the amount that each insurance company pays for a particular test varies according to their own internal policies and this can typically be considerably less than the amount invoiced. We recognise lab services revenue for insurance companies by taking the invoiced amount and reducing it by an estimated percentage based on historical payment data. We review the percentage reduction annually based on the latest data.

As a practical expedient, and in accordance with IFRS, we apply a portfolio approach to the insurance companies as they have similar characteristics. We judge that the effect on the financial statements of using a portfolio approach for the insurance companies will not differ materially from applying IFRS 15 to the individual contracts within that portfolio.

Conclusion

Undoubtedly the pharmaceutical industry has a number of difficult accounting issues posed by the uncertainty that exists in the industry as to the success or failure of their research and development programme together with some complicated revenue relationships.

Robert Kirk

Robert Kirk, CPA, is professor of Financial Reporting at the University of Ulster. Robert is also author of the CPA Ireland Skillnet publication, A New Era for Irish and UK GAAP – A Quick Reference Guide to FRS 102.

Law & Regulation News

Data Protection & Brexit

October 2019

Brexit, particularly in the context of a 'No Deal' scenario, may have a serious impact on the data protection obligations of Irish controllers which transfer personal data to the UK (including Northern Ireland); because, in a situation where the UK becomes a 'third country', transfers to the UK will be considered transfers outside of the EU/EEA and will require a mechanism to ensure an adequate level of data protection.

This FAQ aims to answer some of the basic questions as to how that might impact controllers and what steps they should take.

Data Protection and Brexit – Frequently Asked Questions

Source: www.dataprotection.ie

CRO Credit Notes

Over many years the CRO has issued credit notes to customers in place of cash refunds.

Following legal advice received by CRO, and as part of CRO`s to intention to move to a full epayments based system for all monies charged and received from customers, it is the CRO`s intention to phase out the acceptance of historic credit notes.

This will commence on 1st January 2020 and be implemented on a rolling six year basis.

Thus, all credit notes issued by CRO dated prior to 1st January 2014 will not be honoured as payment from customers for either charges for services or customer account receipts, from that date.

Source: www.cro.ie

ESMA Prepares For New Responsibilities In 2020

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has published its 2020 Work Programme (WP), setting out its priorities and areas of focus for the next 12 months in support of its mission to enhance investor protection and promote stable and orderly financial markets.

The key issue facing ESMA in 2020 is the implementation of its new mandates, and enhanced role, in areas including direct supervision, supervisory convergence, investor protection, relations with third countries, sustainability and technological innovation.

This follows the conclusion of the ESAs' Review, which will involve changes to its mission from 2020, and EMIR 2.2., where ESMA will build its capacity to supervise Third Country Central Counterparties (CCPs) and further promote convergence for EU CCPs.

While, in line with its Strategic Orientation 2016-20, it will continue to focus on supervisory convergence, identifying areas for improved consistency of supervisory outcomes across the EU including ensuring standardised, high-quality data and will intensify work on using its data and quantitative analysis across all its activities.

Finally, one key uncertainty for 2020 is the UK's withdrawal from the European Union and ESMA continues to prepare for both a no-deal Brexit scenario, where it will focus on managing the immediate risks and issues, and the scenario where a withdrawal agreement is in place.

During 2020, in addition to implementing ESMA's new mandates, the key areas of focus under its activities of supervisory convergence, assessing risks, single rulebook and direct supervision will be:

1. Supervisory Convergence - strengthening the convergence powers based on the new ESMA Regulation, while ensuring consistency in the application of MiFIDII/MiFIR for secondary markets. It will continue its work on the performance and cost of retail investment products, while facilitating the development of its data-driven supervision;
2. Assessing Risks – publication of its annual statistical report series based on EMIR, AIFMD and MiFID II data and promoting cooperation on risk analysis;
3. Single Rulebook - contributing to the implementation of the Capital Markets Union, Fintech and Sustainable Finance Action Plans, developing the necessary rules under EMIR 2.2/EMIR Refit and reviewing MIFID II/MiFIR; and
4. Supervision – ensuring effective supervision of credit rating agencies (CRA), trade repositories (TR), entities under the Securitisation Regulation and SFTR and Tier 2 CCPs under EMIR 2.2, along with the recognition of third-country CCPs.

Source: www.esma.europa.eu

ODCE Investigations

Managing the risks when your practice comes into investigators' focus

by Joe Kelly

This article sets out some tips for Certified Public Accountants faced with an investigation from the Office of the Director of Corporate Enforcement (ODCE) into the books and records of clients.

The ODCE and its remit

The ODCE was established in November 2001, charged with the responsibility for tackling offences under the Companies Acts, now the Companies Act 2014 (the Companies Act).

The ODCE's primary statutory mandate is to encourage compliance with the Companies Act.[1] The ODCE has responsibility for investigating instances of suspected non-compliance and/or offences under the Companies Act; with the power to prosecute in its own right, summary offences (generally taken to mean offences which attract sentences of less than one year) in the District Court or to refer more serious (indictable) offences to the DPP for prosecution.

In addition, and crucially for CPA Ireland members, the ODCE exercises a supervisory role over the activities of liquidators and receivers.

The investigative powers of the ODCE

The ODCE has extensive powers to investigate suspected breaches of the Companies Act, such as fraudulent trading or providing false statements to auditors. For example, the ODCE may compel a liquidator or receiver appointed to a company, to produce books in relation to a liquidation or receivership, or indeed all of the liquidations or receiverships, they have carried out, within the last 6 years.

Most crucial amongst the ODCE's arsenal of investigative powers, are the powers to: (i) compel the production of books and documents relating to a company under investigation; and (ii) to enter and search premises and seize material information.

Production of books and documents

The ODCE may issue statutory production orders which require the production of the books of a company or documents relating to a company. "Books and documents" potentially covers a wide range of written, audio or visual documents in hardcopy or in electronic form: including but not limited to emails, recordings of phone-calls, text messages and video content.

The ODCE may require the production of books and records where:

a. A liquidation or receivership of a company is being carried out (this request is made to the liquidator or receiver)[2];

b. It is necessary to determine whether inspectors should be appointed to investigate the company[3];

c. The affairs of the company are being conducted with the intent to defraud creditors/creditors of another person/the members or for another fraudulent/unlawful purpose[4];

d. The affairs of the company are being conducted in an unlawful manner[5];

e. The affairs of the company are being conducted in a manner, or the company has engaged in an act or omission, that is unfairly prejudicial to some of the creditors/members[6];

f. The acts or omissions of the company or an officer of the company are likely to be unlawful[7];

g. The company was formed for some unlawful/fraudulent purpose[8];

h. The company possesses books or documents relevant to another company coming within the terms listed at (c) to (g) above[9].

1 S.949 Companies Act (1)(a)
2 Sections 446 and 653 of the Companies
3 Section 779(a) of the Companies Act
4 Section 779(b)&(c) of the Companies Act
5 Section 779(d) of the Companies Act
6 Section 779(e),(f), (g)&(h) of the Companies Act
7 Section 779(i) of the Companies Act
8 Section 779(j) of the Companies Act
9 Section 779(k) of the Companies Act

Of particular relevance to accountants is the ODCE's power to compel third parties to produce information and/or documents by way of a production order, where that third party has relevant information about a company which is under investigation by the ODCE[10].

In such circumstances the third party, which may include the company's accountants or auditors, may be compelled to explain the documents and to provide reasonable assistance to the ODCE.

If a scenario arises where the party served with a production order claims that the documents requested contain legally privileged material, the documents must be provided to the ODCE. In practice, these documents will be provided in sealed envelopes until the issue of whether or not they are privileged has been resolved by the court or by an independent legal professional, as agreed between the ODCE and the party concerned.

Entry, search and seizure at a premise

The ODCE may apply to the District Court for a warrant to enter and search premises to gather material information or documents. In order to obtain a warrant, the ODCE must satisfy the court that it has reasonable grounds for suspecting that "material information"[11] will be found at the premises[12].

Material information means information or documents which may be relevant to the commission of an offence under the Companies Act, or documents which have been sought by way of a statutory order which have not been produced.

Such a warrant permits a designated officer of the ODCE to:

a. enter the named premises, by force if necessary;

b. search the premises;

c. require any person found on the premises to give their name, home address and occupation, and produce any material information that is in their custody;

d. seize and retain any material information found on the premises or in the custody or possession of any person found on the premises; and

e. "take any other steps that appear to the officer to be necessary for preserving or preventing interference with material information."

Furthermore, the orders are valid for a period of 30 days, during which the ODCE officers may enter and search the premises multiple times.

The ODCE, in addition, has "extended powers of seizure" which permit it to seize non-material information where it is not immediately practical to establish whether the information is material, or where material information cannot be separated from non-material information.

In this scenario the ODCE is obliged to separate the information while maintaining confidentiality over the document and allowing the owner of the document access to it[13]. The separation of the information should take place within three months or such longer period as is permitted by the High Court[14]. This scenario in particular arises where a document may contain material information but may be subject to legal professional privilege or partly subject to legally privileged.

An ODCE investigation on your premises

It is crucially important that all practices are alert to the "do's and don'ts" in the event that they have to deal with an unexpected visit from the ODCE and/or the Gardaí. Colloquially, this is often referred to as a "dawn raid" though invariably the raid or visit does not take place at dawn.

Imagine this scene:

You get a call from your office as you make your way into work one morning. Your receptionist says that a number of people from the ODCE and the Gardaí are in reception and that they have produced a District Court warrant.

When you arrive at work you find an ODCE digital forensic specialist in your office searching through your files, downloading your e-mails, asking for your mobile phone, reading your diary and asking you questions about client meetings from last year. An ODCE forensic accountant is busy at work reviewing and copying your clients' books and records.

If your practice is not adequately prepared and every member of your business is not properly briefed in advance, then dealing with such a regulatory intervention will be all the more challenging and damaging for your business.

Joe Kelly

Joe Kelly is a Partner in A&L Goodbody's Litigation and Dispute Resolution practice, specialising in white-collar crime and regulatory investigations.

10 Sections 780 - 783 of the Companies Act

11 Section 787(13) of the Companies Act defines material information to include information which is relevant to the commission of a Companies Act offence or documents which were sought by way of a production order and not produced.

12 Section 787(1) of the Companies Act

13 Section 788(2) – (5) of the Companies Act

14 Section 788(7) of the Companies Act

What to do when the ODCE arrives

IMMEDIATE STEPS

Check Investigators' ID/Statutory Authorisations

- ODCE must obtain a warrant to search your premises
- Ensure the warrant correctly identifies your business, location and the authority
- Ensure it is a District Court warrant - not a Production Order
- Take a copy for your lawyers

Call your legal advisors and tell them:

- **WHERE** you are
- **WHICH** body has arrived (the ODCE / other regulator)
- **WHO** is the lead investigator
- **WHAT** is being investigated

THE RAID

Co-operate

- Don't obstruct, conceal or destroy documents
- Don't fail (unreasonably) to comply with a request
- Failing to co-operate may be a criminal offence
- Keep it confidential - by telling others, you risk committing a "tipping off offence"

Be vigilant

- Object to investigators seeing legally-privileged materials
- Object to investigators seeing irrelevant materials
- If there's a disagreement, don't obstruct - ask for materials to be put in a sealed envelope for resolution later

Answer questions

- Investigators can ask questions
- Answer routine questions - if appropiate, state that you are answering under compulsion
- Be truthful and stay on point
- If you don't know the answer, say so
- Clarify if necessary
- Take notes of questions and your answers

Observe what is happening

- Observe every investigator
- Record what they are seeking e.g. names/dates/key terms
- Take notes of any materials reviewed, copied or taken

The future for the ODCE - signs of a movement towards a more active investigative force?

Despite possessing strong investigative powers, the ODCE has not been overly active in using its powers to compel the production of books and records or to engage in search and seizure. That may be because it may be a better use of resources for the ODCE to serve statutory directions to produce specified books or documents.

While the ODCE has, for many years, been made up of civil servants, law enforcement officers and professionals having a range of interdisciplinary expertise, some recent changes in the make-up of the ODCE's staff have suggested an intention to make greater use of its significant investigative capabilities.

In particular, in 2017, the ODCE hired a digital forensic specialist and a forensic accountant.[15] Two enforcement lawyers were also added to the staff over the course of 2017 and 2018.[16]

According to figures from the ODCE's latest Annual Report, as of 2018 the ODCE's professional staff include three lawyers, seven forensic accountants, a Digital Forensic Specialist, seven members of An Garda Síochána (seconded from the Garda National Economic Crime Bureau), assisted by a number of civil servants of various grades. It is also understood that the ODCE is procuring software and hardware to enable it to put in place its own e-discovery capability.

Conclusion

The ODCE has significant investigative powers including the power to compel CPA Ireland members to produce books and records of clients and/or to provide information within their knowledge or custody concerning their practice and/or their clients. The ODCE, and the Gardaí who are seconded to the ODCE, can also make use of extensive powers of search and seizure.

While it is not legally possible to obstruct an ODCE officer who is legitimately exercising these powers under the Companies Act, it is always sensible to contact your legal advisor, to ensure that those powers are being used correctly and that your constitutional and statutory rights, and those of your client are being respected.

To best prepare for an unexpected visit from the ODCE or any other regulator, practices should make sure to have a plan in place for dealing with such visits and ensure that each member of the practice is fully briefed on their role in the event of such a visit occurring.

15 ODCE, Annual Report 2017, (Dublin: ODCE, 2018), p.10
16 ODCE, Annual Report 2018, (Dublin: ODCE, 2019), p.10

Finance & Management News

Brexit Supports

1. Enterprise Ireland is encouraging businesses to step into new markets and ensure that their exports are sufficiently diversified. Find steps to support Irish companies here

2. This Quick Brexit Guide for Business published in September 2019 seeks to answer many of the questions that Irish businesses may have when assessing their exposure to Brexit and determining the best course of action to mitigate their likely Brexit-related difficulties.

It provides information on the practical steps you can take to deal with issues including: Customs, tariffs and duties, currency, imports, certification, working capital, and financing.

https://dbei.gov.ie/en/Publications/Quick-Brexit-Guide-for-Business.html

3. Links to these supports for Members in preparing for Brexit can be found on our Brexit Resource page on the CPA website.

Source: www.cpaireland.ie

Investors seek clearer reporting on climate-related issues (October 2019)

Companies are falling short of investors' expectations for clearer reporting on climate-related issues according to a new report Climate-related corporate reporting from the FRC Financial Reporting Lab (the Lab).

As economies increasingly transition towards low carbon and climate resilient futures, the Lab's report highlights the gap between current reporting and investor expectations and calls on companies to bridge this gap.

It provides practical guidance about where companies can improve their reporting. The report also outlines what investors want to understand, questions companies should ask themselves, recommended disclosures, and a range of examples of the developing practice of climate-related reporting.

While reporting on climate change is an evolving practice, expectations are changing rapidly.

The Lab recommends companies use the Task Force on Climate-related Financial Disclosures (TCFD) framework to report on climate-related issues, as this was well supported by participants, and the UK Government expects all listed companies and large asset owners to disclose in line with the TCFD recommendations by 2022.

Earlier this year, the FRC published a statement outlining the responsibility of Boards of UK companies to consider their impact on the environment and the likely consequences of long-term business decisions. Boards should, therefore, address and where relevant, report on the effects of climate change.

A link to the Lab's report can be found here.

Leadership Insight

by Eamonn Siggins

Eamonn Siggins

Chief Executive,
CPA Ireland
Chairman,
The Edinburgh Group

Please provide a brief history of your career.

My career started as a seventeen year old when I was awarded a cadetship in the Defence Forces and travelled to the Military College in the Curragh, Co. Kildare. The mission of the Cadet School is "to develop leaders of character and prepare them for the exercise of command authority; provide the requisite knowledge, skills and competencies to ensure operational effectiveness; and train collectively to inculcate discipline and esprit de corps".

The Cadet School experience certainly equipped me for a 14-year career in the Defence Forces. I served in a variety of roles within the Defence Forces both at home and with the United Nations Interim Forces in Lebanon.

I retired from the Defence Forces in the rank of Captain in 1989 to take on the newly created role of Manager – Services to Members in CPA Ireland.

I was fortunate to land on a role which had a well-developed sense of purpose and was created following detailed research among the CPA membership. I was also impressed with the values of the CPA leaders who interviewed me, and I was enthused by their passion for CPA Ireland.

However, my greatest fortune was to have an encouraging and supportive mentor in the then Chief Executive of CPA Ireland, William G. (Liam) Donnelly. Liam Donnelly allowed me to operate with autonomy, encouraged constantly and celebrated success. Having a mentor is very important in leadership development and was highly beneficial for me in transitioning from a career in the military to one in business.

The next career change was to become Deputy Chief Executive in CPA Ireland in 1992 and then taking on the leadership role as Chief Executive in December 1993 on the retirement of Liam Donnelly.

Along the career journey in CPA Ireland I have also had the privilege of serving as Technical Adviser to CPA Ireland's two Board members at the International Federation of Accountants, namely Bernadette McGrory – Farrell and Gail McEvoy. I have also served as Secretary to the Edinburgh Group for 6 years and was elected Chairman of the Edinburgh Group in November 2016, and, in 2018 I was re-elected for a final 2-year term.

How did your experience in the Defence Forces prepare you for a leadership role?

It is important to appreciate that military leadership training is designed to prepare leaders to operate in a high-risk environment. Tactical and technical proficiency are not enough as a military leader must be guided by a moral and ethical code which transcends self-interest.

This early introduction to an ethical code has served me well in a profession which is bound by a global code of ethics and, in this respect, distinguishes accountancy from many other professions. Much of military leadership training is instantly transferable into the world of business as it is values based and imbues leaders with respect, loyalty, selflessness, physical courage, moral courage and integrity. Military leadership training also involves intellectual development and further education which develops an appreciation of the economic, social, political and cultural aspects of the society in which the Defence Forces operate.

Critical thinking, decision making and problem solving are tested time and again often under pressure. For me, very importantly, J.P. Kotter (1990) wrote in his article "What leaders really do" for the Harvard Business Review:

"No one has yet figured out how to manage people into battle; they must be led", and, in terms of career experience: "perhaps the most important is significant challenge early in a career. Leaders almost always have had opportunities during their twenties and thirties to actually try to lead."

Military leadership training clearly distinguishes between managing and leading and offers significant opportunities to lead early in a career. The confidence that such experience brings is difficult to simulate in any business school.

However, there are aspects of military leadership training that do not transfer seamlessly into other leadership roles. Military leadership training is designed to ensure that leaders will continue to try to solve a problem even in the face of certain failure. This training ensures that military leaders act quickly and decisively amid chaos. So, in certain military situations, it would be calamitous for a leader to reveal his/her true emotions or to pause to take account of the feelings and emotions of others.

This inscrutable demeanour may suit the military environment but does not translate well outside of that environment. In fact, it may be perceived as austere or lacking in empathy. In my own case, I constantly need to work on empathy to be aware of, understand and appreciate the feelings of others and I have asked my direct reports to monitor my progress and let me know if I slip.

Finally, military leadership is often misconceived as "leading from the front" but this is not the reality. In 2012, Elliott Peterson, in his article "Improve Employee Leadership with Ideas borrowed from the Military" wrote that the answer to the question where should a leader be is "at the point of friction". This means that a leader should be present in person wherever they expect the greatest difficulty will arise. Having this sense of positional leadership is an asset in any business environment.

The investment in leadership training coupled with the exposure to leadership opportunities prepares Defence Forces personnel for leadership roles in any environment. I believe this is borne out by the plethora of former Defence Forces personnel holding senior leadership positions in every sector in Ireland.

As well as Chief Executive of CPA Ireland, you also Chair the Edinburgh Group. How do you feel these roles benefit or complement each other?

By way of background the Edinburgh Group is a coalition of 16 international accountancy organisations representing over 900,000 professional accountants in countries from Africa, Latin America, Asia, Australia, India and Europe.

The Group meets 4 to 5 times per annum in plenary session and interacts with key global stakeholders to the accountancy profession. The Edinburgh Group focuses its influence on issues affecting accountants in Small to Medium Practices, Small to Medium Enterprises and in developing nations.

Being Chairman of the Edinburgh Group is my first experience in leading a group of high-level professionals from a diverse range of cultural backgrounds. The challenge for me has been to enhance my cultural agility, be conscious of cultural diversity, and understand different perspectives to foster effective collaboration.

A key challenge is in the area of communication where in some Edinburgh Group member countries good communication is precise, simple and clear. Messages are expressed and understood at face value. Other cultures differ greatly, and, for them, good communication is sophisticated, nuanced and layered. Messages can be both spoken and read between the lines. The challenge for a leader in such an environment is to have the cultural intelligence to interpret unfamiliar gestures the way that person's compatriot would.

Being alert to cultural difference and working on cultural agility has complemented my role in CPA Ireland and has assisted in moving CPA Ireland to becoming "global" through strategic partnerships with some of the largest professional bodies on the planet; holding leadership roles within the global profession; winning and successfully delivering capacity building projects with economic and societal benefits in countries as diverse as Mozambique, Rwanda and Nigeria, and, hosting inward training initiatives in Ireland for accountants from Lithuania, Sri Lanka, India and Nigeria.

Cross cultural international leadership within the Edinburgh Group complements my role as Chief Executive of CPA Ireland in terms of navigating the significant variations in the ways people from different societies think, lead and get things done.

Like CPA Ireland, the Edinburgh Group has a strong sense of purpose in which volunteers dedicate their time and expertise in the service of something larger than themselves. CPA Ireland is also a very "purpose led" organisation within which we can develop principled, agile and high-level strategies that devolve tactical agility to the leadership. As a leader, I find it stimulating to operate in an organisation with a very clear sense of purpose and both the Edinburgh Group and CPA Ireland offer that opportunity.

Finally, the Edinburgh Group is an exceptionally strategic network of powerful advocates and CPA Ireland has benefitted from collaboration, resource sharing, joint research and strategic partnerships with many of the international peer bodies in the Edinburgh Group.

What is the biggest challenge facing CPA Ireland accountants?

The advancement of machine learning and the impact it will have on the world of accountancy and finance is an exciting challenge that accountants can meet head on and use to their benefit.

Any technology transformation is, innately, a human transformation and the human capacity to adapt and evolve should never be underestimated. Globally, in industries of all sizes, there is a race to unlock the value of data, to enable business processes with technology and to create digitally enhanced experiences for customers.

In terms of leadership, I see my role as empowering the talented and innovative team at CPA Ireland to continue to deliver the service and support to CPAs, and those studying to become CPAs, to help them to meet this challenge head on.

After 30 years working in CPA Ireland, what aspects of your role do you find exciting and challenging?

For me, the most exciting aspect of leadership is to lead in an environment of disruption.

Disruption is not a new phenomenon. It is, more explicitly, the accelerating frequency of disruption that poses a new challenge for organisations.

Its unpredictable temperament and the pace at which it arrives often leave organisational leaders devoid of control, let alone equipped to make strategic decisions.

This means organisational strategy needs to be at the ready in a new kind of way, so we are all prepared to take advantage when opportunities knock, as disruption plays out in real time. At CPA Ireland, the Council has developed a strategy that is agile and principled enough to cope with disruption. It is exciting to have the opportunity to deliver on that strategy!

Innovation is at the heart of what we do in CPA Ireland and, if the external environment is changing at such a pace, the obvious antidote for organisations such as ours is to innovate and continue to create value. CPA Ireland is lightly resourced and yet needs to make faster and smarter progress towards our goals. Our challenge is to be innovative and embrace creativity as a tool within the organisation to solve those deep and painful problems that disruption will cause for our members.

From my perspective, for organisations to change the people within such organisations must change. What is exciting about my role is the significance that our Council places on people, be they staff or volunteers. The Council has invested in the development of our people so that, as a leader, I am supported and challenged by a team of dedicated, innovative, customer focused people committed to a common purpose. As a leader, I am a greater fan of creating more leaders rather than simply creating followers. So, if I go back to the start of my own career in CPA Ireland, in as much as I appreciated Liam Donnelly as my mentor, I must now become the mentor to the next generation of talent on the CPA Ireland team. I do not use the word talent lightly, because we have some talented people who are already empowered to operate autonomously and deliver value.

So, having the right strategy, a great culture, a spirit of innovation and talented people is what makes leading CPA Ireland exciting and challenging for me.

What inspires you most in business?

The honest answer is no one single individual. I will admit that I look to many sources for elements of inspiration and I do keep a journal or a central source of lessons that I pick up from others.

After 30 years in CPA Ireland, I have seen incredible CPAs develop from students to CEOs, CFOs, and the full spectrum of leadership positions in so many diverse environments. For me, having been on the journey with so many high-level leaders inspires me to work alongside, and learn from, the next generation of CPAs who are determined to reach their leadership potential.

I am always inspired by the community of entrepreneurs who establish their own businesses, create wealth, create employment and sustain society. To add to that, I am even more inspired by the community of CPAs that act as advisers to over 100,000 businesses in Ireland and can continually evolve to deliver value to such a diverse client base.

What advice would you give to managers and aspiring leaders today?

Firstly, gain a clear understanding of the difference between management and leadership. Learn from others and continuously seek out mentors who can share their valuable experience Become self-aware, gain an understanding of your strengths and weaknesses and work to improve on those weaknesses. Most of all, for me, be yourself as everybody seeks out authenticity in leaders they admire and respect.

Oscar Wilde is credited with saying: "Be yourself, everybody else is taken" and I believe that advice remains true today for those who aspire to leadership.

> **"Having the right strategy, a great culture, a spirit of innovation and talented people is what makes leading CPA Ireland exciting and challenging for me."**

Eamonn Siggins

Commences in CPA Ireland, 1989.

Pursuing opportunities in a challenging environment - insights from the Food and Agribusiness sector

by David Leydon

In this article, IFAC considers the many factors affecting the AgriBusiness Sector and gives practical advice for Food and AgriBusiness SMEs.

From Brexit and climate change to trade deals and changing consumer behaviour, Irish food and agribusiness owners have much to contend with.

The sector is one of the most outward looking in the Irish economy with 90% of our dairy and beef produce exported globally. In 2018, Irish exports were €13.6bn from the agri-food sector, providing 7.9% of national employment. 71% of the raw materials for the agri-food sector are sourced from Irish suppliers. To put it mildly, farming is vital to Ireland's rural economy.

Additionally, the agri-engineering sector exports across the world with the likes of McHale in Mayo (specialist farm machinery) and Dairymaster in Kerry (hi-tech dairy equipment) among the most noteworthy but there are many others.

Within the farm gate there are some significant challenges with an exceptionally low beef price causing financial pain and significant levels of disillusionment. The dairy sector has grown rapidly since the abolition of milk quotas in 2015. This growth has brought economic activity and vibrancy to the dairy regions of Ireland. However, inside the farm gate debt levels have risen and some growing pains are being experienced.

Given this context, our 2019 Food and AgriBusiness Report set out to take the pulse and sentiment of the sector. Working with Amárach Research we engaged 200 owners, MDs and CEOs of SME businesses in the sector.

A range of indicators are pointing to a less positive outlook among leaders in the sector when compared to this time last year:

- 20% decrease in optimism
- Brexit concern up 100%
- Businesses seeking bank finance down 30%
- 4 out of 5 businesses are experiencing static or decreasing margins.

Sentiment

Despite a 20% decrease in optimism compared with our 2018 report, it's not all negative with 59% of companies still optimistic about the future. 25% of companies are looking to employ more staff and 70% are expecting to retain the same number.

John Grennan is the Managing Director of J Grennan and Sons, a significant agribusiness in Offaly. He sums up the sentiment of agribusinesses dealing with farmers, "We are optimistic about the long-term future for the sector.

However, we are very concerned about the significant short-term challenges both we and our customers are facing" Beef and grain prices are under significant pressure while Brexit is a cloud hanging over the entire sector. And, in this period of uncertainty and challenge there appears to be a growing recognition that farmers need to be compensated fairly for the work they put in, something that wasn't always acknowledged.

Brexit

There is a 100% increase in businesses concerned about the impacts of Brexit, rising from 21% to 42% of total businesses surveyed. While this remains surprisingly low, it reflects a range of Government surveys about the preparedness of this sector for Brexit. This is corroborated by the relatively low number of businesses who had applied and received their EORI number.

This is the most basic of measures a company should take to prepare for Brexit and as of July only 51% of companies who had traded with the UK in 2018 had an EORI number. Increased costs, the potential of a hard border and loss of sales in the UK are all causing concerns but there is still lingering hope among business leaders that a deal will be done at the last minute.

Some businesses have been very proactive. Take the example of Prodig, a company which manufactures equipment for the agri and construction sectors. Donny Nolan, one of its Directors told me, "Forward planning has definitely been key to our preparations for Brexit.

The UK was a big percentage of our sales up until 2016. In mid-2016, we took the decision to look at markets away from the UK. Now we no longer use the UK as a land bridge and all our shipping goes from Dublin directly to mainland Europe which definitely eases concerns."

Our Food and AgriBusiness Report 2019 contains lots of advice for businesses. Some key questions that business leaders must ask themselves include:

1. Is your supply chain ready?
2. Do you understand the new rules and regulations around tariffs, including ensuring you have an Economic Operators Registration and Identification (EORI) number at a very minimum?
3. Have you looked at a range of scenarios, including the increased costs of doing business?
4. Working capital is critical – have you adequate working capital in place?
5. Have you a currency strategy in place?
6. Do you need a company structure in both ROI and UK?
7. Have you reviewed your UK contracts?
8. Are you communicating frequently with all stakeholders, suppliers, customers, and staff?
9. Have you maximised state supports?
10. While late in the day, have you looked at diversification and new opportunities?

Climate Change

While Brexit is dominating the conversation climate change is not too far behind. It is clear from our latest research that food and agribusinesses are taking their social responsibility seriously with 74% of businesses taking action on climate change.

Over half (51%) of those surveyed view managing waste and by-products as a key action to help them deal with this challenge. Other steps businesses are taking towards carbon neutrality include: purchasing sustainable packaging (43%); choosing environmentally conscious suppliers (31%); and investing in energy-saving initiatives (28%). Solar and renewable energy options are also experiencing some uptake with 21% of businesses viewing these green energy options as an opportunity to help reduce their carbon footprint.

Our report indicates that a significant number of businesses are moving in the right direction in terms of dealing with climate change. Programmes such as Origin Green, Ireland's food and drink sustainability programme by Bord Bia, and Enterprise Ireland's GreenStart give businesses additional support and parameters to help measure, control and reduce the impact their operations have on the planet, as well as outlining some of the necessary steps to help secure a sustainable future for the sector.

Food Trends

Sustainable packaging is the top trend for Irish food businesses. It reflects a short-term opportunity for businesses to differentiate by using sustainable materials but also a growing responsibility for food suppliers to respond to changing consumer concerns. It also helps to address the stark reality that Ireland must increase its plastic packaging recycling by up to 80 per cent by 2030 if it is to meet strict new EU targets (Repak, 2018).

Although Ireland is a market where a low single digit percentage of people would identify as vegan, national campaigns have helped to push this trend to the fore of the public's mind. In the short term it's clear that food businesses are taking note of how emerging diet trends (including flexitarian diets and meat free days) are becoming more popular. This is a significant challenge for many in the agri sector. However, food businesses must be alive to the trend and seize any opportunity it presents.

In the wider market context, local provenance represents an opportunity for Irish food businesses. As part of Fáilte Ireland's Food and Drink Strategy 2018-2023, there will be increased opportunities for Irish food businesses to build on Ireland's reputation for high-quality produce and authentic experiences.

Private label focus

While direct sales is the most common route to market, the growing interest in private label is noteworthy. 62% of food businesses who use private label retail as a route to market have seen double-digit growth in their private label sales over the last five years. However, this increasing priority for private labels is double-edged. On the one hand it provides food businesses with scale if national contracts can be secured and it provides good cashflow potential if terms agreed are favourable. However, on the other, it can also reinforce the position of a food business as a price taker and limit the businesses medium-to-longer term ability to maximise net margins.

Nicholas Dunne, the Managing Director of Killowen Farm told me, "We use both branded and private label routes to market. This works well for us as our private label partnerships provide us with significant scale while at the same time, we are investing resources to build our own brands like Killowen Farm Yogurts. The opportunity is large as 70% of yogurt is imported while the main challenge is building the Killowen brand on a small budget."

Research and Development (R&D)

Despite a range of supports being available to engage in R&D, many indigenous companies are not investing in this area. This is a missed opportunity as R&D and the associated Intellectual Property (IP) can enable companies to compete very successfully abroad. The benefits of the R&D Tax Credit, which rose to 30% in the recent Budget, as well as the Knowledge Development Box, which reduces tax on profits earned by qualifying IP income to a reduced tax rate of 6.25%, need to be made as easy as possible for SMEs to avail of.

Where a company invests in R&D correctly, it can be a driver of success. Pat Fitzgerald, Founder and CEO of Beotanics, a plant-based food ingredient business says, "Innovation has been the key driver in the success of our export focused business to date. By investing in patents, plant breeders' rights and securing exclusive licenses, we have created a barrier to entry to competitors and added value for our customers. In addition, understanding how to maximise our tax credits and focusing our company structure towards specialised activities has allowed us to claim back some of our R&D costs and optimise revenue streams. These strategic considerations helped us reinvest in the growth of our business."

Creating an environment which encourages and creates conditions for more SME's to invest in R&D should be a Government priority.

Technology

Technology continues to play a greater role in business across the food and agribusiness sector. In the last 24 months, some companies have shown a willingness to engage with new technologies like Robotics, Sensors and Data analytics while they were less likely to invest in technologies like Wearable Technologies and Artificial Intelligence (AI).

Food businesses (25%) are more likely than agribusinesses (13%) to have invested in these potentially game changing technologies. Prohibitive costs, including the upfront investment required, and a difficulty in delivering practical applications from some emerging technologies is limiting companies' willingness to invest.

Social media continues to grow as a communication medium with Facebook dominating and Instagram making strides in perceived effectiveness. In Cork an excellent engineering business focussed on the farmer, O'Donovan Engineering, is experiencing the benefits. Deirdre O Donovan, General Manager, says, "In the past year we've engaged heavily in Instagram. We find that highlighting our products in a photo and using the click to buy functionality is helping drive lead generation and ultimately sales. An increasing number of our farmer customers are now on Instagram and it's one of the channels we use to market our products."

Succession

When it comes to personal finance, only 49% of respondents have a pension plan in place. Given the effort that goes into running a business, pension planning and a secure financial future should be top of the agenda for all business owners. It is also noteworthy that only 19% of companies have a clear succession plan in place. This is similar with farmers where 86% of farmers do not have a clear succession plan in place, according to the ifac Farm Report 2019. Documenting a clearly thought-out succession plan is a piece of work the other 81% of respondents should try and address over the coming 12 months.

Finally, as a business providing specialist advice and support to the farming, food and agribusiness community, we greatly admire and respect the entrepreneurs who create and build their own business. These businesses make a significant contribution to the Irish economy and their local community. We wish you every success over the coming 12 months and are here to support you on your journey.

David Leydon,
Head of Food & AgriBusiness at IFAC, the professional services firm for the farming, food and agribusiness sector and he works with SMEs in the farming, food and agribusiness sector.

Energy Efficiency Improves the Bottom Line

by Alan Makim

Whether you are a business owner or advisor, the business community is constantly looking at ways to optimise the performance of their enterprise. This can be achieved in a variety of ways; through small tweaks and new tactical initiatives; large changes in the strategic direction of the company; launching new products or services; or potentially entering new markets, which is an area that has come into greater focus with the potential threats of Brexit.

These types of strategic changes in a business can bring significant rewards and, in some cases may be necessary to ensure that the business can sustain itself into the future. But they are not without risk and it is incumbent on the business owner along with their advisors to weigh up that opportunity and ensure that it is the right investment for the business in terms of both human and capital resources. When making investment choices most businesses seem to opt for a top-line growth strategy rather than a cost saving strategy, when in many cases the latter has the potential to deliver a better return.

The general costs of doing business in Ireland are increasing. And while the current low unemployment level is very positive for the country, it pushes up the cost of attracting and retaining the right talent for a company. The rising cost of insurance has been well publicised, and depending on the industry, has risen to the point that it has threatened to make some businesses unviable. In many cases the costs associated with doing business are outside of our control, imposed upon the business owner with few alternatives, however that is not the case when it comes to energy consumption. In the vast majority of businesses there is potential to reduce energy costs and there are many options that are low or even no cost.

There are generally two avenues to explore that do not require any significant investment. The first is instigating behavioural change in your workplace and creating a culture of energy awareness in the work environment. The Sustainable Energy Authority of Ireland estimate that businesses can reduce their energy consumption by 10% through the adoption of behavioural changes by their staff and encouraging energy conscious actions throughout the workplace. The actions can be very simple such as ensuring that computers or equipment are properly powered off in the evenings, reducing the volume of printing in offices and importantly don't have heating and cooling systems in conflict with each other.

The second action that can be taken to reduce the cost associated with energy is to reassess your energy procurement. While you may think tendering your energy is something for large energy users, savings can be made by businesses of all sizes. The obvious first step is to look at the unit cost of energy, or what you are paying per kilowatt hour ("kWh") of energy consumed. Then you can challenge whether it is possible to negotiate a better unit rate with your current supplier or see if there is value in moving to a new supplier.

The kWh rate you pay can vary, particularly by the size of company and volume of power it consumes, but a business owner can get an idea of rates by talking to their peers and finding out what businesses similar to them are paying. Alternatively, you can go directly to the source and shop around the various utility companies to find a better rate.

Many people focus exclusively on the unit cost, but it is equally important to understand the charges on your bill, some of which are standard in nature. These include the PSO levy or the standing charge that is applicable to all, but others can vary business by business, such as the Maximum Import Capacity charge or "MIC".

The MIC is the upper limit for power consumption by your business and is agreed with ESB networks. The MIC level should be set marginally above your business's peak capacity, i.e. your highest point of energy consumption during the year, this way you are getting close to your MIC limit without breaching it. This is important because breaching your MIC limit can cause you to incur what is called an "excess capacity charge" and to be far below your MIC limit on a consistent basis means you probably pay for capacity that will never be required.

After tackling the low hanging fruit of low or no cost measures, the next step to making more substantial savings is to consider capital investment in energy efficiency. The reasons for investing in energy efficiency are broad and range from purely focusing on the environmental sustainability in an altruistic way to trying to improve the sustainability credentials of your business in a bid to enhance performance.

The performance of a business in relation to environmental sustainability can have a significant impact on its reputation, for better or for worse. Consumer businesses that have a "greener" image will often have greater appeal to the general public than those who don't, and conversely those that are perceived to have a

negative environmental impact as a result of their core operations may be viewed poorly.

The impact of your sustainable credentials doesn't stop with your customers' opinions, other stakeholders are looking at your business through this lens too. Your customers, particularly if you are a small business selling into much larger firms, may have sustainability agendas of their own and will extend the parameters of their sustainability strategy to include their supply chain. This can lead to a preference for suppliers that can demonstrate a greater level of awareness and activity in this area and in some instances this may stretch to compliance with certain international standards on energy or environmental management. The other major stakeholder group that evaluates your sustainability is your employee or prospective employees, with millennials in particular viewing environmental and socially responsible companies as more desirable destinations.

Finally, and for some, potentially the most important reason to invest in energy efficiency, is the economic benefit to the business. The right choice of energy efficiency project should always reap a financial return and now, with the improvement in efficient technology those returns are materialising quicker and quicker. For example, payback periods on simple LED lighting retrofits are averaging between two to two and a half years with some as short as one year.

It's after the payback period that the end user enjoys a financial benefit lasting many years longer through reduced operational expenditure. While LED lighting is one of the technologies often highlighted as having a relatively short payback, there are many other technologies with similar payback periods, such as heat pumps or high efficiency condensing boilers that SMEs should be evaluating depending on their energy usage and activity. Whatever equipment a business utilises, if it is at all dated, there is likely to be a more efficient version of it on the market that may make the capex investment worthwhile when the opex returns are material.

The financial savings are not purely in the form of energy bill reduction, there are other benefits associated with this type of investment with a range of grants and financial supports available to stimulate investment. The Energy Efficiency Obligation Scheme is an excellent example of this. This scheme, which is less formally known as "energy credits", is an obligation imposed on the larger energy suppliers to generate energy savings from business and residential projects.

This has led many energy suppliers to offer a level of support to companies considering energy efficiency investment as an extra incentive, with this incentive often being a level of cash support per kilowatt hour saved. These cash incentives get paid to the end user very soon after installation of the project and with some energy solution providers they may even discount this value from the upfront cost.

An SME business owner should definitely ask their technology supplier or energy supplier about energy credits if considering an investment. The often-forgotten

savings made from energy efficiency are in the areas of repairs and maintenance, where installation of new assets can reduce direct cost of repairs and indirect costs such as operational downtime and labour required to maintain or fix equipment. Accelerated Capital Allowances are also available for acquisition of assets that are deemed to energy efficient, improving the cash position of business by writing off 100% of the purchase value of the asset against their taxable profits in the year of purchase.

An energy efficiency project can have a material impact on a company's financials. As an example, let's review the impact of energy efficiency on an average mid-sized convenience store with turnover of €3m annually and a gross margin of 29%. Using typical performance metrics for this industry it is fair to expect the business to be paying approximately €45k per annum in energy costs.

If the retailer decided to invest €25k in an LED lighting project with a simple payback of 2 years it would result in a €12,500 annual saving that can flow straight to the bottom line.

To deliver that same level of EBITDA uplift through sales growth would require approximately an increase in turnover of €500k, which in a mature sector such as retail revenue uplifts of 17% is highly unlikely without very significant capital investment far in excess of the €25k energy efficiency project.

Despite the positive investment case for energy efficiency there still seems to be less investment in this area than expected. There is still a mind-set to look at top line growth as the first option to improve financial performance, but often management of overheads can have the fastest impact on your bottom line.

With many costs in business fixed or outside of the business owners control, investment in energy efficiency should be encouraged as standalone projects but also as business as usual. In addition to stimulating best practices amongst employees, any investment decision on equipment should consider the energy impact and assess the total lifecycle cost of an asset rather than the upfront cost and seek bank support if required. The savings generated through energy efficiency not only improves the performance and competitiveness of a business it also increases the cash available for future investment.

Convenience Store Example

	Pre-Energy Investment		Post Energy Investment	
Turnover	€3,000,000.00		€3,000,000.00	
Gross Margin	€870,000.00	29.0%	€870,000.00	29.0%
Less		0.0%		0.0%
Wages	€420,000.00	14.0%	€420,000.00	14.0%
Rent	€135,000.00	4.5%	€135,000.00	4.5%
Light & Heat (Energy)	€45,000.00	1.5%	€32,500.00	1.1%
Other Overheads	€195,000.00	6.5%	€195,000.00	6.5%
EBITDA	€75,000.00	2.5%	€87,500.00	2.9%

"An energy efficiency project can have a material impact on a company's financials."

Alan Makim,
Sector Specialist in AIB Business Banking and leads a team of specialists across a range of SME sectors including Energy, Retail, Hospitality and Professional Services.

Taxation News

Mandatory disclosure regime guidelines updated

Tax and Duty Manual (Mandatory disclosure guideline notes) Part 33-03-01 contains links to Revenue guidelines on the mandatory disclosure regime, which is provided for by Chapter 3 of Part 33 of the Taxes Consolidation Act 1997.

Guidelines for the regime reflecting legislative changes up to Finance Act 2014 were published in January 2015. These have now been updated and an overview of the changes made is provided in the manual.

Guidelines for the regime, reflecting how the regime applies for transactions which were commenced prior to 24 October 2014, have not been changed.

Source: www.revenue.ie

Has your Local Authority Rate changed for 2020?

From 2015 onwards, Local Authorities can vary the Local Property Tax (LPT) base rate on residential properties. The base rate is the rate as applied in 2014. The Local Authority can increase or decrease the rate by up to 15% from the base rate. This is referred to as the 'Local Adjustment Factor' (LAF).

Local Authority increases and reductions for 2020

Some local authorities increased their rate for 2020, while others have opted to decrease rates for 2020.

Revenue adjusted your LPT record if your Local Authority adjusted your LPT rate for 2020. You can use the online calculator to calculate your annual LPT liability.

The following table shows the rates applied for 2019 and 2020 and confirms which Local Authorities have adjusted the rate for 2020.

Source: www.revenue.ie

Local Authority	2019 (Variation from 2014 rate)	2020 (Variation from 2014 rate)
Carlow County Council	Nil	Up 5%
Cavan County Council	Nil	Nil
Clare County Council	Nil	Up 15%
Cork City Council	Nil	Nil
Cork County Council	Nil	Up 5%
Dun Laoghaire Rathdown County Council	Down 15%	Down 15%
Donegal County Council	Nil	Up 15%
Dublin City Council	Down 15%	Down 15%
Fingal County Council	Down 10%	Down 10%
Galway City Council	Nil	Nil
Galway Council	Nil	Nil
Kerry County Council	Nil	Up 10%
Kildare County Council	Nil	Up 7.50%
Kilkenny County Council	Nil	Up 15%
Laois County Council	Up 10%	Up 10%
Leitrim County Council	Nil	Up 15%
Limerick City & County Council	Up 7.5%	Up 15%
Longford County Council	Up 15%	Up 15%
Louth County Council	Nil	Nil
Mayo County Council	Nil	Nil
Meath County Council	Nil	Nil
Monaghan County Council	Nil	Up 15%
Offaly County Council	Nil	Up 15%
Roscommon County Council	Nil	Up 15%
Sligo County Council	Nil	Up 15%
South Dublin County Council	Down 15%	Down 15%
Tipperary County Council	Nil	Up 10%
Waterford City & County Council	Up 2.5%	Up 2.5%
Westmeath County Council	Nil	Nil
Wexford County Council	Up 10%	Up 10%
Wicklow County Council	Nil	Up 10%

Dual-Resident Companies: A New Tax & Duty Manual

A new Tax and Duty Manual Part 35-01-11, Dual-Resident Companies, has been created which outlines the new rule under Article 4 of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ('the MLI') regarding the residence for treaty purposes of companies which are resident of more than one jurisdiction ('the tie-breaker rule').

The MLI came into force for Ireland on 1 May 2019. It operates to modify Ireland's Double Taxation Conventions ('DTCs') in accordance with the final positions adopted by Ireland and its treaty partner on ratification of the MLI.

Where both Ireland and its treaty partner have opted for the tie-breaker rule, the particular treaty will be modified to include this provision. From the effective date, the tie-breaker rule requires the competent authorities to endeavour to resolve cases of corporate dual residence by mutual agreement having regard to a number of factors. Taxpayers affected or potentially affected by the tie-breaker rule must request the initiation of the mutual agreement procedure under the Mutual Agreement Procedure (MAP) Article of the relevant DTC.

In general, the tie-breaker rule will come into effect in respect of any of Ireland's DTCs at the earliest for taxable periods beginning on or after 1 November 2019.

Source: www.revenue.ie

Finance Bill 2019 Highlights

By Mairéad Hennessy

Mairéad Hennessy gives an overview of Budget 2020 / Finance Bill 2019

Budget 2020 was announced by Minister for Finance and Public Expenditure, Paschal Donohoe, on 8th October last. As the Minister stated himself, this year's Budget was "developed in the shadow of Brexit" and assumed a departure from the EU by the UK on 31st October without any deal.

On a positive note, however, improvements have been made to a number of small business tax incentives and the key provisions are summarised below.

The legislation enacting the Budget measures is contained in the Finance Bill 2019 ("the Bill") which was published on 17th October 2019. The Bill will be debated in the Houses of the Oireachtas and it is likely that amendments will be made during that process. The final text is expected to be passed into law before the end of the year.

Key Employee Engagement Programme (KEEP)

KEEP is designed to help Irish SMEs compete with larger firms to attract and retain employees. It provides for more advantageous tax treatment of gains arising on the exercise of qualifying share options. Under the new measures, various eligibility conditions will be eased.

The Bill amends existing KEEP legislation to reflect the changes which were announced on Budget Day, including provisions to:

- allow companies that operate through certain group structures avail of KEEP;
- amend the definition of "qualifying share option" to remove the requirement to issue new shares to the employee when the option is exercised. Existing shares may therefore qualify for the scheme;
- reduce the working hours requirement for a "qualifying employee" such that the employee/ director must work at least 20 hours per week for the qualifying company and devote not less than 75% of his / her working time to the qualifying company. This is an amendment to the current legislation which requires an individual to devote at least 30 hours per week working for the company;
- update the reporting requirements so that in the case of a qualifying group, a qualifying company within the group must be designated to report details of share options granted in a year to Revenue. This return must be submitted to Revenue by 31 March of the following year.

These new measures are subject to a commencement order because changes to KEEP must be notified to the European Commission under State aid rules.

Employment and Investment Incentive (EII)

The Bill includes changes to EII, a tax relief that can be used by trading companies to attract equity-based finance from individuals. The change allows for full income tax relief to be provided in the year of investment in respect of shares issued after 8 October 2019, rather than being split over years one and four as had previously been the case.

The maximum annual investment qualifying for relief for investors will increase to €500,000 where the investor undertakes not to dispose of the shares for 10 years. In all other cases, the annual investment limit will be €250,000 (an increase from €150,000 for 2019). The increased limits will apply from 1 January 2020.

The Bill also includes a number of technical amendments.

Research and Development (R&D) Tax Credit

The Budget included announcements in relation to enhancements to Ireland's R&D tax credit, with a focus on SMEs. These measures are included in the Finance Bill.

The credit will be increased from 25% to 30% for micro and small companies, as defined under the Annex to Commission Recommendation 2003/361/EC of 6 May 2003. This includes companies with less than 50 employees, and which have an annual turnover and / or balance sheet total that does not exceed €10million.

The Bill includes an improved method of calculating the limit on payable credit for micro and small companies. The limit will now be based on twice the current year payroll liabilities. In addition, micro and small companies will be entitled to claim an offset of the R&D tax credit for pre-trading expenditure against their PAYE, USC and VAT liabilities for the same period, the overpayment can be refunded to the company. These are very welcome changes to the operation of the credit and will hopefully lead to an increase in the number of SMEs availing of the relief.

The Bill provides that the level of expenditure on R&D that is outsourced to universities that can qualify for the credit will be increased from 5% to 15% of overall expenditure on R&D. This is a very welcome improvement to the relief as it supports collaboration between industry and academia to deliver innovations.

Where expenditure is outsourced, the taxpayer must notify the person to whom the R&D is outsourced that the R&D tax credit is being claimed by the taxpayer (so that the person undertaking the outsourced R&D does not also seek to claim a credit). The Bill requires that notification to be made on or before the date payment is made.

The Bill confirms that all State or EU grants must be excluded from qualifying R&D expenditure.

Dividend Withholding Tax (DWT)

The Budget confirmed that the DWT rate will be increased from 20% to 25% from 1 January 2020. The existing exemptions continue to apply and as a result, the increase should be relevant to a limited number of recipients of dividends from Irish companies.

From 1 January 2021, Revenue will introduce a modified DWT regime that will allow a personalised rate of DWT to be applied to each individual taxpayer. Questions remain as to how this new regime will operate in practice.

Transfer Pricing

The Bill implements previously announced changes including updates to Ireland's Transfer Pricing regime. These new rules will bring the Irish rules in line with international best practice OECD Guidelines.

The main changes are that connected party transactions must be calculated on an arm's length basis and will also include non-trading income such as loans and capital transactions which have a market value exceeding €25milion. In addition, the grandfathering that existed for transactions agreed before 1 July 2010 will be removed.

Larger groups will now also be required to maintain a master and local Transfer Pricing file setting out their group Transfer Pricing principles. Medium sized groups will now also be required to hold robust Transfer Pricing documentation but may be required to provide master or local files where intercompany transactions exceed €1million. Smaller groups who employ less than 50 staff with turnover less than €10million or net assets under €10million should continue to be exempt.

The Bill also includes some Transfer Pricing changes that were not announced in the Budget. Notably, the rules now provide that taxpayers who make reasonable efforts to comply with the Transfer Pricing rules can be protected from tax-geared penalties in the event of a Transfer Pricing adjustment. In addition, new penalty provisions provide for a €25,000 penalty where a request by Revenue for supporting Transfer Pricing documentation is not satisfied (daily penalties can also be applied).

Stamp Duty

The Bill includes provisions to effect the announced increase in stamp duty from 6% to 7.5% on transfers of non-residential property. The increased rate applies to instruments executed on or after 9 October 2019. If a binding agreement was in place before 9 October, the increased rate will not apply provided the instrument of transfer is executed before 1 January 2020 and it includes a certificate confirming that a binding agreement was in place before 9 October 2010.

A new charge on "cancellation schemes" is included in the Bill and applies to scheme orders made in respect of Irish companies on or after 9 October 2019. These transactions involve arrangements whereby an Irish company is acquired by cancelling shares in that company and issuing new shares. The provision imposes a 1% stamp duty charge on the consideration received for the cancelled shares. Previously stamp duty did not apply as there is no transfer or conveyance on sale of shares.

"...improvements have been made to a number of small business tax incentives..."

Other Measures in Finance Bill 2019

- The Earned Income Tax Credit for the self-employed will rise by €150 to €1,500.

- The Bill extends the benefit-in-kind (BIK) exemption for electric vehicles, with an original market value (OMV) of €50,000 to 31 December 2022 (it was due to expire on 31 December 2021). A deduction of €50,000 will be available for electric vehicles with an OMV more than €50,000 when determining the taxable BIK using existing rules.

- The Special Assignee Relief Programme (SARP) and the Foreign Earnings Deduction (FED) will be extended until the end of 2022.

  SARP provides relief from income tax on the earnings of employees who are assigned to work in Ireland from abroad where certain conditions are satisfied. The SARP scheme has been extended to the end of 2022 allowing employees arriving in Ireland in 2021 and 2022 the opportunity to avail of SARP relief.

  The FED is a relief from income tax that is available to employees who are resident in Ireland but spend time working abroad. It has been extended to the end of 2022.

- Following an external review of the CGT Revised Entrepreneur Relief, no changes will be made to the relief at present. However, the Department of Finance will consider the outcome of the review to determine any changes that could be made to better support entrepreneurs and entrepreneurial activity.

- The lifetime Group A tax-free threshold which broadly applies to transfers between parents and their children under the Capital Acquisitions Tax (CAT) regime has been increased from €320,000 to €335,000.

- The Bill amends the CAT Dwelling House Exemption rules to reflect the High Court decision in the Deane case. The new provision changes the conditions of the relief to ensure that all properties inherited from the same estate are considered when assessing an individual's eligibility for the exemption. A clawback is provided for where a beneficiary subsequently receives an interest in any other dwelling house from the same deceased person.

- The farm restructuring relief will be extended until the end of 2022.

- A mandatory disclosure regime for certain cross-border transactions that could potentially be used for aggressive tax planning has been introduced. This is in line with EU Directive on Administrative Compliance 6 (DAC6). Uncertainty exists regarding the practical operation of the legislation and it is hoped that Revenue guidance on this will be provided.

- The Bill includes amendments to procedures for tax appeals. The Appeal Commissioners are now required to notify the parties to attend a case management conference of the time and place it will take place, in line with existing requirements for attending at hearings.

  The Appeal Commissioners may dismiss an appeal where a party has failed to comply with a direction to attend a case management conference and the Appeal Commissioners are not satisfied that the failure to attend was due to illness or other reasonable cause.

Overall Budget 2020 and Finance Bill 2019 reflect measures that were generally anticipated in advance of Budget Day last October. The extension and enhancements to some key tax reliefs for SMEs are to be welcomed. Nevertheless, the shortcomings with CGT Entrepreneur Relief remain. The taxation of entrepreneurs is an area that needs to be improved in the near term in order to retain Ireland's competitiveness in maintaining its high level of entrepreneurial activity.

Mairéad Hennessy,

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

In Practice News

Auditors need to improve their challenge of management urgently

05 November 2019

Audit quality is still not consistently reaching the necessary high standards expected, according to the Financial Reporting Council's (FRC) Developments in Audit report, particularly when challenging management and performing routine procedures such as revenue recognition.

AQR inspection reports show that auditors continue to struggle most with challenging management sufficiently, especially in more judgemental areas, such as long-term contracts, goodwill impairment or the valuation of financial instruments.

The inherent uncertainty and high potential financial impact of these issues mean the importance of robust, specific and independent challenge is vital.

Other shortcomings were identified in more routine audit procedures - notably in relation to revenue recognition, which is typically a key metric considered by users of financial statements.

This year's Developments in Audit also spotlights the FRC's assessment of auditors' work on internal controls. The FRC found too many auditors were not properly identifying relevant controls in areas of significant risk or were not adapting their audit approaches sufficiently when controls were found to be deficient.

A closer analysis of inspection results also revealed:

- year-on-year familiarity with audited entities can lead to the same audit approach being followed even when changes in the business or trading environment demand a different strategy;
- too often, audit teams appear prepared to accept what management tells them rather than questioning its plausibility and drawing on specialists to form their own view; and
- audit teams too regularly accept unrealistic deadlines resulting in inadequate work.

Over the past two inspection cycles, the FRC's Audit Quality Review team has referred 17 audits for potential Enforcement action and investigations have been opened in ten of those cases.

And in the past year, the FRC's wider enforcement activity has seen a near trebling of fines from £15.5m in 2017/18 to £42.9m in 2018/19 and a far greater use and range of non-financial sanctions, rising from 11 in 2017/18 to 38 in 2018/2019.

Source: www.frc.org.uk/news

Guidance Notes

Guidance Note on the Audit of Credit Unions - October 2019

IAASA has issued a Guidance Note 02/2019 on The Audit of Credit Unions. IAASA has also released a Feedback Paper on the responses received to its Consultation Paper.

Source: www.iaasa.ie

Guidance on Control Requirements for Statutory Audit Firms October 2019

CPA Guidance has issued outlining the control requirements for statutory audit firms. In essence a statutory audit firm must be controlled by statutory auditors to ensure that the standard and quality of the delivery of statutory audit services is not influenced by non-audit partners/principals/directors or shareholders in the firm.

The cont rol of the firm by statutory auditors must be considered in terms of control of voting rights and also by reference to majority headcount. For further details please visit www.cpaireland.ie/cpaireland/media/professional-standards

Important Notice - Changes to Eligibility Criteria for Audit Qualification

Members and students are advised of changes being made to CPA Ireland's Bye Law 13, Practice and Audit Regulations.

It is expected that these revised Bye Laws will become effective from **1st January 2020.**

Some of the key changes are in the area of the eligibility criteria for audit qualification. I**f you are considering making an application for audit qualification to enable you to act as a statutory auditor in the future, you should be aware of some significant changes in this regard and plan your training accordingly.**

The key change to the training requirement for statutory audit is to the extent of training required in the area of statutory audit. Under the revised Bye Law, a candidate is required to complete a **minimum of three years training** working under the direct supervision of a Statutory Auditor, **at least two of which must be post admission to membership of CPA.** A substantial part of such practical training shall be in statutory audit work and **at least forty weeks** of such practical training shall be completed post admission to membership in statutory audit, supervised by a statutory auditor.

Applicants for audit qualification must also meet the educational requirements of Schedule 19 of the Companies Act 2014. A review of a candidate's examinations completed and exemptions granted will also be conducted.

For further details please visit cpaireland.ie.

Helping your clients
create a business succession plan

by Glen Foster

Business succession plans are important for growth strategies and peace of mind. According to Portia Hickey, chartered business psychologist and co-founder of Thrive Matters, "Succession plans don't just help set your business up for the future, they help you get the most out of your staff right now. If everyone understands what they're working towards, they'll know what skills they need to develop."

And Irish small business owners seem to agree. We recently polled 500 SME owners across The Republic and found that a third of those with a clear succession plan in place feel more confident about the future of their businesses. A further 17% said having a succession plan in place has brought their families closer together.

This is relevant for accountants because they can be much more than just number crunchers – with the right approach and attitude, they can be trusted advisors. Here's what to advise if you're asked about succession planning.

What is succession planning?

Succession planning is about thinking long-term – giving the prospective inheritors of a company the tools they need to succeed through a clearly defined process of training and assessment.

It could as easily be called 'transition planning': ensuring that leadership quality remains consistent even as the leaders themselves retire and are replaced.

If an internal successor is chosen, it can be extra motivating for staff, who'll ideally be working under someone they know and like, and also save on costs and time spent scanning candidates from other firms.

With small to medium sized family firms making up three quarters of Irish businesses, having a robust succession plan is crucial to the wider economy.

Imposter syndrome

From a psychological standpoint, succession plans can also help to protect against imposter syndrome. Imposter syndrome is a psychological pattern which manifests itself by doubting accomplishments, accompanied by a persistent fear of being exposed as a "fraud". The problem with Imposter Syndrome is that the self-doubt persists despite objective evidence that the person is highly competent. There are inherent psychological reasons why some people suffer from it, but if someone feels like they got the job just because they're family, rather than because they have the skills, imposter syndrome could be triggered. You can work with your clients to help create a plan that alleviates these personal challenges.

Similarly, having a method for choosing a successor means that you can remove any worries about an internal candidate being handed the keys on a silver platter. There's a clear opportunity here to help ensure the business continues to prosper during the transition.

Create an exit strategy

Business owners tend to underestimate how long it takes to sell a business. The truth is that it can be difficult to balance the need for a succession plan with the immediate requirements of the company. The process usually takes years, so it's worth getting started on the exit plan sooner rather than later and making space for the regular conversations and decisions that can decide the business' future direction. The more it's rushed, the more likely you are to make mistakes and sell at a price that your client isn't happy with.

An exit plan should outline what needs to happen within a set timeline or schedule. But you'll also need to account for your clients' feelings. The thought of leaving the business they've built can be understandably tough, but these emotions can also affect the decision-making process. Try to acknowledge feelings when you can to help draw a line between emotion and logic.

Incumbents are likely to have some anxiety around succession. They won't necessarily know how to train their appointed heir or even know how to plan for the future, and it's not a given that you'll be able to persuade them that the whole process is worthwhile. Handling these human factors will be an integral part of helping your client develop a new generation of business leaders.

It's unlikely that clients will have sold a business before, so you'll need to explain the process to them in layman's terms. Setting a schedule will really help alleviate any anxiety, as will to do lists and thorough notes. A schedule should include but is not necessarily limited to; planning, business housekeeping (e.g. financial/developmental/legal), successor mentorship/training, handover and transition. Being flexible is key. Agreeing short term goals will help sustain focus in the long run.

A lot of business owners sell to family or loyal staff members, which can sometimes mean the buyer won't have all the money right away. If they can't pay straight away, you'll need to help your client create a plan for slower transition and staggered payments. Handing over to a family member does not remove the need to account for timings, desire and other personal circumstances.

You'll also need to advise on a contingency plan in case plans fall through. This needs to be an extensive document covering all potential scenarios and their impact on the business. By creating a robust plan, it will help ensure that your client's succession plan is equally as extensive. You can also help your client communicate this to the wider business by advising them on transparency and discretion. Your perspective will help guide on who needs to know what, and when. The more time employees are given to digest the news, the better they'll adjust to the change: a long, peaceful transition is always better than a short, sharp shock.

Make sure the business is ready to sell

The business needs to be in the best shape possible before it goes to market. This means that staff should be fully trained, business systems modernised and any other tasks that bosses tend to put off need to be taken care of.

One thing you can control is getting the financial data in order. Buyers will normally want to see two years' worth of financial data so if your client has neglected their financial records, you'll need to take action. Online accounting software will help you get records up to date so that you don't have to rush the process, or get bogged down in time consuming admin.

It's also worth taking time to figure out what drives value in the business and developing them further to increase the overall value of the company. If you do this with enough time to spare, you can help make a real difference to the sale price.

Similarly, try and fix the things that might put a buyer off. For example, there are probably workflows that could be overhauled and made more efficient. Automating functions like accounts payable, receivable, payroll and expense management will instantly tighten things up and make them easy for the new owner to pick up.

Sell the business

Unless your practice has a business brokering service, you'll need to refer your client to other professionals when it comes to selling. Build connections and trust with brokers and lawyers that you can refer your client to, and they'll likely reciprocate further down the line. Keep in touch with your client and let them know what they can expect from lawyers, brokers, and the due diligence process. Communication is key at this stage.

As one of your client's most trusted advisors, you should expect them to come to you for advice throughout the entire succession process. While you don't need to necessarily know the legal ins and outs, it will help if you are confident on these topics and able to relieve any potential concerns.

Succession plans create more clarity for everyone involved. Those that have one in place find it easier to make business decisions, and they also give everyone in the company a better idea of where the business is headed. If you're an accountant, you can play an important part in the process if you want to – there's so much more to it than managing the books and counting the beans. Succession planning is a strategic requirement, and modern accountants must be strategists above all other things to prove their worth to clients.

If you do so, you'll be more valuable to your clients' business than ever before – and become a loyal, trusted advisor that they want to build long-term relationships with.

Glen Foster,

As the Director responsible for our sales team and sales performance, I lead a team of 65+ including a sales management team, field-based account managers which cover both national accounts, regional account management and a large inside sales team in Ireland and the UK.

Audit Developments in the UK

by Philip Johnson

In this article, Philip Johnson looks at the details of the UK audit reviews, what changes can be expected following these reviews and how some changes may bring about new opportunities for audit firms.

Background

There has been considerable focus over the last 22 months on the audit profession in the UK. Corporate collapses such as Carillion and more recently Thomas Cook have led to the inevitable question in the media as to where were the auditors? That of course conveniently forgets that the primary focus should be on those responsible for running the companies in question and in particular, the executive directors.

The UK is not alone in putting audit under the microscope. A review into the audit profession is ongoing in the Netherlands and a series of audit related reviews are taking place in Australia. The EU has also commenced its review of the 2014 Audit Directive and Regulation that took effect in 2016.

UK Audit Reviews

The main audit related reviews in the UK that have recently completed or are still in progress are:

1. The Kingman Review of the Financial Reporting Council (FRC);
2. The Competition and Markets Authority (CMA) Market Study of the Audit Market;
3. The Brydon Review; and
4. The Department for Business, Energy and Industrial Strategy (BEIS) Parliamentary Committee 'Future of Audit' review

1. The Kingman Review

Sir John Kingman was tasked in April 2018 by the then Secretary of State for Business, Energy and Industrial Strategy (BEIS), to lead a root-and-branch review of the FRC. Sir John's report to government was published in December 2018 and he recommended that the FRC be replaced with an independent statutory regulator, accountable to Parliament, with a new mandate, new clarity of mission, new leadership and new powers and that it should be called the Audit, Reporting and Governance Authority (ARGA). Additionally, he recommended that:

- The new regulator's proposed strategic objective should be "To protect the interests of users of financial information and the wider public interest by setting high standards of statutory audit, corporate reporting and corporate governance, and by holding to account the companies and professional advisers responsible for meeting those standards."
- It should comprise a new (significantly smaller) board with some, but limited, continuity with the existing board and its sub-board structure should be simplified.
- It should not seek to be "representative" of stakeholder interests.
- It should publicly report Corporate Reporting Review findings and should develop a new capability to offer pre-clearance on interpretation of accounting standards.
- It should develop a robust market intelligence function to identify emerging risks at an early stage.
- It needs to be able to act quickly where potentially serious problems are indicated and take further action if necessary.
- It should work towards publishing individual audit quality inspection reports, including gradings in full.
- It needs to engage at more senior level in a much wider and deeper dialogue with UK investors.
- It must be able to recruit staff of the calibre, expertise and seniority necessary to hold those regulated to account.
- It should develop a pool of 'grey panthers' whose expertise could be drawn on when needed.
- Government should review the definition of a Public Interest Entity (PIE) and working with

the new regulator, develop detailed proposals for an effective enforcement regime for PIEs that holds all relevant directors, not just members of professional bodies, to account for their duties to prepare and approve financial statements and to deal openly and honestly with auditors.

- Government should introduce a duty of alert for auditors to report viability or other serious concerns.
- BEIS should put in place a statutory levy (increased funding will be required).
- BEIS should give serious consideration to the case for a strengthened framework around internal controls in the UK, learning any relevant lessons from the US Sarbanes-Oxley regime (Proportionality is key).

Some of these recommendations are already being taken forward by the FRC. Others require the introduction of primary legislation. The first Government consultation on certain of these proposals ended on 11 June 2019 and more consultations are expected. The envisaged impact is a much more powerful regulator that will seek to exercise greater powers over both corporate UK and also the larger audit firms. The FRC's new leadership team: Chief Executive, Sir Jon Thompson (formerly the CEO of HMRC), and Chairperson, Simon Dingemans (formerly Chief Financial Officer at GlaxoSmithKline plc), are now in post. They will lead the transition to ARGA.

2. CMA Market Study into the UK Audit Market

The CMA issued its final report on its market study into the audit market in April 2019. It decided not to undertake another full market investigation (as it had in 2011-13). As a direct consequence of this decision the CMA cannot utilise its powers to enact legislation but rather only make recommendations to Government.

The CMA reported that it had identified the following problems with the audit market:

- Issues of a regulatory nature;
- companies select their own auditors and audit committees are only a partial solution to this problem;
- a high level of concentration among the Big Four, resulting in limited choice and a market that is not resilient; and
- audits being carried out by firms whose main business is not in audit.

To seek to address these problems the CMA proposed the following primary remedies:

i. Robust regulatory oversight of audit committees.

Greater scrutiny by the new regulator is intended to increase accountability of audit committees. This recommendation consists of three elements that would require the regulator to have the power to:

a. mandate minimum standards for both the appointment and oversight of auditors;

b. monitor compliance with the minimum standards; and

c. take remedial action where necessary.

It is intended that this remedy would initially apply to all FTSE 350 companies, although the CMA envisages that at a later date consideration could be given to expanding its scope.

ii. a. The introduction of Mandatory joint audit

This would apply to FTSE 350 companies and one of the joint auditors should be a non-Big Four firm. There should be initial limited exceptions, based on criteria set by the regulator – mainly the largest and most complex companies would be exempt.

Any company choosing a sole challenger auditor would also be exempt. The introduction of joint audit is intended to be gradual and no proposed change to the UK auditor liability regime is proposed. Additionally, audits of companies exempted from the joint audit requirement may be subject to real-time peer reviews from a non-Big Four firm (except in rare circumstances where a Big Four firm may be used) commissioned by and reporting to the regulator.

Companies should make the transition to joint audit no later than when their next tenders arise.

ii. b. The regulator should monitor the health of the audit firms.

It should work with the firms' management to keep abreast of developments. If it became apparent that a Big Four firm was in distress or likely to fail, with audit contracts and staff moving to the remaining Big Three, the regulator should use additional powers and/or take executive control of the distressed Big Four audit firm to limit the movement of clients to the other Big Three, while maintaining audit quality. This remedy aims to preserve choice if a Big Four firm were in distress or approaching failure and ensure that as many as possible of the audit clients of a distressed Big Four firm were transferred to a new firm, a challenger firm, or remain within the same firm while a turnaround was implemented.

iii. Operational split between the Big Four's audit and non-audit businesses

This remedy would require the Big Four (other firms might be included at a later date) to put in place a strong strategic and operational split between their audit and non-audit services practices.

The regulator should be given the powers to design the specific details of the remedy and refine it over time. The key elements of the operational split are likely to be as follows:

- No profit-sharing between the audit practice and the non-audit practice, with audit partner remuneration linked to the profits of the audit practice only.
- Separate financial statements for the audit practice, consisting of a profit and loss statement for the audit practice.
- Transparent transfer pricing, checked by the regulator, particularly for the use of non-audit specialists on audits.
- The audit practice should also include audit-related services, such as various regulatory reporting requirements that regulators regard as being best carried out by companies' auditors.
- A separate CEO and board for the audit practice, populated by a majority of independent non-executives, who should be answerable to investors in audited companies, and to the public interest via the regulator.
- The audit board should be responsible for all remuneration and career progression decisions within the audit practice.

If it proves impossible to complete an operational split that delivers the expected improvements, the CMA has stated that a re-examination of the merits of a full structural split in the UK would be necessary. Additionally, the CMA proposed that the government and the regulator could consider introducing a deferred compensation and clawback regime for senior audit staff and partners.

iv. A five-year review of progress by the regulator.

The regulator should be required to review and assess the effectiveness of the remedies over this horizon. The CMA appreciates that the assessment of the effectiveness of joint audit would take longer.

It must be emphasised that many in the corporate sector do not support the measures proposed. The UK Government has yet to respond to the recommendations, but some aspects are being considered by the BEIS Parliamentary Committee – see below.

3. Brydon Review

Sir Donald Brydon, Chair of the Sage Group is currently leading an independent review, looking at audit as a product and what audit should be in the future. The review was commissioned in response to the perceived widening of the "audit expectations gap" - the difference between what users expect from an audit and the reality of what an audit is and what auditors' responsibilities entail. Recent company failures have brought this gap into greater focus.

Objectives

The Independent Review is examining the existing purpose, scope and quality of statutory audit in the UK, in order to determine:

a. the needs and expectations of users of financial and non-financial corporate reporting;

b. how far the audit process and product may need to improve and evolve to meet the needs of users and to serve the wider public interest;

c. what specific changes to the statutory audit model and wider regulatory framework for audit may be needed to deliver this, including any changes to company law; and

d. whether other forms of business assurance should be developed or enhanced to enable shareholders and other stakeholders to assess better the future financial prospects and sustainability of companies.

The primary focus of the review is on PIEs, but it intends to be mindful of the impact of any recommendations on smaller and non-listed entities. It will also consider how the audit product should be developed to take account of changing business models, new technology and stronger public expectations.

To assist his review, Sir Donald established advisory panels on business, audit and technology. A consultation was launched in April 2019 which ended in June 2019.

This explored a range of matters that included:

- Who are the stakeholders?
- Is the scope of audit still appropriate and is it meeting existing requirements?
- Should the UK consider introducing something similar to the US Sarbox regime on internal controls?
- Should auditors be providing assurance over more areas of the annual report?
- Is more required of auditors in relation to their assessment of whether an entity is a going concern or indeed an entity's viability statement?
- What impact is technology having and indeed what further impact will it have?
- Is there a need for reform of the Auditor liability regime?
- Are more informative audit reports required (graduated auditor reports)?
- What is the auditor's role in relation to a company's capital maintenance?
- Should external auditors make greater use of the work of internal auditors?
- What is the auditor's role in relation to the detection of fraud?

Sir Donald Brydon will report to the BEIS Secretary of State by the end of the year. It is not yet clear whether that report will be made public or indeed whether it will be his final report. Recently he specifically highlighted that he hopes his review will address concerns about IFRS and capital maintenance.

4. BEIS Parliamentary Committee – Future of Audit

The BEIS Parliamentary Committee undertook an inquiry into the future of audit and its main recommendations published in April 2019 were:

- Consideration should be given to how the scope of audit might be widened to give the auditor more opportunities to express forward-looking opinions.
- To support the CMA's proposal to increase regulatory oversight of audit committees to ensure that audits are independent, robust and free of bias towards the Big Four. If this does not work, independent appointment of auditors by the regulator should be considered.
- To propose the introduction of a segmented market cap and the use of joint audits, on a pilot basis, for the most complex audits to enable the so called challenger firms to step up.
- All company directors, regardless of their professional qualification, should be accountable for their performance and liable to the regulator's sanctions, including if company reporting falls short of the required standards.
- To welcome the Government's commitment to consider and consult on the possible introduction of a strengthened framework around internal controls on a similar basis to Sarbanes-Oxley.
- Companies should be required to disclose the balance of distributable reserves in the annual accounts and break down profits between realised and unrealised.

The Committee continues to monitor developments.

5. FRC – Other Developments – Changes to Auditing and Ethical Standards

The FRC has also been consulting on proposed revisions to its Ethical Standard and certain of its International Standards on Auditing (ISAs) (UK). The FRC has already strengthened ISA 570 'Going Concern'. These revisions include requiring greater work on the part of the auditor to more robustly challenge management's assessment of going concern, as well as a new reporting requirement for the auditor of PIEs, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work they have done in this respect. The changes to the FRC's Ethical Standards and other ISAs (UK) have yet to be announced but it is expected that auditors will be prohibited from providing non-audit services (subject to a small list of permitted services) to certain audit clients (scope to be determined).

6. Conclusion

In conclusion, the audit review situation remains very fluid in the UK. However, hopefully by next year there will be more clarity as to what changes one can expect to be introduced. It has to be hoped that a holistic assessment will be made of all the proposed changes emanating from each of the respective reviews to ensure their compatibility and reduce the risk of any unintended consequences.

Whilst many might see challenges ahead, some of the revisions may offer new opportunities for audit firms and encourage persons to remain within the profession or indeed to join it. Furthermore, the impact of technology will have an even greater impact in the years ahead.

Philip Johnson ,

ICAS Council Member and Past President of Accountancy Europe

Making your Firm Attractive to Job Seekers

by Ed Heffernan

A company is only as good as the sum of its people – fact. In an era of close to full professional employment, attracting and retaining real talent has never been so important; nor has it ever been so difficult. In this article we will explore why this is happening and how small and medium sized companies in Ireland can be competitive.

Why is it so competitive for talent in Ireland?

With a record 2.3 million people employed in Ireland, we are in the midst of a war for talent in almost all parts of the labour market – particularly within our specialist area of accounting and tax. Employers are competing with each other to attract and retain the best and brightest, at a level never seen before in Ireland. From graduate recruitment which this year saw possibly the biggest ever intake by the Big 4 firms, through to mid-level/experienced management roles there is far more demand than supply; inflating wages and frustrating hiring managers in what firmly is a candidate driven market.

Conversely, the very senior end of the market (CFO/FD) remains reasonably challenged with an oversupply of high calibre people and an undersupply of relevant roles at the top of the finance organisation; causing slight salary deflation and frustrating senior finance professionals in what still remains a hiring manager driven market. The tipping point between these two extremes is at circa the 110/120K mark in larger companies and at FC/FD level in SME businesses.

The take away here for SMEs is that it might actually be easier to find a Finance Director than perhaps a recently qualified or part qualified accountant. It's counter intuitive but it is the real consequence of supply and demand for finance talent in Ireland today; or what we like to call recruitment economics.

What has driven this change?

Demand has been primarily driven by the creation of new roles in challenger Irish companies, larger Irish multinationals, FDI and by service innovation in larger practice firms (consulting, advisory and related areas).

FDI has resulted in an increased proliferation of international finance hubs (and the nature/geographical scope of their services to internal customers) and the establishment of strategic business units with finance, commercial and technology teams to serve European customers. People taking up these "new jobs" will often create a gap in the company they are leaving. This creates a "domino" effect that can result in a succession of similar opportunities arising from the creation of just one new role.

The SME space in Ireland has seen reasonably consistent growth in recent years but the oversupply of senior finance people in this area (the hangover from the recession) has dampened the feeling of competition for finance talent in the SME space.

In tandem with these increases in demand there has been a significant shift in part of the supply curve. Minimal graduate intakes into the accounting profession from 2009 to 2011 resulted in a decline in the number of qualified accountants entering the market from 2012 to 2014/15. Add to this the fact that large numbers of accountants move overseas after qualifying, for longer periods of time and, cumulatively, you have some serious supply issues at a certain level of newly qualified accountants. This experience "bubble" is here to stay and while supply has been increased at intake levels since circa 2012/13 the aforementioned gap will stay with us for many years to come.

How can SME employers compete in this new reality?

When companies like Google have almost infinite resources to attract finance talent, at any level, it can be hard for smaller companies, with limited resources, to attract talent in the first place and to then retain that talent for a meaningful period of time. We've prepared some tips that we hope will help you with both sides of this tricky challenge.

Attracting Talent:

There is no point in trying to compete with the employer branding and advertising budgets of bigger companies. Instead, it's about trying to out think them. There is no one way to do this but here are a few things that you can do that, cumulatively can create a tipping point in your favour:

1. **Control your first impressions:** You will be judged by your website, both it's content and user experience. You will be judged by your hiring managers LinkedIn profile and how it represents both their and your employer brand. You will be judged by your Glassdoor reviews. You will be judged by your companies' profile on LinkedIn and other social media. It does not take a lot of money and it does not take a lot of time to get these things

right, but it does take effort. Making sure that you cover these basics is your first step.

2. **Showcase your people:**
People join people and people leave people. Use the more human friendly social media platforms to showcase your people inside and outside of work. Sharing the odd photo of a company event or activity can do wonders for your employer brand. As long as you do it consistently, over time, you will build up a simple online history of how it feels to work in your business. Never underestimate the importance of simple consistent effort in this area.

3. **Write job specs for external, not internal use:**
Too many companies create job descriptions that list duties, contain internal acronyms, talk to tasks and demand experience. People do not apply for jobs because the tasks involved were so well detailed. They apply for jobs because there is something about the company and the role that appeals to them. They apply for jobs because of how they feel.
Write the job descriptions to appeal to your audience. Invite them in. Include quotes from the hiring manager or an existing member of the team. Speak about how it feels to work in your business. Simple tweaks like this can make a big difference. You won't have as many roles as the bigger companies so make sure to put the effort into the roles that you do have.

4. **The personal touch from day 1:**
These days if you think it's OK to email applicants to set up interviews you're wrong. If someone looks good then the hiring manager, or someone capable of engaging with the person in a meaningful way, should take the time to pick up the phone. This personal touch can really go a long way.

Accommodate their diary, invite them in to "meet the team" rather than interview, make them feel wanted and feel important. Most importantly keep control of the process – they can choose not to email you back but if you get them on the phone, they are much more likely to engage and participate.

5. **Develop Your Unique Value Proposition:**
Contrary to popular belief, the interview process should not be a candidate interrogation. Yes, of course, it is your opportunity to evaluate an individual's skills, competencies and achievements, but just remember, they are also evaluating you and your business, to decide whether this proposition is going to give them the opportunity they are looking for.

When you're dealing with top talent, it's absolutely vital to remember that they won't just be interviewing for one job, they are likely interviewing for 5-10 other opportunities, and could achieve up to 50% conversion to job offer. If this is the case, you have a fight on your hands, and this should be fought from the first time you shake hands, not at the end of the process.

6. **WIIFM (what's in it for me):**
Understanding your audience's priorities is key to negotiating, and closing, a mutually beneficial deal. If your strategy is to attract and secure top talent, you must take time to consider the drivers of

aspirational and talented finance professionals. It's absolutely critical to develop a real and engaging value proposition for why your leadership, this role and the wider company is right for them. Providing a full briefing on company vision, a clear role direction and a demonstrable career path for future development is pivotal. Consider bringing in peers, previous holders of this position and company success stories to talk through their experience and support your case.

7. **You are your company brand:**
   What you, and your interviewing partners, say and do throughout the interview process will create an impression of what it is like to work in your team. Put yourself in their shoes. If you were in an interview process, what would you be looking for in a new boss? Vision, integrity, the feeling that you would be valued? Most likely all of the above.

   Beyond interacting meaningfully in an interview to bring them into your world, it is absolutely essential to manage expectations fully. Demonstrating indecisiveness, not giving feedback on time, or worse, not giving feedback at all is a sure-fire way to cause irrevocable damage to not only a potential offer acceptance, but also your reputation as a hiring employer in the market.

8. **It's not all about the base but salary is important:**
   Today base salary is very much a hygiene factor – paying the right salary or above is not a motivating factor but paying even €1K less than expected is highly demotivating. Don't play games with salary. Be clear as to your range at the very beginning, clarify expectations as you go through a process and when you do make an offer make it in person, explain your reasoning and at the same time paint a future vision for how you will help the person increase their learning and earning into the future.

There is one thing that is more important than any of the above. The thing that SMEs have and multinationals can never have. With SMEs it's personal. People in SMEs have far higher connectivity with what the business does, with customers and with each other.

People in SMEs have broader roles and more exposure than in multinationals; often enjoying a wider variety of activity and the ability to get involved outside of their department. Never underestimate the value that variety and a personal touch can have for prospective employees.

Retaining Talent:

This is about living the reasons that the person joined your business in the first place. There are many things you can put in place to increase talent retention, but you can't expect any magic bullet. You also need to mean the things you put in place and your leaders need to live it. Some simple things that we know work include:

1. **Flexibility:**
   Every salary survey in the last three years has pointed to flexibility being key. Flexibility to start a little earlier/later, to work from home from time to time maybe even to finish at 4pm on a Friday. Small, simple things like this empower people and encourage them to build a life around work. The more integrated life and work are the less likely someone is to leave.

2. **Learning:**
   Build small, regular learning opportunities into the working week and your people will feel invested in. It does not have to cost anything but time. Supporting study (leave, fees and encouragement) is also very powerful.

   Offering opportunities for people to take on new duties can develop them horizontally (rather than vertically) and solve lots of problems for you at the same time. Learning is key to keeping your team together.

"Random acts of kindness build loyalty like nothing else."

3. **Wellness & mindfulness:**
   There's lots of literature out there on this and it's worth spending a little time and picking one or two things that make practical sense for you to implement. Small gestures in this space can be the glue that keeps people together.

4. **Random acts of kindness:**
   These are the most powerful things an SME owner can do. Getting in ahead of an expected salary review and offering the raise before it is asked for; telling someone to finish up early on a Friday as you know they have put the hours in this week already; being cognisant of life events and thinking of ways to make them feel important to you too. Random acts of kindness build loyalty like nothing else.

Implementing some of these simple, low cost, approaches to talent attraction and retention can creating lasting value for you and for your people. Get the mix right for you and you'll win the war for talent in the long run.

Ed Heffernan,

Managing Partner,
Barden Accounting & Tax

Digital Transformation
Transforming Business in Stages

by Chris Howard

Introduction

There are many benefits and reasons as to why a company would look to automate their business processes, including empowering employees to work smarter, increasing the company's level of control, better productivity, and a reduction in laborious tasks.

There is a business imperative for all organisations, large and small, to make a conscious effort to become more agile and responsive to their customers ever-changing needs. The main driver for companies to engage in digital transformation is because their customers and their market demand and expect process improvement via digital platforms. Clients these days expect to be able to place orders, interact with customer service and view and access documents or accounts information, instantaneously and seamlessly from a laptop or mobile device.

What is digital transformation?

Digital transformation is the process of implementing systems across various facets of a business to enhance or modify a pre-existing process or deliver new ones. Digital transformation can be used to improve business processes, in many ways benefitting employees within the organisation, clients and suppliers.

The concept of digital transformation can be a challenging prospect for organisations who can view it as a daunting and expensive task. Digitising existing processes or creating new ones is not about replacing staff with software. It is about meeting client's needs, market expectations and delivering efficiencies by leveraging appropriate technologies and solutions.

A staged approach to digital transformation

The key to a successful digital transformation project is to define your business model in the short and medium term. This will entail assigning budgets and realistic return on investment (ROI) models and creating a road map of transformation, breaking your transformation journey into manageable projects; optimising business processes one at a time. The total digital transformation project can be viewed as the whole of many smaller projects.

Each project must not be seen in isolation but taken together so that technologies and processes are integrated. Digital transformation projects are akin to building a road network, with various roads laid and implemented as and when budgets and needs align. Each road segment is linked to provide the organisation with a compete network, the capacity to meet future needs and with the flexibility to be expanded as and when business demands.

In delivering a series of transformation projects, potentially over several months if not years, it is imperative that the technology platforms can be seamlessly integrated and ideally the same platforms leveraged for multiple projects. This approach increases ROI, reduces integration costs, accelerates deployment time scales and reduces staff training.

Digital transformation touches each aspect of an organisation but by way of illustration I have selected a few examples of digital transformation projects that we have implemented within our own back-office function or have been adopted by clients in the recent past. Each solution provided integration and building blocks for the respective organisation's digital transformation journey.

Workflow and Case Management

An invoice approval workflow would typically be the first step in a digital transformation project within the accounting function. Expanding further, companies have seen the benefit of incorporating a purchase order approval process to front end the invoice approval process. Taken together with a GRN process and an automated three-way matching process, such integrated solutions have delivered significant efficiencies.

Another benefit we've seen from this solution is the automated communication with suppliers to notify of orders, disputes and the approval status of invoices. By triggering automated messages, as invoices are approved or routed for payment, suppliers are kept abreast of approval cycles, thereby reducing the time and effort the Accounts Payable team spend dealing with supplier queries.

We've also seen the benefits of implementing case management and workflow systems in the accounts receivables function. These systems are automated to trigger alerts for outstanding invoices, reminder emails, the scheduling of following up calls by the Accounts Receivable team, the escalation of disputes and the assignment of disputed cases to the appropriate person within an organisation.

With the integration of all supporting data and documentation such as contracts, PO's, invoice documents and correspondence instantly available on screen, queries and issues can be addressed in a more efficient and streamlined manner.

eSignatures

One of the most exciting pieces of software on the market in recent years has been the eSignature. In the search for a completely paperless process, many organisations find that getting documents signed is one of the major reasons for delays in their processes.

An eSignature solution gives your customers, partners and employees a fully automated method to speed up the signing process and securely routes documents to the proper recipients. eSignatures remove the time-consuming tasks of printing a document, manually signing it and scanning it back to the approver. eSignatures can be implemented right across your organisation, in any process that involves an approval process.

For example, if a manager within your organisation wishes to hire a new employee, the whole process can be completed through an integrated workflow and eSignature solution. After choosing the successful candidate, the hiring manager would route the contract of employment to the HR department for approval via a workflow system. Here, the HR department would sign the document electronically. This approval would then trigger the workflow system to automatically send a contract to the successful candidate to sign electronically once again. Finally, the signed contract would be returned to the HR department, archived and stored automatically together with the audit data.

In terms of legality, eSignatures are legally valid in almost every industrialised country around the world. In 2016, the EU passed the Electronic Identification and Trust Services Regulation (eIDAS) making eSignatures legal for virtually all business uses. A similar law was already passed in the USA. Now, less-developed countries are beginning to enact eSignature laws.

Web Portals

Organisations often need to provide access to documentation beyond their internal employees. That's where online web portal solutions come in.

For example, they can help project-based organisations reduce their billing time by automating invoice-related data collection for subcontractors. These organisations can gather billing information electronically and automate the data capture process, they can speed up processes with vendor self-service and access to real-time information.

The ability for clients to view documentation such as current project files, specifications, invoices and statements allows for effective cross-organisation collaboration. For instance, in our own company we have implemented a web portal that allows our teams to share project documents, quotations, invoices, customer contracts and PO's with our clients.

Robotic Process Automation

Robotic process automation, or 'RPA', has become extremely popular across many business functions in recent years. This technology allows you to configure computer software, commonly referred to as 'bots', to emulate and repeat the actions of your human employees. They have the ability to log into applications, move files and folders, copy and paste data, fill in forms, extract data, scrape browsers, and much more.

The accounts function in most organisations is consumed with repetitive, rules-based, and document-heavy business processes making it an ideal candidate for automation. RPA enables you to automate repetitive tasks such as data retrieval from invoices and the generation of reports by combining data from multiple sources. This reduction in time consuming tasks also frees up your staff members to be redeployed to higher value business functions which can increase your company's overall productivity.

A further example where RPA is appropriate is where a client has a requirement to log on to a customer portal each morning to extract overnight data relating to deliveries and queries and rekey this data into their own sales ordering platform. By leveraging RPA, this tedious task is automated saving significant time and cost.

RPA meets all compliance regulations and standards. Every step that is undertaken by a bot in a specific process is recorded for historical auditability. This enables tasks that are prone to human error to be done in a short-term, accurate and effective manner.

Conclusion

To automate your Accounts Processes efficiently and effectively, there are a few best practices you can follow. Assess your current processes to identify any potential growth opportunities or areas that are prime for automation. Once you have finished this evaluation, you will be ready to set out a strategy to implement change.

Next you will have to develop an operating plan. This is where the strategic plan is divided into executable tasks. This is typically the hardest step. It requires time to get right, and dedicated staff to both map execution from start to finish and see it through.

Once your process is in place, you will need to set out guidelines to measure it's performance. You can only improve what you can measure. Often companies will track metrics such as cycle time to determine how automation has made previously manual processes quicker and more accurate.

Streamlining the finance function of your business is just the beginning. Workflow automation reaches far beyond the finance team. It can include HR, procurement, sales, marketing and almost every other department within your organization. The workflows and processes in these departments can then interact and intersect with the finance function.

Although, it is vitally important that you create a road map which is broken into manageable chunks.

By leveraging technology that has the ability to integrate with your existing legacy systems, like those mentioned above, your company will save time and money whilst increasing your organisational efficiency.

Chris Howard,
CEO, Inpute Technologies

Along with the help of the team at Inpute, Chris has been working with companies across Ireland on their digital transformation projects for over 20 years.

Institute News

Accountancy Europe Digitalisation Award

CPA Ireland Skillnet and our promoting organisation, CPA Ireland, were delighted to accept a Digitalisation Award at the Accountancy Europe Digital Day in recognition of our member engagement in learning and development through online platforms.

The award was voted for by peer accountancy bodies across Europe with competitors such as ACCA, CIMA, ICAEW and the Norwegian Institute of Public Accountants. CPA Ireland & CPA Ireland Skillnet received the award in recognition of the digitalisation of learning initiative through the development of our new Learning Management System, Canvas, and the educational benefits it offers to our members.

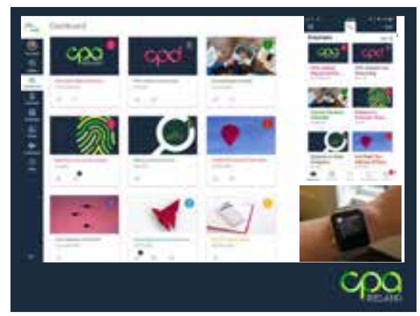
The ambition of CPA Ireland is to bring immersive, lifelong, autonomous learning to CPA Ireland members through a digital first initiative and to use learning and development technology to empower both the educators and the learners to create their own learning environment.

It is our aim to build a seamless digital ecosystem that is customisable to our members specific needs and flexible enough to fit in with their home and work lives.

In today's digital world, the online experience for our members and students is essential. Canvas provides us with the building blocks needed to create a platform with fully customisable and interoperable units. Canvas organises all of the tools and resources into one location that can be accessed at any time or place from a computer or smart device, allowing our members to maximise their learning experience. Some of the tools available through Canvas include 'Nudge' which uses artificial intelligence to help students engage and create habits and 'Portfolium' which creates an ePortfolio where learners can showcase their achievements, projects, and competencies and use them to demonstrate lifelong learning and enhance their career.

We are delighted that Accountancy Europe has recognised CPA Ireland's efforts to deliver an innovative and forward-thinking experience for our members

Pictured left to right at the Accountancy Europe Digitalisation Awards 2019.
Roisin McEntee, Further Learning Executive, Member Services, Gillian Peters, Director of Business Development, Aisling Mooney, Administration Assistant, Member Services, CPA Ireland; Olivier Boutellis-Taft, CEO, Accountancy Europe and Patricia O' Neill, Director of Member Services, CPA Ireland.



Pictured left to right at the Accountancy Europe Digitalisation Awards 2019.
Patricia O' Neill, Director of Member Services, CPA Ireland and Olivier Boutellis-Taft, CEO, Accountancy Europe

CPA Ireland Presidents Dinner 2019

Our President's Dinner took place on 18th September 2019 in Trinity College Dublin. It was a well-attended and highly successful evening. Guest speaker Catherine Page, Counsellor, British Embassy, Ireland, and Gearóid O'Driscoll, President, CPA Ireland discussed climate change and how we must protect our rural SMEs.

Pictured at the event CPA Ireland President Gearóid O'Driscoll with Guest Speaker Catherine Page, Counsellor, British Embassy, Ireland.

David FitzGerald Retirement

October 2019 saw the retirement of David FitzGerald, Director International. David has given 15 years of exemplary service to CPA Ireland.

David commenced work in CPA Ireland in 2004 as Director Business Development and moved to the role of Director Member Services in 2006 before commencing the role of Director International in 2017. President, Council and all the staff at CPA Ireland would like to wish David all the best in his retirement and in the future.

Response to Budget 2020

CPA Ireland, has broadly welcomed Budget 2020 which it has said is "the SME and Entrepreneurship Budget which Ireland has required for the last number of years." As Members of CPA Ireland support over 100,000 Irish SMEs, it is essential that regional businesses are not disproportionately disadvantaged by the increase in Carbon Tax.

Commenting on the budget CPA Ireland President Gearóid O'Driscoll said: "With the nightmare of a no-deal Brexit now just days away it is welcomed that today's budget is focused on helping businesses withstand the pressures this will bring."

CPA Ireland received extensive coverage on our Budget response, with coverage in the Irish Times, Biz Plus and Fora.ie.

Further details can be found at https://cpaireland.ie/Latest-News/News/News-2019/Budget-Response-from-CPA-Ireland

CPA Ireland partners at IPSAS workshop in Kasakhstan

CPA Ireland was a Special Partner with the Eurasian Institutes of Certified Public Accountants Association at the prestigious International Public Sector Accounting Standards (IPSAS) work shop in Almaty, Kazakhstan in September 2019.

The workshop was delivered by Dr Wayne Bartlett CPA, Chair of the CPA Ireland IPSAS Advisory Board. The workshop was held in conjunction with CPA Russia, CPA Kazakhstan, CPA Belarus and CPA Kyrgyzstan. Vladimir Zharinov, CEO/ Vice President EICPA/CPA RUSSIA commented "We are delighted to have CPA Ireland on board as our Special Partner for the IPSAS workshop, and we look forward to further collaboration between our organisations in our mission to advance the cause of higher accounting standards in our respective countries".

From left to right: Olga Frolova, Wayne Barret, Svetlana Kim, Artem Mitsuk, Yelena Mazur.

CPA Ireland and CPA Canada extend Mutual Recognition Agreement

CPA Ireland and the Chartered Professional Accountants of Canada (CPA-Canada) have extended their Mutual Recognition Agreement (MRA).

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

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

CPA is one of the best-known international accounting designations and Irish professional qualifications are held in high regard worldwide. By becoming a CPA, you are joining a global network.

Pictured at the signing of the MRA, are
Eamonn Siggins, CEO, CPA Ireland and
Joy Thomas, President and CEO, CPA Canada.

CPA Ireland Membership changes:

Resignations:

001934 John O'Gorman 26/08/2019

001882 Francis Murray 05/09/2019

003578 Liam Doran 18/09/2019

006812 Teresa O'Sullivan 08/10/2019

CPA Ireland and Chartered Accountants Sri Lanka sign Mutual Recognition Agreement

This new agreement was signed on Monday 16 September 2019 by CA Sri Lanka President Mr. Jagath Perera and CPA Ireland President Mr. Gearóid O'Driscoll at a ceremony held at CPA Ireland offices, in the presence of council members of CA Sri Lanka, Council and Directors of CPA Ireland.

This new MRA increases CPA's foothold in the international arena of professional accountancy and is an addition to other MRAs including, CPA Australia, CPA Canada, ICA India, Association of National Accountants of Nigeria, South African Institute of Professional Accountants and ICMA Pakistan.

Front row seated from left, Mr. Gearoid O'Driscoll,President CPA Ireland, Mr. Jagath Perera-President CA Sri Lanka, Mr. N.R Gajendran-Member of the Council CA Sri Lanka, Mr. Cormac Mohan-Immediate Past President CPA Ireland.
Second Row Standing from left, Mr. Dilip Atthanayaka-Member CA Sri Lanka, Mr. Laknath Peiris-Member of the Council CA Sri Lanka, Ms. Deirdre McDonnell-Director of Education, CPA Ireland, Ms. Nano Brennan, Past President, CPA Ireland, Ms. Cait Carmody-Secretary & Director Professional Standards, CPA Ireland, Dulitha Perera-Member of the Council CA Sri Lanka.
Third Row Standing from left, Eamonn Siggins-Chief Executive, CPA Ireland and Gillian Peters-Director Business Development, CPA Ireland.

CPA Ireland to partner with Finance Leadership Summit 2020

CPA Ireland has announced it will partner with the Finance Leadership Summit 2020. The Summit, which takes place on 12 February 2020, focuses on the theme of Adversity.

The Chair of the Summit Tom Byrne, Partner, Pathfinder said "The Finance Leadership Summit is now an established forum for thought leaders and decision makers in the world of Finance. Given the changing face of finance in times of adversity and uncertainty the summit has never been more relevant. Pertinent topics such as Sustainability, AI and Fintech will be covered on the day by our Irish and International speakers."

President of CPA Ireland, Gearóid O'Driscoll said "It is clear that the pace of change in the world of finance is accelerating. It is important for practitioners in the industry and for industry bodies such as CPA to embrace this and become part of this change. At CPA Ireland we are innovating in how we educate and train the finance leaders of the future and partnering with such an important gathering of current Finance leaders will help us shape innovations we deliver."

Marie Joyce, Chief Financial Officer, NTR who is speaking at the event said "With all? the winds of change facing Irish companies today, it is more important than ever that Finance leaders come together to share their perspectives and insights on how to overcome these challenges."

Bookings for the Summit can be made online at https://financesummit.ie/

Pictured left to right:
Patricia O'Neill, Director – Member Services, CPA Ireland; Tom Byrne, Partner, Pathfinder; Marie Joyce, Chief Financial Officer, NTR and David Neville, Founder, Investment & Finance Leadership Summit

CPD News

CPD Wrap Ups 2019

With 2019 being the last year of the current CPD cycle, make sure that you don't end up with a shortfall on your structured hours. The CPD Wrap Ups will take place over two days in December, in Cork and Dublin.

By attending the two days, attendees will gain 16 structured hours over a variety of topics including: Tax, Investments & Pensions, Management Accounting, GDPR Updates & much more.

Key Details:

11th & 12th December 2019

Dublin: Carlton Hotel, Blanchardstown

Cork: Radisson Hotel, Little Island

CPD Credit: 16 hours

Cost: €340/€390

Book: www.cpaireland.ie/cpd

Law & Regulation Day

CPA Ireland's annual Law & Regulation day will take place on 10th December 2019.

This course can be attended in class or completed through our livestreaming facilities. Keith Rooney will deliver this course and will cover the latest changes in Law & Regulation.

Key Details:

10th December 2019

Dublin: CPA Ireland HQ, 17 Harcourt Street, Dublin 2

And through Livestreaming

CPD Credit: 8 hours

Cost: €235

Book Dublin: http://portal.cpaireland.ie/Showcourses.aspx?id=21546

Book Livestreaming: http://portal.cpaireland.ie/Showcourses.aspx?id=21547

Save the Dates for 2020:

CPA Annual Tax Conferences 2020

Leinster
Date: Thursday 5th March 2020
Location: Johnstown Estate, Enfield
Cost: €225
CPD Credit: 8 hours

Munster
Date: Thursday 12th March 2020
Location: Radisson Blu Hotel, Little Island, Cork
Cost: €225
CPD Credit: 8 hours

Accountancy Conference 2020

Dublin
Dates: 3rd & 4th April 2020
Location: Carlton Hotel, Blanchardstown
Cost: €295
CPD Credit: 12 hours

Cork
Date: 24th & 25th April 2020
Location: Radisson Blu Hotel, Little Island, Cork
Cost: €295
CPD Credit: 12 hours

Leadership - Developing Strategies for Success

Due to the success of the last running of this course, we are delighted to announce that this course will run again commencing in January 2020.

The CPA Ireland Leadership programme takes you on a journey of personal and professional transformation which will generate meaningful and tangible value for you and your business or organisation

Key Details:

Start Date: January 2020.
Location: CPA Ireland, 17 Harcourt Street, Dublin 2
Course Duration: 5 full days spread over 4 months
CPD Credit: 40 hours
Cost: €1500

Book your place now

CPA's Online further learning suite

Earn up to 40hrs CPD online at your own pace.

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

Everything at your Fingertips

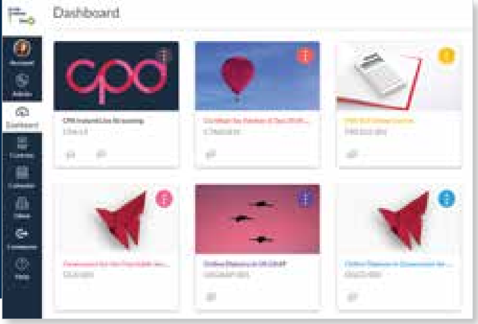
Canvas organises all of your tools and resources into one location that can be accessed at any time or place from your computer or smart device, allowing you to maximise your learning experience!

The Canvas Student App provides access to the learning platform on your smartphone or tablet, enabling you to access course materials on the go and offering the flexibility to fit the qualification into your busy schedule.

What further learning courses can I do online?

- Diploma in US GAAP
- Diploma in Governance for the Charitable Sector
- Online course in FRS102

https://www.cpaireland.ie/CPD/Further-Learning-Courses



Accountingcpd.net

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

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

For further information visit www.accountingcpd.net

Location	Dates	Title	Price	NM Price	CPD Credit
Cork	Thursday 5 December 2019	Essential Professional Briefing	€235.00	€285.00	8 hours
Cork	Wednesday 11 December 2019	CPD Wrap Up Both days	€340.00	€395.00	16 hours
Cork	Wednesday 11 December 2019	CPD Wrap Up Day 1	€190.00	€240.00	8 hours
Cork	Thursday 12 December 2019	CPD Wrap Up Day 2	€190.00	€240.00	8 hours
Dublin	Friday 6 December 2019	Annual Audit Day	€235.00	€285.00	8 hours
Dublin	Tuesday 10 December 2019	Law & Regulation Day	€235.00	€285.00	8 hours
Dublin	Wednesday 11 December 2019	CPD Wrap Up Both days	€340.00	€395.00	16 hours
Dublin	Wednesday 11 December 2019	CPD Wrap Up Day 1	€190.00	€240.00	8 hours
Dublin	Thursday 12 December 2019	CPD Wrap Up Day 2	€190.00	€240.00	8 hours
Livestreaming	Friday 6 December 2019	Annual Audit Day - Livestreaming	€235.00	€285.00	8 hours
Livestreaming	Tuesday 10 December 2019	Law & Regulation Day - Livestreaming	€235.00	€285.00	8 hours
Webinar	Monday 9 December 2019	Winter Tax Webinar 3 - Capital gains tax relief refresher	€29.00	€35.00	1 hour
Webinar	Tuesday 10 December 2019	Audit Webinar 3; Reporting standards	€29.00	€35.00	1 hour
Webinar	Monday 16 December 2019	Winter Tax Webinar 4 - Key corporation tax reliefs	€29.00	€35.00	1 hour
Webinar	Tuesday 17 December 2019	Audit Webinar 4; Quality control standards (ISQC1, ISA 220, ISA 320)	€29.00	€35.00	1 hour
Webinar	Wednesday 18 December 2019	Economic Update Q4	€29.00	€36.00	1 hour
Webinar	Wednesday 18 December 2019	Year End Review	€0.00	€36.00	1 hour
Webinar	Thursday 19 December 2019	e-briefing 4	€29.00	€36.00	1 hour

Student News

CPA Ireland - Annual Educators Conference – Feedback from your Examiners

This year's Annual CPA Ireland Educators' Conference took place on Saturday 5 October 2019. Representatives from the Education and Training Department, Examiners, Moderators and delegates from StudyOnline.ie, Griffith College, Cork Institute of Technology and Technological University Dublin attended the conference.

During the conference the Examiners and Moderators provided feedback on common errors that impacted on exam performance in the past year. These applied across all levels of examinations. From this feedback, we have compiled some tips and techniques to help students.

Tips for Improving Exam Results

1. Manage Your Time Better

In order to complete all requirements, it is essential to manage your time well during the examination. This will ensure you have enough time to answer all required questions. As different questions are assigned different marks, make sure to allocate your time accordingly.

In particular, examinations with case study questions can lead to some students spending too much time on the case studies to the detriment of other questions.

Time management should be included in exam preparation and practiced as part of your revision in order to achieve the best outcome.

2. Attempt All Required Questions

In order to gain as many marks as possible, it is important to attempt all required questions or parts of questions. It is important to be familiar with the examination requirements in advance, for example how many questions are compulsory and how many must be attempted overall.

Students who study the full syllabus will be able to answer more questions thereby enabling them to score higher marks.

3. Use All Available Resources

There are multiple resources available on the CPA Ireland website which can be found on the Study Support pages. Included on these pages are a variety of helpful articles and webinars both on technical topics and exam preparation topics. Many students have made good use of these resources and this was evident in their results. Students are reminded that they should not only read the most recent articles available.

4. Application of Theory

Particularly at the higher level papers, it is essential to apply theory to the information provided rather than the theory itself being explained.

5. Importance of Calculations

Always remember the importance of doing calculations in order to pick up "easy marks". Students tend to spend too much time on the narrative rather than doing calculations to demonstrate their answers.

And Finally......

Always answer the question asked!

Newly Qualified Members

Congratulations to all our newly admitted CPA Ireland members who were conferred in early December. We wish you every success in your future career as a CPA.

The March 2020 edition of Accountancy Plus will include a special feature on the conferring ceremony – don't forget to review the CPA Facebook and Twitter accounts also!

Focus on Training

As we come to the end of the year the Institute wishes to remind students of the importance of logging their training and submitting it to the Institute regularly. The final date for submitting training completed in 2019 will be 31 January 2020.

While students will, of course focus on their studies and examination preparations, completing the required training is equally important, and students are reminded that they are required by the CPA Byelaws to record their training. See below some extracts from the relevant section the CPA Byelaws:

12.11.6

Each student, whether in public practice, industry or commerce, must maintain a Training Record and/or other record in the format prescribed, from time to time, by the Institute. This must document his supervised training and will be available for inspection by the Institute.

12.11.7

Each student is responsible for the maintenance of his Training Record, and/or other record in the format prescribed, from time to time, by the Education and Training Committee, which documents his supervised training for inspection by the Institute.

Format of Training Record

With effect from 1 January 2019, the format prescribed for recording training is the new online training record system, which is accessed via your MyCPA account. Information about this system can be found on the Training page of the CPA website.

Summary of CPA Ireland Training Requirements

Students must obtain a minimum of 3 years relevant, supervised training which can be completed by working in practice, industry, commerce, the public sector or any combination of these categories.

During this period, it is important to focus on complying with the Institute's criteria in terms of breadth and depth of training. Regular submission of training ensures that it is being monitored by Institute staff to ensure that all trainees are on track to complete their training successfully.

Trainees who do not do this may find that although they have completed three years of training, they are not in a position to apply for membership as they are unable to demonstrate in-depth competence across two of the six training areas as required. The six training areas are:

1. Financial Accounting
2. Auditing & Statutory Compliance
3. Corporate Planning, Control & Treasury Management
4. Information & Financial Systems
5. General Management
6. Taxation

For example, a trainee who spends three years working only in the area of Financial Accounting will not be eligible to apply for membership as their training will not be sufficiently broad.

It is also important that the training is progressive. A typical trainee will start by carrying out routine and repetitive tasks under close supervision and should progress over time to complete more complex tasks, to take on more responsibility and to require less supervision.

The Institute defines two levels to reflect the expected escalation in complexity and responsibility as the training progresses.

- Basic Level – CCA (Collect, Categorise and Analyse)
- Advanced Level – EvRR (Evaluate, Report and Recommend)

At Professional 2 stage, students should aim to have as much of their training as possible at the advanced level – a minimum of 26 weeks is required in order to be conferred into membership.

Finally, a reminder that staff at the Institute are here to help throughout your training. We will be able to advise on the suitability of a training role, to check if your supervisor is appropriately qualified and to provide guidance on the depth and breadth of your training.

When you submit your training, we will provide feedback that you can discuss with your supervisor if we feel that you may not be on course to complete your training successfully.

Please contact Réidín Ní Aonghusa on 01-4251022 or by email to training@cpaireland.ie if you have any questions about training.

Information & Disclaimer

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

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

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

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

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