

June Issue 2019

# Accountancy Plus

The Official Journal of CPA Ireland



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# Editorial

Accountancy Plus  
June 2019

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## President's Message

Welcome to the June 2019 Edition  
of Accountancy Plus.



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

While building on the work that Cormac Mohan and the many Presidents before him have done, there are also many core issues that I would like to highlight during my term of office as President of CPA Ireland.

Speaking at the AGM on 1st May, I highlighted the need for the Government to fully commit to supporting regional growth if SMEs in Ireland are to continue to thrive. My priority as President of CPA Ireland will be to support CPA members nationwide, who service over 100,000 SMEs, to contribute to Ireland's economic growth and success.

### Rural Regeneration and Development Fund

The launch last month of the €315m Rural Regeneration and Development Fund was only a half-step in the right direction for supporting the regions. Access to the programme is unfortunately highly restrictive, which could severely limit its ultimate impact.

The fund is only open to projects in communities with a population of less than 10,000. This is an arbitrary cap which will exclude dozens of towns that could benefit from its support. Clearly the fund should not be open to the major cities, but currently strategically important rural towns such as Cavan, Tullamore and Letterkenny will be unable to avail of this funding.

The requirement for all applications to be led by a state body could stifle the creativity of many worthy projects. There are many examples of non-commercial programmes from charities and social enterprises that have had a positive impact on rural development. By insisting upon a Government agency taking this lead role additional steps are being created. This may see some ideas never get off the ground.

Another concern of mine is the requirement for the applicant to fund the initiative with a minimum 10% cash contribution. The commitment that the Government will fund 75% of successful applications is welcome and ambitious. However, insisting upon

a 10% cash contribution will restrict a lot of entrants. It also fails to recognise the significant contribution that could come in the form of volunteering time or rent-free space.

This fund should be used in part to increase the number of digital hubs. These e-centres provide excellent opportunities for start-ups and smaller businesses to thrive without being required to make long term commitments.

### National Broadband Plan

One of the biggest barriers' businesses face in towns around Ireland was the lack of adequate broadband infrastructure. This is a particular challenge to successful SMEs when they begin to scale. I have witnessed many examples of companies in my area of county Cork who are forced, through poor broadband facilities, to relocate to the city centre or bigger business parks. It is essential that the National Broadband Plan is implemented in a smart and swift manner.

The accountancy profession needs to attract more new trainees into local practices. Over the last decade there has been a drop in the number of entrants into the profession. In recent years however there has been an increase in the number being taken on by the largest firms. This is leading to a war for talent which is very difficult for small and medium practises.

These local firms are essential to supporting SMEs nationwide. The executive at CPA Ireland are doing excellent work in creating more streamlined education processes for would-be accountants to prepare them for the future world of work, and as President I look forward to supporting them.

I am looking forward to the year ahead and will count on the collective wisdom of the Council and the executive to guide CPA Ireland to another year of innovation and positive progress.

**Gearóid O'Driscoll**  
President CPA Ireland

# Contents



Pictured L – R:  
John Devaney, Vice President, CPA Ireland,  
Gearóid O'Driscoll, Incoming President, CPA Ireland,  
Áine Collins, Vice President, CPA Ireland,  
Cormac Mohan, Outgoing President, CPA Ireland.

## Institute

President's Message	01
Institute News	44
Publication Notices	52
Information & Disclaimer	52

## CPA Profile

Gillian Cregan	06
Adrian de Nijs	07

## CPD

News & Events	48
---------------	----

## Student

Student News	51
--------------	----

## Opinion

Tacking the gender gap across the accounting industry	03
<i>Donna Torres</i>	

## Financial Reporting

Financial Reporting News	08
FRS 102 Financial Instruments Factsheet 5	09
<i>Robert Kirk</i>	
Cryptocurrencies - Decrypting the accounting	12
<i>Donal Boyle</i>	

## Law & Regulation

Law & Regulation News	16
The General Data Protection Regulation - One Year On	17
<i>Gerry Egan</i>	
The Employment (Miscellaneous Provisions) Act	20
<i>Derek McKay</i>	

## Finance & Management

Finance & Management News	24
Leadership Insight	25
<i>Diarmaid Ó Chorrbaí</i>	
Developing & Financing an App	28
<i>Stephen FitzGerald</i>	

## Taxation

Tax News	30
Succession Planning: Passing on a family business	32
<i>Suzanne Parker</i>	

## Ethics & Governance

Intimidation – How to deal with it as a professional accountant.	36
<i>Ulrich Schakermann</i>	

## In Practice

In Practice News	38
Succession Planning: A Case Study	39
<i>Denis Ryan</i>	

## IT

Encryption: Helping financial services stay in control of their data	41
<i>Jim Breen</i>	
The Latest Gadgets Reviewed	43
<i>Shane Burke</i>	

# Tackling the Gender Gap across the Accounting Industry

by Donna Torres

In this article, Donna Torres considers the gender gap in senior corporate roles and looks at what companies can do to help narrow this gap.

Across the board, women continue to be under-represented in senior corporate roles. According to research carried out by Ireland's Department of Justice and Equality, the percentage of female non-executive directors on corporate boards still remains low at 16 per cent. These low levels are also reflected in the financial sector – the Central Bank indicated that women occupied only a fifth of senior management positions in financial services between 2012 and 2016.

As for the accountancy industry, in 2018 there were 5,000 more men in Ireland working in accountancy than women, representing a 14 per cent gender gap. However, some progress is being made. CPA Ireland stands out as becoming the first Irish accountancy body to achieve gender parity among its members (of the new CPA accountants, 58 per cent are female). While this is certainly an achievement, it sadly hasn't yet been replicated across the industry.

More needs to be done by companies of all sizes to help narrow the gender gap. At Xero we're proud that 50 per cent of our C-suite leadership team are women. Achieving gender parity requires commitment and effort. Here's what firms, large and small, can do to help champion and nurture their female talent.

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## Creating a supportive work environment

The National Strategy for Women and Girls 2017-2020 is a step in the right direction. It sets out the framework to advance the rights of women and girls and to enable their full participation in Irish society. A strategic approach is needed to identify the barriers that prevent women from achieving their full potential and from enjoying opportunities that are on a par with their male counterparts.

Gender diversity isn't simply a women's issue. It's a human issue. With the majority of our business leaders today, in particular in technology, being men, the only way we can make significant headway is to have the men standing with us to create a business environment where women can thrive.

In the workplace, women need to feel supported - they need allies - both men and women - to help them feel confident enough that they can share their beliefs, their values and their views. Our business leaders need to reengineer working environments to make them a safe, supportive place.

Businesses of all sizes need to be aware of our unconscious biases and flag behaviour in the workplace that isn't inclusive. It's the little things like calling grown women 'girls'. They're small but reinforcing behaviours and added up they have an impact. Creating an inclusive and respectful work environment for diversity to thrive shouldn't be about box-ticking but about turning those intentions into actionable plans.

## Nurturing future talent

The overall percentage of women studying accounting worldwide was approximately 49 per cent in 2016, up from 48 per cent in 2012. And according to IAASA, just over 51 per cent of students living in Ireland were female. The ACCA, CIPFA and CPA all had a majority of female students in Ireland. This is promising and suggests that the tide is beginning to turn.

But again, this doesn't mean that we can afford to take our eye off the ball. We must continue to support female talent through their career journeys and ensure that they don't involuntarily end up dropping off or stalling in a lower level position.

Companies need to create an environment where all employees feel like an asset to the company, and this tone needs to be set from the top.

Formal and informal mentor programmes are important, particularly for those looking to progress. In general, mentees are promoted five times more often than those not in a mentoring programme. Mentorships can help women overcome their own self-limiting beliefs and mindsets. In a Harvard Business Review survey of 57 women CEOs last year, the authors noted: "The recognition by a boss or mentor was key to sparking long-term ambition in many of the women." More mentoring schemes need to be available across all accounting firms, and both senior men and women should be looking to mentor recent graduates.

Companies can also take a leaf out of CPA's books with programmes that support students, like the CPA FastTrack which allows students who are participating in work placements or summer internships to count this experience towards their three years training requirement.

## Hiring women in senior positions

Ireland was recently ranked 17th out of 34 countries in a study analysing progress for women leaders. While up from its 23rd place ranking in 2006 when the report first started, a survey by the recruitment company, Korn Ferry, in 2018, found women comprise just 13 per cent of the boards of listed Irish companies, and that the percentage of women drops off with each move up the corporate ladder.

Clearly, this needs to be addressed, particularly as there's substantial evidence that gender diversity at the management level enhances a company's performance. The Peterson Institute for International Economics completed a survey of 21,980 firms from 91 countries and

found that having women at the C-Suite level significantly increased net margins.

It should go without saying that a wide-ranging set of influences at the decision-making level contributes to a successful business. Considering that accountants are vital to business decisions, it's important that they put forward a robust set of ideas.

Companies need to actively consider women when hiring for a senior position. Quotas aren't always necessary and are often disliked, but they can help provide a framework that addresses the problem. Companies should also consider a wider skill set when hiring, rather than just using senior management experience as a requirement, in order to even the playing field for women.

And of course, companies shouldn't have to look outside to get more women into senior roles. They can and should nurture the female talent that they already have through mentorship schemes, active referrals and sponsorship opportunities.

### Flexible working

Changing a company's working environment can create a more balanced work environment that encourages both men and women to strive for senior positions. Research by PWC showed that almost 46 per cent of workers prioritise flexible working hours and a good work-life balance the most when choosing a job. As a result, PWC launched The Flexible Talent Network which allows people to list their skills and preferred work pattern when they apply.

A YouGov report of 1,000 Irish employees revealed that just 5 per cent of the labour force currently work traditional 9 to 5 hours. Bearing all of this in mind, accounting firms of all sizes need to adopt a flexible approach which can save costs, reduce staff turnover and create a more affordable, professional and skilled workforce.

Family obligations, often placed more strongly on women, make strict 9 to 5 working hours difficult and push many women out of the workforce. A flexible work environment enables both men and women to balance work and family commitments more evenly. With cloud accounting software, accountants are able to work remotely and flexibly as all data is accessible in real time via any device.

### Balancing work and family commitments

As raised by Sheryl Sandberg in her much-lauded book, *Lean In: Women, Work and the Will to Lead*, women often hold themselves back early on in their careers because they want to have a family. They take a series of small decisions along the way, making accommodations they feel are necessary to have a family.

*Lean In* was published back in 2013, yet the issue around balancing work and family life remains prevalent. It's time we readdress this in the workplace by making it easier for men and women to balance their career and family life.

By getting men involved in the conversation and discussing these issues in an open forum, businesses can create positive opportunities for discussion that encourages men and women to attend and work together.

At Xero, we're big believers in child friendly workspaces equipped with breastfeeding rooms. Our 'Keeping in Touch Days' offer support for managers to keep in contact with employees on parental leave while our child friendly office events such as the family coding day aim to promote a balanced work and family life among all employees.

Ireland's accounting profession is making positive progress in improving its gender balance, in no small part due to the CPA's effort in achieving gender parity. But other accounting bodies need to make a similar commitment to help female

accountants reach their full potential. Businesses reap the rewards when women are in executive roles, so there's no reason to avoid the issue.

We must ensure that we continue to make progress and maintain new standards to achieve full gender parity across the industry.

**"Companies need to actively consider women when hiring for a senior position."**



**Donna Torres**

Director of SMB & Commercial Operations, UK & EMEA at Xero

# CPA Profile

## Gillian Cregan



### Title:

**Business Manager**

### Company:

**OBL (O'Brien Lynam) Solicitors**

### Qualifications:

**FCPA, MBS, LIB**

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

I always loved maths in school and in secondary school when introduced to Commerce and Business Studies, I just gravitated towards Accountancy. I knew there and then that it would be my chosen career. I remember in my final year in school going to an open day to an accountancy college and how encouraging they were, specifically to females entering the field, as it provided so much flexibility for women to progress their career.

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

CPA provided me with the flexibility as a student to apply my studies in a practical work environment which anchored my career. It is also a worldwide recognised qualification and working for a US company, CPA helped me build my global view of business finance and elevate my career.

### Please provide a brief history your career.

Having studied accounting in college, I got an opportunity to work in Deutsche Bank, where I decided to complete my CPA studies part-time. I enrolled in Griffith college to begin my CPA journey. In my final year of CPA in April 2000, I moved career from banking to insurance services as an accounts assistant. Little did I realise at the time where this move would take me.

I quickly found myself in the middle of a project to move the full finance function from the UK to Dublin. In 2001, I qualified as a CPA Accountant and within 6 months I was appointed Chief Financial Officer at the age of 25. As CFO, I reported directly

into the global group HQ which exposed me to global finance and US GAAP accounting. In 2015, I completed a Masters of Business in the IMI and was elevated to CEO of the Irish entity. In 2018, following the sale of the global insurance services group, I decided to take a break and undertake the Chartered Director Program with the Institute of Directors in Ireland. While continuing to study part-time, I am currently working for a growing and ambitious legal firm, OBL Solicitors, who are leading the way in innovation in the legal industry.

### What has been your biggest career achievement?

I have been fortunate enough to have had a number of career achievements. My biggest career achievements though continues to be developing and encouraging those who report to me. Whether that is in accountancy or leadership, I see their successes as my achievements. I always spoke of how I started my career as an account assistant and with the right encouragement, belief and hard work became CEO of the same company and I encourage everyone who works with me to never give up on their career goals and aspirations.

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

Today, I think the role of the Accountant has changed. Companies expect so much more from their Accountant than checks and balances. The Accountant of today is confronted with huge challenges of technology which is driving every business forward. They must be commercially aware for growing the business and ethically and compliantly aware to protect

the business. It's a far cry from balancing the books, they can lead organisations in Strategy, Legal, HR, IT & Business Development. In fact, I can't think of another profession that is expected to have so much knowledge of areas outside their technical core. The partnership approach is the new reality for Accountants in business.

### What traits do you admire most in others?

I believe the leaders that have the traits to put the company and its employees needs first are the people to admire. Some of the most successful companies have the most modest CEOs. I admire those that walk the walk at the coal face of business and social issues and make a real, lasting impact on people because they genuinely care. Just be genuine.

### How do you unwind

I have four very busy children from a 2-year-old to a 13-year-old and so most of my and my husband Simon's free time is planned for us. We spend most of the weekends on the side of a football pitch. The discipline to know how to switch off and spend real time with your family is key. I try not let work invade family time and I certainly don't bring my children to work.



# CPA Profile

## Adrian de Nijs



### Title:

Revenue Controller Projects,  
Reporting & Controls

### Company:

Itron Management Services Ireland, Ltd.

### Qualifications:

CPA, MIATI

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

When I moved to Ireland in 2000, the obvious thing for me to do was to find a job. I owned a pub back in Holland where the only exposure I had to accounting was maintaining my purchases/sales day book, reconciling my bank statements and then dropping everything into my accountant, but that was it.

At the time, Apple Computers were looking for a Dutch speaking accounts payable accountant and that is how I started my accounting career.

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

I had a chat with my manager (who is a CPA also) about my career progression. She did go through all the accounting bodies that were out there, with pros and cons for each one of them.

I did IATI first which I passed with a distinction for each subject. This allowed me to skip the Formation 1 & 2 years. CPA provided me with the greatest flexibility compared to the other accounting bodies when combining work, study and personal life so the choice was easy for me.

### Please provide a brief history your career.

Since I started my career in Accounting, I have worked with three companies. I started in Apple Computers in accounts payroll, then I rolled into an Inter-Company accountant's role and my last role in Apple was iTunes accountant for International, which I feel has really set off my career in accounting.

I started in EMC in 2006 and had various roles from record to report accountant, financial planning & analysis manager in the local sales office in Holland before returning to Ireland in a Revenue accounting manager role.

I started in Itron in 2015 as a senior deal desk manager for EMEA, APAC & LATAM with only 1 direct report at the start. Now in 2019, I have built a team of 10 champions including revenue accounting, and I have recently been promoted to Revenue Controller to align reporting, processes and controls across the global revenue organisation.

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

CPA has been significant throughout my career. As I developed my accounting skills, it also allowed me to progress to more advanced accounting roles. Especially my FP&A manager's role in Holland was very significant - my CPA qualification helped me secure that role. So big thank you to CPA!

### What has been your biggest career achievement?

I have a lot of career achievements that I am proud of, but possibly the most significant one was when I started in EMC as RTR accountant. I was doing my CPA studies and the local finance manager in Belgium only wanted a highly qualified accountant for the role. My manager at the time convinced her that I was the right candidate even though I wasn't qualified yet, so that was a great challenge for me to prove my value to the organisation. After a couple of months, the local finance

manager told my manager that she thought that I was even better than the local accountant that I was replacing so that was a big win for me.

I thank CPA for it as I had to deal with complex accounting back then, including payroll for Belgium – anyone that has ever managed that will know what complexity I am talking about!

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

There is no single person that inspires me, it is people with the right attitude that inspire me and make me want to do better in my job all the time. I have great respect for people that are ambitious, that like progression and that think outside the box, looking for efficiencies in what they do. I admire people that constantly challenge themselves and have a good idea about where they see themselves go short term and long term.

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

I think CPA provides the flexibility that allows for full-time students and people that have a job to combine personal and working life with their studies. I would also advise them to talk to people in the business and see where their CPA qualification brought them in their careers. I think it stimulates people to continue with their studies when they have a good example that they can measure themselves against, that's what I used to do throughout my career – get plenty of advice!

# Financial Reporting News

## IAASA Information Notes

IAASA has recently published two Information Notes on 'Requirement to disclose dividends proposed' and 'Requirement to disclose disaggregated revenue'.

The former reminds companies of the requirement to provide two separate disclosures regarding proposed dividends: firstly, the total amount of dividends proposed or declared before the financial statements were approved by the directors but which had not been recognised as a distribution in those financial statements and, secondly, the related dividend per share.

IAASA has detected instances where companies have omitted to disclose

all the required information regarding proposed dividends.

The latter reminds companies of the requirement in IFRS 15 to disclose the disaggregation of revenue into categories that depict how revenue and cash flows are affected by economic factors. Those disclosures must provide sufficient information to enable users to understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each operating segment.

IAASA has observed that some companies have provided more disaggregated revenue information outside of the financial statements (e.g. in investor presentations or in management reports). In these

circumstances, IAASA has challenged those companies and sought explanations as to why further disaggregation of revenue was not provided within the notes to the financial statements.

IAASA reminds directors and Audit Committees that they need to consider the revenue information that is presented outside the financial statements (e.g. in investor presentations or in management reports) when considering the presentation of 'categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.'

**Source:** [www.iaasa.ie](http://www.iaasa.ie)

## Costs to Fulfil a Contract (IFRS 15 Revenue from Contracts with Customers)

The IFRS Interpretations Committee received a request about the recognition of costs incurred to fulfil a contract as an entity satisfies a performance obligation in the contract over time. In the fact pattern described in the request, the entity (a) transfers control of a good over time (ie one (or more) of the criteria in paragraph 35 of IFRS 15 is met) and, therefore, satisfies a performance obligation and recognises revenue over time; and (b) measures progress towards complete satisfaction of the performance obligation using an output method applying paragraphs 39-43 of IFRS 15.

The entity incurs costs in constructing the good. At the reporting date, the costs incurred relate to construction work performed on the good that is

transferring to the customer as the good is being constructed.

In considering the request, the Committee first noted the principles and requirements in IFRS 15 relating to the measurement of progress towards complete satisfaction of a performance obligation satisfied over time. Paragraph 39 states that 'the objective when measuring progress is to depict an entity's performance in transferring control of goods or services promised to a customer.' The Committee also observed that when evaluating whether to apply an output method to measure progress, paragraph B15 requires an entity to 'consider whether the output selected would faithfully depict the entity's performance towards complete satisfaction of the performance obligation.'

In considering the recognition of costs, the Committee noted that paragraph 98(c) of IFRS 15 requires an

entity to recognise as expenses when incurred costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in a contract—ie costs that relate to past performance.

The Committee observed that the costs of construction described in the request are costs that relate to the partially satisfied performance obligation in the contract—ie they are costs that relate to the entity's past performance. Those costs do not meet the criteria in paragraph 95 of IFRS 15 to be recognised as an asset.

The Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for an entity to determine how to recognise costs incurred in fulfilling a contract in the fact pattern described in the request.

**Source:** [www.ifrs.org](http://www.ifrs.org)

# FRS 102 Financial Instruments

## Factsheet 5

by Robert Kirk

In my previous article, in the March 2019 issue of Accountancy Plus, I examined the content of Factsheet 4 on the topic of Financial Instruments. In this issue I am reviewing the content of Factsheet 5 on Property; Fair Value Measurement.

The factsheet does not cover the initial recording of the costs that should be capitalized but essentially, for all types of property, these should include all those costs necessary to bring the asset to its location and normal operating condition. That can include not just the purchase price less any trade discount but also legal, construction, and even decommissioning costs which are incurred at the end of the asset's life if there is a legal or other constructive obligation to carry out that work.

Under FRS 102 the need to revalue property assets depends on their nature. For owner occupied property, plant and equipment there is a clear option whether a reporting entity wishes to revalue or not. However, since the March 2018 amendments, all investment properties rented out to parties external to the group must be revalued each year as well as owner occupied properties where the revaluation model has been adopted. The argument is that a fair value for such properties should always be readily accessible and thus the previous excuse of 'undue cost or effort' has been removed.

### Property, plant and equipment – subsequent accounting

After initial recognition, property, plant and equipment (P,P & E) can be measured by either adopting the cost or the revaluation model.

However, if a reporting entity adopts the revaluation model it has to be applied to all items of P,P & E for the same class of asset.

When the revaluation model is adopted then, as long as the P,P & E's fair value can be measured reliably, the asset must be revalued. Although the valuation would normally be undertaken by professional valuers, if there is no market-based evidence of fair value e.g. specialized assets, then depreciated replacement cost can be adopted instead. The valuation must be its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

FRS 102 requires the revaluations to be carried out with sufficient regularity so as to ensure that the carrying amount does not differ materially from the fair value at the reporting date.

Revaluation gains are recognised in the revaluation reserve or surplus which is recorded in equity. However, they do represent increases in wealth and so any gains should also be reported in other comprehensive income (OCI). The exception to this is where the gains reverse previous revaluation losses that were recognised in profit or loss. The reverse must be credited to profit and loss but only to the extent of losses written off after adjusting notional depreciation based on the cost model.

**"In practice most companies have either never revalued or have ceased revaluing their owner-occupied properties"**



**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.*

An example is provided below. The subsequent depreciation charge must always be based on the revalued amount and also on the remaining economic useful lives of the assets. The following example illustrates the accounting treatment where P,P & E is initially revalued downwards followed by a subsequent revaluation upwards.

### Example Downward Revaluation of Factory building and subsequent reversal

ABC Ltd purchased a factory building in 2016 for €800,000. The building was being depreciated on a straight line basis over a useful life of 50 years with no residual value. On 31 December 2017 the building was revalued to €600,000 and again on 31 December 2018 to €780,000

#### Solution

Dr Factory buildings	€800,000	
Cr Bank		€800,000

#### Being purchase of factory building in 2016

Dr Depreciation (P&L)	€ 32,000	
Cr Accumulated depreciation factory building		€ 32,000

#### Being depreciation charge of € 16,000 per annum for two years 2016 and 2017 (€800,000 ÷ 50 years)

Dr Impairment loss (P&L)	€168,000	
Cr Accumulated depreciation factory building		€168,000

#### Being impairment writedown from book value of € 768,000 to € 600,000 at 31 December 2017

Dr Depreciation (P&L)	€12,500	
Cr Accumulated depreciation factory		€12,500

#### Being depreciation charge of € 12,500 (€ 600,000 ÷ 48 years) for 2018

Dr Accumulated depreciation factory building	€212,500	
Cr Factory building		€212,500

#### Being the elimination of accumulated depreciation at date of revaluation

Dr Factory building	€192,500	
Cr Revaluation surplus/reserve (OCI)		€28,000
Reversal of previous writedown (P&L)		€164,500

#### Being the reversal of previous impairment writedown

#### Note: Previous impairment loss €68,000 – €3,500 depreciation adjustment = €164,500

Notional depreciation €16,000 if no impairment in 2018 less actual depreciation €12,500 = €3,500

Had the building been kept under the cost model it would now be recorded at cost €800,000 less three years depreciation of €48,000 = €752,000.

However, it is valued at €780,000 thus a surplus of €28,000 arises which should be kept in a separate revaluation surplus/reserve.

## Investment properties

Factsheet 5 also covers the accounting treatment of investment properties. Essentially these are defined as properties that are rented out to earn a rental income or capital appreciation rather than being used in the reporting entity's own business or for sale.

FRS 102 was stronger than the full international accounting standard IAS 40 Investment Property in that instead of giving entities a choice between recording the assets at cost or revaluing them, it made it virtually compulsory to revalue as long as a reliable measure of the asset's value could be measured without undue cost or effort. If that could not be achieved then entities could revert back to the cost model until a reliable measure became available. The revaluation gain or loss, unlike ordinary property, must be reported in profit and loss for the period.

The March 2018 amendments to FRS 102 have now removed the ability to revert back to cost on the grounds that a reliable measure should always be available for investment property. The third paragraph in the 'live' example below will now have to be removed.

### John Henderson (Holdings) Ltd

Notes to the financial statements for year ended 31 December 2017 (Extract from Accounting Policies)

#### Investment Property

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure.

Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognized in profit or loss.

If a reliable measure of fair value is no longer available without undue cost or effect for an item of investment property, it shall be transferred to tangible assets and treated as such until it is expected that fair value will be reliably measurable on an on-going basis.



That original accounting treatment had led to a problem for group investment properties where clearly any revaluation gain or loss between the members of the same family would be artificial and would need to be removed as a consolidation adjustment. To avoid that problem, the March 2018 amendments also permit group investment properties to make a choice between the cost or the revaluation model. However, if the former is chosen, the entity must abide by the rules in Section 17 of FRS 102 which means that those properties effectively are treated as owner occupied adopting the cost model and thus will need to be depreciated over their useful lives and also reviewed for possible impairment.

A number of reporting entities having investment properties as part of their portfolio have already been applying the revaluation model in previous years for their group investment properties. In order to apply the new rules, they will not have to apply a prior period adjustment if they adopt the cost model from now on. Instead they can use their last valuation as their deemed cost on transition

**Example**  
**Group Investment property previously adopting fair value reporting now opting to switch to the cost model**

DEF Ltd has an office building that was rented out to a subsidiary. DEF Ltd had revalued the property to its fair value of € 500,000 at 31 December 2017 and on 1 January 2018 (date of transition for 31 December 2018 year end) it decided to revert to the cost model. The cumulative fair value gains to 31 December 2017 were € 200,000.

Its fair value at 1 January 2018 becomes its deemed cost and the basis for future depreciation charges which will be based on the asset's remaining useful life.

Company law and FRS 102 disclosure requirements for revalued properties will apply to the property on an ongoing basis, including the need to disclose comparable amounts determined according to the

historical cost accounting rules (in this case cost of € 300,000).

The Factsheet also covers the accounting treatment when an asset previously defined as an investment property is now treated as an owner-occupied property. Using the same facts as the example above except this illustrates a switch from investment to owner occupied property.

**Example**  
**Investment property transferred to owner occupied property**

GHI Ltd has an office building that was rented out to an unrelated party. Its fair value at 31 December 2017 was € 500,000 and on 1 January 2018 it became owner-occupied. The cumulative fair value gains to 31 December 2017 were € 200,000.

Its fair value at 1 January 2018 becomes its deemed cost and the basis for future depreciation charges. Although the value of the property has not changed, accounting entries will be required to move the cumulative fair value gains from retained profits to a revaluation reserve because the property is now measured under the alternative accounting rules.

**The change in reserves is recognised as follows:**

Dr Profit & loss account (retained profits) €200,000  
Cr Revaluation reserve €200,000

Company law and FRS 102 disclosure requirements for revalued properties will apply to the property on an ongoing basis, including the need to disclose comparable amounts determined according to the historical cost accounting rules (in this case cost of € 300,000).

This example assumes that GHI Ltd measures owner-occupied property under the cost model.

If GHI Ltd adopts the revaluation model (which must be applied consistently to the same class of asset) the property would be measured at fair value in future reporting periods less accumulated depreciation and impairment losses.

However, the above entries would

still be required on transfer to property, plant and equipment as the property will be measured under the alternative accounting rules.

In both examples the deferred tax implications need to be considered. These are not covered in the factsheet but are important as the process of revaluation creates a temporary difference under the rules in Section 29 of FRS 102. In the first example deferred tax would have been charged to profit and loss in the years of revaluation and recorded as a deferred tax liability. That remains unchanged.

However, in the second example because the revaluation gain has now been transferred out of retained earnings so must the related deferred tax liability, so the entry must be to Dr Revaluation Reserves and Cr Retained earnings with the deferred tax created to date. There would be no change to the overall liability on the statement of financial position.

**Conclusion**

The Factsheet is quite narrow in its application since it only covers how to account for revaluation of property and does not cover other issues in any depth such as depreciation, impairments and disposals. In practice most companies have either never revalued or have ceased revaluing their owner-occupied properties so most of the issues affected by the latest changes will be around the accounting treatment of investment properties. It should also be pointed out that micro entities are not permitted, under FRS 105, to revalue any class of property. Micros will therefore have to reverse any previous revaluation as well as any deferred tax recorded as these are also not permitted by the standard. There are no transitional arrangements in place.

# Cryptocurrencies –

## Decrypting the accounting

by Donal Boyle

**This article looks at how to recognise and measure transactions involving cryptocurrencies and the accounting issues to be considered by the holder of cryptocurrencies.**

Resisting change is something we can all relate to, especially when the change relates to how our wealth is recorded. The double-entry bookkeeping system, which has been in use in one form or another since the 11th century AD, is considered to be the cornerstone of modern accounting and financial reporting. So, are we ready to embrace a potential challenger to the book-keeping throne in the form of 'blockchain' and embrace a new form of monetary measurement in the form of 'cryptocurrency'? The jury is out on that, particularly if history is anything to go by – change of this nature has been met with skepticism and challenge throughout the ages. One of the best examples of this resistance was during the introduction of paper currency in the UK which replaced Tally Sticks as the accepted form of recording wealth.

Originating in the middle ages, Tally sticks were a way of recording monetary transactions, and up to the mid-19th Century were used by the Exchequer as their primary accounting and book-keeping system. Much to the resistance of citizens, who were attached to tally sticks as a reliable physical ledger of wealth, the Government of the time (1834) ordered the burning of tally sticks in support of the Bank of England's introduction of paper currency.

The sticks were burnt in a stove in the Houses of Parliament resulting in a chimney fire that destroyed the entire building, over six centuries worth of financial records up in flames!

So, what exactly is blockchain and cryptocurrency? Blockchain, often referred to as the digital ledger, keeps a record of all transactions that take place across a peer-to-peer network and enables the encryption of information and cryptocurrencies, such as Bitcoin, Ethereum, Dogecoin and many others. These digital tokens/coins are supported by blockchain and are exchanged or traded on this peer to peer network and offer an alternative to more common digital monetary transfer mechanisms.

While blockchain and cryptocurrency have more to prove before challenging as an enduring contender to the traditional book-keeping throne, the use of cryptocurrencies has proliferated the business world over the last decade and while exposed to significant levels of volatility over the past number of years, their development and use continues to evolve at breakneck speed.

So why is cryptocurrency proving to be so popular? Well mainly because it solves a lot of the existing challenges of more traditional money transfer systems including:

- cryptocurrencies are a secure digital representation that are designed in such a way that they cannot be copied or duplicated,
- the blockchain technology is decentralised across a peer network and much less exposed to cyber-attack,
- much quicker than traditional monetary transfer systems; and
- typical of technology disruptors in the market, it removes the middle man – the bank!

### Accounting considerations

The evolution of cryptocurrency has not gone unnoticed by accounting standard setters and has been a topic of discussion by the IASB since 2015 culminating in a July 2018 decision to ask the IFRS Interpretations Committee to consider guidance for the accounting of transactions involving cryptocurrencies. The key financial reporting issue at hand is how to recognise and measure transactions involving cryptocurrencies for both the instrument issuer and holder. In this article we focus on some of the accounting issues to be considered by the holder of cryptocurrencies.

In the absence of specific IFRS accounting guidance that addresses the recognition, measurement and disclosure implications of holding cryptocurrency assets, we need to look at the existing IFRS standards and apply a principles-based approach.

## Initial recognition

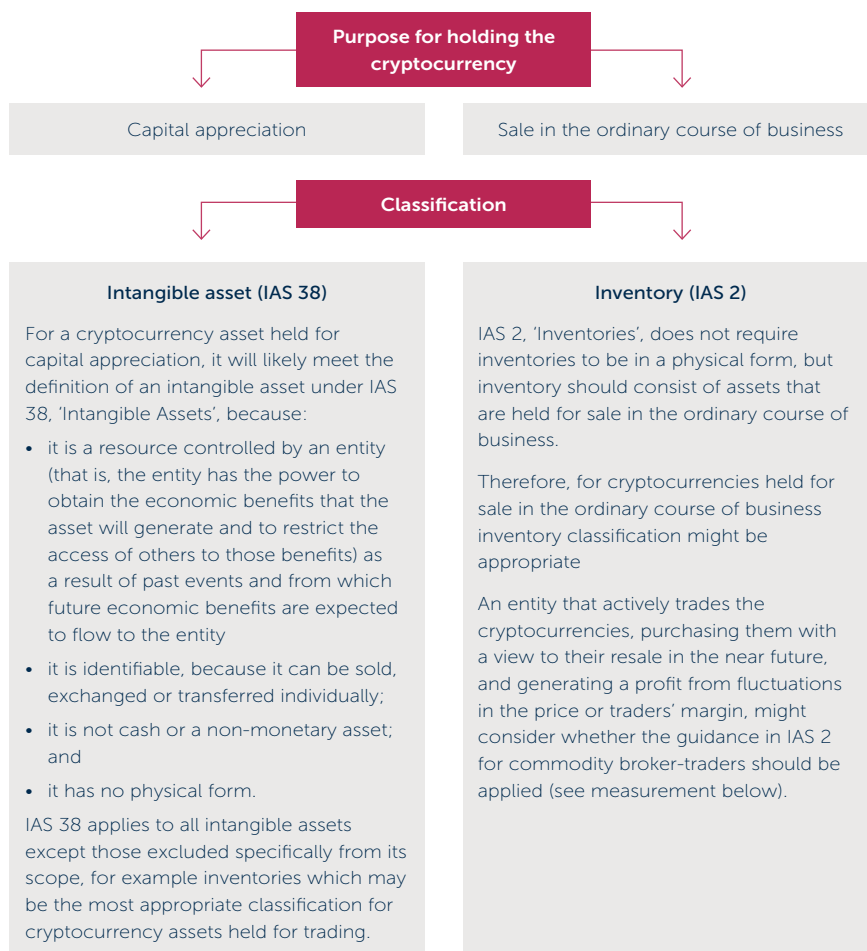
So, what are the possible accounting standards that could be applicable to the holding of cryptocurrencies? The table below discusses some of the possible asset classifications available under IFRS.

Classification	Standard	Discussion
Cash	IAS 7	<p>As a form of virtual money, we might be forgiven for thinking that cryptocurrency would likely meet the definition of cash or currency for IFRS reporting purposes. There might be an argument that, for accounting purposes, the words 'cash' and 'currency' are interchangeable however cryptocurrencies do not share the typical properties of cash and currency. These include:</p> <ul style="list-style-type: none"> <li>cryptocurrencies are not legal tender and mostly are not issued or backed by a government.</li> <li>cryptocurrencies are currently not capable of being directly exchanged in the broad sense of the word for goods and services. So, while cryptocurrencies might be accepted to settle some transactions, they are not directly related to the setting of prices for goods or services in an economy.</li> </ul> <p>Due to these restrictions, it is difficult to see how cryptocurrency assets would meet the cash classification requirements of IAS 7. This may change as the nature and use of cryptocurrency evolves but judgement would be required of the factors set out above to determine if it meets the definition of cash.</p>
Financial asset - other than cash.	IAS 32	<p>IAS 32 requires that in order for an instrument to be classified as a financial asset, it must give the holder a contractual right to receive cash or another financial asset. Cryptocurrencies fail on two fronts here - they typically do not give the holder any right to receive cash or other financial asset nor does the cryptocurrency asset arise as a result of a contractual relationship. So, similar to cash above, cryptocurrencies in their current form would not meet the definition of a financial asset.</p>
Property, Plant and Equipment	IAS 16	<p>Cryptocurrencies do not fall into the scope of IAS 16, 'Property, Plant and Equipment', because they are not tangible items with a physical property.</p>

So, having looked at some of the asset classifications under IFRS that don't seem to allow sufficient scope for the recognition of cryptocurrencies, let's take a look at some that may work. For the purpose of determining the appropriate accounting model to apply to the initial recognition and measurement of cryptocurrencies it is useful to consider the purpose for which the entity is holding the cryptocurrency –

- Is it for use in the ordinary course of business? or
- Does the entity intend to trade in cryptocurrencies?

The answer to this question will help narrow the possible accounting scenarios.



## Measurement of cryptocurrency

### Inventories

If it is determined, based on the entity's business model, that inventory accounting is appropriate, inventories would typically be measured at the lower of cost and net realisable value. However, if a broker-trader concludes that a cryptocurrency asset represents a commodity that the entity actively trades to generate profit then it may be appropriate to use the measurement exemption included in IAS 2 to measure this type of inventory at fair value less cost to sell with changes in fair value recognised in profit or loss. The term 'commodity' is not defined in IAS 2 and therefore the decision to apply the broker-trader exemption in IAS 2 would require judgement by the reporting entity.

### Intangible assets

IAS 38 contains two potential accounting approaches – cost or revaluation:

- Under the cost approach, intangible assets are measured at cost on initial recognition and are subsequently measured at cost less accumulated amortisation and impairment losses, or
- Intangible assets may be carried at a revalued amount (based on fair value) less any subsequent amortisation and impairment losses only if fair value can be determined by reference to an active market (which may not be the case for all types of cryptocurrency).

Under the revaluation model, revaluation increases are recognised in other comprehensive income and accumulated in the "revaluation surplus" within equity except to the extent that they reverse a revaluation decrease previously recognised in profit and loss. If the revalued intangible has a finite life and is, therefore, being amortised (see below) the revalued amount is amortised. For the majority of cryptocurrencies, amortisation is not expected.

## Measurement possibilities:

Applicable standard	Initial measurement	Subsequent measurement	Movements in carrying value
<b>Inventory (IAS 2)</b>	Cost	Lower of cost and net realisable value	Movements above cost – N/A Movements below cost – Profit and loss
<b>Inventory (IAS 2) – broker trader</b>	Cost	Fair value less costs to sell	Profit and loss
<b>Intangible assets (IAS 38) – cost model</b>	Cost	Cost less any accumulated amortisation and impairment	Movements above cost – N/A Movements below cost – Profit and loss
<b>Intangible assets (IAS 38) – revaluation model</b>	Cost	Fair value less any accumulated amortisation and impairment	Movements above cost – Other comprehensive income Movements below cost – Profit and loss

### A word on fair value

Two of the possible measurement models above require that the fair value of the cryptocurrency to be determined and it may also be necessary to determine fair value for disclosure purposes, even in cases where the asset is measured using a cost model. The determination of fair value comes with its own set of challenges.

IFRS 13, 'Fair Value Measurement', defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date", and it sets out a framework for determining fair values under IFRS. Fair values are divided into a three-level fair value hierarchy, based on the lowest level of significant inputs used in valuation models, as follows:

- Level 1: quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: observable inputs other than level 1 inputs; and
- Level 3: unobservable inputs.

Some of the challenges in applying the requirements of IFRS 13 to cryptocurrencies include:

- Determining whether an active market exists – IFRS 13 defines an active market as one "in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis".
- In some cases, there might be several markets for a particular cryptocurrency and each of those markets might have different prices at the measurement date. In these situations, IFRS 13 requires the entity to determine the principal market for the asset (the market with the greatest volume and level of activity).
- Then, even if a primary market is identified, in many cases cryptocurrencies are not traded for fiat currency but rather other cryptographic assets so it becomes difficult to conclude that an active market exists if 'pricing information' for the cryptocurrency is not available in a currency equivalent.



- If the cryptocurrency does not have an active market as described by IFRS 13, the assets will need to be valued using a valuation technique. This determination of an appropriate valuation methodology as well as estimating the relevant inputs into the valuation model will be subject to significant judgement and estimation uncertainty.

**“The key financial reporting issue at hand is how to recognise and measure transactions involving cryptocurrencies for both the instrument issuer and holder.”**

## Conclusion

The number of potential classifications within the financial statements as well as the further complexities with respect to the initial recognition and measurement of cryptocurrency assets including the challenge with respect to the estimation of fair values, highlights the importance of understanding the entity's business model and purpose for holding the cryptocurrency.

This increases the importance of establishing clear and specific accounting policies and ensuring their consistent application to similar transactions, as well as appropriate disclosures, to ensure the users of the financial statements have a clear understanding of the impact and relevance of cryptocurrencies on the business.



**Donal Boyle**

*Donal Boyle is a partner in PwC's Capital Markets and Accounting Advisory Services (CMAAS) specialising in the delivery of complex accounting and financial reporting projects.*



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# Law & Regulation News

## The Central Register Of Beneficial Owners (RBO)

A Statutory Instrument, No 110 of 2019, to establish a Central Register of Beneficial Ownership of Companies and Industrial and Provident Societies (RBO) was recently signed into law by the Minister for Finance.

This legislation provides for the appointment of a Registrar of Beneficial Ownership of Companies and Industrial & Provident Societies. The intention is that this function will be given to the Registrar of Companies. Statutory Instrument No 560/2016, which required all corporate and legal entities to hold adequate, accurate and current information on their beneficial owner(s) in their internal register,

has been revoked with immediate effect and replaced by SI 110 of 2019. Part 3 of the SI, which relates to the establishment of the central register, will come into operation on 22nd June 2019.

In accordance with the SI, the RBO will begin to accept on-line filings from 22 June 2019, after which there will be five months for companies and I&Ps to file their RBO data without being in breach of their statutory duty to file.

The new website for the Registry of Beneficial Ownership is located at: <https://rbo.gov.ie/>.

Filing of beneficial ownership data with the RBO must be done through an on-line portal which will open on this new website on 22 June 2019. T

here are no paper forms or filing fees involved and the RBO office is not open to the public.

The RBO website is designed to give companies and societies as much information as possible to assist you in meeting your beneficial ownership filing requirements. There is a comprehensive Frequently Asked Questions (FAQs) and search facility on this website which will help guide you through your beneficial ownership filing requirements. The information provided in the FAQs does not constitute legal advice and, if in doubt, companies/societies should obtain their own legal advice

Queries in relation to Statutory Instrument No 110 of 2019 should be sent to [aml@finance.gov.ie](mailto:aml@finance.gov.ie)

Source: [www.cro.ie](http://www.cro.ie)

## Free flow of non-personal data

Today, the main obstacles that preclude the free flow of data in the Digital Single Market are:

- Unjustified data localisation restrictions by Member States' public authorities,
- Legal uncertainty about legislation applicable to cross-border data storage and processing,
- A lack of trust in cross-border data storage and processing linked to concerns amongst Member States' authorities about the availability of data for regulatory scrutiny purposes
- Difficulties in switching service providers (such as cloud) due to vendor lock-in practices.

### The Regulation on the free flow of non-personal data

The Regulation aims at removing obstacles to the free movement of non-personal data. It was formally signed by the European Parliament and the Council on 14 November 2018 and will start to apply in May 2019.

The General Data Protection Regulation (GDPR) already provides for the free movement of personal data within the Union, next to its primary goal of protecting personal data. Together with the GDPR, this Regulation will therefore ensure a comprehensive and coherent approach to the free movement of all data in the EU.

### The new Regulation ensures:

- Free movement of non-personal data across borders: every organisation should be able to store and process data anywhere in the European Union,

- The availability of data for regulatory control: public authorities will retain access to data, also when it is located in another Member State or when it is stored or processed in the cloud,
- Easier switching of cloud service providers for professional users. The Commission has started facilitating self-regulation in this area, encouraging providers to develop codes of conduct regarding the conditions under which users can port data between cloud service providers and back into their own IT environments,

Full consistency and synergies with the cybersecurity package, and clarification that any security requirements that already apply to businesses storing and processing data will continue to do so when they store or process data across borders in the EU or in the cloud.

Source: [www.ec.europa.eu](http://www.ec.europa.eu)

# The General Data Protection Regulation

## One Year On

by Gerry Egan

**This article summarises the work that needs to be done to ensure compliance with the data management principles, the obligations of data controllers and the rights of data subjects.**

It is now one year since the GDPR came into effect. Internationally, privacy is becoming an increasingly important topic. Internationally, privacy is becoming an increasingly important topic and major losses of personal data by 'blue chip' companies resulting in multi-million-euro fines have given organisations and citizens pause for thought.

### Regulatory Activity Increasing

Regulatory activity is on the increase across Europe and we are starting to see the imposition of penalties for non-compliance with GDPR. While newspaper headlines have tended to focus on high profile investigations into organisations like Facebook and Google, 'ordinary' businesses have also been investigated and fined.

In Denmark, the Supervisory Authority (the Datatilsynet) imposed a penalty of €160,000 on a national taxi firm for failing to delete records of over nine million taxi rides after they were no longer needed.

A Portuguese hospital was fined €400,000 for a combination of offences including allowing too many people to have unnecessary access to patients' data (breach of the minimisation principle), inadequate security measures to prevent unlawful access to personal data and further breaches of basic data processing principles.

A Polish company that provides digital business, marketing, and credit information services has also been fined around €220,000 for failing to fulfil the company's transparency obligations towards six million data subjects. The company argued that its data processing activities have been inspected by authorities in two other countries and no irregularities had been found. This highlights the difficulties of applying the Regulation consistently across Europe.

To date, there have been no formal GDPR prosecutions in Ireland. The Data Protection Commission (DPC) has announced that 15 statutory inquiries (investigations) were opened in relation to multinational technology companies' compliance with the GDPR in 2018 and at least three further enquiries have commenced in 2019. In addition, the DPC's annual report for the period 25 May - 31 December 2018 says the DPC received over 4000 complaints and reports of almost 5000 data breaches in May 2018. Given that the DPC is statutory obliged to investigate every complaint, it seems inevitable that prosecutions will follow in at least some of these inquiries and investigations.

### The State of Compliance

How seriously are organisations taking their responsibilities under GDPR and what progress is being made? In 2018, the Global Privacy Enforcement Network's (GPEN) 6th annual intelligence gathering

operation ('Sweep'), examined organisations' self-reporting of how they have taken responsibility for complying with data protection laws.

GPEN members contacted 356 organisations in 18 countries and came to the following conclusions:

- Nearly three quarters of organisations across all sectors and jurisdictions had appointed an individual or team with responsibility for ensuring that their organisation complied with relevant data protection rules.
- Organisations were generally found to be quite good at giving data protection training to staff, but often failed to provide refresher training to existing staff.
- Around a quarter had no programmes in place to conduct self-assessments and/or internal audits to monitor internal performance in relation to data protection standards.
- The organisations that indicated that they have monitoring programmes in place generally gave examples of good practice, noting that they conduct annual audits or reviews and/or regular self-assessments.
- Over half of the organisations surveyed indicated that they have documented incident response procedures, and that they maintain up-to-date records of all data security incidents and breaches.

In Ireland, the Sweep involved 30 randomly-selected organisations across a range of sectors (including pharma, multinational, national and local Government, transport, charity, education and finance). The DPC noted the following trends among Irish organisations:

- 86% of organisations have a contact for their DPO listed on their website. All of these organisations have privacy policies that are easily accessible from the homepage.
- Most organisations reported that they have policies and procedures in place to respond to requests and complaints from individuals.
- 75% of organisations reported that they have adequate data breach policies in place.
- All organisations reported that they provide some form of data protection training for staff. However, only 38% of those organisations provided evidence of training programmes for all staff.
- In most cases, organisations reported that they undertake some data protection monitoring/self-assessment, but not to a sufficiently high level. Three of the 29 respondents scored 'poor' in this section, while 13 reached 'satisfactory'.
- One third of organisations failed to provide evidence of documented processes to assess risks associated with new products and technology (data privacy impact assessment). However, most organisations appear to be aware of the need for this and many reported that they are documenting appropriate procedures.
- 30% of organisations failed to demonstrate that they had an adequate inventory of personal data while almost half failed to maintain a record of data flows.

So, quite a bit done but much more to do.

## Re-cap - What is the GDPR?

The GDPR is an EU Regulation that came into effect on 25th May 2018 on the 'protection of natural persons with regard to the processing of personal data and on the free movement of such data'. It is designed to protect European residents by safeguarding personal data that we provide to public authorities, companies, etc. The scope extends beyond the EU as it is binding on all organisations that provide services to, or monitor, EU residents.

## Personal Data

Personal Data is any information relating to an identified or identifiable living, natural person, who is called the data subject (DS). Examples of personal data include name and PPS number and also data like CCTV images or an IP address, which can identify an individual indirectly.

The GDPR defines some Special Categories of data. These are: racial or ethnic origin, political views, religious or philosophical beliefs, physical or mental health, sexual orientation, sex life, trade union association, genetic data and biometric data. More stringent rules apply to this data.

## The Seven Principles of Data Management

Compliance with the seven principles of data management requires us to challenge current personal data management practices as follows:

Principle	Key Considerations
1	Do we have a privacy notice, and have we communicated to Data Subjects? What is our lawful purpose(s) and which lawful processing conditions do we rely on?
2	Are we using the data used only for the purpose for which it was provided?
3	How do we minimise the data processed?
4	How do we ensure the accuracy and quality of data?
5	How long to retain? Delete obsolete data? Appropriate disposal?
6	Appropriate security? Sources of risk? Respect for confidentiality?

## What are your Obligations as Data Controller and Data Processor?

Principle 7 relates to the responsibilities of the Data Controller (DC) (and Data Processor (DP)). The DC must be able to demonstrate compliance with the GDPR. Most CPA Ireland members will control personal data e.g. of employees and clients and some will also be processors e.g. when providing payroll services (processing personal data on the instructions of a client).

The key obligations of DCs and the questions you need to consider are:

### Privacy notice(s)

What are the best ways to communicate our privacy notice(s) to our DS's?

### Maintain logs of data processing

Do I need a DC log, DP log or both?

### Record and notify data breaches

How do I detect, record, notify data breaches and take corrective action?

### Contract between controllers and data processors

Who are my processors, and do I have compliant contracts in place?

### Understand Data Subject Rights and have process to handle requests

Are these understood? Do we have a process to handle requests?

### Carry out Data Privacy Impact Assessment.

Do I understand when required? Know how to carry out?



In addition, some DCs may have the following additional obligations:

Designate Main Establishment?	Companies operating in more than one country are required to designate one country where they will be supervised by the Data Protection Supervisory Authority as their main establishment.
Appoint Nominated Representative?	Companies without a presence in EU but who provide services in EU must appoint a nominated representative.
Enter Joint Controller Agreement (JCA)?	If you control personal data jointly with another controller you require a JCA.
Appoint Data Protection Officer?	Must I or should I appoint a DPO? See below.
Understand rules governing overseas transfer of data	Do I transfer data overseas? Understand rules governing such transfers?

## Rights of Data Subjects (DS)

DSs have stronger rights under GDPR. In summary these are:

The Right to Erasure (a.k.a. Right to be Forgotten): the right to have personal data erased where it is no longer required by the DC.

The Right to Restriction of Processing: the right to have the processing of data restricted e.g. in order for data to be corrected.

The Right to Rectification: the right to have incorrect data corrected.

The Right to Object: the right to object to processing of personal data on the basis that the DS no longer wishes you to process his data.

The Right to Data Portability: the right to receive a copy of personal data or to have it transferred e.g. to a new service provider.

The Right of Access to One's Personal Data: the right to know what personal data you hold in relation to a DS.

In addition, data subjects now have enhanced rights in relation to profiling and automated decision making.

This is a key focus area under GDPR, and it is essential that data controllers have robust processes in place to deal with requests from DS's within one month as prescribed by the Regulation.

Failure to uphold the rights of data subjects is a Category B i.e. most serious offence and a complaint from a DS will always be investigated by the DPC.

## Do you need to appoint a Data Protection Officer?

Under Article 37 of the GDPR a DC must appoint a DPO where (a) the processing is carried out by a public authority or body; or (b) the core activities require regular and systematic monitoring of Data Subjects on a large scale; or (c) the core activities consist of processing on a large scale of special categories of data such as data relating to medical, social welfare administration or criminal offences.

Otherwise, appointment of a DPO is optional. A DPO does not have to be an employee nor does it have to be a full-time role. DPO services can be procured on a contract basis.

## Conclusion and Final Tips

GDPR is a positive development and, when properly applied, greatly enhances our privacy. While the benefits for citizens are obvious, the consequences for organisations of non-compliance are serious with administrative fines of up to €20million or 4% of worldwide turnover. Directors of offending companies can also be held personally liable.

CPA Ireland members have important roles to play in ensuring that their organisations and clients are aware of and compliant with their data protection obligations.

I would draw attention to the following areas in particular which the DPC has highlighted as issues most likely to have the DPC calling to your door.

Transparency: advising the data subject about what data is being processed is fundamental so ensure that you have appropriate privacy notices.

Security: keep personal data secure and, if you have a data breach, notify the people affected and the DPC as necessary.

Finally, deal with requests from data subjects promptly. Addressing each of these three areas greatly reduces the prospect of a complaint being made to the DPC.

**75% of organisations reported that they have adequate data breach policies in place.**



**Gerry Egan,**

*M.Sc. (Mgmt.), C. Dir.*

Gerry is a Consultant and Trainer specialising in corporate governance, GDPR compliance and strategy working with clients in the private, public, and non-profit sectors.

# The Employment (Miscellaneous Provisions) Act

## New legislation all employers need to know about

by Derek McKay

The Employment (Miscellaneous Provisions) Act came into force in the first week of March 2019. The objective of the Act is to address issues that arise for workers with unspecified/insecure hours of work by the provision of new statutory protections and rights and the prohibition of the use by employers of zero-hour contracts, save in certain limited circumstances.

The main provisions in the Act contain amendments to the following Acts:

- a) **Terms of Employment (Information) Acts 1994 – 2014**
- b) **Organisation of Working Time Act 1997; and**
- c) **National Minimum Wage Act 2000**

Key elements of the Acts for organisations to be aware of include:

### Amendments to the Terms of Employment (Information) Acts 1994 – 2014

The Terms of Employment (Information) Acts 1994 – 2014 is amended in two significant respects:

1. By requiring employers to notify Employees in writing of five core terms of employment within five days of the commencement of employment; and
2. By protecting Employees from penalisation for exercising their rights under the 1994 Act.

#### 1. The requirement to notify Employees in writing of five core terms of employment within five days of commencement of employment

Presently, an Employer must provide a written statement to an Employee outlining 15 core terms of employment within two months of the commencement of the Employee's employment. Failure to do so enables an Employee to make a complaint to the WRC which, if successful could result in an award of up to four weeks' remuneration.

The Employment (Miscellaneous Provisions) Act provides that an employer must notify an Employee of five core terms of employment within five days from the commencement of employment.

These core terms are as follows:

1. Names of employer and employee;
2. Address of employer;
3. Expected duration of temporary employment or the end date of a fixed-term contract;
4. The method of calculating pay and pay reference period for the purposes of the National Minimum Wage Act 2000; and
5. The number of hours which the employer "reasonably expects" the normal length of the employee's working day and week will be\*.



This provision supplements, rather than replaces, an Employer's existing obligations under the 1997 Act.

\*The Act does not define "reasonably expects". Where an Employee's hours of work are not fixed and vary from week to week, it is likely that an Employer will be in compliance if it provides such information as it is able to determine from the outset of the employment relationship. Examples of provisions in statements of employment which might be acceptable are as follows:

"You will work x hours per day, y hours per week [insert days]" or

"You will work x hours per day, y hours per week on such days as are determined by the Company from time to time" or

"You will work x hours per day on such days as will be determined by the Company from time to time"

Where the Employer does not comply with the new obligation in the Act, an Employee can bring a claim to the WRC and/or the Labour Court and be awarded compensation of up to four weeks' remuneration.

In order to bring a claim, an Employee must have at least one month's continuous service.



Further, failure to provide the required information within one month can give rise to a criminal offence. Sanctions on conviction include a Class A fine, i.e. a fine not exceeding €5,000, or imprisonment of up to twelve months or both.

Directors, managers, secretaries or other officers of a company can be individually liable, i.e. be prosecuted individually for offences.

## 2. Anti-penalisation provision

The Act also introduces an anti-penalisation provision whereby an Employer may not penalise an Employee for exercising rights under the 1994 Act. An Employee who is penalised can be awarded compensation of such amount as the WRC considers just and equitable having regard to all of the circumstances, but not exceeding four weeks' remuneration.

## Amendments of the Organisation of Working Time Act 1997

**Zero Hours Contracts:** A zero hours contract of employment is a type of employment contract where the Employee is available for work but does not have specified hours of work.

Currently, Section 18 of the Organisation of Working Time Act 1997 entitled "Provision in Relation to Zero Hours Working Practices", governs the legal position regarding zero hour contracts. In effect Section 18 provides that an Employee under a zero-hours contract who works less than 25% of their hours in any week should be compensated. The level of compensation depends on whether the Employee got any work or none at all. If the Employee got no work, then the compensation should be either for 25% of the possible available hours or for 15 hours, whichever is less. If the Employee got some work, they should be compensated to bring them up to 25% of the possible available hours.

There is no entitlement to such payment under Section 18 of the Act where the Employee is under no obligation to accept work [no mutuality of obligation]. These arrangements are frequently described as 'Casual' work or 'if and

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when' work arrangements. Because they operate on an expectation as distinct from an obligation to work, there is no payment entitlement applicable.

The Employment (Miscellaneous Provisions) Act amends Section 18 of the Organisation of Working Time Act 1997 Act in five significant respects:

1. By **prohibiting zero hours**

**contracts** save in situations of genuine casual employment and where such hours are essential to allow Employers to provide cover in emergency situations or to cover short-term relief work to cover routine absences for the Employer.

2. By providing **minimum payments to Employees who are required to be available to work** but are not called into work.

The new Section 18 provisions maintain the same payment mechanism as per zero hour contracts, i.e. the lesser of 25% of the contract hours or 15 hours. The additional feature under the Employment (Miscellaneous Provisions) Act is a new minimum payment of three times the national minimum hourly rate of pay or three times the minimum hourly rate of pay established by an employment regulation order.

3. Employees enjoy a new right to be placed in a **band of hours** that more accurately reflects the hours they habitually work over a 12-month reference period as against their contractual hours. The Employee must make a written request to be placed in a band of weekly working hours. The Employer must then place the Employee in the appropriate band not later than four weeks from the date the Employee makes the request. The appropriate band is determined by the Employer on the basis of the average number of hours worked by the Employee per week during the reference period.

Band	From	To
A	3 hours	6 hours
B	6 hours	11 hours
C	11 hours	16 hours
D	16 hours	21 hours
E	21 hours	26 hours
F	26 hours	31 hours
G	31 hours	36 hours
H	36 hours and over	-

4. The requirement that an **Employee who is placed in a band is entitled to work such hours** the average of which falls within the band for a period of 12 months following placement in the band.

An Employer may refuse to place an Employee in the band in one of the following circumstances:

- a) Where there is no evidence to support the Employee's claim;
- b) Where there have been significant adverse changes to the business, profession or occupation carried on by the Employer during or after the reference period;
- c) Due to exceptional circumstances or an emergency, the consequences of which could not have been avoided despite the exercise of all due care, or otherwise due to the occurrence of unusual and unforeseeable circumstances beyond the employer's control; or

- d) Where the average hours worked by the Employee were affected by a temporary situation that no longer exists.

The section will not apply to banded hour arrangements entered into by way of a collective bargaining agreement.

An Employer is not required to offer hours of work to an Employee in a week that the Employee was not expected to work, nor offer hours of work in a week where the Employer's business is not being carried out.

An Employee can bring a complaint to the WRC, which can issue a

decision placing the Employee in an appropriate band of hours but cannot award compensation.

5. **Prevention of penalisation of**

Employees for exercising their rights under the 1997 Act. The Act replaces the penalisation provision in the 1997 Act with a new penalisation provision.

An Employee who claims to have been penalised for invoking rights under the Act can bring a claim to the WRC and be awarded compensation of up to two years' remuneration.

## Amendments to National Minimum Wage Act 2000

Under the new Act, changes have been applied to the National Minimum Wage Act 2000 and wage rates for employees under 18 and those over 18 have been simplified and will be solely based on age. Trainee rates of pay have been abolished.

## Conclusion

The new employment legislation introduced will impact both Employers and Employees. With further protections provided to Employees, this will hopefully ensure fairness in relation to Employees employment terms and conditions. It will however place a further administrative burden on Employers, which we would expect is not necessarily welcomed.



**Derek McKay,**

*Managing Director, Adare Human Resource Management*





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# Finance & Management News

## Brexit Advice

**The Government is continuing to provide Brexit advice to business and individuals as part of their preparedness and contingency plans. The range of areas covered recently are:**

- Driving Irish-registered vehicles in Northern Ireland and Great Britain and residents in Ireland with UK Driving Licences
- Companies who may be storing personal data in the UK or in a UK based cloud service
- Construction & building trade
- Companies buying goods from the UK
- People buying online from the UK
- Companies with their own transport who may be bringing goods through Irish ports
- Traders of plants and plant products
- Traders of animals and animal products
- Information and advice to consumers in relation to healthcare and medical products

To access the information on all these subjects please go to the Brexit Section of our website.

**Source: [www.gov.ie/brexit](http://www.gov.ie/brexit)**

## The SME Instrument Financial Support

Small and medium-sized enterprises that are based in one of the EU's Member States can receive EU funding and support for breakthrough innovation projects with a market-creating potential as part of the Enhanced European Innovation Council (EIC) pilot. The Enhanced EIC pilot builds upon the SME Instrument and provides grant-only support along with blended finance (grant in combination with equity investment).

The Enhanced EIC pilot's stage funding will boost fast company growth and market-creating innovation. It will also facilitate the scaling up of innovative companies by providing them access to Business Acceleration Services. For details on the supports available <https://ec.europa.eu/programmes/horizon2020/en/h2020-section/sme-instrument>

**Source: [www.ec.europa.eu](http://www.ec.europa.eu)**

## Finding answers as global business moves to integrated thinking and reporting

The IIRC has published a set of answers to some of the most frequently asked questions, as corporate reporting is being reformed worldwide to embrace the concept of integrated reporting – available on the IIRC's website.

When using the IIRC's frequently asked questions webpage, users are invited to directly feedback to the IIRC about which answers were helpful – and which were not. The IIRC will use this feedback to evolve and add to the webpage over time.

This publication is part of a two-year programme of technical guidance about integrated reporting being published by the IIRC. The programme follows a 2017 review into the effectiveness of the International Integrated Reporting Framework, which whilst finding strong evidence demonstrating that it is a robust and successful tool for supporting this new approach to reporting, also identified areas where the market needed guidance to develop effective and robust integrated reports.

Commenting on the publication, Richard Howitt, CEO, IIRC said:

"Over the past thirty years, relationships in the market and in society, the skills of the company's own workforce and the knowledge and ideas contained within the company may be 'intangible assets', but they are now the true value drivers of a successful company in the 21st century.

"These concepts are at the heart of why integrated reporting is winning fast-growing acceptance amongst companies around the world. It is one in which social and relationship, human, natural and intellectual capital are just as important to the company, in the new era of 'multi-capitals' in which the business can prosper."

**Source: [www.integratedreporting.org](http://www.integratedreporting.org)**

# Leadership Insight

by Diarmaid Ó Corrbui

## Please provide a brief history of your career.

I did the leaving cert in 1978 and with over half of my classmates emigrating due to the serious lack of job opportunities, the offer of a pensionable job in the civil service was too good to turn down. I ended up spending 8 years in the civil service, working in the departments of the Gaeltacht, Social Welfare and Finance. During that time, I received a scholarship to complete a degree in economics and social science in Trinity College. I moved from the civil service into the world of consulting, joining Accenture, working on a range of major projects both in Ireland and abroad. I left Accenture to start up a strategy consulting firm, Prospectus, with a former colleague from Accenture and spent the next 15 years providing consultancy services to a range of organisations in financial services, healthcare, public sector and the nonprofit sector.

Being a management consultant, you get exposed to some very interesting challenges and get to work with some really talented and driven people. It was a fantastic learning and developmental experience. In my mid-forties, I had the clichéd mid-life crisis and I asked myself is this it? Is this what I want to do for the rest of my working life? I decided that I wanted to do something very different and thankfully, with the support and encouragement from my wife, I decided that I would like to put my skills and experience to work in the nonprofit sector. I grew up in a family where both my parents were very active in community and voluntary organisations and serving on committees. I appreciated the importance of voluntary organisations for the social fabric of civic society

and the necessity for people to step forward to take on governance responsibility in these organisations. So when I saw the CEO position in Carmichael being advertised, an excellent organisation that I was familiar with as a consultant, I felt that it would be a great organisation to lead. I put in my application and was fortunate to have been successful and was appointed CEO in October 2011.

## Describe your working life as CEO of the Carmichael Centre.

Carmichael is Ireland's first and largest shared services and support centre. Founded in 1990 we are home to 45 resident nonprofit organisations. In Carmichael, we work to do good by providing the following services:

- Office accommodation (offering a range of options from own office to shared desks).
- Support services and facilities. For example, Accounting & Payroll, IT, meeting rooms and catering services.
- Training and capacity development support services to nonprofits nationwide.

We work not only with the 45 resident nonprofit organisations who are based in the Centre, but also with 100s of groups around the country. We work with boards and management committees on governance issues and in helping them to implement best practice and quality standards.

We also provide a mentoring service for CEOs of Charities, information seminars and we disseminate good practice information guidance.

So my working life as CEO of Carmichael is very varied and interesting. A typical day can involve working with our services team to ensure that our facilities are in good condition for the over 30,000 people a year that access our Centre and with providing advice to a board of a nonprofit that is grappling with a challenging governance issue.

## What do you think are the biggest challenges people face in relation to the Charities Sector?

The biggest challenge for charities is building and maintaining trust. We in Ireland are painfully aware of costly governance failures in the banking sector that brought the country to the brink of economic collapse and did untold damage to our national reputation. The State sector has also had its share of examples of weak and ineffective corporate governance. The Charities sector too has had its governance failures, where controls and oversight systems have broken down or turned out to be illusory.

Charities up to about five years ago, were one of the few remaining pillars of society, where the public's trust had not been crushed by repeated damning failures. Our trust and confidence in the banks, the church, professional bodies, the political system and various organs of State, have been eroded by a series of scandals arising from poor controls, arrogance and lack a character. Now, regrettably, the Charity sector is a member of this infamous club and the whole sector is being damaged by the grave sins of a few.

Trust is a delicate flower. It can very quickly perish without careful attention and nurturing. We in the Charities sector are now fully aware of the harmful damage that a major failure in corporate governance can have for our organisations and our sector. We no longer can afford to pay lip service to the need to have strong and monitored governance systems in place. It is not acceptable to opt out and leave it to others to worry about the need to adhere to good practice. It is in everyone's interest to ensure that there are robust and effective governance practices in place and that these are regularly reviewed. A single event of poor corporate governance can severely damage a reputation that has taken years to build. Your personal reputation as a manager or as a board member can be at stake as a result of a corporate governance failure in your organisation. Ineffective corporate governance can not only destroy personal and organisational reputations but they also can seriously damage a sector's or even a country's good name and reputation.

**Corporate Governance plays a vital part in the Charities Sector and is something you have been heavily involved in. Do you think people need to be more involved and knowledgeable in this area?**

Putting yourself forward for consideration or responding positively to an invitation to become a trustee of a charity is a very important and needed act of civic responsibility. The thousands of charities in Ireland play a critical part in society's response to a wide range of human needs. Many are small groups surviving on very limited resources, but are tackling large problems. Through the passion, commitment and activities of these groups, a wide range of needed services and supports are delivered in areas such as health, social services, education, emergency relief, sports and culture. There are tens of thousands of people engaged daily in providing these services. They are creating an untold quantum of public

good - enhancing culture, health, recreation, social justice, and civil and human rights. They are performing roles and making contributions that for many are not recognised or properly valued. However, to run effectively and properly, they need 1,000s of people to step-up and become volunteer board members. The charity sector needs people with the right skills, experience and commitment to serve as trustees and those who do, should be acknowledged and supported.

However, while I strongly encourage people to put themselves forward for consideration, I would also strongly recommend that you do some homework and research before you accept an appointment as a charity trustee. You should ask what will be my governance responsibilities and where can I get the information, advice and support, so that I understand what I need to do to be effective in fulfilling those duties.

A core focus for Carmichael is to provide support and guidance on the design, implementation and oversight of good governance practice. In addition to the comprehensive range of training courses, eLearning modules and information and guidance resources that we provide, we were founding members of the Governance Code for Community, Voluntary and Charitable organisations, we facilitate a board chairpersons network and we run the annual Good Governance Awards to promote and recognise adherence to good governance practice in the nonprofit sector.

Another example of the work that Carmichael does to improve the knowledge of what is involved in being a charity trustee, is the Diploma in Governance for the Charitable Sector that we developed in conjunction with CPA Ireland, details of which can be found at [cpaireland.ie/DGCS](http://cpaireland.ie/DGCS).

Help and guidance is available and I would encourage those who are currently charity trustees and those





that are thinking about getting involved, to seek out the support that is available and ensure that they are aware of and understand their governance responsibilities.

**You were appointed Board Member of the National Advocacy Service for People with Disabilities and also of Enclude. How did this come about?**

Over the years, I have served on a number of nonprofit boards and committees. Also as CEO of Carmichael and the work we do, I have developed an expertise and insight to good governance which has led me to being asked to serve on boards. I was asked by both of these two charities to join their boards and after completing a due diligence process and satisfying myself that these were excellent organisations, involved in charitable purposes that I could relate to and I felt that I could perform a useful role as a board member, I agreed to become a member for a specific term.

I am grateful to my own board in Carmichael who consented to allow me take on these board positions. I am also very conscious that in order to meet my responsibilities as Carmichael CEO and as a board member of these two organisations, that I need to limit my board membership to just two organisations.

**To date what has been your career highlight?**

Over a forty year working career to date, there have been both challenging and rewarding times. It is hard to single out one in particular, but if pressed, I would have to say helping Carmichael to respond effectively to a major financial challenge in 2012-13 and to grow and enhance the range and supports that Carmichael provides to the sector.

Getting through this difficult period needed a strong and supportive board and staff and I was very

fortunate in having both as we worked our way through some very difficult but necessary actions to ensure the continued sustainability of Carmichael.

**Who or what inspires you most in business?**

I get inspired by people who are passionate and committed to the work they are doing but who are also both humble and wise in knowing the importance and value in seeking advice and guidance from people that can help them to be better and more effective in what they do. In my career as a civil servant, management consultant and a CEO of Carmichael, I have met many people that have inspired and helped me, but unfortunately, I have also encountered others who feel that they know best and that they don't need any challenge to what they are doing and how they are doing it.

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

The importance of taking prompt and decisive action when faced with important decisions. Of course, do your homework and analysis to assess your options. But don't prevaricate. Make the decision and take the necessary action. Experience has taught me that, unfortunately, delaying in taking decisive action can make matters worse.

**How do you unwind?**

In January this year, I decided to take on the 100 day challenge of walking 10,000 steps for 100 days. It has been fantastic. I have created time for myself that I didn't think I had. I have lost weight (much needed), sleep better and get to listen to some wonderful podcasts as I step in pursuit of my daily target. Definitely something I am going to continue.



**Diarmaid Ó Corrbuí**  
*CEO of Carmichael,*

Diarmaid is CEO of Carmichael, Ireland's oldest and biggest shared services facility for the nonprofit sector. He is a board member of the National Advocacy Service for People with Disabilities and of Enclude. He is a former Chairman of Acquired Brain Injury Ireland and Ruhama.

**"Now, regrettably, the Charity sector is a member of this infamous club and the whole sector is being damaged by the grave sins of a few."**



# Commercializing an App

by Stephen FitzGerald

I open my Careem app and select location for Downtown Dubai, UAE. Hassan, my Careem driver, is at my door two minutes later. On the chaotic Sheik Zayed Road, Hassan's careful driving is a welcome contrast to some of the questionable driving around us. As I reach my destination, I read the news that Uber, the California based global transport giant, has just purchased Careem for USD3.1Bn. This is the biggest tech deal the region has ever seen. The deal is proof that, structured correctly, mobile apps can mean big business.

A mobile app is no longer a differentiator for businesses, it is a channel for businesses to engage existing and new prospects with the intention of capitalizing on the data acquired to drive revenue, efficiencies and behaviour. However, an app can still be a significant source of revenue. According to Statista the total revenue derived from apps in 2016 was USD 88 bn, they are expecting this to grow to USD 188 bn by 2020. The scope for revenue through apps has never been bigger.

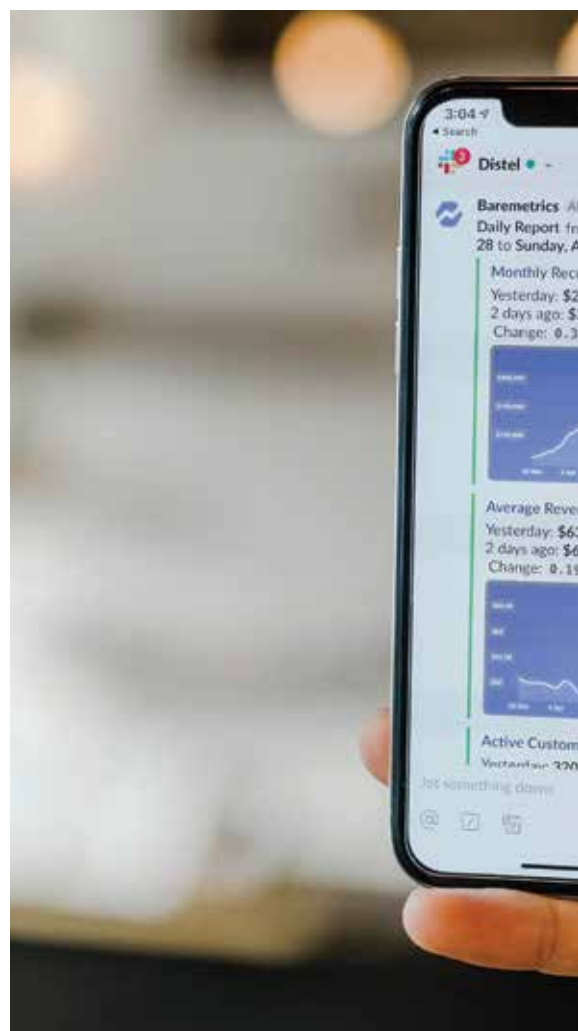
According to Forbes, apps with in-app purchases generate the highest revenue for their publishers. This monetization strategy is also expected to dominate in the years to come. Both UK agencies and advertisers are now spending the majority of their advertising budgets on mobile. The early adopters of app creation saw the best route to monetizing apps was through charging a fee for downloading their app. While this is still the case for some of the app market, recent trends suggest that free apps, rather than paid apps, is where future monetization lies. Recent data shows us that now over 95% (and growing) of the share of apps on the Google

Play Store come from free apps.

I should point out that some businesses do not need a mobile app, don't just create an app because you feel you must. It sounds simple but before creating your app you should be clear on what the objectives are. Have you identified a problem which can be resolved by your app? Do you want to expand sales channels? Do you want to gather more data on your customers? Perhaps you already have an app that has a significant active user but you don't generate any revenue from it.

The number one source of revenue for app developers comes from in-app ad-revenue. The 'effective Cost Per Mile' (eCPM) model measures the cost of every thousandth ad impression. eCPM is calculated by dividing the total earnings by the total number of impressions (multiplying that result with one thousand). This output allows marketers to evaluate and optimize their monetization strategy, the higher the number the better the performance. eCPM doesn't require the user to click on the advertisement for the developers to earn.

Alternatively, Cost Per Click (CPC) advertising is a model used in user acquisition campaigns, where in-app advertisers pay each time a user clicks on their in-ad app. This model relies on a mobile user taking an action. However, if the ad doesn't deliver high clicks, CPC won't be profitable for an app owner. Finally, a Cost Per Action (or Install) model allows the app owner to get paid only when the user takes a specific action, for example clicks on the ad and for example makes a subsequent purchase or installation.



## So, what types of advertisement formats are available to app owners?

The most common form of in-app advertising are called Interstitial advertisements. Such ads occupy the entire screen. This technique allows the advertisers to capture the audience's attention like no other. However, users can become frustrated with this technique which makes them less receptive with users hitting the 'x' button as quickly as possible.

Banner ads are the original form of mobile ads. They are commonly embedded into an app. Often the objective is to take the user from the host page to the advertisers app. Banners on iOS on average cost \$0.20 to \$2.00 and slightly cheaper on android \$0.15 to \$1.50. In-app video ads are arguably the best way



to monetize your app. In 2019, US advertisers will spend \$129.34 billion, or 54.2% of their media ad budgets, on digital ads. By 2023, that figure will reach 66.8%. If you've built an app and you've gathered enough users to monetize, video ads are probably the best option. Recent Facebook earnings calls have emphasized videos and live broadcasts as one of their key future growth plans. Average cost for video ads are \$3.00.

Mobile native advertising is a format of advertising that takes advantage of the form and function of the surrounding user experiences, all of which are indigenous to the wide variety of mobile devices. In contrast to Interstitial ads users don't perceive native ads as regular digital ads and hence aren't annoyed by them as much.

## Building an app as an extension of your existing business

In this scenario you are expanding potential revenues by creating an additional channel for your business. Examples of this include Tesco and Aer Lingus which are established businesses who have added a channel to provide their goods and services. These companies generate incremental revenue on selling existing products and services but to customers on their smartphones. How they increase revenue is more indirect, their apps allow them to acquire new customers and to more easily gather data on their customers. The key to having success in extending your business through an app is functionality.

If I think about the apps I use the most, they generally don't ever fall below what I am expecting of them. Examples that spring to mind are Google Maps and WhatsApp. They serve their purpose and are reliable. If you are extending your business through an app you need to ensure that your app is functional, easy to use and reliable.

## Using an app to gather data

Above we have outlined how transactions are made through advertising, but in order to optimize advertising, gathering data on consumers is the foundation on which these marketing strategies sit. Facebook, through its Facebook Dynamic Ads product enables advertisers to upload their entire product catalog and target customers at specific income levels. Similarly, its Lead Ads offering helps advertisers in lead generation. Setting aside the dubious means by which Facebook has sold this data to multinational companies, gathering information on customers through your app lets you know your customer better than ever.

Recently, one of our clients engaged us to build a rewards app for one of their key brands. In a nutshell, they wanted to provide an app to their customers who could purchase

their products in brick and mortar stores and then scan their receipt into the app which allowed them to earn points and to redeem them on future purchases or at participating partners. While the app was a big success with their customers, the biggest benefit for our client was the ability to get to know their customers better. The problem that large FMCG companies currently have is that they don't know their customers and rely on distributors and retailers for insights. Targeted campaigns based on customer behavior and data gathered through the app has been hugely successful, leading to tangible benefits manifesting themselves on the P&L compared to periods before the app had been launched. Furthermore, significant value can be generated by offering a service or a utility that can trigger mass adoption with active users – as this region has seen with Careem.

In summary, more and more transactions will be done through mobile apps but before you decide to create one for your business, take the time to figure out whether it makes sense or not. If you structure your app correctly you can get incredibly valuable insights into your customers which will allow marketing to penetrate further sales and increase your customer base.



### Stephen FitzGerald

Stephen FitzGerald is a Dubai based qualified accountant with over ten years' experience in both practice, with EY, and industry across pharma, consulting and tech. He is currently VP Commercial with Dubai based startup AYM Commerce.

# Taxation News

## New Appointments to TALC & the CPA Taxation Sub-Committee

Congratulations to Mr. Kevin Elliott a member of the Taxation Sub-Committee with CPA Ireland whom was appointed as Chairperson of the TALC Indirect Committee for the calendar year 2019. Kevin maybe contacted at [kevin.elliott@tketax.com](mailto:kevin.elliott@tketax.com) if you wish to make any taxation queries/referrals.

Also congratulating the apportionments of Ms. Carla Manning of CACM Accountants in Cork and Mr. Brendan Brady of Brady & Associates in Dublin to the Taxation Sub-Committee with CPA Ireland in December 2018.

Source: [www.cpaireland.ie](http://www.cpaireland.ie)

## Department of Finance Annual Taxation Report

A decade ago, the Irish fiscal crisis was entering its most acute phase. The bursting of the property bubble a year earlier had triggered a chain of events that would ultimately lead to Ireland's loss of fiscal sovereignty. Perhaps most crucial was the collapse in taxation revenues which fell by nearly one-third during 2009/2010, as this revenue stream had become excessively intertwined with developments in the property market.

This is the Department's second Annual Taxation Report. Its purpose is to provide an in-depth and longer-term perspective on trends in taxation receipts. Such analysis is motivated inter alia by the need to rigorously monitor the sustainability of taxation revenue, particularly in light of the massive fiscal imbalances that were allowed to accumulate in the first half of the last decade.

The recovery in the taxation yield since the crisis mainly reflects the recovery in the tax base, namely economic activity. Employment,

consumer spending, etc. all continue to expand and, in doing so, generate tax revenue streams. That said, any shock to the tax base would have implications for the public finances. This highlights the importance of continuing to re-build fiscal buffers and of ensuring that the economy is sufficiently flexible to be able to absorb the inevitable shocks. The deteriorating international economic outlook and the non-negligible possibility of a disorderly UK exit from the European Union highlight the need for policy caution.

This report is structured in a similar manner to last year's analysis. Section 2 briefly recaps tax revenue developments since the beginning of the last decade. Section 3 then documents how taxation receipts have evolved from the low-point in mid-2010 to current levels. Of key strategic importance is the rising corporation tax yield, and some of the issues associated with this are detailed in section 4. Section 5 draws some conclusions.

The full report can be accessed at [www.gov.ie/en/publication/beb7c8-annual-taxation-report-2019/](http://www.gov.ie/en/publication/beb7c8-annual-taxation-report-2019/)

Source: [www.gov.ie](http://www.gov.ie)

## PAYE Modernisation Hot topics

In response to the challenge of PAYE Modernisation Revenue has created a "Hot Topics" page which is updated in real time based on the most common issues being reported by employers.

PAYE Modernisation involves the most significant reform of the PAYE system since its introduction in 1960. From 1 January 2019 employers are required to report their employees' pay and deductions to Revenue as they are being paid. Revenue is providing extensive support for employers and their agents to support the transition to the new reporting requirements under PAYE Modernisation.

The current supports on the "Hot Topics" page are:

- A document providing guidance on Employer PAYE Payroll payment liabilities and payments options.
- A summary of the PAYE Modernisation Statements, describing common reasons why a statement may differ to that expected. It also provides guidance on how an employer can resolve these differences when encountered.
- A document describing the reasons why an employer may receive duplicate Revenue Payroll Notifications (RPNs) when operating PAYE Modernisation and guidance on how an employer can resolve these.

- A document describing reasons why a person may experience difficulties accessing ROS when operating PAYE Modernisation, including guidance to help address such difficulties when encountered.
- A document setting out the possible reasons why an RPN may not be available for download along with guidance for employers on how to address these.

This webpage can be found at <https://www.revenue.ie/en/employing-people/pay-modernisation/hot-topics/index.aspx>

Source: [www.revenue.ie](http://www.revenue.ie)



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# Passing on the Family Business

by Suzanne Parker

**For most business owners in Ireland there will inevitably come a time when the matter of retirement and succession planning will need to be considered. This can be a daunting process and our clients need reassurance and guidance on how to pass their business on to the next generation successfully.**

The purpose of transferring or selling a family business is to ensure survival and the problem is many businesses do not last to the next generation. The client would need to give a thought to who would be the best person to take the helm of the family business. If one child is involved in the business and other children are not, one child might be the best option, but it could cause family conflict if the one child is being favoured over the others.

If transferring to all the children is the best option for the family business, a shareholders or partnership agreement should be considered, to deal with running and key management decisions. Another option could be a re-organisation of shares splitting the income entitlements and voting rights to ensure the people making the business decisions are right for the role.

In any event, the transferor will need to consider capital gains tax (CGT) on the disposal and the beneficiary may have capital acquisitions tax (CAT) and stamp duty payable on receipt if the business is gifted. Irish tax policy is quite supportive of businesses transferring between family members and there are tax reliefs available all of which I will consider below.

## CGT

A person is chargeable to CGT in respect of chargeable gains accruing to that person if they are resident or ordinarily resident in the state.

A person is resident if they are present in Ireland at any time of the day for 183 days in one year or 280 days over two years. To be ordinarily resident, the individual must be resident for three consecutive years.

A disposal takes place when there is a transfer of the beneficial ownership of an asset from one person to another. This can be done by gift or sale and therefore a transfer may be liable to capital gains tax even though no profit or monetary gain is made.

When calculating the gain for the disposal, the base cost (value at date of acquisition) together with any enhancement expenditure and the costs of acquisition and sale are taken away from sale price or current market value where the parties are considered connected parties under Section 10 of the Taxes Consolidation Act 1997 (TCA). Indexation Relief and the annual exemption of €1,270.00 is also allowable when calculating a gain. The gain is taxable at a rate of 33%. These taxes may be a harsh consequence of selling a business and Revenue have introduced a relief to support the succession of a business.

## Retirement Relief

Retirement relief can be claimed on the disposal of certain business assets. An important point to note on retirement relief is that the person does not have to actually retire and can remain involved in the business after the disposal.

The person must have reached the age of 55 years to claim this relief.

S598 TCA sets out the criteria for claiming retirement relief when transferring the business to a person other than a child. Full relief can be claimed up to the limit of €750,000.00 when aged between 55 years and 65 years. After the age of 66, the limit for claiming the relief is reduced to €500,000.00. Marginal relief may be claimed when the limit is slightly exceeded.

When the transfer is to a child S599 TCA applies and there is no limit on the gain for the disposal. Once the age of 66 is reached, the limit of €3,000,000.00 applies. The annual relief is not available to anyone claiming retirement relief and any previous disposals qualifying for retirement relief will be taken into account when making this disposal. The disposal or transfer must be made for a bona fide commercial reason and not form part of any arrangement or scheme for the avoidance of tax under S599 TCA.

Under this section a child can also be defined as:

- the child of a partner of the individual making disposal;
- the child of a deceased child;
- a niece or a nephew that has worked substantially full time in the business for the previous five years; or
- a foster child.



If retirement relief is claimed there will be a clawback if the child sells the business within six years of the disposal.

The relief will only apply on the disposal of assets which are considered qualifying assets under the legislation.

Qualifying assets would be considered:

- business assets used in a trade;
- qualifying business assets that are owned for at least 10 years ending on the date of the disposal;
- business assets owned by the transferor throughout the 10-year period ending on the disposal;
- shares in a family company - If the property being transferred consists of shares in a family company which is a trading company, farming company or a holding company, the individual making the disposal must have:
  - owned the property for at least 10 years ending on the date of the disposal
  - been working as a director in the company for at least 10 years; and
  - a full-time working director for at least 5 years.

A family company is where:

- the owner owns either 25% of the voting rights or
- at least 10% of the voting rights where the family owns 75% of the voting rights; or

- land, machinery or plant which have been held for 10 years ending on the date of disposal.

Chargeable business assets must meet certain holding criteria and assets including goodwill and securities which are used by the trade or profession must be carried on by the individual.

The process for applying the relief would be to determine if the individual meets the retirement age and holding requirements of the property. The next step would be to determine if they are disposing of chargeable business assets and separate the qualifying business assets which meet the criteria for retirement relief. Once the qualifying assets are determined, the value of the transfer or disposal can be calculated, and any non-qualifying assets will fall under the normal CGT rules with no retirement relief.

Prior to any transfer of a business, it should be a priority to ensure that the client can fund their retirement. The client may be entitled to a state pension and any private pension which they have contributed to during their lifetime. This may not be sufficient to fund their current lifestyles and if the business is being fully gifted, the client would not be receiving any lump sum to use during retirement such as a share buyback or pension lump sum. They would also not have an entitlement to income from the business if they fully retire.

The fact that the client would not have to retire could be a way to

obtain income from the business by working with it as a consultant or employee. However, they may not wish to continue working in a non-owning role or they may not physically be able to continue working. Based on the finance position of the business, all options of cash extraction should be considered.

Another option may be for the premises the business is run from is held and rent to paid to the client. The drawback of this is that any future sale would not be covered under retirement relief. It would have to be transferred with the business. Any further disposals should be under a Will to ensure that no further capital gains tax is payable.

### Entrepreneur Relief

If the client does not have the relevant ownership requirements for retirement relief, entrepreneur relief could be considered. This relief was introduced in the Finance Act 2015 was created for entrepreneurs disposing of certain business assets. The relief provides that a rate of 10% would apply to any chargeable gains on a disposal of qualifying business assets up to the limit of €1,000,000. A qualifying business is a trading business and cannot be a company holding merely securities or investment assets. The relief applies to individuals only and not a business transferring a trade.

The criteria to qualify as a relevant individual for entrepreneurial relief is that they own the business for three out of the previous five years and



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worked no less than 50% of their working time in the service of that company, working in a technical or managerial capacity.

In the case of shares in a company, the person must have owned 5% of the ordinary share capital and owned the shares for a continuous period of three out of the previous five years ending on the date of the disposal. These periods of time are strictly enforced by the Revenue and if a person is considering selling a business, it would be recommended to wait until they have fulfilled these criteria.

### CAT

If a business or shares are being transferred by way of gift, the beneficiary who receives the gift will be liable for CAT on receipt. Every person receiving a gift is entitled to a tax-free threshold and the value of this is dependent on the relationship with the transferor. In the case of receiving a gift from a parent, the current group threshold is €320,000.00 which they can receive from a parent tax free. This is a lifetime threshold and the gift is taxable in Ireland where the property being transferred is Irish, the transferor is Irish resident or the beneficiary is Irish resident.

### Business Relief

S92 of Capital Acquisitions Tax Consolidation Act 2003 (CATCA) provides relief of 90% of the taxable value of the relevant business property when taken by a beneficiary. S94 CATCA states that relevant business property must have been part of and used in the business for a minimum of 5 years when the property is being given by gift. A period of ownership by a spouse or civil partner will count for satisfying the purposes of minimum period of ownership. There is also an allowance for the replacement of relevant business property to allow business people facilitate the buying and selling of various businesses during the transferor's lifetime.



Relevant business property only will qualify for the relief and there are four categories of relevant business property:

- Property consisting of business or an interest in a business;
- unquoted shares where the beneficiary on the valuation date must have either 25% of the voting rights, control of the company or at least 10% of the nominal value of all issued shares and securities in the company and the beneficiary has have worked in the business for a period of 5 years ending on the date of the disposal;
- the land, buildings and machinery owned by the transferor which were used in the business and not for investment only purposes; and
- quoted shares if they would have qualified for the relief if unquoted.

Under S101 CATCA there is a clawback in the event that within six years of receiving the gift that the assets cease to qualify for the relief as relevant business property or the business is sold and not replaced within one year.

Where all of the business property is being transferred, the issue is straightforward and business relief applied. However, if some of the property is being withheld, the assets must be examined to ensure the relief applies. Investment assets or an investment company would not qualify for business relief.

### Agricultural Relief

Agricultural relief allows for a 90% reduction in the market value of agricultural property. With this relief

only 10% of the market value would be taxable. Under S89 CATCA it provides that gifts and inheritance of agricultural property taken by a farmer on the valuation date will be allowed to apply this relief.

The conditions to obtain agricultural relief are that the property is agricultural in nature including pasture, woodland, crops, trees and farmhouses and other farm buildings.

The person receiving the gift to qualify for agricultural relief must be considered a farmer under the legislation. For the purposes of the relief, an individual's assets must be 80% agricultural on the valuation date of the inheritance. This farmer test is the first step in the computation of agricultural relief. If the person receiving the gift does not comply with this financial farmer test they cannot claim his relief. All property which they own will be taken into account and no consideration will be given for any mortgages on property except for debts in respect of a dwelling house.

Additional criteria to qualify for this relief is that the individual has an agricultural qualification and farms the property for 50% of their normal working hours.

Revenue suggests that normal working time for the purposes of this relief amounts to 40 hours per week.

They can work in off farm employment for 20 hours a week. This time is averaged over a year and if the farmer can show that their normal working time is considerably less than 40 hours a week, then the

50% requirement will be applied as long as the farm is farmed on a commercial basis and with a view to the realisation of profits.

Sometimes the requirements are clearly complied with. If there is any doubt Revenue will consider all information and request farming records to be provided by a farmer in relation to his or her normal working time and farming activities. This documentation may need to be prepared and begin to be compiled years in advance of an intended transfer to comply with the relief.

Under the legislation agricultural relief will cease and there will be a clawback if the agricultural property is disposed of or compulsory acquired within 6 years of the date of the gift. There is an allowance for reinvestment within one year in the case of a disposal or six years if there is a compulsory acquisition.

The main difference to note with business relief and agricultural relief is that with agricultural relief the market value is reduced by 90% but with business relief the tax itself is reduced by 90%. Therefore, it would be preferential to qualify for agricultural relief.

One issue that often arises with agricultural relief is that the land or some of the assets may not be owned by person and could be registered in another a spouse's name. Prior to property being transferred the parents may have to transfer the assets between them to

ensure that the ownership is vested in the name of the person working on the farm or involved in the business. There would be spousal reliefs on these transfers and for CGT it would be treated as a no gain/no loss. The previous non-owning spouse would have the owning spouse's base cost and time of ownership included. This problem can be rectified but additional legal work and time is needed.

### Stamp Duty

Stamp duty is a tax on documents and paid by the beneficiary of a gift or transfer. In the case of a gift where there is no value on the documents and the parties are connected, market value will be implied, and the documents stamped at the appropriate rate.

A document will fall under the charge to Irish tax when:

- it has been executed in Ireland,
- relates to Irish property or
- if it related to something which has to be done in Ireland.

The current rate of stamp duty for commercial property is 6%.

Consanguinity relief can apply to land transfers and this reduces the rate of stamp duty to 1% when the property is being transferred to a related person. This would include any lineal descendant, parent, grandparent or stepparent, brother, sister, niece or nephew.

Another relief which may be applicable is young trained farmer relief and this would give full relief to stamp duty if the criteria has been complied with. The farmer would also have to be under the age of 35 to be considered young.

As outlined, there is strict criteria for the reliefs discussed. Looking into the future and planning with clients may be needed to ensure that each party has complied with the legislation to qualify for the reliefs available and the transfer of the family business can be done with ease. This may be ensuring property and person working in the business is the same person or ensuring that a farmer is working on the farm and keeping the full records.



### Suzanne Parker

Suzanne is a solicitor, member of the Society of Trust and Estate Practitioners (STEP) Ireland and a Chartered Tax Advisor. Suzanne opened her own firm Parker Law in March 2019 in Waterford servicing clients nationwide.



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# Intimidation –

## How to deal with it as a professional accountant.

by Ulrich Schäckermann

The information prepared by professional accountants is considered of ethical quality and many users of this information place great reliance on it. Users are aware that the professional accountant does not only act for the client but also acts in the public interest. The expectation is therefore that professional accountants act free from undue influence regarding their work and users of the work of the professional accountant know that the accountant's opinion has not been affected by anything other than the accountant's own thoughts.

The International Code of Ethics for Professional Accountants 2018, which is binding on all professional accountants if their membership organisation is registered with IFAC, deals with just such a matter of intimidation which it considers being a threat to compliance with the fundamental principle of objectivity.

### Example

Following a request by the financial director to assist with the preparation of financial statements for submission to shareholders, the managing director of a company requests that the accountant bears in mind that a certain profit has been indicated to bankers in support of a loan application. When the accountant presents the first draft of the financial statements, the profit is not up to the expectation that the managing director previously indicated to the accountant.

When investigating the information provided, the director points to specific invoices which the accountant had not included in turnover, as the services had not been entirely provided at year end, and the right to invoice contractually is not necessarily clearly defined. These additional invoices, if included in revenue, would bring the profit up to the expected level.

### Analysis

1. The accountant is, of course, aware that not including the additional turnover in revenue and therefore not disclosing a satisfactory profit in support of the loan application, could lead to a confrontation with the director who had already expressed his displeasure regarding the insufficient profit.
2. The accountant has been in the employ of the company for several years.
3. There are no goods provided in relation to the turnover, as this is only in respect of services, but, of course, the salaries paid to technicians in respect of the services have already formed part of the expenses for the current year.
4. While the director had not expressly demanded to include the invoices in revenue, his tone of voice and demeanour could easily be interpreted as his determination that the additional revenue must be included in the financial statements.

### The Code of Ethics

The Code of Ethics requires that a professional accountant observes the five fundamental principles<sup>2</sup> of the Code which are (1) Integrity (2) Objectivity (3) Professional Competence and Due Care (4) Confidentiality (5) Professional Behaviour.

The above example suggests that an intimidation threat to compliance with the fundamental principles exists and, the professional accountant is bound by the provisions of the Code of Ethics to eliminate or at least to reduce such a threat to an acceptable level.

To achieve this, the accountant must consider the threat<sup>3</sup> in the way explained in the Conceptual Framework Approach (CFA) which requires you to (1) identify the threat<sup>4</sup> (2) evaluate the threat<sup>5</sup> and (3) address the threat<sup>6</sup>. Therefore, the accountant must apply professional judgement<sup>7</sup> and consider the provisions regarding a reasonably informed third party<sup>8</sup>.

Addressing the threat means to find ways to reduce the threat to an acceptable level or to eliminate the threat<sup>9</sup>. To eliminate the threat is a relatively easy way of complying with the Code; the greater difficulty arises in the requirement to reduce the threat to an acceptable level. This requires safeguards<sup>10</sup> against the threat.



## Identification

Based on the above example it seems to be apparent that the threat encountered by the accountant can be identified as an intimidation threat<sup>11</sup>. The managing director is requesting an adjustment which, on the face of it, does not comply with accounting principles regarding the determination of turnover and the cut-off assertion used in the preparation of financial statements.

## Evaluation

But, the example states that the cost relevant to the turnover, being remuneration, has already been included in the income statement and therefore what appears to be an intimidation threat is also an accounting problem of more complexity. Depending on the contractual agreement between the company and its client, recognising the turnover may be appropriate and must be included in revenue in compliance with the managing director's request. Alternatively, the turnover is not yet due to the company, and therefore the cost of sales can be carried forward as work-in-progress.

## Addressing

The accountant needs to discuss these two aspects with the managing director, explaining the accounting principles involved, which, hopefully, the managing director can accept and thus eliminate the intimidation threat.

If the managing director does not accept the explanation given then

the accountant has further options available: (1) accepting the treatment, because in relation to the financial statements the matter is not material; (2) informing his financial director, his superior; (3) obtaining assistance from professional colleagues to convince the managing director of the correct treatment; (4) offering not to continue with the preparation of the financial statements, which may have severe employment-related consequences for the accountant. Particularly when considering option (4) the dilemma for the accountant becomes palpable.

## Answer

There never is just one answer to ethical questions, and every accountant must decide how to deal with the dilemmas presented and find solutions that resolve the matter. It is in the nature of a dilemma. The fact that the accountant must choose between two opposing options defines a dilemma, and that is not easy to resolve, mainly when the result may have extreme consequences for the accountant, like losing a job or acting unprofessionally. So, that is why making ethical decisions can at times be very uncomfortable and stressful.

## Intimidation

Intimidation can have many different forms; it is subtle when casually requesting that to do something; very direct when demanding to take a specific course of action; it is often attempted indirectly through a third party. The intimidated person feels harm and becomes uncertain or even frightened and caused by

the intimidator, demanding wrong, unacceptable or unethical action. The way out of such dilemmas is a determination not to be caught up in it, to have a tough mind to do the right thing, or, if possible, involve the intimidator's superiors to assist in ending the terror. Putting up a well-reasoned response to the intimidation often can provide a solution. At all times the professional accountant is obliged to exercise professional judgement<sup>12</sup> more fully explained in the Code.

## About the Code of Ethics

The Code of Ethics is binding on all professional accountants worldwide if their membership organisation is registered with IFAC. It is principle based with some rules which the accountant is obliged to follow. Because it is based on principles, it does not necessarily offer solutions to ethical problems encountered but shows the way to find an answer that are ethically and professionally acceptable and can withstand scrutiny and demonstrate the accountant's obligation to act in the public interest<sup>13</sup>. The reputation of the profession, well as firms of accountants, and individual accounts in business or in public practice depends on every accountant's compliance with the Code of Ethics.



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<sup>2</sup> Ibid. Paragraph 110.1 A1

<sup>3</sup> Threats are explained in paragraphs 200.6 A1 in respect of accountants in business and in paragraphs 300.6 A1 in respect of accountants in public practice

<sup>4</sup> Paragraph R120.6

<sup>5</sup> Paragraph R120.7

<sup>6</sup> Paragraph R120.9

<sup>7</sup> Paragraphs 120.5 A1 to 120.5 A3

<sup>8</sup> Paragraph 120.5 A4

<sup>9</sup> Paragraph 120.10

<sup>10</sup> Paragraph 120.10 A2

<sup>11</sup> Paragraph 200.6 A1 (e) in respect of accountants in business

<sup>12</sup> Paragraphs 120.5 A1 to 120.5 A3

<sup>13</sup> Paragraph 100.1 A1, the very first paragraphs of the Code of Ethics.



## In Practice News

### European Parliament calls for mandatory 7-year audit rotation

The European Parliament set up a so-called TAX3 Committee in March 2018 in the aftermath of Paradise Papers, Panama Papers and other tax leaks and scandals that shed light into tax avoidance and evasion practices. The Committee's objective was to investigate and come up with legally non-binding recommendations to enable Europe to better fight against such practices.

It has now adopted its final report and recommendations for rendering the EU more resilient against tax evasion, tax avoidance and money laundering. The report passed with a margin of 505 votes in favour, 63 votes against and 87 abstentions.

Among the many other tax-specific recommendations, the MEPs also adopted a paragraph calling for mandatory seven-year audit rotation in order to fight against conflicts of interest. This paragraph, which was initially proposed by the Centre-Left S&D Group, passed by a margin of 351 in favour and 296 against. This means that a number of liberal and conservative MEPs voted against their own party lines and aligned with the Left on this issue.

Since the TAX3 report is legally non-binding, the European Commission and the EU Member States do not have to take its recommendations into account. However it does have political weight and influence.

Source: [www.accountancyeurope.eu](http://www.accountancyeurope.eu)

## Disclosure Of Non-Financial and Diversity Information Audit Obligation

The European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (Amendment) Regulations 2018 came into operation on 17 October 2018. This legislation amended the 2017 Regulations with regard to the statutory auditor's obligation to report on the company's statutory financial statements.

When preparing the statutory auditors' report the auditor "shall establish that the company has, in respect of the financial year immediately preceding the financial year that is the subject of the report required by section 391, provided the information required under paragraphs (2) to (7) either as a non-financial statement or in a separate statement in accordance

with paragraphs (9) and (10) and, where the applicable company has not so provided the information required under paragraphs (2) to (7), the statutory auditors shall state that fact in the report." The statutory auditor is not required to state, for this information whether, in their opinion, the information given in the directors' report for the financial year is consistent with the statutory financial statements.

It should be noted that this requirement is in addition to the auditors obligation under ISA (Ireland) 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

Source: [www.cpaireland.ie](http://www.cpaireland.ie)

### Procedures for Employees of Audit Firms to Report Breaches

Audit Firms should note that in accordance with Article 30e of the EU Statutory Auditor Directive, there is a requirement for firms to establish appropriate internal procedures for their employees to report potential or actual breaches of the EU Audit Directive and Regulation on statutory audit.

Procedures will be reviewed through the quality assurance process.

#### Article 30e Reporting of breaches

1. Member States shall ensure that effective mechanisms are established to encourage reporting of breaches of this Directive or of Regulation (EU) No 537/2014 (on the Statutory Audit of Public Interest Entity) to the competent authorities.
2. The mechanisms referred to in paragraph 1 shall include at least:
  - (a) specific procedures for the receipt of reports of breaches and their follow-up;
  - (b) protection of personal data concerning both the person who reports the suspected or actual breach and the person who is suspected of committing, or who has allegedly committed that breach, in compliance with the principles laid down in Directive 95/46/EC;
  - (c) appropriate procedures to ensure the right of the accused person to a defence and to be heard before the adoption of a decision concerning him or her, and the right to seek an effective remedy before a tribunal against any decision or measure concerning him or her.
3. Member States shall ensure that audit firms establish appropriate procedures for their employees to report potential or actual breaches of this Directive or of Regulation (EU) No 537/2014 internally through a specific channel.

Source: [www.cpaireland.ie](http://www.cpaireland.ie)

# Succession Planning: A Case Study

by Denis Ryan

**While this article is based on an actual recent practice succession and the exit of the sole practitioner and thus has many aspects specific to this practice, nevertheless it is hoped that it will provide some general points of interest to others considering such a transition.**

I will treat the process under 5 main headings: background, plan, timelines, implementation and outcome but it is likely that these issues will encroach on each other's territory.

## Background

I set up the practice 32 years ago, in 1986, and developed it over the years into a general accountancy, taxation and audit practice with clients across many business sectors. Over 95% of clients were acquired through referrals. Having clients in a broad range of sectors meant that we were not as susceptible to economic vagaries. All the clients were small to medium sized and most were owner-managed. The practice also deliberately remained small, never exceeding 6 staff members, including the principal.

Quite a number of the clients were with us for decades and while we ensured that longevity did not inhibit our integrity and independence, this long association with clients was an important factor in how we approached succession; I personally felt that it was crucial that all clients would continue to receive the same level of service during and following my exit.

## Plan

During the time, about four years earlier, when I seriously considered retirement and its inevitable corollary

succession, I concluded, and this cannot be overstated, that there were three main interested parties (rather than one): the successors, the clients and myself and I genuinely gave equal weight to all three.

I discussed the matter very openly, no prevarication on my part, with my two qualified accountants, both of whom were in the practice for a good number of years. I informed them of my intention to retire in a few years and I made it abundantly clear to them that my wish was for them to take over as I had complete confidence in their ability to do so. In order for me to have such a direct discussion with them, I had already cleared my mind so that I had absolute personal clarity about retiring and disengaging.

I consider this to be a vital matter, no doubts, equivocation, or misgivings on my part. I realise that this will be different and possibly difficult for some sole practitioners, depending on age, personal and financial circumstances: nevertheless, clarity is really important in such a situation.

## Timelines

Following a number of meetings, we agreed on the principle of our new respective futures; at that stage we deferred setting a completion date as we all had work to do on the transition, along with the main practice work, and we did not wish

to be disheartened if a date did not materialise. I should add that the four-year time-scale suited our situation admirably, rather than a more extended period: I am aware that some advisors on succession recommend a ten-year plan, and this indeed may suit some succession situations. It is my view that the longer period would undermine the certainty for successors.

## Implementation

About one year after that, it was agreed that I would take one day off per week; this was followed up within 12 months by my taking Monday and Friday off, and, for the final year I worked 2 days a week. For the most part we were able to adhere to this schedule and clients became accustomed to and were accepting of, the arrangement: they were happy that they could still contact me by email and mobile telephone. Looking back on it, I can clearly see that those calls gradually reduced as our clients became comfortable with and confident in my planned successors. The other main advantages of this arrangement were:

- a. The successors could get used to the idea of my absence.
- b. They could have a full appreciation, prior to formally taking over, of what managing a practice was all about.
- c. It would allow them to consider



whether they could operate as a partnership.

- d. It would give them the opportunity to meet face-to-face with all clients, including those who had previously dealt primarily with me.
- e. It would build their confidence in their ability to take over fully.

Six months prior to my exit, I set out a schedule or flow chart of the essential steps to be considered and implemented. This entailed listing the various elements, the implications of each, the timelines, the cost and naming the person responsible for implementing each action. It is not the purpose of this article to detail what was involved in these steps as they will vary from practice to practice but they included: the name, legal format, partnership agreement, indemnity insurance, Institute registration. In our case we identified approximately 25 to 30 steps. We also discussed and refined our buy-sell agreement and we identified and quantified the relevant taxes applying to both parties. The issue of whether or not to obtain legal advice is a matter of personal choice. Around this time, I also took the opportunity to meet the clients face-to-face; the general reaction to my exit and to the succession was very positive, with continuity and trust being among the most important assurances given to clients.

We had earlier made our agreement in principle, we now had to get down to the serious business of agreeing a valuation, a timescale for payment and critically for my successors, a definitive date for my exit. We augmented the details on our client list by further analysing

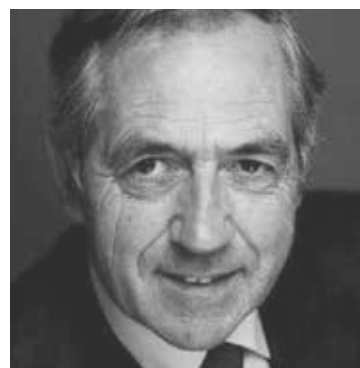
our database into revenue headings, bookkeeping, taxes, secretarial, audit and consultancy. In addition, we sub-divided the client list into three sections, corporate, non-corporate and personal; this assisted greatly with the valuation process. This review proved to be very revealing as we had not carried out such an exercise for a few years and it gave rise to questions such as: might it be more economical to sub-contract out the bookkeeping (as some practices have done), are there any clients that the successors consider they may have difficulty dealing with, has the practice any clients that may have governance issues in the future, e.g. those in receipt of public funds? Account also had to be taken of a small number of clients who intended to retire or dispose of their business in the next year or two. The foregoing matters were, inter alia, crucial in arriving at a mutually satisfactory valuation. It might seem obvious or even trite to say it, but the final valuation must be one where the seller is completely satisfied with the consideration and the buyers do not now, or later, believe that they have overpaid.

### Outcome

During the course of the succession process, my successors also considered what legislative or other changes are on the way, and what threats and opportunities any such changes might present. As Eamonn Siggins, chairman of the Edinburgh SPM group, said recently "SMPs are operating in a volatile and uncertain environment". Awareness of the foregoing is crucial to a satisfactory transition. The retirement of the sole practitioner, on the date agreed in the

plan, may not prove to be easy for some practitioners but I believe that it is essential to allow the successors to take full control as quickly as possible, without any intervention from the departing practitioner. In some instances that I am aware of, the departing practitioner is retained, say for 12 months, as a consultant to a small number of clients, dealing only with strategic issues, with the knowledge of the practice, and where any outcomes must come back to the practice for implementation: this can prove to be a benefit to all parties.

In any business transaction, and particularly in the case of succession planning, it is not possible to provide for all eventualities. In our case, and with the benefit of some months' hindsight, both my successors and I are satisfied that we planned professionally and, equally importantly, that we adhered to our plan, and that my disengagement materialised on the date agreed. As I said already, the disengagement of the sole practitioner may in some cases be one of the most challenging aspects of the entire process for the departing owner but it is my view that a clear and unambiguous exit is crucial to the success of the transaction.



**Denis Ryan**

Denis Ryan ran his own practice for 33 years. He is a former President of CPA Ireland and was a member of the Board of Governors of The Dublin Institute of Technology for 10 years.

# Encryption:

## Helping Financial Services Stay in Control of Their Data and Compliance

by Jim Breen

The financial services industry is one hit hardest by the increasing expectations of consumers to access information, receive help and conduct transactions anywhere and at any time via their mobile devices. As a result, for financial services companies, data security is a major challenge. As the amount of client information that they're required to keep secure grows every year, so too does the challenge of doing this effectively.

In the financial services industry's rapid evolving environment, traditional encryption methods have proven too unmanageable for broad deployment by companies. Even when deployed, employees often seek to take shortcuts to maintain productivity, leaving large amounts of sensitive data open to attack.

Cyberattacks cost financial services firms more to contain than in any other industry. The "Cost of Cyber Crime Study" from Accenture and the Ponemon Institute found that the average cost of cybercrime for financial services companies globally has increased by more than 40 per cent, from US\$12.97 million per firm in 2014 to US\$18.28 million in 2017.

### Evolution of Encryption

The long process of encryption began in ancient times when government bodies used it to facilitate secret information during their communication. These days, data travels fast amongst people and places. Encryption is widely applicable for such form of data, that is, when information is transferred

via networks, Wireless devices, etc. Hence thinking about security in these areas can help to secure the information, which is usually difficult to physically secure intermittently.

### Encryption and Security Within the Cloud

Businesses today expect an on-demand exposure from companies that manage their financial data. The cloud is the key that opens the way for companies to move fast and deliver that experience. More than ever, financial services CIOs face the decision to continue to hold their data in silos or seize opportunities in the cloud for better service, stronger loyalty programs and real-time contextual experiences — across mobile, social and millions of connected devices.

For financial firms, the ability to offer such services gives a competitive advantage, with banks making investments to create and improve a customer-centric digital business model. Aside from benefitting consumers, greater accessibility to data on various devices and applications can also improve employee efficiency.

### Personal Data at Greater Risk

Consumer banking is on the rise every day. This shift has led to increasing data traffic volumes as more users rely on applications to interact with their personal data. Addressing this growing volume of traffic has led many financial institutions to adopt cloud and increasingly, multi-

cloud environments. The benefit that comes from it is the ease of managing data across multiple locations, devices, without in most cases, worrying about compliance.

While this increases the accessibility of data for consumers, thereby making financial services firms more competitive, it also means that their data spans a larger potential attack surface, making it more susceptible to cyberattacks. As the technologies and data privacy systems become more sophisticated, leveraging artificial intelligence and automation is becoming more important. It is also essential to more effectively detect and exploit vulnerabilities. Financial services firms not only need to engage in digital transformation but to also do so securely — protecting the private data of consumers.

Hence having a technology consultant to help navigate such challenges has become vital, especially for companies that hold financial information of their clients.

### Considering Compliance

It should come as no surprise that the financial industry is among the most regulated in the world. There are strong data security requirements for banking and financial companies due to the sensitive and private data that they deal with.

However, in an industry like financial services, it seems that companies are well ahead of the encryption learning curve. But organisations have more than just security to worry about, as the impact of not meeting industry

regulatory standards are so high, that companies are now under additional pressure to find a secure and compliant form of communications.

No matter how great the attention to regulatory compliance and to implementing secure technology, there is always one element that it is difficult to control – a company's employees. Clear policies need to specify what employees can do with data. Technology and training should be provided so that every employee understands the reason for the policies and the consequences of noncompliance.

### Greater Interest in Encryption

Regulatory bodies these days are taking a close look at financial services firms to ensure they are implementing the security controls necessary to keep their data private. One of the core security features being required by these bodies is encryption. The practice of encryption ensures that data in motion across the network and the web, as well as data at rest in the cloud or data centre, cannot be seen by anyone without the key – even if it is stolen – adding a strong layer of security.

Encryption for financial services firms is being recommended today by several regulatory guidelines, including the new General Data Protection Regulation (GDPR) in Europe.

### The Marriage of Security and Productivity

Adopting encryption is an excellent step for financial services firms as it adds a layer of security to your day-to-day operations. Additionally, encryption also provides the ability to comply with a growing number of regulations. However, it is equally important that they can maintain visibility across the security infrastructure without compromising performance, which means being able to see into encrypted data streams.

To achieve this, companies need to evaluate the impact encryption has on security in their business environment and replace isolated solutions with an integrated security solution. Integrated solutions automatically process large amounts of information without slowing or upsetting productivity.

For encryption to work in the financial services industry, firms must make data governance and security an integrated approach within their operations strategy. This includes ensuring critical security and data protection without decreasing the productivity in operations. Encrypted data must be inspected without compromising digital business requirements. The use of automation and high-performance security resources tied together helps extend data protection within the cloud.

### Chose your Battles: Security v/s Productivity

When it comes to maintaining productivity, you may be tempted to scale back your cybersecurity policies in order to provide employees more breathing room. It is recommended to fight this temptation. Instead, consult with your organisation's cybersecurity experts and anyone else who has a hand in your company's data and data security. Brainstorm with these individuals to determine your organisation's most glaring or most easily exploitable weaknesses and prioritize them. Your biggest threats need to be secured first.

Client and internal data security should be at the forefront of every strategic technology decision made by financial services companies. At the same time, usability is key to ensuring user engagement. Organisations should consider adopting an IT strategy based on robust security foundations and a flexible architecture.

### Adopting a Strategic Approach

Encryption is key to enterprise security, but that alone is not enough. It is only encryption alongside control of a communications system and compliance of employees with communications policies that will protect financial services companies from ever-growing security threats. Ensuring that these aspects are considered in parallel will allow financial services companies to address their data security and compliance challenges and minimise the impact of future cyber-threats.

No single technology or procedure can completely protect the entire organisation. However, with the right combination of solutions, companies can achieve this duality of productivity and security. Technologies that allow for strong privileged access controls combined with solutions to manage the risk of shared credentials and privileged passwords are essential for success.



**Jim Breen,**

Founder and Executive Chairman of Becloudsmart, a leading global technology company enabling businesses to scale rapidly in a global digital economy.



# The Latest Gadgets Reviewed

by Shane Burke

Shane Burke reviews some of the latest gadgets. In this article, he focuses on the Nest Learning Thermostat and the Moov Now fitness tracker.

## Nest Learning Thermostat 3rd Gen

Smart homes are becoming more and more the norm. Nowadays, we speak to our devices to stream a boxset or play our favourite music through a bluetooth speaker, but have you considered a smart thermostat?

Thermostats don't exactly spring to mind when you think of smart tech. The Nest Learning Thermostat 3rd Gen isn't like an ordinary thermostat you're likely to find in your house. Nest has successfully created a smart device to control home automation. At €230, this thermostat is a little more expensive than its competitors.

The functionality is certainly worth the extra money. As with all smart thermostats, Nest provides a helpful mobile app to allow you full control of your heating while out and about. The app allows you to create a 7-day schedule and view your monthly usage. Standard features aside, Nest really comes into its own with the Thermostats learning capabilities. The Thermostat can program itself. It learns from your routine and tracks each time the temperature is adjusted. If you are a predictable person, this happens after a week, otherwise it keeps learning until it finds a pattern.

The thermostat has built-in sensors that monitor humidity, temperature, light and movement, and it uses the information it gathers from them to feed into its automatic schedule. As the thermostat is connected to your home WiFi, it regularly checks for local weather reports to see how it will



affect your home. It will also report any malfunctions it detects with your heating or cooling.

The main feature is to help you save money by reducing your energy costs. It does this by using motion and light sensors to activate Auto-Away mode to change the temperature when nobody is home. Nest allows you to change this setting to detect the location of your mobile phone instead, a process called geofencing. This feature will activate the thermostat when you are within a few kilometres of your home, so it will be at a comfortable temperature when you arrive.

## Moov Now fitness tracker

The Moov Now claims to be the most advanced fitness wearable on the planet. Moov is unlike most other fitness wearables on the market. Instead of a fancy screen, they have kept their design very simple. A small plastic sensor with a rubber band to wear around your wrist or ankle. The reason is for increased durability and to be sweat proof.

Moov goes beyond the limitation of Fitbit trackers and most others on the market by designing their own 9-axis sensor called Omni Motion™. This means it can capture and analyse motion in 3D. 3D motion is just one of the features that sets the Moov Now apart. Moov have also developed a real-time coach which helps you while you are working out. The coach is a smart phone app and is best paired with wireless headphones.

Moov can help you with guided workout such as Circuit Training, Running, Cycling, Swimming, Cardio Boxing, Treadmill Running, Indoor Cycling and Open Tracking. It's smart enough to recognise your exercise during a workout without having to

open the app. Moov sets itself apart with the real-time coach. While you are running it will measure the impact of each time your foot lands on the ground and tell you when you need to land softer. During a cycle, Moov will measure cadence and tell you when you need to push yourself and when to take a break. The boxing coach will instruct you to make different combinations and measure your hand speed. The swimming coach knows your lap time and helps push you to reach your best.

The app allows you to set your fitness level but also provides the option of taking a fitness test. The fitness indicator inside the app is a great motivator to push yourself further to reach your goals. Moov also have a heart rate monitor which can be paired together to give the ultimate workout experience.

As William Thomson said, "If you can't measure it, you can't improve it". With Moov, you can measure everything!



**Shane Burke,**

Senior Software Engineer, Lexis Nexis.

# Institute News

## Gearóid O'Driscoll appointed President of CPA Ireland

Pictured L-R: John Devaney, Vice President, CPA Ireland, Gearóid O'Driscoll, Incoming President, CPA Ireland, Áine Collins, Vice President, CPA Ireland, Cormac Mohan, Outgoing President, CPA Ireland.



### Gearóid O'Driscoll, President, CPA Ireland

Gearóid O'Driscoll, FCPA, has been elected President of CPA Ireland. The election was announced at the Annual General Meeting of Members on 1st May held at the CPA Irelands offices, 17 Harcourt Street, Dublin 2.

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

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



### John Devaney, Vice President, CPA Ireland

John Devaney, MBA, CPA, has been re-elected as Vice President of CPA Ireland. John was elected to the Council of CPA Ireland in April 2012.

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

He will support newly elected President Gearóid O'Driscoll, alongside fellow Vice-President, Áine Collins.



### Áine Collins, Vice President, CPA Ireland

Áine Collins is the newly elected Vice-President of CPA Ireland. The election was announced at the Annual General Meeting of Members on 1st May held at the CPA Irelands offices, 17 Harcourt Street, Dublin 2.

Aine was elected to the Council of the Institute of Certified Public Accountants in Ireland (CPA Ireland) in November 2016.

Aine qualified as a CPA Accountant in 1996 and is company principal of Blueprint Consultancy since July 2016. Aine has more than 18 years' experience and has held a variety of roles prior to her election at CPA Ireland.

She has a strong interest in and track record of supporting businesses to meet the challenges of developing new markets and expanding their operations.



## Training a CPA in your Business Offers Unrivalled Benefits

You may not be aware of the wide range of benefits to your business that training a Certified Public Accountant will bring. Training a CPA in your business will mean that you are supported by a dedicated expert team at our Dublin headquarters for any queries that you may have. It is a cost effective and accessible training route, with transparent pricing and all fees set in euro. With only two exam sittings a year there is seamless resource planning for your business.

You will also have access to real time data in relation to your trainee's development. CPA offer the fastest route to qualification and have a strong history of exam success. The CPA FastTrack Programme will allow you early access to a wide pool of talent.

Both you and your CPA trainee will also benefit from:

- **A cutting-edge syllabus with a focus on technology**
- **Flexible study options: e-learning and face to face lectures**
- **Multiple exam locations both in Ireland and abroad**

## CPA Ireland launch online exemptions checker

CPA Ireland is delighted to launch its new online exemptions checker; this now allows prospective students to search, access and quickly find out what exemptions they can qualify for in advance of commencing the CPA Ireland professional accountancy qualification.

It can be accessed by phone, desktop or tablet. The exemptions checker even allows students to progress to official confirmation of exemptions by allowing them to upload their result transcripts of their completed qualification.

CPA Ireland members can also access the exemptions checker to see the exemptions available for a range of third level qualifications, that their employees or prospective employees have studied previously.

Simply visit <https://www.cpaireland.ie/become-a-student/Exemptions> to see what exemptions, we award for various qualifications at CPA Ireland.

All exemptions are subject to confirmation by CPA Ireland.

## Launch of our newly branded Annual Report

CPA Ireland has published its annual report and the report can be found at <https://cpaireland.ie/CPAIreland/media/CPA-Ireland-Annual-Reports/CPA-Ireland-Annual-Report-2018-pdf>

## IITD Awards

CPA Ireland is delighted to announce that CPA Ireland was shortlisted for an IITD National Training Awards 2019 in the Best Digital Learning Category.

The purpose of the IITD National Training Awards is to promote excellence, best practice and innovation in Training and Learning & Development, and to highlight the importance of this area in today's business climate.



Pictured from L – R: Robert McGrory, Mark Gargan, Colm Murphy, Aisling Mooney, Brendan Brady, David FitzGerald, Róisín McEntee



Róisín McEntee & Aisling Mooney at the IITD Awards



# CPA Ireland Call for Research 2019

CPA Ireland is issuing a call for research submissions in the field of accountancy and invites both members of the academic community at doctoral or masters level in addition to accountants actively engaged in practice or industry to submit an application for research funding. Applications from overseas candidates are also welcome.

Funding of up to €2,500 per research project is available. Proposals will be submitted to the CPA Ireland Research Board for consideration. Applicants will be advised within four weeks of the submission deadline on whether funding has been granted or not.

**CPA Ireland has a particular interest in pursuing research in the following topics**

- Impact of technology change on the accounting profession – e.g. Blockchain, Artificial Intelligence, Cloud Accounting, Big Data/Data Analytics
- Performance Management in SME's

- Impact of increased levels of audit exemption on the quality of financial statements
- The decline in attractiveness of public practice for newly qualified accountants – reasons
- The unqualified market and the dangers posed to the general public
- Ethical decision making in an environment of artificial intelligence

Applications not directly linked to these topics will still be considered and are welcomed.

## Application Form

To download the Application Form please, visit <https://cpaireland.ie/Resources/CPA-Ireland-Research>

Please contact [research@cpaireland.ie](mailto:research@cpaireland.ie) for any queries.

## Closing Date for Submissions

Applications are due for submission by 5pm on Friday 28 June 2019.

## Irish Accountancy Awards 2019

A great night was had by all at the Accountancy Awards Ireland held on Thursday May 16th at the Round Room, The Mansion House, Dublin.

CPA Ireland would like to congratulate all winners at the awards with special congratulations to CPA Ireland Members.

CPA Ireland would like to congratulate Michael Dunphy – IFAC on winning the Part-Qualified Accountant of the Year and HLB Sheehan Quinn on winning Tax Team of the Year.

CPA Ireland proudly sponsored 2 categories at this year's awards, Young Accountant of the Year and Excellence in Education and Training, the winners were Kelly Mitchell – OASIS Group, Young Accountant of the Year and Bachelor of Business (Honours) – GMIT Mayo Campus, Excellence in Education and Training.

### Excellence in Education and Training

Gearoid O'Driscoll, President of CPA Ireland presenting the award of Excellence in Education and Training to Caroline Clarke from GMIT Mayo for the Bachelor of Business (Honours) GMIT Mayo campus.



### Tax Team of the Year

Fergal McManus, Regional Account Manager – Ireland, Confirmation, presents the Tax Team of the Year award to Bruce Stanley, HLB Sheehan Quinn.

### Part Qualified Accountant of the Year

David O'Donoghue, Accountancyschool.ie presenting the award of Part Qualified Accountant of the Year to Michael Dunphy from IFAC.



### Young Accountant of the Year

Gill Peters, Director of Business Development, CPA Ireland presenting the award of Young Accountant of the Year to Kelly Mitchell from OASIS Group.



## CPA Ireland Membership Changes:

### Resignations:

003679 Elizabeth McHugh 19/02/2019  
 024138 Gerard Cullinane 27/02/2019  
 004472 Gearóid Herbert 02/04/2019  
 001777 Denis M. Maguire 02/04/2019  
 002331 Kiernan Scott 09/04/2019  
 024182 Derry Corbett 11/04/2019  
 024190 Brendan O'Connor 12/04/2019  
 004515 Margaret Lane 25/04/2019  
 001804 Seamus McCarthy 25/04/2019  
 024131 Timothy Conway 25/04/2019

### Removals:

002771 Ann Callaghan 22/02/2019  
 002320 Catherine Fahy 22/02/2019  
 000350 Frank Dowling 22/02/2019  
 016013 John Fitzgerald 22/02/2019  
 003077 John Power 22/02/2019  
 004110 Kay Buckley 22/02/2019  
 003591 Paul Aherne 22/02/2019  
 004774 Susan Cullen 22/02/2019  
 020155 Abdul Rahman Syed 04/03/2019  
 004807 Bahjat Aref Sanouka 04/03/2019  
 004737 Lelia Kavanagh 04/03/2019  
 020706 Michael Adebayo Ayeni 04/03/2019  
 019121 Usman Qaiser 04/03/2019  
 006703 Aileen O'Donovan 07/03/2019  
 023944 Azeem Ahmed 07/03/2019  
 007701 Mary Fitzpatrick 07/03/2019  
 024270 Michael Armitage 07/03/2019  
 002909 Sinead Fogarty 07/03/2019  
 024111 Charles Flynn 08/03/2019  
 005541 Deirdre Coakley 08/03/2019  
 024006 Fiona McCawley 08/03/2019  
 004936 Mary Sullivan 08/03/2019

### Deaths:

001811 Edward McConnon 07/03/2019

## Eddie McConnon, RIP



It is an honour and privilege to write this tribute to Eddie McConnon, FCCA, MSc and FCPA who, sadly, passed away suddenly in March 2019.

Eddie was widely known and well respected by CPA Ireland members, staff and Council members, both past and present and many within the accountancy profession.

Within a short time of qualifying as a CPA Eddie became actively involved in the development of the Institute and the accountancy profession by becoming a member of Council. He was elected President of the Institute in 1982 and served for two years with great distinction. He was a man of very high intelligence noted for his strategic thinking. Eddie's calm demeanour when faced with challenge and uncertainty masked his razor-sharp ability to quickly get to the core of an issue, chart a way forward, and enlist the support of colleagues.

Eddie, always the perfect gentleman, was also very much a 'people person', sensitive to their needs and who cared for their development. In speaking to many former colleagues, they recalled Eddie's thoughtful enquiries and the wisdom of his advice. He was a mentor to many, who are far richer for this.

For many years he was chair of CPA Ireland's Education and Training Committee and later joined the Institute's Executive as Director of Education and Training, a role he retired from in 2004. Through these roles he has also left his mark on CPA Ireland in a very positive way. He led the development of its education and training processes with the provision of the highest quality learning pathways being a key concern of his.

Eddie was also a keen and accomplished sportsman. Latterly golf, featured regularly in his itinerary. However, when younger he played, badminton, tennis, soccer, hurling and hockey to a high standard. Above all, Eddie was passionate about his loving family. He would proudly show you the latest family photographs, and he had many. He was delighted when talking of the last great gathering of his family in Cyprus in 2018. Having travelled there from Ireland, the USA, Singapore and Australia, together they celebrated his 80th birthday.

Eddie McConnon, as might have been expected, was active to the day he died. He will be sadly missed by his many friends in CPA Ireland and especially by his loving wife, Sheila, children, Thomas, Paul, Una, Miriam and Eamonn, sons and daughters-in-law, niece and grandchildren.

May he rest in peace.

Paul Heaney

## CPD News

### CPA Ireland's further learning suite – Earn up to 40hrs CPD online at your own pace.

CPA Ireland's further learning suite offers a range of Certificate, Diploma & Online courses to develop your skills and professional knowledge. Plan your 2019 CPD now by booking our online courses which can be accessed at a time and place that suits you. Our new Learning Management System, Canvas enhances your learning experience and organises all of your eLearning into one location that can be accessed from your computer or smart device.

#### 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>

### Tax Conferences

The Tax Conferences 2019 took place in the Carlton Hotel Blanchardstown on the 7th of March and the Radisson Little Island the following week in Cork on the 14th of March.

Both events were well attended with well over 200 attendees in total. Three months after the implementation of PAYE Modernisation, it was very useful for members to get some indication of the issues that are cropping up for practitioners which was presented by David Twomey from Payroll Matters.

Other presentations included Alan McManus from Mazars giving a timely update on VAT and Paul Murphy from Martin J. Kelly & Co. recapping on the Finance Act 2017.

### Certified Tax Adviser – Enrol now for September 2019

Gain an advanced qualification in tax, covering all tax heads, by doing the CTax course which offers a unique and exciting higher-level qualification in tax for accounting and legal professionals.

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

Lisa Leonard, ACCA CTax

**Method:** Classroom, CPA Ireland, Dublin or Online via Live Streaming

**CPD Credit:** 50 hours (6 hours per module + 2 for VAT Webinar)

**Cost:** €1950

**Book now:** [cpaireland.ie/ctax](http://cpaireland.ie/ctax)

### Accountants Update Pathway: ROI

#### Get 20 hours CPD with the Accountants Update Pathway.

In 2018, CPA Ireland in conjunction with [accountingcpd.net](http://accountingcpd.net) launched the Accountants Update Pathway. Due to the success of this Pathway, we will be running this Pathway again commencing in June 2019.

This Pathway contains material that is specific to Irish tax, financial reporting and regulatory developments and is therefore designed for those working in the Republic of Ireland. This is a 20-week curated programme of one hour of online group learning per week, giving you the flexibility accessing the materials wherever and whenever you want.

Through a combination of webinars, online courses, peer discussion, articles and quizzes, you will find a varied and engaging learning experience that fits around your working life, helping you to balance your personal

and professional imperatives with the task of staying up to date and maintaining the currency of your professional knowledge.

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

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

You can learn more about the Accountant Update Pathway and the indicative syllabus by clicking [here](#).

## Practice Matters Conference

The Practice Matters Conferences took place on the 5th & 6th of April and were followed in Cork on the 12th & 13th.

This year's conference was forward looking including a presentation by Neil Hughes, managing partner of Baker Tilly Ireland, on growing your practice and ensuring a return on time invested for partners.

Other topics included CPA's Knowledge Manager; Maureen Kelly presenting on Financial Reporting Updates, Conor Sweeney from CLS Chartered Secretaries giving a useful update on CRO and Company Law changes and Emer Kelly, presenting on last November's AML changes. The Practice Matters Conferences 2019 were kindly sponsored by KBC.

## Save the Date: CPA Ireland Golfing Society

### 50th Annual Golf Outings: President's Prize

**Venue:** Powerscourt Golf Club

**Date:** 26th July 2019

**Tee Times:** 1pm & 3.30pm

**Format:** President's Prize Singles (CPA Members) / Team of 4 Champagne Scramble

**Cost:** €75 per person /  
€300 per team (Golf, dinner & prizes)

**Contact:**

Richard O'Hanrahan FCPA President:  
richardohanrahan@hotmail.com /  
0862420987

We are looking for sponsors for prizes or to sponsor a hole. This is being run as a fundraiser event in aid of: CPA Ireland Benevolent Fund

## Women in Business

Statistics for the number of board positions held by companies on the ISEQ are a low 8%. As the first professional accountancy institute to achieve gender parity in its membership, CPA is at the forefront of correcting this imbalance. In 2019, CPA is proud to partner with AIB as the sponsor of the CPA Women in Business series in Dublin and Cork.

The CPA Ireland Women in Business events are key networking opportunities for female professionals to share leadership strategies, build their own networks and hear from successful female leaders and entrepreneurs. This year's line up of speakers will include a senior executive from AIB, a senior marketing manager in online broadcasting and a speaker from public affairs.'

**Key Details:**

**Dublin:** 12th June CPA Ireland,  
17 Harcourt Street, Dublin 2

**Cork:** 19th June Hayfield Manor, Cork

**Time:** 5.30pm - 8.30pm (registration from 5pm)

**CPD Credit:** 3 hours

**Cost:** €50

**Book:** <https://www.cpaireland.ie/CPD/Conferences/Women-in-Business-2019>

## Outcome of Review of Professional Issues

CPA's Review of Professional Issues Series 2019 took place this year in 9 locations around the country and was attended by almost 500 members of the Institute.

These free events were a great way of getting some CPD started early in the year with a presentation at each event by a member of CPA's Professional Standards Team covering areas such as AML, Financial Reporting, Company Law and Ethics & the profession. The new website and brand were also introduced to members. These annual events are also an opportunity to network within the CPA community



## Upcoming courses June – August

Almost every day, accountants step into the role of project managers without even realising it. CPA's Introduction to Project Management series, supported by CPA Skillnet, will take place in 6 locations nationally to support accountants in this area.

Big data, automation and artificial intelligence are having more and more impact on our daily lives. But how do you know if this is something that you should be making use of in your practice or finance function.

CPA will be running a series of regional half day seminars looking at these topics from the perspective of a CPA member giving practical information and advice on what do you need to know to make informed decisions.

### Upcoming CPD courses June 2019 - September 2019

Courses	Location	Date	Time
Project Management for Accountants	Limerick	05/06/2019	9am - 5pm
Project Management for Accountants	Cork	06/06/2019	9am - 5pm
Project Management for Accountants	Kerry	11/06/2019	9am - 5pm
Women in Business	Dublin	12/06/2019	5pm - 8pm
Project Management for Accountants	Kilkenny	13/06/2019	9am - 5pm
Women in Business	Cork	19/06/2019	5pm - 8pm
Big Data & AI	Dublin	21/08/2019	2pm - 5pm
Big Data & AI	Athlone	23/08/2019	2pm - 5pm
Big Data & AI	Cork	27/08/2019	2pm - 5pm
Big Data & AI	Limerick	28/08/2019	2pm - 5pm
Cash Control & HR Full Day series	Limerick	03/09/2019	9am - 5pm
Cash Control & HR Full Day series	Cork	04/09/2019	9am - 5pm
Cash Control & HR Full Day series	Kerry	05/09/2019	9am - 5pm
Cash Control & HR Full Day series	Dublin	10/09/2019	9am - 5pm
Cash Control & HR Full Day series	Athlone	11/09/2019	9am - 5pm
Essential Practice Update	Dublin	12/09/2019	9am - 5pm
Essential Practice Update	Cork	13/09/2019	9am - 5pm
Webinars	Location	Date	Time
Complying with your Obligations as Data Controller and Data Processor	Webinar	06/06/2019	1pm - 2pm
Preventing and Managing Data Breaches	Webinar	11/06/2019	1pm - 2pm
Handling Data Subject Rights	Webinar	18/06/2019	1pm - 2pm
Economic Update Q2	Webinar	19/06/2019	1pm - 2pm
e-briefing 2	Webinar	20/06/2019	1pm - 2pm
Performing Under Pressure - 2 part webinar series	Webinar	03/07/2019	1pm - 2pm
CV Writing for Accountants	Webinar	16/08/2019	8am - 9am
Dealing with Internal & External Change - 2 part webinar series	Webinar	21/08/2019	1pm - 2pm
LinkedIn for Accountants	Webinar	30/08/2019	8am - 9am
Economic Update Q3	Webinar	18/09/2019	1pm - 2pm
e-briefing 3	Webinar	19/09/2019	1pm - 2pm



## DIPLOMA IN US GAAP

To book contact Aisling Mooney:  
amooney@cpaireland.ie  
or 01 425 1035

Go Anywhere  
With CPA...

Enrol Now for 2019





# Student News

## Examination Notice

### April 2019

The April 2019 diet of examinations took place in four locations in Ireland in addition to four international locations. The results of this diet of examinations were approved by the Education and Training Committee at its June meeting and released to candidates on Friday 14 June, six weeks after the final examinations.

### Formation 1 and Certificate in Business and Accounting

The online Formation 1 and Certificate in Business and Accounting examinations took place in Griffith College Cork on 15 and 22 May and in Griffith College Dublin on 17 and 24 May.

Formation1 and Certificate in Business and Accountancy examinations also took place in Newbridge ETB during April.

Results for these examinations were approved by the Education and Training Committee at its June 2019 meeting.

CPA Ireland extends its congratulations to all successful candidates in the 2019 examinations!

### August 2019

The Institute's August 2019 diet of examinations will run from Monday 26 August to Friday 30 August 2019 (both dates inclusive). The examinations timetable and venue details are available to download from the CPA website. In order to be eligible to sit an examination in August, each CPA student must register online for the relevant examination(s) by Thursday 1 August via their My CPA Profile. Please note that the Exam Registration process will close at midnight on this date and no further applications will be accepted.

**For queries regarding examinations, please contact Lisa Kelly at [lkelly@cpaireland.ie](mailto:lkelly@cpaireland.ie) or 01 425 1024.**

## Professional 2 Students: Application to Membership Notice

The following information will be of particular interest to all students intending to apply for membership in 2019.

Following the publication of the April examination results in June 2019, the Institute will issue an "Application to Membership Pack" to all students who successfully complete and pass their P2 examinations, as well as to those who passed their P2 examinations in 2016-2018, but who have not yet applied for membership.

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

The completion or submission (as appropriate) of the following documentation is a mandatory part of the application process. These documents, should be submitted along with each "Application to Membership Pack".

1. Application Form.
2. Two Employer References on headed paper.
3. Competency Guide & Return (including Form 2: Four individual Records of In-Depth Competence Statements and Forms 3A, B & C). Please view the Competency Guide & Return section of the CPA website for further information.
4. Admission Fee: €732 (submit cheque, debit card or credit card details).
5. Conferring Invitation Form.
6. Student ID Card.

Please note, that the above Application to Membership fee does not include the Annual Member Subscription for 2020, which, for members, falls due in January 2020. The Annual Member Subscription for 2019 is €599.

This year's Conferring Ceremony is scheduled to take place on Saturday 7 December 2019 in the O'Reilly Hall, UCD, Dublin 4.

Fully completed Application to Membership Packs must be received in the Institute by 1 August 2019, from those students who are invited to apply

for membership following the April 2019 examinations. There is no guarantee that any late application will be reviewed and processed.

Fully completed Application to Membership Packs must be received in the Institute by 1 November 2019, from those students who are invited to apply for membership following the August 2019 examinations. Please note that late applications will not be processed.

Students who are eligible to apply for membership are encouraged to begin the process as early as possible.

**Applicants must have submitted all required Training Records to the Institute prior to applying for membership.**

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

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

## Publication Notices

### Investigation Committee – Consent Order

**Ref. : Invest/08/18**

At a meeting of 19th February 2019, the Investigation Committee found prima facie evidence of misconduct by a Member Firm and two Members in that they acted as a statutory auditor for four companies while prohibited by SI 220 of 2010.

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

- Both Members reprimanded
- Firm reprimanded
- Firm fined €3,500
- Firm contribute €1,600 towards the Institute's costs

### Disciplinary Tribunal

**Case Ref. : Invest/10/18**

On 21 February 2019 a Disciplinary Tribunal found the following charges of misconduct proven against Mr. Seán O'Reilly of Seán B. O'Reilly & Co., Carrowcrin, Dromahair, Co. Leitrim.

- Continuing to sign Statutory Auditor Reports following the withdrawal of his Auditing Certificate by a Disciplinary Tribunal on 31 July 2017 – (Sec 39 of SI 312 of 2016);
- Failure to provide files or evidence of audit work for 13 clients where Statutory Audited Accounts have been filed with CRO – (Bye Law 7.4);
- Failure to complete adequate testing to support an accountant's report submitted to the Law Society on behalf of a Solicitor Client – (Bye Law 7.4);
- Failure to comply with anti-money laundering regulations – (Bye Law 7.4 and Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and 2013);
- Failure to comply with accounting and ethical standards and the Institute's Code of Ethics;
- Continuing to hold himself out as a Statutory Auditor after the withdrawal of his Statutory Audit Licence –

(Section 41 of SI 312);

- Failure to provide an accurate Client Listing to the Institute.

**The Tribunal ordered that Seán O'Reilly: -**

1. Be suspended from membership of the Institute for period of 12 months;
2. Be ineligible to hold a Practising Certificate for 2 years.
3. Be severely reprimanded;
4. Be fined €12,000, payable within 60 days;
5. Contribute €7,500 towards the Institute's costs in this case.

**And that the Firm, Seán B. O'Reilly & Co.: -**

1. Be severely reprimanded;
2. Have all registrations and authorisations withdrawn;
3. Be prohibited from describing itself as "Certified Public Accountants" until such time as Mr. O'Reilly's Practising Certificate has been restored.

The Tribunal also ordered that the findings and orders in this case be published in Accountancy Plus with reference to both Mr. O'Reilly and Seán B. O'Reilly & Co. by name.

## 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,

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# Industry Matters Conferences 2019

## Save the Date!

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**Dublin 11th & 12th October:**  
Carlton Hotel, Blanchardstown

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**Cork 18th & 19th October:**  
Rochestown Park Hotel

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**Topics include:**

- Data Analytics
- Cyber Security
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- Attracting Talent

To book, go to [cpaireland.ie/cpd](https://cpaireland.ie/cpd)



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