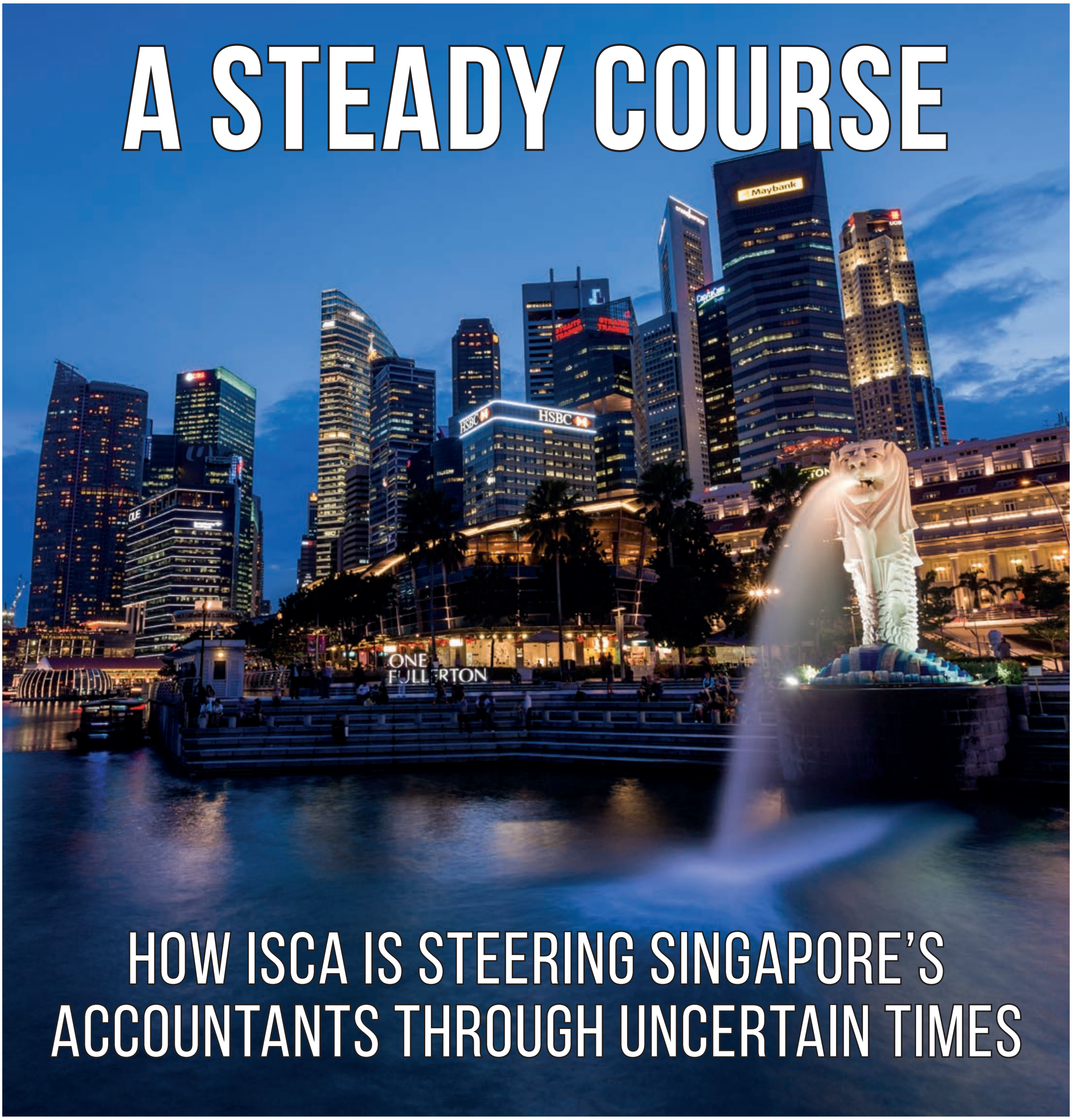
THE Accountant

A STEADY COURSE



HOW ISCA IS STEERING SINGAPORE'S ACCOUNTANTS THROUGH UNCERTAIN TIMES

FEATURE

Lockdown has turned our lives upside down, but we have gained perspective

COMMENT

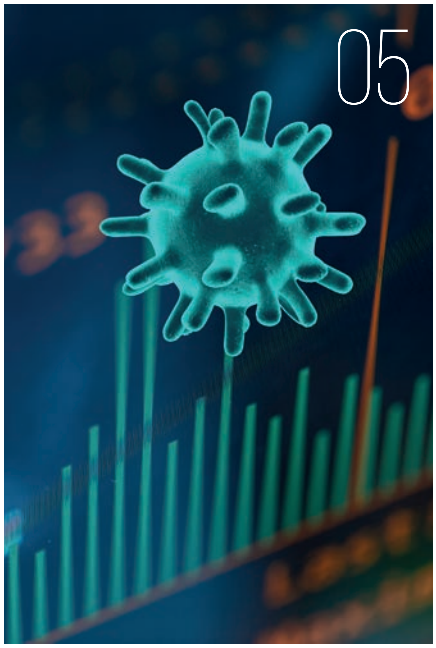
Clients need more advice, while firms face transformational change

PEOPLE

SASB and GRI respond to demand for clarity on sustainability reporting

THIS MONTH

NEWS



Group Editor:
Zoya Malik
+44 (0)20 7832 4315
zoya.malik@globaldata.com

Group Editorial Director:
Ana Gyorkos
+44 (0)20 7832 4396
ana.gyorkos@globaldata.com

Director of Events:
Ray Giddings
+44 (0)20 7936 6512
ray.giddings@compelo.com

Editor:
Joe Pickard
+44 (0)20 7832 3557
joe.pickard@verdict.co.uk

Production editor:
Nick Midgley
+44 (0)161 359 5829
nick.midgley@uk.timetric.com

Head of Subscriptions:
Sharon Howley
+44 (0)20 7936 6587
sharon.howley@verdict.co.uk

Sub-editor:
Andrea Minter

Customer Services: +44 (0)20 7936 6587, briefings@verdict.co.uk; PR: accountingpr@verdict.co.uk

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AUGUST 2020

EDITOR'S LETTER
SUPPORT FOR THOSE PROVIDING SUPPORT

Joe Pickard, Editor

IT IS OFFICIAL, THE UK HAS SLIPPED – OR PLUMMETED – INTO A RECESSION. WE ALL KNEW IT WAS COMING, BUT WE ARE NOW OFFICIALLY IN A RECESSION FOR THE FIRST TIME IN 11 YEARS, FOLLOWING A 20.4% DOWNTURN IN THE ECONOMY COMPARED TO THE FIRST THREE MONTHS OF THE YEAR.

The global markets have all been shaken by the impact of Covid-19. Confidence has fallen; oil prices went into negative figures; global travel and tourism ground to an almost complete halt.

In some parts of the world, businesses have been reopening for the last couple of months as governments around the globe attempt the balancing act between protecting the economy and saving people's lives.

We have weathered recessions and depressions before, but as UK chancellor Rishi Sunak said in a BBC interview on 12 August: "What we're grappling with is something that is unprecedented, and we don't have a playbook for how to deal with it."

I have said it before, but it is clear that accountants will have an important role to play in helping their clients navigate uncharted waters. But accountants themelves will also need support.

In this issue, Institute of Singapore Chartered Accountants (ISCA) CEO Lee Fook Chiew talks to *TA* about how the pandemic has hit Singapore, and the support that ISCA is providing to its members, such as helping to address business and technical issues that are arising from Covid-19, as well as helping its accountants upskill with virtual learning support. More on **pages 12-14.**

On **pages 10-11,** Jessica French, development manager at CABA, a charity that supports the well-being of chartered accountants and their families, talks about how the role of the employer "must evolve to support the changing needs of the employee", in regards to being sensitive to individual circumstances such as people who may be at higher risk or have care responsibilities.

Not forgetting the climate crisis

While Covid-19 has really stolen the limelight this year, the climate crisis has not gone anywhere. In June, SASB and GRI announced a collaboration between the two organisations to make it easier for non-financial reporting to be better presented to investors. GRI CEO Tim Mohin and SASB CEO Janine Guillot explain more on **pages 16-17.** ■

GET IN TOUCH WITH THE EDITOR AT: **JOE.PICKARD@VERDICT.CO.UK**

NEWS UPDATE

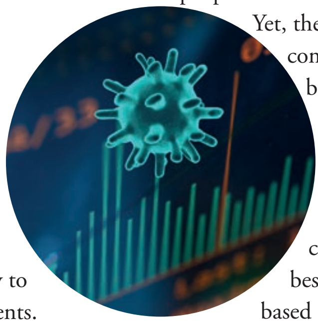
Accounting bodies launch tool for governments grappling with Covid-19

The International Federation of Accountants (IFAC) and the Zurich University of Applied Sciences, in partnership with the International Accounting Standards Board, have published a practical accounting tool for governments and other interested stakeholders to help analyse Covid-19 intervention programmes.

By the end of May, the International Monetary Fund suggested that $9trn had been spent by governments around the world on fiscal support. IFAC noted that understanding the design of these interventions, how they are delivered and funded, as well as their impact on the financial position of governments, is critical to manage current challenges and secure sustainable public finances in the future.

The Covid-19 Intervention Assessment Tool includes:

- A step-by-step process and assessment tool to help assess, evaluate and inform various types of government interventions related to the pandemic;
- An overview of the pathway to accrual IPSAS for governments.



IFAC executive director Alta Prinsloo said: "Government accounting is not the first priority that comes to mind when people think about the current pandemic.

Yet, there's evidence that having a comprehensive and well-managed balance sheet supports strong public programs, including for healthcare and economic well-being.

"It's never too late for countries to adopt accounting best practices, including accrual-based International Public Sector Accounting Standards. We hope this guidance will help governments make the case for doing so." ■

UK'S FRC APPOINTS TWO EXECUTIVE DIRECTORS

The UK's Financial Reporting Council (FRC) has appointed two executive directors following an open recruitment process.

Mark Babington has been appointed executive director – regulatory standards, while Alex Kuczynski has been appointed executive director – corporate services and general counsel.

Babington has been acting executive director on an interim basis since the beginning of April, and has experience in public and technical policy, particularly in audit and ethics, both within the FRC, and before that as a director at the National Audit Office. Kuczynski joins from the Financial Services Compensation Scheme where he most recently served as chief corporate affairs officer, director of corporate affairs and a board director.

FRC CEO Jon Thompson said: "I am very pleased that we have appointed such high-calibre candidates to these key roles. I know that they will build on the strong talent in each of their divisions and the collaborative strength of the FRC as we respond to a dynamic and changing landscape and focus on delivering our transition into the new Audit, Reporting and Governance Authority."

Babington said: "I am thrilled to have the opportunity to lead the FRC's regulatory standards division. We are a growing team of technical and policy professionals, who act in the public interest to improve the quality of audit, corporate reporting, corporate governance and stewardship and actuarial work in the UK. We also lead the FRC's stakeholder engagement and outreach to ensure that our work reflects our stakeholders' needs and our sphere of influence."

Commenting on his appointment, Kuczynski said: "I am delighted to be joining the FRC at this key stage in its transformation to becoming a new regulator. The breadth and depth of the FRC's activities and scope make this role an especially fascinating and challenging one as the corporate services team play a key role in supporting the delivery of the FRC's success and influence." ■

ACCA UK SIGNS MOU WITH GENERATION CFO

The Association of Chartered Certified Accountants (ACCA) UK and Generation CFO, a forum for CFOs and finance professionals, have signed a memorandum of understanding (MoU) to support each other's members.

The MoU aims to offer members access to each organisation's thought leadership, contacts and events, as well as being connected as part of a community of finance professionals. It formalises a relationship that started in May for a virtual summit with Accountex and Practice Ignition.

ACCA UK head Claire Bennison said: "Generation CFO brings together the new world of digital and the new class of modern accounting and finance into one collaborative group. In these challenging times and beyond, the opportunity to build our connections and community is all the more important, so we're delighted to be working with them through this MoU, and look forward to our future collaborations."

Generation CFO founder Chris Argent added: "In the coming months, we'll be delivering a plan of activities to help us all to share insights and new ideas. We're thrilled to be cementing our relationship with ACCA UK, connecting UK members with our community of 70,000 people." ■

KEY DIFFERENCES BETWEEN UK SMES AND CORPORATES IN APPROACHES TO PLANNING

There are marked differences between SMEs and the corporate sector in approaches to managing cashflow and business continuity planning, according to the latest edition of the Association of Chartered Certified Accountants (ACCA) UK and The Corporate Finance Network (CFN)'s *SME Recovery Tracker.*

For the survey closing 29 July, 86% of accountants in the corporate sector have business plans and financial forecasts in place, with the majority reviewing these regularly on a weekly basis. However, just 35% of SMEs have a business plan, showing that credit terms and business continuity between the two sectors are handled in very different ways.

Although many businesses have started to reopen, 33% of SMEs are still concerned about opening their businesses with current social distancing rules in place, while the corporate sector's responses show just a fifth are unconfident about returning, with 47% saying they are very confident.

Since the tracker started, tax deferrals have been a cashflow management choice for SME clients, and the results for the last two weeks show that 70% have made this decision, with 58% of those responding that they can make their tax liabilities in six months' time.

CFN founder Kirsty McGregor said: "The corporate world is recognising the importance of cashflow planning, and this is something SMEs can also embrace nowadays with the cloud and digital tools which are available and make this far easier than in previous recessions.

"Couple this with professional advice from accountants, and SMEs can work towards creating a more resilient business. We know this is a massive challenge, but help is out there, and supporting the accountants in this work is the sole function of our joint campaign across the profession to #LeaveNoBusinessBehind."

ACCA UK head Claire Bennison said: "In some ways, the different approaches to business planning between SMEs and corporates can be understood, but there are lessons to learn from each other here.

"Working with digitally adept accountants means SMEs will get the advice they need about how to balance the books, to stabilise their business models and plan ahead; however, sentiment shows that recovery appears to be unpredictable for SMEs, and this is alarming." ■

AICPA URGES US CONGRESS TO RESTORE TAX BENEFITS

The American institute of CPAs (AICPA) has joined more than 170 organisations in a letter to US House of Representative speaker Nancy Pelosi and Senate majority leader Mitch McConnell to encourage a technical correction to address the tax treatment of loan forgiveness under the Paycheck Protection Program (PPP).

PPP was adopted earlier in the year as part of the US's Coronavirus Aid, Relief, and Economic Security (CARES) Act, which allowed loan forgiveness under the programme to be excluded from the borrower's taxable income.

AICPA noted that although the intent of the CARES Act was to allow the deductibility of expenses related to loan forgiveness, the statute was silent. However, the publication of IRS Notice 2020-32 settled this policy by denying borrowers the ability to deduct the same expenses that qualified them for the loan forgiveness.

In their letter, the group of organisations said: "Denying the correct tax treatment of these loans will result in hardship for many struggling businesses," in reference to more than 5 million businesses that have participated in the programme.

Edward Karl, VP of taxation AICPA, said: "Millions of businesses across the country received much-needed relief during a time of global crisis, and it is imperative that they receive the full measure of assistance intended by Congress.

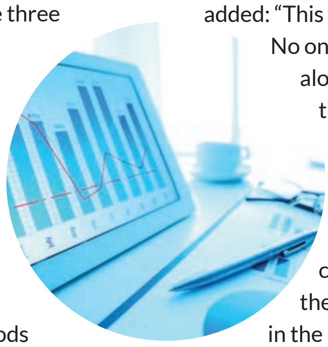
"Many small businesses are still in economic distress, and we urge Members of Congress to take action to ensure that the necessary corrections are included in the next relief package." ■

ACCA: GOVERNMENTS MUST TAKE BALANCE SHEET APPROACH TO MANAGING FINANCES THROUGH COVID-19

Government spending has rocketed over the last few months in order to mitigate some of the consequences of the Covid-19 pandemic, with the IMF calculating spending to be $9trn.

The Association of Chartered Certified Accountants, the World Bank, and the International Federation of Accountants (IFAC) have expressed concern that public sector fiscal commitment and interventions are not being captured accurately by governments due to the way they account for this.

In a recent report, *Sustainable public finances through Covid-19*, the three organisations are calling for governments to use public sector balance sheets to properly manage their finances through the pandemic, paying attention to their public sector net worth. For some governments, this will mean a change in accounting methods from cash to accrual accounting.



Report author and head of public sector policy at ACCA, Alex Metcalfe, said: "This global pandemic crisis could be a catalyst for more governments to adopt this approach, which can improve decision-making, act as the benchmark for new fiscal targets, and support governments to rebuild economies for a more inclusive and greener future.

The report suggests that by implementing a balance sheet approach, governments will benefit from:

- Increased clarity on the true position of the public finances, with an understanding of the fiscal room available for further government action;
- Greater value for money and financially sustainable decision-making, and
- Enhanced public sector resilience and better adoption of key financial metrics to drive performance management.

IFAC executive director Alta Prinsloo added: "This is about global best practice. No one government can go it alone – the global nature of the pandemic makes this apparent. Part of this drive toward global best practice is to ensure that, as a profession, we discuss with colleagues and policymakers the future of financial reporting in the public sector.

Professional accountants need to be giving non-finance expert decision makers a clear and trusted view of the sector's unfolding financial position."

Other recommendations for governments include:

- The need to either reference or use full-accrual International Public Sector Accounting Standards, the only globally accepted accounting standards for the public sector, in the production of general-purpose financial reports;
- Directing independent fiscal policy institutions to begin fiscal sustainability reporting or to increase its frequency. Central finance departments should also be required to respond publicly to these reports in a timely manner;
- Providing Supreme Audit Institutions with the independence and necessary resources to conduct performance audits, which may identify cases where public money was not used effectively, efficiently or economically in combating the Covid-19 crisis.

For finance professionals, ACCA, IFAC and the World Bank recommend:

- Consideration of how any redirection of resources to combat Covid-19 impacts broader metrics of societal well-being and sustainability;
- Conducting frequent fiscal stress testing, which forecasts the impact of negative scenarios on public sector balance sheets. This could include the impacts of a second wave of coronavirus, or an extended economic downturn;
- Producing accessible summary material, and appropriate narrative and notes within the financial statements. The accompanying narrative in financial statements helps users make sense of the figures and should not be too biased or avoid critical issues. ■

Advertised UK finance jobs down 61.2% compared to last year

The number of UK finance jobs being advertised fell by 61.2% year on year in July, according to UK job board CV-Library. Competition for vacancies has increased, with applications up 17.9%.

Reflecting the gradual return to work, the month-on-month figures show that there were 25.7% more vacancies in July than in June this year.

Despite there being fewer jobs available, average pay rose by 5.5% year on year, from £35,532 ($46,809) in July 2019, to £37,484 in July 2020. However, average salaries dropped 2.2% month on month.

CV-Library CEO Lee Biggins said: "Demand for jobs is still outstripping supply, and this will be a trend that we'll continue to see for some time. Naturally, the summer months tend to be a quieter time for both recruitment and job searching. However, the fact that our economy is struggling means there are fewer opportunities up for grabs than normal and more people looking for work; not an ideal combination.

"While it's a promising sign that salaries are higher than they were a year ago, the month-on-month dip in pay for new jobs does suggest that companies are starting to make difficult decisions about their workforce. Candidates may well expect to take a pay cut during an economic downturn, but be prepared to have difficult conversations with applicants who may be expecting more than you can offer right now." ■

A FRAMEWORK FOR SUCCESS: INTEGRATING FINANCE INTO SUSTAINABLE BUSINESS

Over the past decade, there has been a significant shift in how stakeholders view a company's responsibilities. Business leaders are returning to concepts that consider a business as an integrated enterprise in which management has responsibilities to the whole, writes *Shari Littan,* manager, corporate reporting technical activities at IMA

Research is showing that management attention to sustainable business issues connects to metrics of performance, lower cost of capital and market value.

Forward-looking organisations are discovering these benefits by building strategies around an understanding that the resources on which they depend – such as liveable and workable climates, water and human talent – are limited and valuable.

This connection to performance and long-term value reveals the important role that CFOs and members of the finance function can bring to sustainable business initiatives. But how do finance teams find pathways from insulated departments to cross-functionality?

Last year, IMA's research team conducted a series of interviews of corporate professionals at companies that are leading in the sustainable business arena. Through the study, we sought an understanding of the nature of the CFO and finance function's actual involvement, today, in sustainable business activities.

The findings are summarized in our white paper, *CFO as Value Creator: Finance Function Leadership in the Integrated Enterprise.* During these interviews, as described in the white paper, we observed that we are showing the most progress in sustainable business and connecting this progress to performance and value, we are using a cross-functional approach: the finance function serving in its traditional role as internal business partner.

In 2014, the Institute of Management Accountants (IMA) and Association of Chartered Certified Accountants (ACCA) issued a joint report, *Financial Insight: Challenges and Opportunities,* that provided a framework for integrating the finance function into broader corporate decision-making processes.

Based on this framework, IMA developed and released *Finance Function Partnering for the Integration of Sustainability in Business,* a new report that applies the IMA-ACCA partnering framework to help finance and accounting professionals take an active leadership role in their organisations' efforts to integrate sustainable business – sometimes referred to by the initialism ESG for environmental-social-governance.

The new partnering paper provides three components, each of which contains pragmatic actions that CFOs and finance function professionals can utilise to build an integrated enterprise.

Component 1: Creating a mandate for partnering on sustainable business activities

A CFO, as a member of senior corporate leadership, participates in articulating an organisation's purpose and values.

The CFO also serves as a bridge between senior leadership and the regular day-to-day work of the finance team. In this role, the CFO can encourage the development of both informal and formal structures across the organisation. This creates buy-in, allowing the sustainable business team to reach out effectively and seek the finance team's insight toward shared goals.

One of the most important aspects of creating the mandate is highlighting proof points. Finance professionals are extremely well suited for connecting initiatives to results by estimating the financial effects, such as the value of customer retention, employee commitment, transparency with regulators, and reduced capital costs.

Component 2: Fixing the information and enhancing data quality

A common challenge for sustainable business initiatives is a lack of quality data. Investors are increasingly demanding ESG information of better quality and relevance than companies are generally issuing today.

The finance team has a vital role to play in implementing controls and oversight, adopting the most relevant reporting standards, and measuring what matters. They have the expertise to help sustainable business teams connect the data to the company's business model. Utilising technology, they can help aggregate relevant indicators on dashboards and into management reports.

Component 3: Deploying finance talent to meet sustainability challenges

Finally, it is beneficial for CFOs to build finance teams that are capable of cross-disciplinary thinking and initiative. In these ways, the finance and accounting team contributes as a vital business partner. The finance team brings its unique know-how and applies it with a long-term mindset. Deploying talent includes enhancing team diversity, as equity and inclusion enrich team perspectives and capabilities.

The CFO and finance function's capabilities position them for developing new forms of decision-useful information about all the critical resources on which an enterprise relies. In this way, finance and accounting leaders can embody the high ethics and values that have always been a hallmark of the profession. ■

BUSINESS DEVELOPMENT THROUGH A NEW ADVISORY MINDSET

In today's increasingly complex environment, accounting firms are facing more opportunities and challenges than ever. Clients need more advice, while firms face challenges such as transformational change. PrimeGlobal chief executive *Steve Heathcote* writes

In this environment, it is not surprising that the recent PrimeGlobal member survey highlighted that member firms are looking for more support and skills to help them make the right choices and develop an advisory mindset.

These are choices and skills that will enable our firms to innovate and stay relevant to clients, so clients can thrive and prosper in this time of change.

PrimeGlobal member firms around the globe agree that the trusted advisor status has been significantly strengthened during the Covid crisis. Firm partners are working more directly with clients to help businesses survive, scenario plan, interpret government relief legislation, enhance decision making, help develop business ideas and strategise.

Having a deeper understanding of clients' businesses and needs allows firms to identify opportunities and extend service lines. This is a trend that firms see having a positive long-term impact beyond Covid. However, firms often find it difficult to develop an advisory mindset within their teams. It could well be that professional accountants feel out of their comfort zone – preferring to focus on the doing rather than working with a client to determine what needs to be done.

With Covid, there has been less opportunity for new professionals to meet clients and learn from watching experienced partners operate. Zoom calls are often functional and less personal; it is harder to move the conversation to cover broader business matters.

Consulting and advisory is a mindset, rather than a service line. Disruption created by Covid highlighted a growing need to enhance new business development skills and re-evaluate how business is conducted in the context of reduced face-to-face interactions.

For many firms, remotely attracting new clients or working with existing ones requires a culture shift and major organisational adjustment. Teams need to proactively think about where their client is going, what their challenges and opportunities are, what could help them, and what they have learnt elsewhere. There is a lot of focus on digital, but to deliver value, firms need to invest in people skills. As routine work is automated, staff need enhanced higher-level skills.

TRUSTED ADVISOR

Gorana Stojanovic, PrimeGlobal's executive director of strategy and communications, adds: "As the trusted advisor status is enhanced and businesses are increasingly looking for services beyond accounting, audit, tax and compliance, so is the need for advisors to help guide their financial futures and evaluate different types of transactions. This trend has created an opportunity for many of our firms, but also presented firms with a challenge to shift the mindset, build staff capability in core professional skills and innovate."

PrimeGlobal member firms are working to overcome these challenges. For example:

- Some of our member firms hold consultancy labs where teams can practise advisory skills using real case studies, with the team benefiting from the guidance of experienced partners;
- With clients' permission, teams sometimes review recorded zoom calls which they have had with their clients –identifying lessons learnt to help their staff develop their advisory approach;
- Many firms are using PrimeGlobal's webinars and Business Learning E-Library to help staff develop advisory skills. The e-library covers a wide range of courses, such as Powerful Communication, Anticipating and Serving Evolving Needs, Integration and Collaboration.

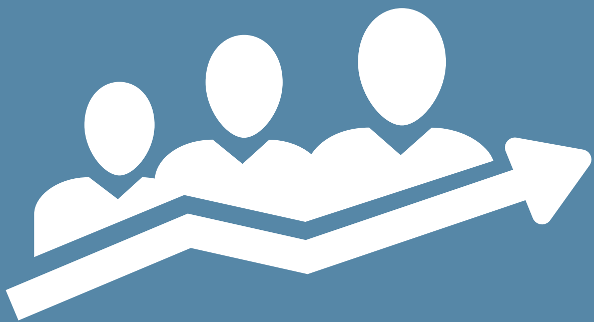
Many PrimeGlobal firms find that using data more efficiently is key, with data analytics offering invaluable insights to staff with the right skills to interpret data and offer powerful choices to clients. As part of the consulting and advisory offering, many firms are moving to annuity payment models – offering a sounding board to clients on a monthly retainer basis. This also requires staff to have the right skills. Innovation is in high demand, and using digital technology well, through the power of BI, platforms, RPA and standard products is more relevant than ever.

Firms that do this well are prospering. PrimeGlobal US firm Moore Colson is piloting new approaches in valuations and assurance for banks. London-based Simmons Gainsford is offering financial healthcheck services to clients, while Manchester-based Hurst regularly expands its client base through digital channels. Firms are learning more about how communications, business development and digital marketing are becoming more important, as they expect virtual interactions to become standard. Many firms are investing in digital; for example, PrimeGlobal Brazil-based firm MS Santini is a regional leader in this field.

Many firms are relying on managing partners to set an example for how the firm can be run more effectively and be retooled for the future by developing tech and people skills. Others are partnering with other professional service firms to provide clients with full-service offerings, for example UK-based FRP, which provides insolvency support to other PrimeGlobal firms. There are many advances in this area, even though member firms report that this work requires creativity, innovation and partnering skills – which are still challenging to develop in their teams.

Strong leadership, building a culture of innovation and timely execution will help transform firms from a compliance, hourly billing mindset to an advisory, annuity, advanced pricing model of the future. This will be a defining moment for many accounting firms and their leadership as we continue to offer significant advice and assistance that will help the economy recover from the Covid-19 pandemic. ■

WHY EMPLOYEE WELL-BEING AND PERSONAL PROGRESSION ARE KEY TO THE RECOVERY



Lockdown and the drastic changes that came with it have turned our daily lives upside down. But from this topsy-turvy new world, we have gained a new perspective – one that extends to both our personal life and our work. *Jessica French,* development manager at CABA, the charity supporting the well-being of chartered accountants and their families, looks at the possible outcomes

New ways of living have helped us to identify habits in our daily routine that no longer serve us – things such as meetings for the sake of meetings and a daily long commute.

At best these were unnecessary and distracted us from the task at hand; at worst they were detrimental to our mental well-being and the health of those around us.

As a nation we have never been more aware of our own needs, and the role of the employer in meeting those. Workers across the country have quashed widespread concerns that they cannot work productively from home, fitting work around their home life in a more flexible way.

Supported by increasingly sophisticated technology, worker productivity during lockdown has risen by as much as 47% according to some surveys.

As a result of our own success, we now have an opportunity to reimagine the way we work. Lockdown will become the prototype for new workplace models that support and empower the modern-day worker.

What happens next is the subject of much speculation. Will companies scrap their real estate altogether or will they opt for something smaller and more flexible? How will companies continue to support their staff as new working conditions bring additional pressures and challenges? Whatever the answer, companies need to be thinking about this now. Delays could prove costly.

> “DO BUSINESSES REALLY NEED AS MUCH SPACE AS THEY CURRENTLY PAY FOR?

To help businesses navigate the changing landscape of the workplace environment, we explore some of the possible outcomes for office-based workers in the UK, and the implications these may have on the role of the employer.

Evolution of the office

Three months in and the dust is beginning to settle. After the initial adrenaline surge, many companies are now taking stock of their situation and using this time to examine their office space. Do they really need as much space as they are currently paying for? If their employees can successfully work from home and are happy to do so, the answer to this is probably not.

For the time being, we are likely to see most office-based companies continue to operate with remote teams. Pandemic-proofing an office requires significant investment, and there is a hesitation from companies to spend money on grand-scale design solutions, as any changes may be rendered useless as we continue to learn more about Covid-19 or if a vaccine is found.

But what will happen to the ‘traditional’ office in the long term? Well, it has been suggested that the traditional office could take on a more fluid role – a space for collaboration and innovation rather than administrative tasks that could continue to be carried out at home. In this scenario, the office will remain the headquarters, a hub where physical meetings and projects can be carried out, and where clients and employees can go when they need somewhere to sit down and chat.

Another suggested outcome would see companies ditching the central office hub for smaller regional offices, closer to where staff live. This would involve clustering employees into groups and creating a more convenient working environment that allows them to avoid long commutes.

There are also those who believe that while demand for real estate may dip in the short term, ultimately the pendulum will swing in the other direction and we will all end up back in the office before long. People who support the return to the office often cite the loss of workplace culture as a reason to avoid remote teams. Without a physical space to work in, it is harder to cultivate the community spirit and sense of shared purpose that drives successful teams.

The likelihood is that most office-based workers are unlikely to go back to a five-day working week in the office. From a purely environmental point of view, it is hard to justify asking your employees to commute to work every day again – especially now we are seeing increasing amounts of pressure on the government to ensure economic stimulus plans are environmentally sustainable.

Large companies like Twitter and Facebook have already given many employees the option to work from home permanently. And where the trendsetters go, others will surely follow.

to the office. Workplace studies have shown that as many as three-quarters of workers want the choice to work from home after lockdown. An early consultation will give you a good indication of who wants to come back and whose circumstances may have changed.

Staff well-being should also be at the top of every employer's list, both now and in the future. It is important to have robust support systems in place for those who are anxious about returning to work. The thought of entering a new environment where you have

> " STUDIES HAVE SHOWN THAT AS MANY AS THREE-QUARTERS OF WORKERS WANT THE CHOICE TO WORK FROM HOME AFTER LOCKDOWN

The 'new-age' employer

Regardless of the outcome, the role of the employer must evolve to support the changing needs of the employee.

Employers must continue to be sensitive to individual circumstances – for example, those in the high-risk category or those with care responsibilities. Employers who get this wrong will suffer in their ability to attract and retain talent, both now and well into the future.

Therefore, where possible, employers should try to give their staff the freedom to make their own decision about coming back

little control over safety and hygiene can be nerve-racking, so employers need to go out of their way to address any concerns.

On top of this, we are now facing an economic recession, so feelings of stress and anxiety are likely to be heightened during this time. Remember, so much of the pressure that employees face often goes unseen, so it is essential that employers invest time and effort in creating an open and honest workplace environment where staff feel safe to talk about their problems.

Personal development and progression will also require renewed focus. Home workers can feel overlooked for promotions and opportunities, so employees may want to get back to the office to feel more 'visible' and back on the radar of management. This could be eased with effective leadership. Virtual teams will need more proactive nurturing because face-to-face contact time is more limited than in a physical shared space, therefore it takes longer for issues to emerge.

Teams need extra clarification on what is expected of them, how communication will work, what their accountabilities are and any personal development opportunities.

Finally, workplace culture will continue to be a critical aspect of any team, whether they are working remotely or not. The office gives many workers a sense of identity and camaraderie, with people bonding over a shared set of goals. It also keeps people in a routine. Employers need to ensure that their employees still have ways of maintaining social interaction, be that through regular meet-ups or videoconference parties.

With change comes opportunity

Much like people, successful companies are the ones that can respond quickly and positively to a change in circumstances. No matter how big or small, or how well established, every organisation should now be looking to reinvent themselves in a way that aligns with its workers' needs.

Failure to do so risks damage to your brand, and the possibility of an out-of-date workplace that no longer attracts the best talent in a future workforce. ■

ISCA:
NECESSARY RESPONSES TO AN UNPRECEDENTED CRISIS

As the Covid-19 pandemic rages on, Lee Fook Chiew, chief executive officer at the Institute of Singapore Chartered Accountants (ISCA), tells *The Accountant* what measures ISCA is taking to help accountants in Singapore navigate through uncertain times

The Accountant: The Covid-19 pandemic has impacted every corner of the world. What impact has it had on Singapore and its accountants?

Lee Fook Chiew: Like many countries, Singapore's economy has been significantly impacted by the pandemic. To help the nation through this global crisis, the Singapore government has rolled out four Budgets, bringing the government's support to S$92.9bn ($67.7bn) in total. Together, the four Budgets have been called a landmark package, and a necessary response to an unprecedented crisis.

Despite this, such was the impact of the Covid-19 global crisis that Singapore's economy shrank by 12.6% year on year in the second quarter. According to Singapore's Ministry of Trade and Industry, the drop in GDP was due to the 'circuit-breaker' measures implemented by the Singapore government from 7 April to 1 June to slow the spread of Covid-19, as well as weak external demand amid a global economic downturn. The circuit-breaker measures had resulted in the suspension of a number of business operations in many sectors.

Like many other professions, the accountancy profession in Singapore faces multi-faceted challenges arising from the Covid-19 crisis. These include disruptions in the execution of projects, adjusting operations to comply with Covid-19 measures, loss of business and clients, cashflow issues and the threat of job loss.

> "SINGAPORE FACES MULTI-FACETED CHALLENGES ARISING FROM COVID-19

Another significant challenge comes from addressing the accounting and auditing issues arising from Covid-19, from disruptions in the execution of basic audit procedures such as sighting of original documents and fixed assets to making complex judgments over the impact of this pandemic on going concern assessments.

TA: How have accountants adapted to the new working situation? Are they working from home, advising on contingency plans in light of the pandemic?

LFC: Based on a survey that ISCA conducted among our members concerning the impact of Covid-19 in April, 60% of employees have significantly or fully adapted to new ways of working, while 45% of employers indicated that they have significantly or fully adapted to new ways of doing business.

The survey results also showed that a challenge for accountants was the lack of infrastructure, tools and work processes to support remote work during the period when businesses were required to have their employees work from home to comply with the circuit-breaker requirements.

Based on the survey results, our members have indicated that they want greater support in terms of online learning offerings, such as webinars, e-courses and virtual conferences, during this period of social distancing.

To address this need, we have increased the number of online learning offerings, including live webinars and online talks. On 25 August, we will hold the virtual Professional Accountants in Business Conference, titled *Gearing up to Reboot in a New World.* Featuring topics to help accountants navigate the new normal, the programme line-up includes topics such as accounting and auditing implications arising from the pandemic, the new code of ethics required, how to enhance enterprise risk management in times of uncertainty, and how job roles in the finance function will be redesigned.

The pandemic has accelerated the pace of digital transformation. During this period when adopting digital strategies can be a lifeline for SMEs, ISCA is ramping up our support for SMPs to help them accelerate their digitisation journey. We are working with solution providers to run a series of tech talks to support SMPs in their understanding and implementation of tools that enhance efficiency of work processes and promote collaboration and engagement with teams and clients.

TA: How is business confidence in Singapore currently? How are accountants positioning themselves as trusted business advisers?

Lee Fook Chiew, ISCA

> "SINGAPORE'S MANUFACTURING AND SERVICES INDUSTRIES ARE PESSIMISTIC ABOUT THE OUTLOOK FOR THE SECOND HALF OF 2020

LFC: According to surveys by Singapore's Economic Development Board and the Department of Statistics released on 30 July, firms in Singapore's manufacturing and services industries are pessimistic about the business outlook for the second half of 2020, amid the pandemic and uncertain global trade and macroeconomic conditions. Across all segments, business activity levels are expected to decline for the July-December period compared to January-June.

The findings are aligned with the results of a survey ISCA conducted among our members in May, which found that 56% of employees and 73% of employers perceived that the business outlook of their firms will get worse in the next 6-12 months.

Amid the heightened economic uncertainty from Covid-19, the role of accountants as business leaders, decision-makers and trusted advisors to help organisations meet the challenges ahead is more important than ever. Accountants, with their professionalism, expertise and ethics, have the ability to provide financial and business counsel to organisations to help them navigate this crisis.

During this crucial period, businesses need to manage cashflow, identify risks and formulate plans through scenario planning, and look for ways to capture and deliver greater value to customers through business model innovation.

These are areas in which accountants, with their technical expertise and business acumen, can play a key role.

TA: How is ISCA supporting its members in overcoming the challenges arising as a result of the pandemic?

LFC: When a global crisis like Covid-19 happens, the ripple effect is immense. Singapore is still grappling with the manifold effects of the pandemic, and as the national accountancy body, ISCA is doing its part to support the profession in overcoming these challenges in the following ways:

- **Helping accountants secure jobs through career support:** With many jobs at risk arising from the economic fallout, ISCA is offering accountants career support. ISCA's career microsite hosts a career portal that features accounting and finance-related job posts. Via the portal, ISCA also provides a free job-matching service for its members. This initiative enables ISCA members to profile themselves to potential employers, by posting their career history to potential employers on an anonymous basis.

  ISCA and Workforce Singapore, a government agency under Singapore's Ministry of Manpower, also co-organised a virtual career fair for accounting and finance professionals. Spanning two weeks, the fair attracted more than 11,000 visitors and more than 2,500 job applications;
- **Helping accountants address the business and technical issues arising from Covid-19:** To support the profession in addressing auditing and accounting

issues arising from Covid-19, ISCA's Auditing and Assurance Standards Committee and Financial Reporting Committee, in collaboration with Singapore's Accounting and Corporate Regulatory Authority, formed a Covid-19 Working Group. The group continues to publish frequently asked questions to share its deliberations on accounting and auditing issues arising from Covid-19. ISCA also issued guidance on audit and financial reporting issues arising from Covid-19.

In addition, we worked with the Singapore Accountancy Commission, a statutory board under Singapore's Ministry of Finance, to issue two advisories for accounting practices. The advisories have helped audit practitioners to fully understand and comply with the slew of operational regulations quickly, which helped to ensure business continuity in a safe environment for accounting firms and their clients.

Some businesses and individuals may have difficulty navigating through the plethora of assistance schemes and identifying those which are relevant to them. To address this, ISCA produced the Covid-19 Navigator, a summary of the assistance schemes and resources from the government and ISCA to support individuals and businesses affected by the Covid-19 pandemic.

The schemes and resources are categorised for employees, business owners and key decision makers in organisations, so users of the guide can easily identify and access the schemes relevant to them;

- **Helping accountants upskill with virtual learning support:** In times like these, continuing professional development is critical, to keep chartered accountants ready for the recovery. ISCA has curated webinars and e-learning modules under its e-learning space, enabling accountants to learn from home;
- **Helping SMPs digitise:** The pandemic has magnified the need for SMPs to accelerate their digitalisation journey. The pace of digitalisation will continue to accelerate, given the telecommuting arrangements to minimise community spread of Covid-19. With the support of Enterprise Singapore, a government agency which champions enterprise development, ISCA launched the SMP Programme, which aims to drive digitalisation, upskilling and reskilling and internationalisation of SMPs in Singapore.

To prepare SMPs for a digital future, ISCA, in collaboration with Singapore Polytechnic, began offering a Robotic Process Automation course for employees of SMPs from August 2019.

We also established the Virtual SMP Centre in August last year. This is an online platform to serve the needs of SMPs as they embark on their digitalisation journey. SMPs can use the online self-assessment toolkit to determine their stage of digital readiness, identify digital solutions and training programmes, and source available funding schemes.

TA: What is going to be the focus for ISCA over the next 12 months?

LFC: While we continue to be focused on supporting the accountancy profession through the Covid-19 pandemic, we are also working on initiatives that influence the development of the profession.

ISCA is working with our industry partners on a research study to investigate how job roles in finance functions can evolve to optimise collaboration between humans and machines and what new skills sets accountants may need. This will provide accountancy and finance professionals with an understanding of how their work is likely to change in the next three to five years.

To support accountants in expanding their skill sets, and thereby enhancing their employability, we are also developing a series of compliance-themed certificates in areas that are in demand. These areas include digital risk management and Personal Data Protection Act compliance.

In addition, supporting SMPs will continue to be one of our focus areas, and we will continue to help SMPs in their digitisation, upskilling and internationalisation efforts.

TA: With rising tensions between China and the West over Hong Kong and other issues, does this benefit Singapore in terms of business opportunities, or is it just another cause for economic uncertainty?

LFC: Singapore relies heavily on global trade and open markets for economic growth. If Hong Kong's standing in the financial markets shrinks significantly, Singapore could potentially be an attractive alternative for regional headquarters.

> “ COUNTRIES WILL DEPEND LESS ON OTHERS, WHICH COULD PROMPT A SHIFT FROM GLOBALISATION TOWARDS PROTECTIONISM

While it is possible that companies intending to move out of Hong Kong may come to Singapore given its reputation as an international finance and business hub, political security and efficient infrastructure, it still depends on the companies themselves and the driving factors behind the move.

For companies focused on lowering their costs substantially, especially during the Covid-19 pandemic, Singapore's relatively high labour and office rental markets when compared to other developing economies, will still be a deterrent. On the other hand, companies in the financial services industry may be open to coming to Singapore to capitalise on the nation's well-developed and resourced financial market.

Covid-19 has further complicated matters. Countries are building up resilience in their supply chains to be more self-sufficient in key areas such as food and medical equipment and supplies. Increasingly, countries will depend less on others, which could prompt a shift from globalisation towards nationalistic protectionism. This might, in turn, translate into reduced business opportunities for Singapore. ■

SINGAPORE: KEY DATA

Total government support to help tackle Covid-19: S$92.9bn ($67.7bn)

- GDP growth Q2 2020: -12.6%
- Covid-19 cases as of 12 August:
  - Current active cases: 4,848
  - Total recoveries to date: 50,520
  - Total deaths to date: 27
- Total population, 2019: 5,703,569

Source: Ministry of Trade and Industry Singapore, Ministry of Health Singapore, World Bank

COMPANY DIRECTORS ARE STILL PRONE TO LIABILITY EVEN IF WRONGFUL TRADING HAS BEEN SUSPENDED

The recent implementation of the Corporate Insolvency and Governance Act, which came into force on 26 June 2020, has now extended the temporary suspension of wrongful trading provisions. *Andrew Knowles,* senior director – restructuring advisory at Duff & Phelps, writes

The Corporate Insolvency and Governance Act contains a number of permanent and temporary measures that address business challenges resulting from the Covid-19 pandemic.

One of the key measures of the act is the continuation of the temporary suspension of wrongful trading introduced at the beginning of the pandemic. Through the suspension, the threat of personal liability has been significantly reduced, however company directors must remain attentive to other considerations relating to the continued trading of their businesses, as they are still bound by directors' duties as set out in company law.

Andrew Knowles, Duff & Phelps

Provisions of the new act

The Insolvency Act 1986 included a number of provisions that protected creditors from the actions of rogue directors. Specifically, section 214 on wrongful trading required company directors to assess the likely prospect of avoiding insolvency. Continuing to trade when there was no reasonable prospect of avoiding insolvency can have dire consequences including personal liability for debts and trading losses.

Furthermore, disgruntled creditors can commence direct action against the director and protection of limited liability would not apply. This is commonly known as 'piercing the corporate veil', thus ensuring that in distressed situations directors were acting in the interests of creditors, rather than shareholders.

Although the new Act provides some sort of relief to company directors, it does not entirely turn off these wrongful trading provisions. For directors who may have previously hurried to start insolvency proceedings, avoiding the possibility of any personal liability, the temporary suspension will help postpone many from triggering that process and assist them to emerge intact on the other side of the Covid-19 pandemic.

Directors are still bound by their duties

With the UK economy enduring its worst quarterly fall in four decades, it is no surprise that the majority of UK businesses are experiencing some form of financial pressure. To help ease these challenges, the government has made changes to the insolvency law but has stopped short of providing company directors with complete immunity from liability and their duties.

From experience, the vast majority of directors understand the difference between steering the business through a challenging period and crossing the line into wrongful trading for which there remain severe penalties, including personal liability and disqualification. On a cautionary note, all other sources of risk and liability under the Insolvency Act 1986 are unaffected. For example, directors will continue to receive sanctions and penalties if they attempt to defraud the creditors or the company. This shows that directors are still bound by their fiduciary duties, and also by the fraudulent trading provisions of section 213.

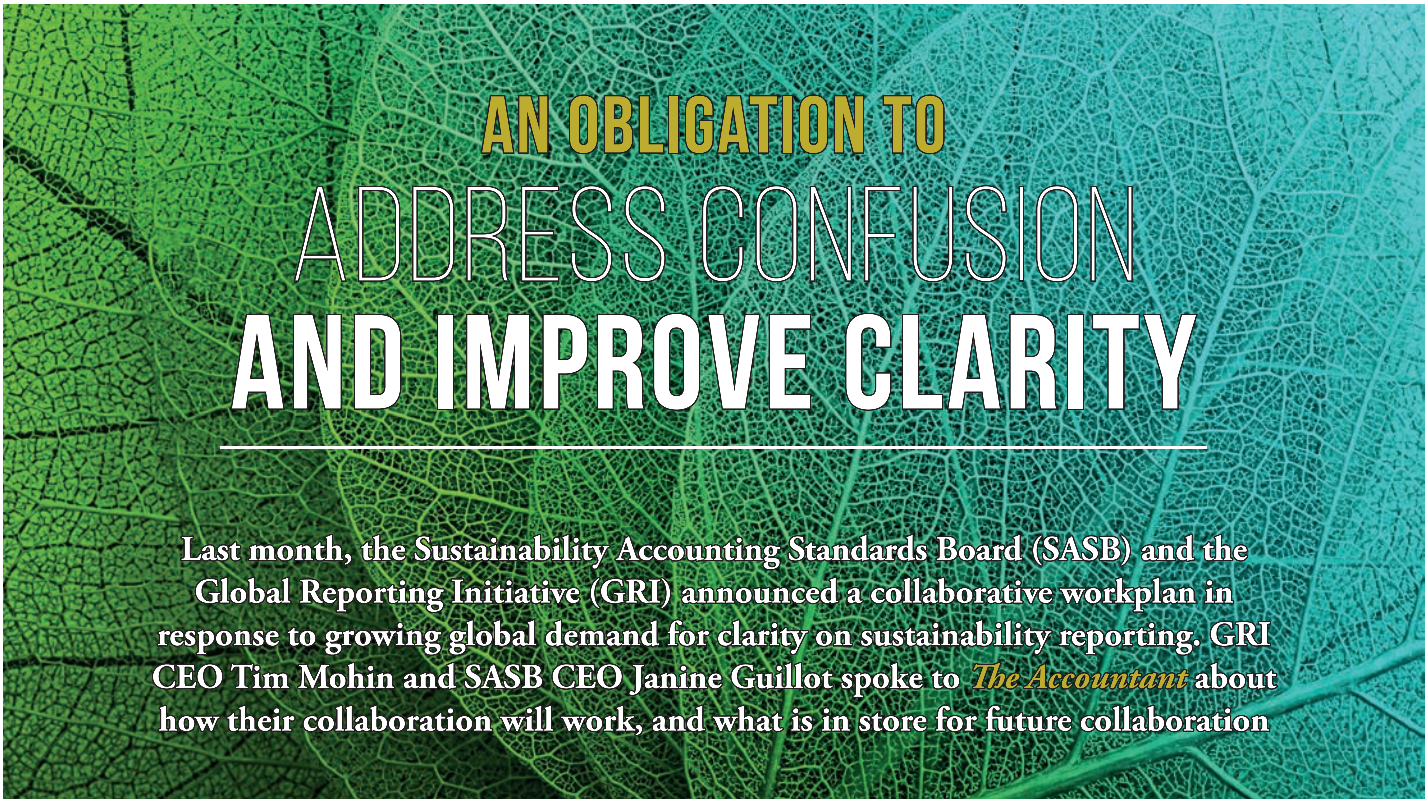
In addition, directors will still have duties under the Companies Act 2006 and must continue to act and be mindful of interests of creditors if the likelihood of insolvency increases. Overall, this means that the temporary suspension of wrongful trading doesn't change the attention that directors should be giving when evaluating the financial position of their company. Directors' actions will remain subject to scrutiny, making it critical that they consider very cautiously whether to continue trading if there is not a realistic chance of their company avoiding insolvency.

Looking ahead

While lockdown measures begin to ease and shops and high streets begin to reopen, numerous challenges still lay ahead, particularly with the expected reduction in consumer demand and confidence. The coming months will likely see a large number of company directors face a challenging ultimatum—continue trading or instigate an insolvency process?

Directors that are concerned about the financial difficulty they may find themselves in should continue to consider the needs of all key stakeholders and creditors in any decision. It is pivotal to maintain 'good housekeeping' in the form of board meetings and keeping records of actions taken with an assessment of the reasons for certain decisions.

Most importantly, it is recommended that directors seek appropriate professional advice and turn to outside parties for help wherever possible. ■



AN OBLIGATION TO ADDRESS CONFUSION AND IMPROVE CLARITY

Last month, the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) announced a collaborative workplan in response to growing global demand for clarity on sustainability reporting. GRI CEO Tim Mohin and SASB CEO Janine Guillot spoke to *The Accountant* about how their collaboration will work, and what is in store for future collaboration

In July, GRI and SASB acknowledged that the reporting effort can be high for companies that use both their standards.

To address this, the two organisations announced plans for collaboration to demonstrate how some companies have used both sets of standards together, and the lessons that can be shared. Initially the collaboration is to focus on delivering communication materials to help stakeholders better understand how the standards may be used concurrently.

The Accountant: Can you tell me more about how the collaboration will work on a practical level?

Tim Mohin: This joint collaboration between GRI and SASB aims to develop resources that will help stakeholders – both reporting companies and information users – to better understand how the two sets of standards may be used concurrently, based on the experiences of companies that have reported using both GRI and SASB standards.

Dedicated project leads in each organisation have been identified who are coordinating the workplan, with research and analysis now underway. This phase will include interviews with companies that use both sets of standards, and users of these reports. The publication of communication materials can be expected before the end of the year.

Janine Guillot: The SASB and GRI staffs have already starting working together to develop resources that help stakeholders better understand how to use both standards together.

A key deliverable is a technical report that includes examples – based on real-world reports – that demonstrate how the standards can be used concurrently. We will also conduct interviews with companies that use both sets of standards, and with the users of these reports, and publish our findings. SASB and GRI plan to deliver these resources before the end of 2020.

TA: What was the main driver for this collaboration to happen?

TM: We often hear debate about confusion in the market, including misconceptions that there is competition between the GRI and SASB frameworks. The reality is that the two sets of standards are designed to fulfil different purposes, and can be used by organisations accordingly to meet the information needs of specific stakeholders.

Where GRI and SASB can help address perceived confusion and bring greater clarity, I think we have an obligation to do so. I am confident that this new collaboration will help to achieve that.

JG: Companies are asking for clarity. There are many organisations playing various roles in the field of sustainability disclosure, including non-profit standard-setters and for-profit data aggregators and ratings providers. There is confusion about which actors are playing which roles, and how companies and investors should interact with these different players.

As two leading globally recognised sustainability standard-setters, SASB and GRI have a responsibility to help bring clarity to the space. We know that we can make the GRI standards and SASB standards easier for companies to use together, and this is an objective of our collaborative workplan.

> “ THE TWO SETS OF STANDARDS ARE DESIGNED TO FULFIL DIFFERENT PURPOSES, AND CAN BE USED BY ORGANISATIONS ACCORDINGLY

TA: What areas of collaboration do you anticipate happening between the two organisations in the future?

TM: This workplan is focused on producing the communications materials based on examples of companies that have used both sets of standards together. Once that work has been completed, a decision will be taken on opportunities for further collaboration. It's important, though, to recognise that the GRI and SASB standards fulfil different purposes, and reporting through one framework is not a replacement for the other.
JG: We plan to explore other potential opportunities for collaboration after we make progress on the first phase of our joint workplan.

TA: GRI and SASB are two organisations operating in this field, but there are a number of others. Do you have plans to collaborate with any more organisations on a similar basis?
TM: Both GRI and SASB participate in initiatives and forums that encompass a wider set of organisations within the reporting landscape, for example, the Corporate Reporting Dialogue.

However, when we focus on disclosure standards for sustainability reporting, there are only two leading organisations. It makes sense therefore that GRI and SASB work together to help all stakeholders understand the similarities and differences between our standards.
JG: SASB and GRI work alongside many organisations that are seeking to advance corporate sustainability disclosure, and participate in forums that convene these entities, including the Corporate Reporting Dialogue and the Impact Management Project.

It's helpful to clarify that while there are many sustainability frameworks, SASB and GRI are the only two sets of widely used sustainability reporting standards. Frameworks provide principles-based guidance on how information is structured, how it is prepared, and what broad topics are covered; meanwhile, standards provide specific, detailed and replicable requirements for what should be reported for each topic, including metrics. In other words, standards and frameworks are complementary; using both helps ensure comparable, consistent and reliable disclosure.


Janine Guillot, SASB

TA: Do you think that more collaboration like this will contribute to the possibility of mandatory reporting in the future?
TM: This project does not directly link to the subject of mandatory reporting of sustainability information. However, we are already seeing trends around the world by governments and regulators for mandatory disclosure requirements, which GRI strongly supports. Indeed, policy instruments in more than 60 countries reference or require use of the GRI Standards.

Mandatory reporting helps level the playing field for all, while making it clearer that companies must disclose sustainability information, which has widespread benefits for many stakeholders.
JG: We believe that a more clear and coherent system of standards will make it easier for regulators who are considering establishing mandatory requirements.

TA: Do you think mandatory reporting is necessary? What are the benefits of it not being mandatory?
JG: SASB believes that mandatory requirements around more comprehensive sustainability reporting should be governed by the appropriate regional jurisdictions.

By standardising the way financially material sustainability information is disclosed, the reported information will be more comparable, reliable and useful to investors. ■

> “ WE ARE ALREADY SEEING TRENDS AROUND THE WORLD BY GOVERNMENTS AND REGULATORS FOR MANDATORY DISCLOSURE REQUIREMENTS

THE GRI AND SASB STANDARDS

GRI and SASB provide compatible standards for sustainability reporting, which are designed to fulfil different purposes and are based on different approaches to materiality:

- SASB's industry-specific standards identify the subset of sustainability-related risks and opportunities most likely to affect a company's financial condition (for example, its balance sheet), operating performance (for example, its income statement) or risk profile (for example, its market valuation and cost of capital).
- The GRI Standards focus on the economic, environmental and social impacts of a company, and hence its contributions – positive or negative – towards sustainable development. Users of the GRI Standards identify issues that are of primary importance to their stakeholders. If not already financially material at the time of reporting, these impacts may become financially material over time.
- Both provide frameworks and supporting standards on a range of sustainability topics, and are aligned with international instruments for responsible business behaviour. ■

ALLEVIATING FRAUD IN YOUR FINANCE FUNCTION

Finance enterprise resource planning (ERP) and procure to pay (P2P) systems – often described as the heart and lungs of a company – are known to have vulnerabilities and can be open to fraud. *David Thorley,* director of customer development at Fiscal Technologies, writes

According to fraud experts, each company has around a one in three chance of experiencing internal fraud this year, with enterprise organisations averaging losses of $0.5m.

Additionally, acquisitions, mergers or the centralisation or decentralisation of the P2P function and systems also create a higher vulnerability to duplicates, errors and fraud.

When systems are being configured and resources are stretched, errors and omissions occur. Processes take time to adapt, and this allows sophisticated fraudsters to target these types of transformation projects.

The crisis created by the Covid-19 pandemic has worsened these issues and opened up further vulnerabilities through remote working. It therefore requires accounts payable (AP) and P2P to be proactive in order to reduce costs, with the focus on retaining and protecting cash taking precedence.

TRANSFORMATION RISK

As migration projects typically copy only open transactions to the new system – historical transactions seen as being of little value – transaction history can be lost. Spotting irregularities relies on comparing transactions with historical data so that the validation of duplicate payments is hindered.

During ERP migrations, the master supplier file (MSF) is frequently left untouched and copied in its entirety from the old to the new system. This creates heightened risks as supplier reference changes in the new ERP's MSF make historical look-ups impossible, and the opportunity to remove unused, out-of-date and duplicate suppliers – a hotbed for fraud – is removed.

Particularly at a time like right now, it is crucial that organisations are able to take action in recovering missed payment errors.

TARGETED FRAUD

Over the past few years, there has been no shortage of stories about internal company fraud or senior finance professionals being tried in court for financial fraud. While only a small proportion of these instances become public knowledge, as organisations fight to keep reputational damage at bay, it is essential that companies place financial fraud high up on the corporate radar in order to protect against these threats.

> "IT IS ESSENTIAL THAT COMPANIES PLACE FINANCE FRAUD HIGH UP ON THE RADAR

According to the KPMG *Fraud Barometer,* there was a sixfold increase in the number of alleged procurement frauds appearing in court in 2019, usually involving fake invoices. Six cases worth over £16m ($21.2m) appeared in court in 2019, compared to £2.9m in 2018.

The individuals and groups who are deceiving businesses to gain payments usually gain some inside knowledge of the processes or systems to enable them to set up fraudulent suppliers and divert funds to their accounts. They are sophisticated and plan their attacks.

They tend to target the complex relationships between procurement and AP, especially in enterprise organisations where the adoption of artificial intelligence, complex system integration and automation delivers a touchless-AP process, but may lack in the controls of traditional processes

The biggest risk factor when it comes to ERP fraud is allowing users to access parts of the system that they should not be able to see, thereby enabling them to commit fraud in a variety of ways.

The most common type is the dummy company fraud, where a user sets up a false supplier, processes fictitious orders and invoices, and pays for goods or services that are never received. This fraud is surprisingly easy to perform for a user with a little too much access.

But there are many other forms of deception, including supplier bank account changes, inventory manipulation and unauthorised changes to payroll data. Proper control measures can mitigate these vulnerabilities to a large extent.

More so than ever, cashflow is the number one priority. With this in mind, it is imperative that organisations ensure they have the right processes in place to protect and retain cash. ■

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Capital, £40,000; in 8,000 Shares of £5 each.

UNITED KINGDOM LAND AND BUILDING ASSOCIATION (LIMITED).
Capital, £100,000; in 10,000 Shares of £10 each.

Applications for Shares in the above Companies may be made to ASPDEN and MARSHALL, Accountants, 38, Barton Arcade, Manchester.