

THE Accountant



CAPITAL EYE

LONDON HOSTS THE 2019 DIGITAL ACCOUNTANCY FORUM AND AWARDS

FEATURE

IMA's Dennis Whitney on how accountants can adapt and develop their skills

COMMENT

CPD is an essential, underrated and expected part of the profession

DAF 2019

Tom Gilbert discusses global initiatives to streamline VAT returns

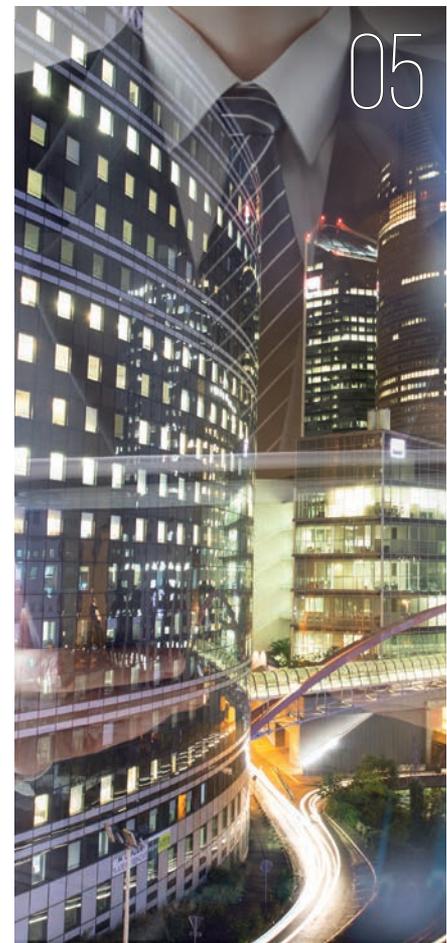
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<p>Group Editor: Zoya Malik +44 (0)20 7832 4315 zoya.malik@globaldata.com</p>	<p>Group Editorial Director: Ana Gyorkos +44 (0)20 7832 4396 ana.gyorkos@globaldata.com</p>	<p>Publishing Assistant: Asena Degirmenci +44 (0)20 7936 6969 asena.degirmenci@verdict.co.uk</p>
<p>Editor: Joe Pickard +44 (0)20 7832 3557 joe.pickard@verdict.co.uk</p>	<p>Production Editor: Nick Midgley +44 (0)161 359 5829 nick.midgley@uk.timetric.com</p>	<p>Director of Events: Ray Giddings +44 (0)20 7936 6512 ray.giddings@compelo.com</p>
<p>Data Researcher: Sarajuddin Isar +44 (0)20 7832 4363 sarajuddin.isar@progressivemediagroup.com</p>	<p>Sub-editor: Andrea Minter</p>	<p>Head of Subscriptions: Sharon Howley +44 (0)20 7936 6587 sharon.howley@verdict.co.uk</p>

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

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London Office: John Carpenter House, John Carpenter Street, London, EC4Y 0AN

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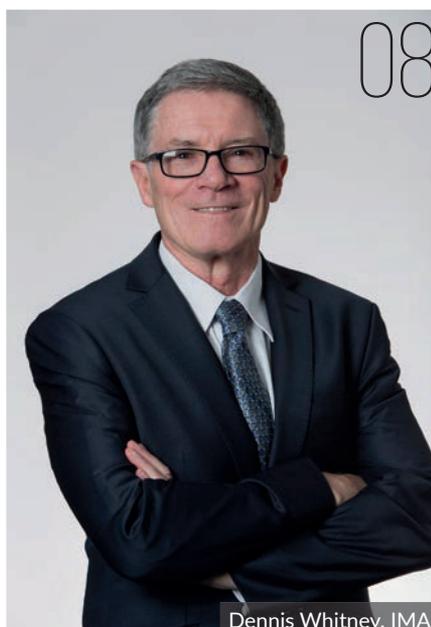
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EDITOR'S LETTER

CELEBRATING THE SUCCESS STORIES



Joe Pickard, Editor

PLEASE ALLOW ME TO INTRODUCE MYSELF AS THE NEW EDITOR OF THE ACCOUNTANT. I HAVE BEEN WITH THE PUBLICATION FOR ALMOST TWO YEARS AND ALSO WELCOME ZOYA MALIK AS GROUP EDITOR, INTERNATIONAL ACCOUNTING BULLETIN.

It is with pleasure that I take the helm at the time of our November issue, which includes coverage from our *Digital Accountancy Forum and Awards 2019*, held at the Waldorf Hilton London in October. As public and political scrutiny takes aim at the accountants of the world, it is somewhat refreshing to celebrate the industry's success stories.

A handful of accountants performing dubious practices has the potential to tarnish the profession's wider reputation, but it is important to remember that this is just a limited number of 'professionals'. It goes under-reported that millions of accountants worldwide work with integrity each day in the public interest.

Spending time at our awards ceremony, it was comforting to hear how organisations and professional bodies are working tirelessly across the globe to improve standards and reporting practices to secure stronger global markets for future years. From a non-financial reporting point of view, this work goes beyond the financial markets and looks at ways to improve working

conditions and the environment. It is no easy task, admittedly, but it is an important one.

Coverage from our conference and awards includes RSM UK's associate director and VAT technology lead, Tom Gilbert, who highlighted a number of initiatives being undertaken by tax authorities around the world in an effort to streamline tax. We also take time to focus on the winners of the awards and what led to their successes in their respective categories.

Elsewhere in this issue, the Institute of Management Accountants' senior vice president of certifications, Dennis Whitney, talks to *The Accountant* about how CFOs can fill the skills gap in their workforce through continued professional development.

The Accountant has been published since 1874, and I am excited to become a part of its rich history and to work with members of the profession more closely, over the coming months.

We are here to serve you, the readers, and hope to continue to bring you insightful content on all the key topics and trends that are occurring in the industry. If you would like to contact me, I encourage you to email me at the below address. ■

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

NEWS UPDATE

Auditors urgently need to improve their challenge of management



‘Audit quality is still not consistently reaching the necessary high standards expected’, particularly when challenging management, according to the UK Financial Reporting Council (FRC)’s *Developments in Audit* report.

Other shortcomings were identified in more routine audit procedures; in particular, those related to revenue recognition, with revenue typically a key metric of financial statements.

With regard to internal controls, the report found that too many auditors were not properly identifying relevant controls in areas of significant risk, or were not adapting audit approaches sufficiently when controls were found to be deficient.

Other findings in the report included:

- Year-on-year familiarity with audited entities can lead to the same audit approach being followed, even when changes in the business or trading environment demand a different strategy;
- Too often, audit teams appear prepared to accept what management tells them rather than questioning its plausibility and

drawing on specialists to form their own view, and

- Audit teams too regularly accept unrealistic deadlines, resulting in inadequate work.

The FRC is working with audit firms with the aim of improving audit quality, and has reiterated its position that it, “will hold firms to account where remedial action is not taken to an appropriate level or on a sufficiently timely basis”.

The FRC’s executive director of supervision, David Rule said, “At a time when the whole audit market faces reform, we expect audit firms to make audit quality their number-one priority and to have effective programmes of work to deliver consistently high standards.

He added, “Inconsistent quality erodes confidence in the profession, which can lead to diminished trust in business. Stakeholders and investors rightly demand high-quality work on all audits.”

“While we see many examples of high-quality audit, our inspectors are still identifying too many audits which require

significant improvements. Inspections show that challenge of management is a particular area of concern on which audit firms need to focus. The FRC will continue to scrutinise these efforts and hold firms to account for their delivery.”

The Kingman review, which proposed replacing the FRC with the Audit, Reporting and Governance Authority (ARGA), recommended that the FRC publish summary versions of individual audit quality inspection reports, including gradings. The FRC has stated its intention to pilot publishing these reports with the consent of the companies and audit firms, starting with the 2020-21 inspection cycle.

Following the collapse of Carillion in January 2018, the FRC came under fire from politicians, and was described in a government report, alongside the pensions regulator, as being “united in their feebleness and timidity”.

Over the past two years, the FRC has worked to implement the measures recommended in the Kingman review that do not require government legislation to be passed, such as the appointment of new leadership.

Over the past two inspection cycles, the FRC’s Audit Quality Review team has referred 17 audits for potential enforcement action, and investigations have been opened in 10 of those cases.

In the past year, the FRC’s wider enforcement activity has seen a near trebling of fines from £15.5m (\$19.9m) in 2017-18 compared to £42.9m in 2018-19, and an increased use and range of non-financial sanctions, rising from 11 in 2017-18 to 38 in 2018-19.

Despite the FRC increasing the amount of fines it has imposed on firms and individual accountants, Jon Kingman, who led the Kingman review, expressed concern that the FRC would be allowed to ‘drift on’ without the necessary legislation being passed by the government. ■

ACCA UPDATES TAX REPORT DUE TO DIGITISED ECONOMY



The Association of Chartered Certified Accountants (ACCA) has updated its tax report to better reflect changes to the global economy over the last five years.

In the report *Global policy on taxation of companies: principles and practices*, the ACCA highlights that in a globalised business environment, it is potentially counterproductive for any one country to change its tax laws unilaterally.

The report was originally published in 2014 with the aim of offering broad views about the issues being discussed around global taxation, and of bringing structure and consistency to the debate. The updated report covers company taxation and looks ahead to how the tax landscape might unfold in the future.

ACCA's policy lead, tax and business law, Jason Piper said, "Our updated paper revisits the context within which the policy sits, as the global economy has moved on,

but reiterates our policy positions which we believe have stood the test of time.

"As we approach 2020, we believe that co-ordinated efforts should be made internationally to ensure that tax systems keep pace with changes in the way that business is conducted, capturing the substance of economic activity in the calculation of liability to tax. ACCA supports, and is directly involved in, the efforts being made at G20 and OECD level to achieve this global reform."

The ACCA offers recommendations for companies, policymakers and tax advisers which include:

- **For the company or corporate decision-maker:** The ACCA believes companies should not in principle pursue aggressive tax avoidance, and that companies need to consider the wider impacts of their tax policies and recognise that some approaches to

tax will be seen by some people as unethical, even if they are legal;

- **For the policymaker:** The ACCA has suggested that a different approach may be required for the taxation of companies, which could include considering whether corporate tax itself is workable at all in the new global environment, and therefore whether other forms of taxation of corporates need to be developed, and
- **For the profession:** The ACCA believes that the International Ethics Standards Board for Accountants should review its standards to consider ethical issues around tax avoidance and, if necessary, clarify its guidance and standards. The ACCA believes bodies such as IFAC and other representative should continue to engage in the public debate and acknowledge the role of the professions in responsible behaviours and practices.

Piper added, "While debates will continue about taxation, the heart of the matter is whether tax laws, especially for corporates, reflect the new business models of the 21st century and consumers' wider ethical expectations.

"The accountancy profession is and should be part of the solution. Professional accountants need to continue their work with policymakers to develop approaches that work for business and allow companies to be competitive and profitable, while also meeting wider considerations of social responsibility." ■

SAICA APPOINTS BOARD CHAIR

The South African Institute of Chartered Accountants (SAICA) has appointed Tsakani Maluleke as non-executive board chair.

Maluleke was previously deputy auditor-general for South Africa, and has a range of governance experience gained through her participation on numerous corporate boards and strategic committees in both the private and public sector.

Maluleke said, "I am honoured and humbled by the opportunity to make a contribution towards strengthening the accountancy profession. Part of our urgent tasks include expediting initiatives that begun under the previous board – to put in

place corrective measures to address our governance structure.

"I am confident that this board, made up of dedicated professionals, will do everything in its power to restore the image of the chartered accountancy profession and bring value to our members."

Maluleke has also aimed to contribute to the growth and transformation of the accountancy profession through her volunteer work with various organisations, such as the Association for the Advancement of Black Accountants of South Africa and African Women Chartered Accountants. ■



Tsakani Maluleke, SAICA

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IMA: A FUTURE OF INSIGHT AND FORESIGHT

The Accountant speaks to Dennis Whitney, senior VP at the Institute of Management Accountants (IMA), about the shortage of talent in the profession, and how accountants need to adapt and develop their skills in the digital era

The Accountant: Dennis, can you please give an overview about the major challenges that CFOs are facing when building their departments with the shortage of talent?

Dennis Whitney: Today with the changing professions, given artificial intelligence, robotic process automation and advanced data analytics, CFO teams are not able to fill the positions they need, particularly with respect to data analytics and strategic thinking.

There are a few reasons for that. Firstly, finance teams today are still pretty much overwhelmed with the more traditional role of the finance team – the oversight of value, preserving value, oversight skills, hindsight skills, internal controls, financial reporting, compliance – and they are not able to spend as much time as they would like on developing the future and looking to the future, you know those foresight skills and insight skills.

The other thing is that they are not spending enough time training employees for the right skills. So this is leaving a gap and they really cannot rely on universities, because universities are slow to change. They are starting to add data analytics into the curriculum, but they are really slow to adapt to the changing needs in the economy.

TA: With universities being slow to change, do you think that is just due to the changes of developments in technology being incredibly fast paced? Do you think it is feasible for the universities to keep their curriculums up to date?



THE ACCOUNTING
PROFESSION HAS
ALWAYS HAD TO
ADAPT TO CHANGE

DW: That is a very good question. The accounting profession has always had to adapt to change, but the real difference today is the pace of change, as you said. Every six months to a year, there are massive advancements in technology and, to be quite frank, I am not sure universities can keep up with that, the way their administration works.

And they do not want to just test the latest fad out there: they need time to consider it and get it through all the bureaucracy to get it onto the curriculum. But I have to say that they are working more on data analytics, which is helpful.

I think what would be even more helpful is if the finance teams, the CFOs in particular, would start working more closely with universities. Instead of the Big Four driving the curriculum, if the universities would work with the industry and the big companies to see what they want and to start teaching those skills, I think that would really help.

TA: How would that work on a practical level? What would you suggest to encourage more talks between organisations and universities? How do you think you can get that engagement going?

DW: I think that is where associations like the IMA, AICPA, ACCA and others can really make a difference. I think we could create a partnership, so to speak, where all the associations, industry and universities can work together to develop programmes to start building these skills.

For example, IMA has a competency framework for management accounting, which identifies the skills that are really

needed today to perform at a high level. The AICPA has something similar, as does the ACCA and other accounting organisations around the world.

Those frameworks can really help inform the curriculum development in universities, but we all have to work together, and it is going to take some work. I think reality will eventually catch up.

The shortage is becoming acute, and if the universities do not do it, then companies are going to have to start doing it themselves. Associations have training programmes, either online or live, that could work with local universities, to get some professors to create customised courses for their for their team.

TA: I think that is an important point, that a lot of this is happening almost in-house. Do we then run the risk that, if companies are training staff to tackle emerging technologies in one way through their own systems and software, we have a problem if people move to a different company? Is there a danger of making their skills less transferable?

DW: I think that is a risk that the training becomes too specialised and too customised to particular companies and how they do business. The other thing that is out there now are the Massive Open Online Courses or the online education. A lot of it is free, or very low cost, and they are competitors of the university. You can go online and learn how to do data visualisation in Tableau, for example, and that is a skill you can use in many companies. So I think universities have to be careful, of the competition and they need to adapt as well.



Dennis Whitney, IMA

important. You learn about different cultures, about how demographics can affect the company strategy, having that broad mindset, and the ability to keep expanding on ones knowledge.

professional development is that we have a lot of the hard skills and we will be introducing a couple of certificate programmes soon in data analytics.

We also have a leadership academy where we train management accountants in some of those soft skills. Then, finally, we have the CMA exam, and in January we are introducing a whole new content domain in data analytics. So I guess it is a combination of things. For some people a certification is best, for others it is getting a certificate at a local university or taking a customised training programme.

It is a problem for both the individuals and the companies. The individuals need to stay current, constantly learning. Then if the companies want to get ahead, and if they do not want to be disrupted by the competition, they have to have those skills that they are able to look into the future and have business insight and foresight, to see what the next technology is to help them create competitive advantage.

“ FRAMEWORKS CAN REALLY HELP INFORM THE CURRICULUM DEVELOPMENT IN UNIVERSITIES, BUT WE ALL HAVE TO WORK TOGETHER

The other thing I was going to say about education that we have to be careful of is that it is not just about the hard skills: it is also about learning how to learn. Because, what data analytics is now is going to be different 10 years from now.

So getting a good grounding, and a university that is not too specialised, that also includes a fair amount of liberal arts, means you learn critical thinking skills that are very

TA: Do you think CPD should take the same format of focusing on the soft skills? Or do you think it should focus more on learning how to do the data analytics, looking at the technology?

DW: I think you have to do both. The soft skills are great, but you also have to get down to work and do the analysis.

One thing here at IMA for our continuing

TA: How much additional pressure do you think this is putting on the individuals to upscale and relearn to stay relevant within the profession?

DW: I do think it is more stressful. As professional accountants, we have all had to keep up with changes; continuing education every year and learning new technology has been a constant in operation profession. However, I think it is the pace of change now that is a little daunting. I think that is the case particularly for younger people, due to robotics, 15 years from now, a lot of jobs that we have now might be gone.

I have to be optimistic that there will be new jobs and more interesting jobs, but to get those jobs, you have to have the right skills and so you have to be able to adapt and learn new technologies and new ways of thinking. I think it does put a lot of pressure on the individuals, and it also puts

to really make a difference in your company and have a good career.

TA: In regards to attracting talent to organisations, if companies have these training programmes in place, that is a selling point for potential recruits, because they will have extra training and support?

DW: Absolutely. That is a great selling point for bringing on a person to join a company, the company being committed to the person's learning and education, and that is an investment in them.

I think employees really appreciate that. I am going to speak from experience here: at IMA we are very supportive of our employees' education and they really appreciate it you know, because we do not expect everybody to stay here forever, and we are helping

also having a critical mind-set and some professional scepticism.

That strategic thinking comes with experience. You cannot just learn that from a textbook, but you can also learn some of it from a textbook. I spoke earlier about the liberal arts, I think that can help in the long run because it gives you the skills of critical thinking, it opens you up to other cultures and a global mind-set.

All companies today are global, and you have to be able to understand how macroeconomics work, so how changes in culture and demographics are affecting your business. Having those types of skills, though those are unique and not everybody has them, but companies need those planning and analysis skills and also the decision-support skills, helping companies to optimise the decisions they make and giving the senior management the analysis they need to make the right decision.

“ THERE WILL BE NEW AND MORE INTERESTING JOBS, BUT YOU HAVE TO HAVE THE RIGHT SKILLS AND BE ABLE TO ADAPT AND LEARN

pressure on the companies because they have to keep up.

TA: On the company side of things, do you think that with the shortages they would be more inclined to not replace but bolster the workforce with AI and other technologies to perform certain tasks where the current workforce may not have the skills to do them?

DW: That is already happening. There will be a lot more of robotic process automation, which will eliminate jobs.

Of course that has happened in the past, in the factories mostly, but now I think it is starting to happen within the accounting profession.

But it opens up new opportunities for accountants who have the right skills. If you are just someone who is good at debits and credits and compliance and auditing, the future may not look too bright for you.

If you have the more analytical-type skills, decision-support skills, strategic thinking, the ability to work with technology, then you have an opportunity

them in their whole career. So I think that is a good selling point. More companies should do that.

TA: Do you think they are currently utilising that opportunity as a selling point to attract more staff?

DW: Some of the more enlightened ones are. However, a lot of companies get so caught up in the day-to-day work of compliance and cutting costs, meeting those projections, that they do not make the long-term investments in human resources, and they are relying on universities or other companies or individuals' self motivation. But I do not think that is good investment for the future of the company.

TA: We talked a little about data analytics. What are the other key skills that companies are looking to have in their finance departments?

DW: Planning and analysis skills are also very important. That is not just preparing a budget and forecasting it for a couple of years, it is really having a strategic mind-set. So, being able to look at the numbers,

TA: Where are the main shortages in talent? Is it entry level, middle management, higher up, or is it just across the board?

DW: Well, it is certainly entry level. A lot of the young accountants are very good at the auditing skills, financial accounting, but not so much on the management accounting skills and data analytics. So it is definitely there. But I think it is also hitting people in their mid-career, because they grow up with a particular education, a more traditional education in accounting, and so they are lacking these data analytical skills.

I think it is a challenge for people in their mid-careers as well but there is also an opportunity there for them to earn another certification like the CMA, if they have not already done so, or to take a certificate course to at least learn the basics of data analytics.

I do not think that accounts needs to become computer programmers or data scientists, but they need to know enough so that they can be the bridge between those data scientists and the decision-makers in the organisation, because a lot of these data scientists and IT programmers do not really connect well with the business.

The great thing about the accounting profession is we see the entire value chain. We know the business and we have the technical skills so we can talk to data scientists and then communicate with the decision-makers. So that could be a great role for accountants in the future. ■

CPD: AN OPPORTUNITY AND A DIFFERENTIATOR

Accountants have the privilege of being the trusted business adviser to their clients and colleagues. Continued professional development (CPD) is an essential, underrated and expected part of the job, writes Institute of Financial Accountants chief executive *John Edwards*

Whether they are operating in business as a CFO, finance director or financial controller, or in practice offering accountancy services to the general public and their businesses, accountants are seen as the 'professional expert', the go-to person for business and personal advice.

It is similar to the trust in authority given to doctors or dentists, where expertise is expected and assumed. Accountants have an exceptional initial grounding in academic learning overseen by their professional accountancy body and years of hands-on experience, culminating in designatory letters, but it is essential to keep up to date in an environment where there is constant legislative and regulatory change. That is where CPD comes in – an essential, underrated and expected part of being an accountant.

When it comes to the topic of CPD, accountants typically fall into two schools of thought. A majority consider CPD in terms of the cost to the business – time, money and effort – while a smaller collective view CPD as an opportunity – to keep up to date and legally compliant, and to use as a differentiator from the competition.

What is clear regardless is that all too often CPD becomes an afterthought in the annual fiscal plan, with our recent research identifying that one in five accountants complete at least 50% of their annual CPD requirement within 30 days of deadline, and that one in 12 accountants do not prioritise enough verifiable CPD each year.

As a professional body, we set an annual CPD requirement for all members of 40

hours per annum, made of at least 50%, but preferably 75%, verifiable sources. We consider CPD an essential part of running a business. It is about maintaining competence in every aspect of the services you offer to clients, and plays an essential role in retaining repeat custom and attracting new clients – not to mention being a mandatory requirement of your professional body.

EFFECTIVE PLANNING

Maximising the effectiveness of CPD most simply comes down to planning.

Our research has highlighted a trend of 'last-minute', which adds a sense of pressure and feelings of 'cost' to the business. Instead, we recommend a more planned annual schedule – at the beginning of each year, reflecting on the services you offer, self-reflecting on your own skills, reviewing the speed of change for your services, and then spreading this out over the course of 12 months.

Assuming a true annual calendar, 50% of your CPD should be selected and booked before January to complete by June, with the remaining 50% of hours to be completed in the second half, or more usefully to be allocated to reactive topics in line with legislative updates and roll-out from government. This way, it becomes an easy, manageable opportunity for the business, and assures considered value rather than a mad scramble to comply.

Considering CPD as an opportunity may be a thought-shift, but it is a valid one. Differentiation is a core benefit – putting you ahead of the competition and establishing

reputation as a niche specialist or market leader with cutting-edge knowledge.

So too is the upsell potential, using your new-found knowledge as a marketing tool to gain more work – indeed one of our member firms, More Than Accountants in Bolton, used Making Tax Digital to nearly double its turnover for the year.

Finally there are the tangential benefits: being part of a learning community, gaining expert support, feeding an inquisitive mind and generally gaining confidence in areas of weakness.

If you are still not sold on the advantages of early CPD planning, then consider it in terms of risk to your business. You may not have had any tangible consequences from poor CPD planning (yet), but that does not mean risk in the future does not exist. At best, being out of date or behind the curve will result in a loss of clients – you are not providing the service that they expect of you. At worst, the danger of out-of-date knowledge is the direct cost of claims on your professional indemnity insurance, and potentially your entire business and livelihood – plus, you can be referred to the regulatory committee and fined for non-compliance too.

Our advice: make CPD an essential part of your monthly workload and plan it to coincide with natural troughs in the fiscal calendar. Pick training that is relevant and timely and has the added benefit of academic endorsement where possible, as well as an established learning community for peer advice and support.

Finally, do not leave it to the last minute. It can diminish the relevance and value of CPD, and you deserve better than that! ■

WHY ACCOUNTANTS ARE POISED TO TAKE LEAD DATA-GOVERNANCE ROLES

The enormous and ever-growing collection of numbers, images and other sources of data has the potential for positive change, but if used maliciously by bad actors, could cause great harm for individuals and society at large, writes *Tashia Batstone*, senior vice-president, external relations and business development at CPA Canada

Every second of every day, on factory floors and in offices, down in the streets and from the skies above, a vast array of technologies collects and creates data.

Harnessing and realising the full potential of data is one of the pivotal challenges of our time and a key focus of *Foresight: Reimagining the Profession*, an ambitious consultation effort spearheaded by Chartered Professional Accountants of Canada (CPA Canada) to help define the profession's future.

During the second half of 2018, CPA Canada gathered a select group of its members and outside experts to discuss how best to prepare for the future in today's ever-evolving global economy. Building on those initial discussions, Phase 2 is now underway, and has established a governance model and targeted workstreams focusing on the role of the profession in value creation and data governance.

Our work on *Foresight* highlighted that the world is moving to an economy driven by technology and data. In response to the changing environment, the accounting profession needs to consider its role in helping to ensure data is high quality, fit for purpose and can be trusted to guide effective decision-making. With our experience in providing financial information that is reliable and useful, CPAs are uniquely positioned to take on these new roles.

Of critical importance will be the development of data governance standards of practice. The integrity of data depends on appropriate data governance standards, which will ensure the data is valid, reliable and trustworthy. The development of

appropriate standards of practice for data is vital because this will allow decision-makers to make informed decisions and drive success. For this work, the profession's leadership in developing accounting and assurance standards provides it with knowledge and experience that translates well into developing new data governance standards.

HARNESSING POTENTIAL

To fully exploit the potential of data, standards will be needed for data valuation, its collection and grading, access and sharing protocols, as well as related analytics and solution development strategies. Various Canadian standard-setters, such as the Standards Council of Canada and the Canadian Standards Association, along with their international counterparts, are already exploring these areas

However, data-related standards are not enough alone. To truly take advantage of the information age, organisations are going to need highly skilled professionals who are immersed in data governance. Increasingly, that role is being taken by chief data officers (CDOs). Not to be confused with chief information officers, who oversee IT software, hardware and related projects, CDOs require financial, technical and analytical skills. They also must be able to understand and navigate the increasingly complex web of legal, regulatory and ethical requirements surrounding the collection and use of many different types of data.

As trained professionals with expertise and experience in the realms of collecting, analysing and developing strategies based

on financial data, accountants are already very well positioned to fill the CDO role. However, the profession needs to recognise that the accountant's toolkit will need to be updated to ensure we have the skills and competencies necessary to help organisations unlock the tremendous potential associated with leveraging data-driven decision-making in their day-to-day business.

In Canada, the Chartered Professional Accountant education programme's competency map was recently updated to enhance its focus on technology, including data analytics. This will help ensure that the next generation of Canadian CPAs will adapt smoothly to data-rich workplaces. In addition, our continuing education training will need to develop training to assist current CPAs to develop the skills and competencies needed to embrace these new roles.

But the accounting profession cannot do this alone. While there are enormous benefits in moving to a data-driven economy, there is no avoiding issues that will inevitably arise such as privacy, security and ownership of data. To meet the broad requirements of the greater public interest, accountants will need to work with a range of private and public sector organisations, including various levels of government and regulators, to ensure the benefits of the new information age are shared widely and fairly.

As part of this effort, CPA Canada wants input from the international accountancy community. We want accountants everywhere to read and share *The Way Forward* information, and join our online platform to take part in the wider discussion. We all have a stake in our profession's future. ■

TAX DIGITISATION: REVOLUTIONARY CHANGES AND CHALLENGES



At the *Digital Accountancy Forum and Awards 2019*, RSM UK associate director and VAT technology lead *Tom Gilbert* discussed a range of initiatives introduced by tax authorities around the globe in an effort to streamline VAT returns

Historically within our industry we had to be able to fill in a lot of forms, such as the VAT return form for example. This has now changed and evolved as we are submitting a lot more information digitally. We are submitting digital information to tax authorities in more and more countries and it is this theme of tax digitalisation that I am discussing in my presentation.

I would like to make reference to what the Institute of Chartered Accountants in England and Wales (ICAEW) has said about tax digitalisation: "Talking about

true digitalisation has to be revolutionary and considering not only how taxpayers complete their filings, what is taxed, and how authorities can leverage powerful data pipelines, and complete and audit taxes without a filing being made.'

Revolutionary sounds like a big word but actually if we look at Latin America where the tax take has increased significantly and has paid for improvements to healthcare, education, and infrastructure, to the people living in those countries, it could be considered revolutionary.

Looking at what tax authorities have

been doing in Europe and Latin America there a number of different categories of tax digitalisation that tax authorities have been influencing.

REAL-TIME REPORTING

Spain was the first country to introduce real-time reporting with the SII system in July 2017.

In Spain, businesses need to submit purchases and sales information if they selling or buying anything regarding B2B, within four days. ▶



Tom Gilbert, RSM UK

That was quite a big change from what companies had to do previously. Submitting that information digitally was actually quite a big challenge.

Similarly, in Hungary, where again if a company sells B2B and by a set amount, they need to supply that information in a digital format to the Hungarian tax

SAF-T

In terms of these different initiatives and the challenges they create for business, the first key point is standards. With the OECD Standard Audit File for Tax (SAF-T), unfortunately each country implements it in their own way. So some countries will request

same system to generate the Luxembourg SAF-T file for example; it is just not as simple as that unfortunately.

Another challenge which goes hand-in-hand with that, is the lack of global software vendors. If you are a medium-sized or a large-sized business and you are operating in a number of European countries as well as some other countries in Latin America or Asia, there is not a global software vendor that will supply you with software that will be able to do all of that. They might only be able to do some of it for you.

Some of the big software vendors might be able to do all of the European countries for example, but then it starts getting a bit blurred when you are looking at some of the real-time reporting requirements, and also some of the SAF-T elements as well. In particular with the SAF-T because it is not just looking at VAT, it is gathering data from the whole of the business, so that is a challenge.

“ THE CHANGES AND CHALLENGES THAT HAVE BEEN INTRODUCED ARE ALL CAUSING BUSINESSES TO REALLY CHANGE WHAT THEY ARE DOING

authorities in near real-time, in the same day or as soon as possible.

These changes that have been introduced by the tax authorities in different countries are all causing businesses to really change what they are doing.

periodic information whereas others will request information on demand. They might also ask for different data fields and others will add in extra information. So this creates a total lack of standard between countries.

If you have got a business operating in Poland generating SAF-T, you cannot use that

E-INVOICING

Italy recently introduced pre-clearance invoicing and to do this they had to actually get an EU derogation otherwise they would have been breaking EU VAT laws. What this means is that in Italy, you can no longer just submit an invoice to a customer or on the supply side.

In order to issue invoices you have to do it by the e-invoicing platform which is really putting the Italian tax authority right at the heart of that transaction, so it is quite a big departure to what we have seen previously, and also quite different to the other e-invoicing types there as well.

DATA QUALITY

Another challenge is data quality. If you are submitting information you need to be 100% sure that that data is accurate and it is reliable. If you talk to big businesses and ask them are they happy with data quality, most big businesses automatically say no. So data quality is a big issue and a big challenge.

The Tax Administration report 2019 had some interesting statistics in terms of tax authorities' move to digitalisation. Looking at AI, 10% of the tax authorities said that they have got AI technology in place already, another 15% implementing it, and a big percentage are planning on doing so as well.

Quite a few tax authorities are using RPA already, and a number are implementing or planning it. This is not a surprise. We know that HMRC have something like 80 or 90 different robots that they are running and using to process and do an awful lot of back-office type tasks.

That is the direction of travel so we have to advise clients that they are a 100% accurate with their data.

MTD

When I talk about MTD, I like to look at the reasons for introducing it. The obvious one is the tax gap, the difference between how much VAT is actually received by HMRC and how much should be received.

Research in the UK shows that failure to take reasonable care and errors in information make up the biggest proportion of that VAT gap. It is not fraud or the hidden economy or anything like that; it is not taking the time to make sure that the calculations are done right and failing to take reasonable care. So you can see why HMRC have taken the route they have with MTD.

HMRC have made an investment of £1.3bn (\$1.67bn) in the whole MTD programme which is pretty significant.

In terms of looking ahead at where we might be going with MTD and not just looking at the requirements now, there is this provision for supplementary data in the requirements in VAT notice already, and this is likely to be the transactional data that makes up the numbers in your VAT return. So it is likely we are going to be submitting transactional data to HMRC.

What that is going to drive is a focus on data quality. If businesses are submitting transactional data, they are going to want to



“ THE WORLD’S MOST VALUABLE RESOURCE IS NO LONGER OIL: IT IS DATA. ULTIMATELY, TAX AUTHORITIES HAVE GOT ON BOARD WITH THAT

make sure that data quality and data accuracy is 100%. You cannot rely on it being 99% correct because HMRC is likely to pick up on that 1%.

FUTURE TAX TRENDS

Looking at the key trends over the next five to 10 years, the focus from a business point of view is going to be getting the data quality right.

From the tax authorities point of view as well, they are also going to be focusing on data quality.

There is another quote from the Tax Administration Report, basically saying that the tax administrations are getting lots of data, they are getting data from other tax administrations. We know that tax administrations are collaborating so if you are a business submitting VAT returns in one country and you are submitting other statistical information in another country, if they are reconciling, at some point the tax authorities will start to realise this. When you are thinking about data you are submitting, it is not just the VAT return, it is a number of other sources of data as well. It is thinking about that bigger picture.

Data quality is something that I really talk about a lot, but then thinking about how we are going to be advising clients, and that compliance role, is going to see a big change over the next five to 10 year period.

The role of the tax adviser will clearly be

changing. Businesses are going to have to get VAT compliance right, get data right, and data calculations right, so there is going to be work there to help those businesses do that. Businesses will need significant assistance to adapt to all the system changes and new processes, especially when tax authorities are introducing updates to requirements.

Elsewhere, I think we are going to see the end of the periodic VAT return. Poland have already announced this, though it has been delayed slightly. The reason why Poland is doing that is because the JPK, the SAF-T file in Poland, it is already including information in the VAT return. The question is that with more and more real-time reporting, why would you need a quarterly VAT return to hold all of this information?

I think we are going to see more prepopulated returns, so that could take away the compliance function, but I think businesses are still going to be doing their own calculations and compliance to check that the tax authority and VAT calculation is correct.

A lot of big businesses still use Excel to do their VAT return calculations and they are going to have move away from Excel to using dedicated VAT reporting tools, or VAT forms on a regional, national, or global basis.

To conclude, the world's most valuable resource is no longer oil, it is data. We are very data driven and ultimately tax authorities have got on board with that and I think that is going to be the direction of travel. ■



The winners of the *Digital Accountancy Forum & Awards 2019* were revealed during a gala dinner at the Waldorf Hilton in London on 3 October. Following a conference that included keynote speeches and panel discussions from a range of speakers, the awards helped showcase the best of the best in the accounting industry

NETWORK OF THE YEAR

Russell Bedford



"Being named Network of the Year was absolutely fantastic! We'd experienced impressive growth across all our regions, adding several new members in previously unrepresented locations, with referrals between offices increasing considerably, and we'd launched a number of new initiatives. However, although the result of our growth strategy was clearly a major factor, I believe it was our enhanced online presence and revitalised profile that played a big part. The re-energised engagement I witness from our members all over the world has been overwhelming."

SUSTAINABILITY CHAMPION OF THE YEAR

IAPA



"We are extremely pleased to be recognised for IAPA's commitment to sustainability. IAPA has seen considerable growth over the past year with the development of innovative solutions, tools and services for our members. With the landscape ever changing, we actively strive to improve and advance the economic, environmental and social conditions within our association, and will continue to make changes in our partnership with our members, ensuring that we meet today's needs without compromising the future."

ASSOCIATION OF THE YEAR

Praxity Global Alliance



"We are honoured and delighted to receive this award for the fourth time in six years. It is a testament to our member firms and their continued growth. Our firms share their combined expertise from strategic locations around the world, creating highly customised business solutions and providing specialist regional knowledge in over 110 countries. Independent expert advisers are hand-picked from more than 51,000 professionals and work in international multidisciplinary teams. It is this seamless collaboration that makes Praxity so successful."

RISING STAR ASSOCIATION

Allinial Global



"Winning the Rising Star Association was a milestone of validation for Allinial Global. It validates that we are becoming a world-class association, and identifies us as being globally recognised. Although we began as a start-up in November 2015, Allinial Global has had tremendous growth and recognition, and our strategy of being client-focused and member-driven contributed to our success. We have executed this strategy by building tools and resources around what our members and their clients say they want from our organisation."

PROFESSIONAL BODY OF THE YEAR THOUGHT LEADERSHIP INITIATIVE OF THE YEAR

ACCA



"Professional Body of the Year is a great reflection on the work of many teams across ACCA and with our stakeholders – members, learning providers, employers and others. Our entry focused our China 30th anniversary, our professional insights research, our work in audit for the public interest and our quarterly themes. The Thought Leadership Initiative of the Year entry was based on our report *How accountants can bridge the global infrastructure gap*, which was produced in partnership with CPA Canada and had global reach, relevance and resonance."

CAPACITY-BUILDING CHAMPION OF THE YEAR

ICAEW



"ICAEW is honoured to receive the Capacity-Building Champion of the Year 2019 award, which recognises our work to strengthen the regulation of auditors in developing countries, especially through developing audit quality assurance systems. These are vital for high-quality financial management, reporting and auditing, ensuring that auditors perform to high professional and ethical standards. This builds confidence in financial information, supports business development and access to finance, and is a foundation for economic growth."

YOUNG ACCOUNTANT OF THE YEAR

Jigar Doshi



"I am both pleased and humbled to have received this award. This accolade is not just for me, but reflects the efforts of my entire team, who put in numerous hours, juggling tedious operations alongside client pitches and strategising. Their energy is remarkable. As they and I continue to grow, I know that to deploy technology to indirect tax matters in a smart way, you have to look to future opportunities while resolving current challenges."

PERSONALITY OF THE YEAR

Stephen Hamlet, CEO, Russell Bedford



"Winning Personality of the Year was the icing on the cake! When I took the role of CEO at Russell Bedford just over two years ago, I knew I had to prove something – mainly to myself. I went all out to build an exciting profile for the network by creating an online personality, and trying to differentiate myself from what others were doing."

"I took a conscious decision to travel to as many member firms as possible, since our profession is all about relationships and trust, and this doesn't work without meeting people face to face. I wanted to appeal to all generations but, in particular, the future leaders of the accounting profession. I therefore started writing articles on social media, centred around the importance of culture and worldly experiences, highlighting the human element in a world of rapid technological change. The reception has been magnificent!"

"Having just returned from our annual global meeting in Sydney, I was continually introduced – somewhat in jest! – as Personality of the Year, which was quite a lot to live up to. But I'm enjoying it very much!"

THE FULL LIST OF DAF 2019 AWARD WINNERS

Network of the year
Russell Bedford International

Rising star network
Parker Randall International

Association of the year
Praxity Global Alliance

Rising star association
Allinial Global

Audit innovation of the year
PwC

Advisory project of the year
SKP Business Consulting (Nexia)

Sustainability champion of the year
IAPA

Expense management software of the year
Xero

CRM software of the year
Symphony

Communications campaign of the year
Nexia SAB&T

Accountancy software of the year
Inflo

Thought leadership initiative of the year
ACCA

Professional body of the year
ACCA

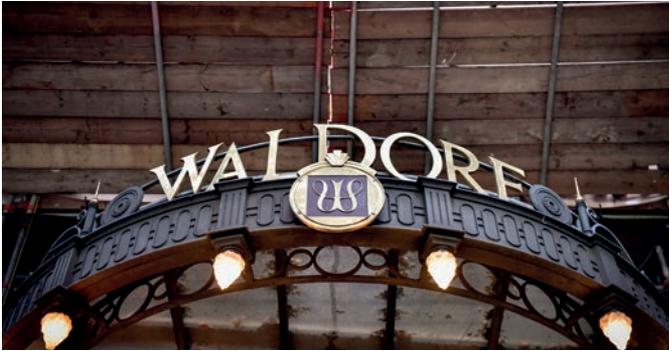
Capacity-building champion of the year
ICAEW

Young accountant of the year
Jigar Doshi

Personality of the year
Stephen Hamlet, CEO, Russell Bedford

Lifetime achievement
Raul Corrêa da Silva

DAF 2019: PHOTO GALLERY





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OCTOBER, 1874.

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