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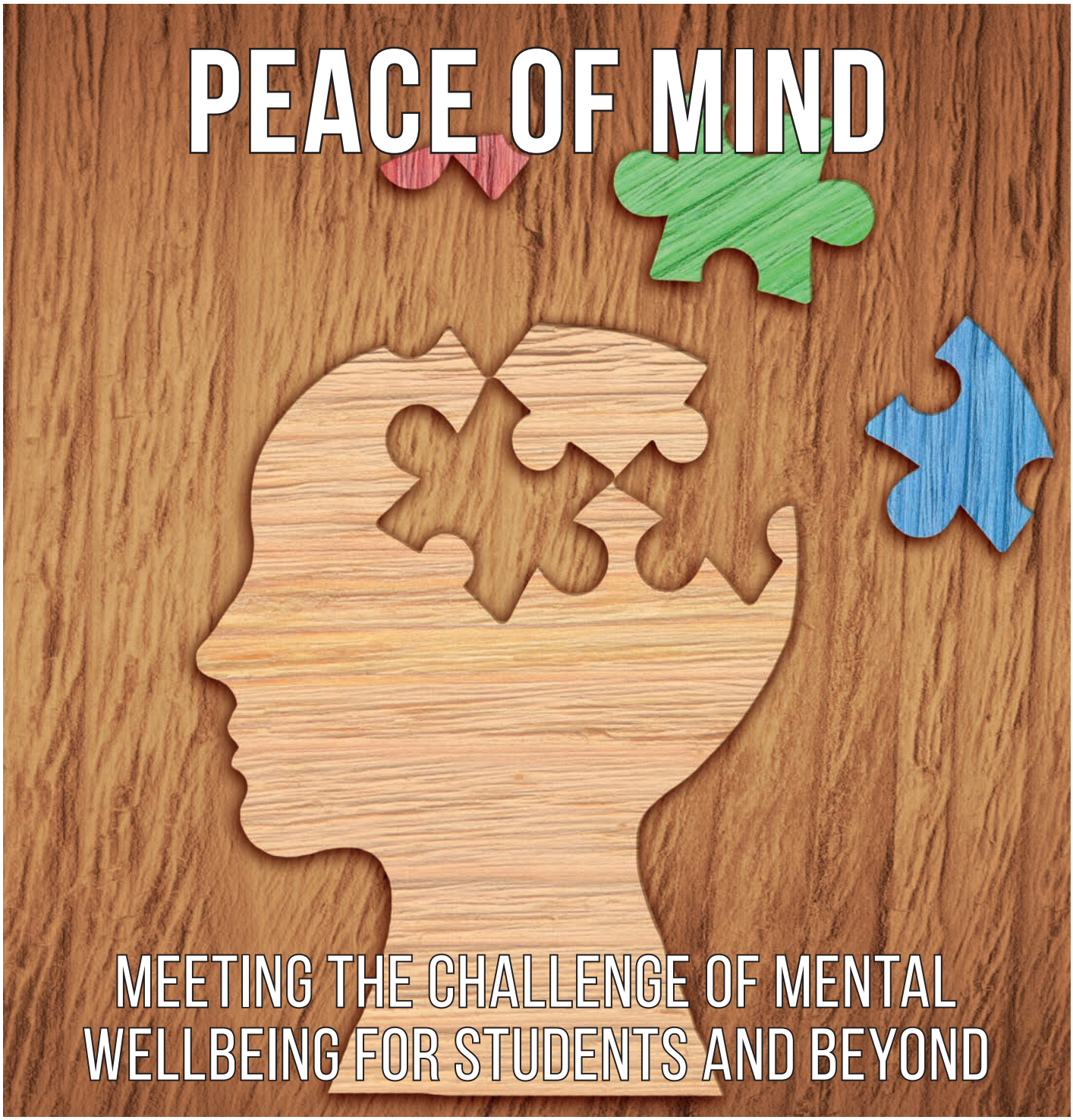
THE Accountant



PEACE OF MIND

MEETING THE CHALLENGE OF MENTAL WELLBEING FOR STUDENTS AND BEYOND

NEWS

FRC provides advice on disclosures relating to the spread of coronavirus

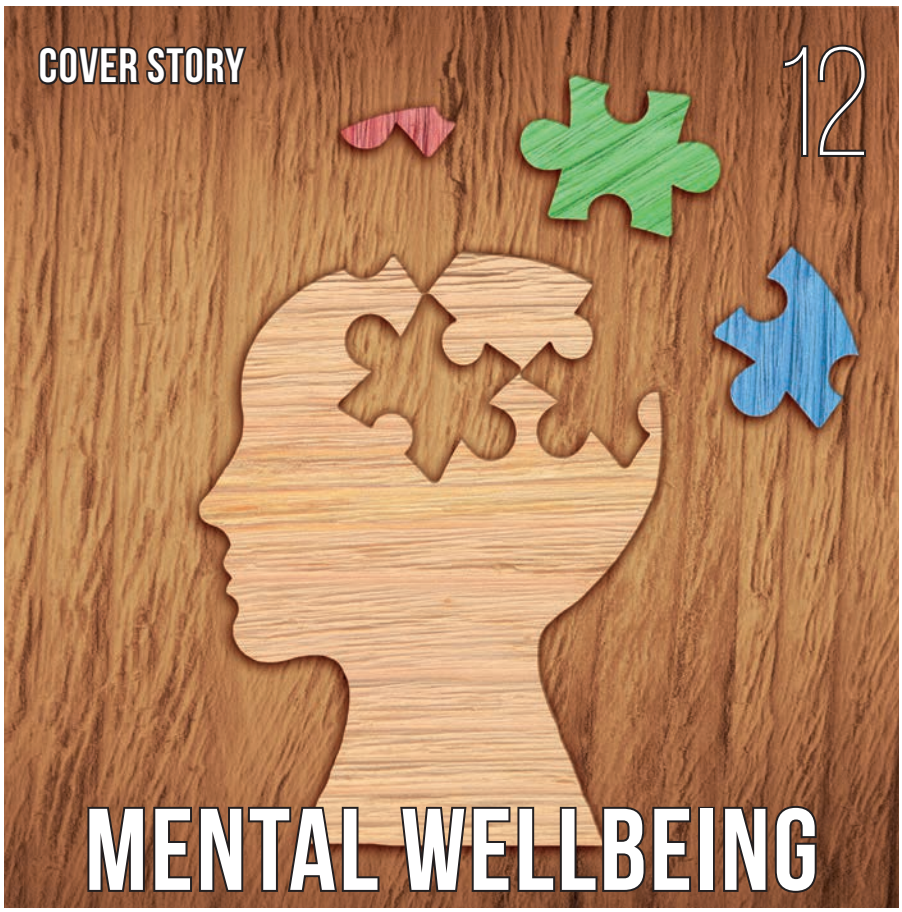
COMMENT

A smooth flow of financial data between suppliers and buyers underpins trade

WORLD SURVEY

Highlights from the annual *International Accounting Bulletin* World Survey

THIS MONTH



NEWS

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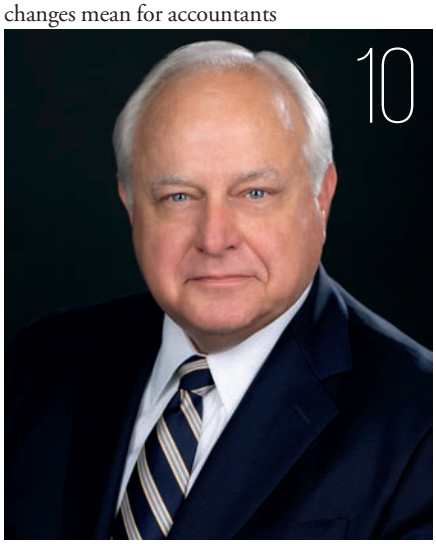
COMMENT



FEATURE

WORLD SURVEY

EDITOR'S LETTER
DATA AND ANALYSIS FOR A DECADE OF CHANGE

Joe Pickard, Editor

AT THE TIME OF WRITING, THE 2020 WORLD SURVEY BY THE ACCOUNTANT'S SISTER PUBLICATION, THE INTERNATIONAL ACCOUNTING BULLETIN, HAD JUST GONE TO PRINT.

The World Survey is a global ranking of accountancy networks and associations, and provides both fee and staff data on a global and regional level. With over 50 international networks and associations participating, it is a time-demanding project that has required the efforts of all the *TA* and *IAB* teams over the past month or so.

In this issue, we include coverage from the World Survey, featuring in-depth analysis of some of the key findings, charts showing the changes in revenue streams over the past decade, and information on the Big Four's regional performance. We hope you find it an insightful look at some of the key issues that have impacted the international profession over the last year.

Elsewhere in the magazine, we have a range of content looking at topics such as the need for transparency in the supply chain to ensure stability in organisations' finances, and a look at the recent – and unguided – updates to money laundering regulation in the UK. We also have guidance on certain changes to a private limited company's issued share capital, for when accountants stray into providing legal services.

Earlier in the month I spoke to Julie Hotchkiss, ACCA's executive director – people, about the launch of the organisation's Wellbeing Hub and the appointment of Ross Anderson in the ACCA's newly created role of wellbeing ambassador.

The Wellbeing Hub is targeted at students preparing for their professional qualifications, and provides resources to help mitigate stress and anxiety. I spoke to Hotchkiss about how these issues can affect anyone, at any point in their careers, and how they can apply lessons learnt from the hub into their professional and personal lives. ■

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

NEWS UPDATE

FRC provides advice on coronavirus disclosures

The UK's Financial Reporting Council (FRC) has published guidance on disclosures of risks and other reporting consequences arising from the spread of coronavirus (Covid-19).

The regulator is also discussing with audit firms whether the virus affects their ability to review component audits in China, and the consequences for delivering timely audit opinions.

The FRC has advised companies to consider what disclosures they might need to include in their year-end accounts, which will be particularly relevant for companies either operating in or having close trading associations with China.

The regulator noted that companies that might not have a presence in China, but have global supply chains dependent on Chinese-manufactured goods, will need to consider their disclosures if their business faces any possible disruption.

Discussions are currently taking place between the FRC and audit firms to assess the impact on their audits of UK-listed groups with Chinese subsidiaries.

A spokesperson for the FRC commented: "Given the potential for rapid spreading of the virus, required disclosures will likely change over time as more information about the epidemic emerges. Companies will need to monitor developments and ensure they are providing up-to-date and meaningful disclosures to their shareholders when preparing their year-end reports."

A spokesperson for EY UK said: "EY is closely monitoring the potential impact of coronavirus on the capital markets. We are engaged in dialogue with the relevant regulators, companies we audit, and our EY teams as necessary. Where practical, we are making alternative arrangements to complete our audit work in impacted countries." ■

CABA SUPPORTS MEMBERS FACING BREXIT CHALLENGES

CABA, the charity that supports the wellbeing of ICAEW chartered accountants and their families, has launched a campaign specifically to support members in the UK and EU affected by Brexit.

The campaign aims to create clarity around some of the legal aspects of the UK's departure from the EU, both now and as the fallout becomes clearer in the coming months, and to encourage those in need of emotional support to reach out for help.

Support services, which will be offered to all ICAEW members who are UK citizens living in the EU, as well as EU citizens living in the UK, include specialised legal advice looking at the typical challenges that CABA members might face, such as issues around citizenship and residency, healthcare, employment, UK pensions and benefits. Additionally, practical and emotional support and counselling will be available to help members to deal with the emotional impact of Brexit.

Kelly Feehan, services director at CABA, commented: "From the day the UK voted to leave the European Union, Brexit has caused a serious debate across the country. It will undoubtedly bring both challenges and opportunities for people and businesses alike, but the biggest frustration currently is the lack of clarity on what happens next.

"Through this campaign we hope to reach as many UK citizens in the EU as possible, as well as the ICAEW EU citizens here in the UK, to ensure they understand that help is always there when they need it."

Feehan concluded: "Even if we can't help to solve every problem, we can still support people to deal with their emotions, and offer an impartial, listening ear." ■

EY TO BE CARBON NEUTRAL BY END OF 2020

EY has announced plans to be carbon neutral by the end of 2020, by both reducing and offsetting its carbon emissions.

The commitment reflects the EY focus on becoming more sustainable by improving environmental performance and driving long-term, sustainable growth.

To achieve carbon neutrality, EY will focus on areas including reducing travel emissions, sustainable procurement practices, and purchasing more renewable energy – such as wind or solar – to power its offices. EY will also purchase carbon credits to offset its carbon footprint, and invest in initiatives that reduce carbon emissions or remove carbon from the atmosphere, such as reforestation projects.

EY is also expanding its global sustainability strategy, which will focus on helping clients innovate and use technology to reduce their own carbon emissions, while driving sustainable economic growth.

EY global chairman and CEO Carmine Di Sibio said: "Protecting the planet for future generations is an important issue for EY people, and becoming carbon neutral this year is a real step forward on the EY sustainability journey.

"As an organisation that spans more than 150 countries, with varying views and ambitions on climate change, we recognise this is no easy feat. However, with over 284,000 EY people who are dedicated to our purpose of building a better working world, EY has an once-in-a-lifetime opportunity to take immediate action to create sustainable, inclusive growth for generations to come."

The announcement adds to action that EY has already taken to reduce its environmental impact, including:

- Designing an environmental strategy in alignment with the United Nations Global Compact environmental principles, including measurement and reporting of EY's carbon footprint for the past 10 years;
- Issuing a global environmental statement in FY2018, setting the expectation that the global EY network bears a collective responsibility to minimise its environmental impact;
- Between FY2017 and FY2019, cutting office energy emissions by over 11% while continuing to grow its business, resulting in a 25% reduction in energy emissions per full-time employee;
- Implementing, over the past 15 years, the EY Climate Change and Sustainability Practice, which has helped EY clients' decarbonisation and sustainability journeys by helping them implement solutions in sustainability, supply chains and reporting;
- Playing a leading role in the World Economic Forum's International Business Council, and developed a core set of common metrics and disclosures on non-financial factors to their investors and other stakeholders;
- Introducing a global supplier code of conduct, and environmental procurement criteria to improve the sustainability of products and services, and
- Collaborating with hotel suppliers to reduce waste, emissions and water use by EY staff.

EY staff have also dedicated time and skills to accelerate sustainability through the EY Ripples program, and helped scale nearly 100 impact enterprises focused on critical socio-environmental issues.

Steve Varley, EY global vice-chair – sustainability-elect and EY UK chair, said: "EY has the potential to become a world leader in sustainable business, and becoming carbon neutral is an important step toward making that a reality.

"By supporting a culture of disruptive innovation, EY can find creative solutions that address global environmental challenges and drive growth that is truly sustainable. EY people are a driving force behind our focus on the environment, and have sent a clear message that we must work together to build a more sustainable and better working world for EY clients and communities."

Around the world, EY is already focusing on sustainable solutions. EY US entered into a virtual power-purchase agreement to finance and construct two large scale Texas wind farms to become 100% renewable in 2020. Meanwhile, EY UK is in the process of contracting directly with a solar farm developer, and seeking to sign a 10-year agreement for 100% of its UK power demand. EY in India has planted 1 million trees since 2010, and in a number of countries, including Costa Rica, EY has already achieved carbon neutrality.

Through EY Ripples, EY staff have worked with impact entrepreneurs to help environmental enterprises, including bringing clean, affordable energy to off-grid families in Sierra Leone, and providing solar power for communities in Kenya. ■

GLOBAL LEADERS CALL ON PROFESSION TO HELP ADDRESS CLIMATE CHANGE

As part of The Prince of Wales's Accounting for Sustainability project (A4S) Accounting Bodies Network, a number of major accounting bodies around the world have published a declaration calling on the profession to put sustainability and the fight against climate change at the forefront of its work

The accounting bodies said their members have a critical role to play to help effect meaningful change because of their expertise with advising businesses about risk management and their responsibility to act in the public interest.

The bodies added that an accountant's role should demonstrate the risks to business posed by climate change, such as the impact of flooding or the effect of drought on the price of crops needed in the supply chain.

The global bodies that signed the call to action are:

- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)
- Association of International Certified Professional Accountants (the unified voice of AICPA and CIMA)
- Chartered Accountants Australia and New Zealand (CA ANZ)
- Chartered Accountants Ireland (CAI)
- Consiglio Nazionale dei Dottori commercialistie degli Esperti Contabili (CNDCEC)
- CPA Australia
- CPA Canada
- Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants of Scotland (ICAS)
- International Federation of Accountants
- Japanese Institute of Certified Public Accountants (JICPA)
- Regnskap Norge/Accounting Norway

ACCA chief executive Helen Brand said: "This is a call to action not just for accountants, but also for the professional bodies of which they are members – we all have an immense role to play here, and alongside my colleagues we all sign up to three proactive commitments that will help our members and future members rise to the challenge."

ICAEW chief executive Michael Izza added: "As we face the climate emergency head on, it's crucial we chartered accountants use our unique position as advisers to business and policymakers to make the case for sustainability.

"Chartered accountants bring practical skills like measurement and management to the table, and can work with business to build green policies into their working practices. We need to make this a decade of transition for business; failure to make this move will make the inevitable adjustments required much more difficult."

CA ANZ chief executive Rick Ellis commented: "Accountants are uniquely placed and qualified to help businesses and organisations deal with climate change. They can quantify risks, and their financial consequences, providing robust, reliable and transparent information for decision makers, investors and the public." ■

Association of International Certified Professional Accountants launches Global Career Hub

The Association of International Certified Professional Accountants has launched an online career portal to help accounting professionals find positions and develop their careers.

The Global Career Hub provides a variety of resources and services for applicants and employers throughout the global finance industry. The site is open to all financial professionals, employers and recruiters.

The site currently lists more than 17,500 job openings globally, from all levels of accountants to CFOs. The hub also features CV and interview coaching products and services, as well as career advice.

The association's vice-president for marketing and member experience, Tim Mahne, said: "The accounting profession is changing rapidly as new technologies demand different skills and talents. We know our members and financial professionals globally are continually seeking to enhance their capabilities and career prospects.

"The Global Career Hub is part of the association's commitment to being a lifelong career partner to our members and financial professionals. The hub will provide them with the resources and tools they need to remain competitive in the job market, and the broad range of financial jobs available will meet the needs of young professionals looking to launch their careers as well as seasoned professionals looking for their next opportunity." ■

WHAT SHOULD FINANCE PROS DO WHEN CONFRONTED BY RECESSION? INVEST IN PEOPLE

More than half of global CEOs expect an economic slowdown in 2020. As profits fall, pressure will pile onto CFOs and other finance leaders to chart a path for improvement, or cut costs. *Raef Lawson,* vice president – research and policy at the IMA, writes

Technology – particularly automation and artificial intelligence – is sometimes seen as the salvation for finance professionals looking to cut operating costs and improve productivity.

However, a 2019 study by consultancy Bain & Company looked at where companies would be able to cut costs during a future recession, and concluded that despite "massive investment in digital technologies", cost efficiency is relatively stagnant, and room for meaningful staff cuts is limited.

Furthermore, cuts to staff have resulted in "reduced service levels and lost institutional knowledge", while asking "staff to do more with less cannot be sustained for long, as people will have no leeway to innovate or execute new initiatives".

Given this bleak picture for finding cost savings while improving efficiency and productivity, finance leaders need to define a different path. Rather than relying on technology to reduce staff, recent research conducted by the Institute of Management Accountants (IMA) indicates that leaders of finance departments should invest in their people, particularly when it comes to helping them acquire technological skills that will be necessary in the future.

Published in a September 2019 report, *Achieving a Competitive Advantage in the Digital Age – The Value of Training and Certification,* studies show that the best way for an organisation to adapt to technological change is to ensure that its employees have the skills they need to thrive and add value, and that they are able to constantly upskill as circumstances change. This holds true even during a recession, when resources are systematically squeezed.

Automation of traditional finance tasks does not mean that finance jobs will disappear. On the contrary, finance professionals, freed from the constraints of routine tasks that AI can do better, should be reskilled and redeployed to other key areas serving the business, which includes being a contributor to long-term strategy and decision making based on the intimate knowledge of the numbers that only a finance professional could possess.

This is a crucial implication of technological change that many business leaders – including those within the finance function – often miss. Unfortunately, during economic downturns, many CEOs turn to downsizing rather than reskilling and re-deploying, which can cost more in the long term as automation fails to adequately pick up the slack of having fewer employees. As CEOs, boards and shareholders demand cost cuts, finance leaders will be hard pressed to expend resources on initiatives that seem to bring less short-term value.

So how can finance leaders protect their companies from skills shortages when strapped for money and resources?

Embrace certification

Many certification programmes in finance and accounting cover the current and emerging skills needed by professionals to perform their jobs better, resulting in greater productivity and cost savings.

Encouraging finance staff to pursue certification is a relatively cost-effective way of upskilling employees, compared to creating internal training programs. Furthermore, IMA's research found that staff retention rates may be helped when companies provide incentives for certification. More than three-quarters of its survey respondents indicated that their employer's support of certification would strongly (23.4 %) or somewhat (53.7 %) affect their decision to remain with their company. This prevents the loss of institutional knowledge that comes with high employee turnover, whether voluntary or otherwise.

Reorient priorities: from reporting to strategy

IMA research indicates that organisations that outperform their peers spend a lower percentage of their time on statutory and external financial reporting, and a higher percentage on strategy development and improving finance operations.

Finance leaders need to set this tone at the top, encouraging finance professionals to think of themselves as valued business partners rather than bookkeepers. The goal is to harness automation to eliminate tasks, not jobs, and retain employees as highly productive contributors to the organisation. Coupled with a new emphasis on certification and training, this new focus will ultimately add value.

Get ahead of the curve

Finally, finance leaders must begin investing in their people and building value now, before a sudden or substantial economic slump makes acting more difficult.

Communicating clearly to all stakeholders that technology should be a means by which to upskill rather than to shed staff – and that a company is ill served by gutting its workforce in the name of efficiency – is paramount to a new, people-focused initiative aimed at boosting future corporate prospects.

As economic storm clouds gather in 2020, time is limited. Make the case for a renewed, reinvigorated finance function now, before it's too late. ■

ALLOTMENT OF SHARES: CONSIDERATIONS AND POTENTIAL PITFALLS

It is common for accountants to cross over into legal work for changes to a private limited company's issued share capital. *Kerry Southworth*, assistant solicitor at Harrison Drury, identifies the key points to consider, and explains the quirks that often come up

A company may allot shares for a number of reasons, including to raise further investment, incentivising employees through EMI options, or as consideration in corporate restructures.

The process for an allotment can vary considerably depending on the circumstance surrounding the allotment, as well as the current and future share structure of the company.

The Companies Act 2006 largely drives how an allotment is carried out, with two specific sections requiring consideration in each situation. Firstly, the company needs the authority to allot shares under Section 551. This authority may have already been granted (by a resolution or in the company's articles) or there may be an exclusion to the requirement for this authority (if the company was incorporated after 2009 and has and will continue to have one class of members). If authority has not already been granted and there are no exclusions, the company's members will need to resolve to authorise the allotment.

Secondly, the company may be required to give its existing members the right of first refusal in relation to such allotment. This anti-dilution mechanism is set out in Section 561, and applies to all allotments except where the right is exempted (such as an allotment under an employee share scheme), excluded by the company's articles of association, or where the members have otherwise waived this right.

TRANSFER OF SHARES

The process of transferring shares is often an overlooked step in the context of a wider matter, such as a sale of a company or a company reorganisation. Here, it is common for solicitors to be instructed on the wider matter, and accordingly the solicitors also attend to the transfer of shares. However, where shares are transferred between family members, or into existing trusts, accountants often opt to deal with the transfers without legal assistance.


Kerry Southworth, Harrison Drury

There are a number of issues to consider when contemplating a transfer of shares in a company. These include whether any members have pre-emption rights, which, similar to a pre-emption on an allotment of shares, give those members a right of first refusal over the shares to be transferred. A pre-emption right in this context would often be found either in the company's articles of association or in a shareholders' agreement between the members.

In addition to this, since the Small Business, Enterprise and Employment Act 2015 came into force, a company must maintain a register of its persons with significant control (PSC). Shares transferred between family members can often be a substantial portion of the whole company, and there may be PSC changes to deal with here, both to the company's statutory register, but also to its public register at Companies House.

BOARD MEETINGS

Company directors are ultimately responsible for ensuring that changes to a company's share capital are properly executed. It is therefore typical that when processing these changes, a meeting of the directors of the company is held to set out and decide on the legal process. When a meeting is required, the first step would be to review the company's articles of association and any shareholders' agreement, which will likely contain provisions detailing the practicalities of holding a board meeting, including who can attend and vote.

If a director has an interest in a matter to be decided at the meeting (for example where he is a member and the matter concerns an allotment of further shares), that director may be barred from voting in the meeting, due to this interest. With smaller companies, where the directors and members are often the same people, this can be problematic.

THINK AHEAD

The issues mentioned in this article are only a snapshot of the matters to be considered when changing a company's share capital. Each company and circumstance triggering a change can be very different; however, it is tempting to rely on the processes of a previous but similar matter. Despite this, starting from the beginning and working through the whole legal process (including reviewing the relevant statutory rules and provisions in the articles of association as well as any shareholders' agreement) will inevitably lead to a better outcome for all involved.

It is vital that those undertaking the drafting and providing the advice on these matters are comfortable with the various legal complexities involved, as there are significant personal risks for company directors, as well as professional risks for advisors, should the proper processes not be followed. ■

TRANSACTIONAL TRANSPARENCY AND ITS IMPORTANCE TO FINANCE TEAMS

The smooth flow of financial data between suppliers and buyers quietly underpins global trade. From ordering a taxi to renewing an option on wheat grain, we each have the power to change the world for better or worse with the push of a button, writes *Blair Tolbard*, general manager – North America at Basware

The finance and procurement teams we support here at Basware are on the front line of a global drive to achieve consistent corporate values right across the purchasing supply chain.

In fact, 60% of the 780 organisations we surveyed for a report in partnership with Harvard Business Review Analytic Services (HBRAS) expect their finance team to lead the way in establishing a business culture of transparency.

This demand for greater visibility is being driven by company leaders wanting to understand the truth behind their transactions. For CEOs and CFOs, one clear advantage lies in the promise of significant cost savings, with a quarter of our survey respondents anticipating this as an outcome, and over a third (36%) putting the cost reduction potential within their organisation at over 10%.

"Businesses really compete at the supply chain level," says Guillaume Roels, Timken chaired professor of global technology and innovation at Insead. "You need to find ways to capture the savings and to share the benefits with your supply chain partners."


Blair Tolbard, Basware

Transactional transparency is more than a cost savings tactic

Over half of businesses in the HBRAS report *Using Transparency to Enhance Reputation and Manage Business Risk* cite ethical and commercial considerations as key drivers of corporate investment in transactional transparency.

Those working toward total visibility of the flow of money, goods, and services are more effective, strategic decision makers, while those that have invested in improving visibility across finance and procurement benefit from greater employee engagement, improved reputation, and revenue growth.

Conversely, a lack of visibility across the supply chain – and the associated reputational risk – is recognised as a grave concern for chief executives and CFOs. When a change in its supply chain found Kentucky Fried Chicken (KFC) restaurants suddenly without chicken, hundreds of stores were forced to close, leading to severe loss of earnings and a dip in share price. With a clear view of its entire supply chain, KFC may have been able to spot the potential point of failure in their supply chain and mitigate the problem.

Increasingly, leaders are turning to their finance teams to explore the untapped potential of data led insights and unlock the unrealised value that a better grasp of their operations could provide. But while a third of survey respondents say they have automated finance and procurement processes to increase transparency across the business, more than 60% of respondents say that a lack of visibility into their suppliers' practices is a significant risk management issue. And many say they lack the tools to evaluate or monitor those vendors.

Implement automation to drive transparency

The business world thrives on transparency. At a time when raw materials and components, manufacturers, and consumers are increasingly geographically dispersed, maintaining visibility throughout the supply chain is more important than ever—and more difficult. From the opportunity to simplify operations, spend smarter, and do more, automation of finance and procurement empowers businesses to move forward with confidence. ■

To learn more, download Using Transparency to Enhance Reputation and Manage Business Risk *from www.basware.com.*

A CLEAR COMMITMENT TO MEETING YOUR LEGAL OBLIGATIONS

The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (MLR 2019) are now in effect. *Anne Davis,* director of professional standards at the Institute of Financial Accountants (IFA), provides an overview of what the changes mean for accountants

Eighteen months ago, the government published a high-level consultation seeking views on how best to transpose the Fifth EU Money-Laundering Directive (5MLD) into UK law. The deadline for its implementation was 10 January 2020.

Despite plenty of prior notice for EU 5MLD, the new regulations which actually make the directive a reality – The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 (MLR 2019) – were only published on 20 December 2019, with a mandatory compliance date of the 10 January 2020. Not ideal timing with most businesses closing for Christmas, and made harder now by not having the sector guidance available which interprets and provides clarity to businesses on how to comply with the regulations.

At the IFA, we are a recognised supervisory body and work with our members to provide relevant and credible advice and guidance on all legislative changes. The MLR 2019 updates the regulations issued in June 2017, and here is what we know so far.

For accountancy firms, the key changes to be aware of are as follows:

- Extending the scope of the money laundering regulations to additional sectors. The regulations now also encompass letting agents, art market participants, cryptoasset exchange providers and custodian wallet providers. The first two will be supervised by HMRC, while cryptoasset exchanges and custodian wallet providers will come under the jurisdiction of the FCA.

  Not all accountants will have clients who are directly affected, but what is most relevant for accountants is the fact that the regulations have been amended to include all providers of tax advice – whether direct or indirect – so even high-volume repayment agents will fall within scope.
- Firms' policies, controls and procedures should be updated for changes relating to identification and scrutiny of transactions, assessment of money laundering and terrorist risks when adopting new products, new business practices including new delivery mechanisms or new technology and training requirements relating to 'relevant employees'.

  The MLR 2019 also recognises 'electronic verification' (EV) methods formally for the first time, highlighting that EV signatures can be used as a means of ID verification.
- It can be difficult to establish who has ultimate responsibility in a complex corporate structure, which has led to changes around client due diligence (CDD). There are now requirements on accountancy firms to report ultimate beneficial ownership discrepancies, between information firms have about their clients and the Persons with Significant Control (PSC) register in Companies House.

  Previously, CDD was applied 'at appropriate times to existing customers on a risk-based approach', however under the new MLR 2019, firms are required to conduct CDD when:
  - They have any legal duty in the course of the calendar year to contact existing clients for the purpose of reviewing any information which is relevant to the firm's risk assessment, and relates to the customer's beneficial ownership; and
  - The firm has to contact an existing client in order to fulfil any duty under the International Tax Compliance Regulations 2014.

    For full details on how to report discrepancies, see the *gov.uk* website.
- The scope of enhanced due diligence (EDD) has been updated, and will often apply even if your client is based in a 'safe' country such as the UK. EDD is now required for additional risk factors such as transactions related to oil, gas, arms, precious metals, tobacco, ivory and protected species, and clients who are third-country nationals applying for residency or citizenship in an EEA state in exchange for transfers of capital, the purchase of property, government bonds or investment, i.e. 'golden visas'.

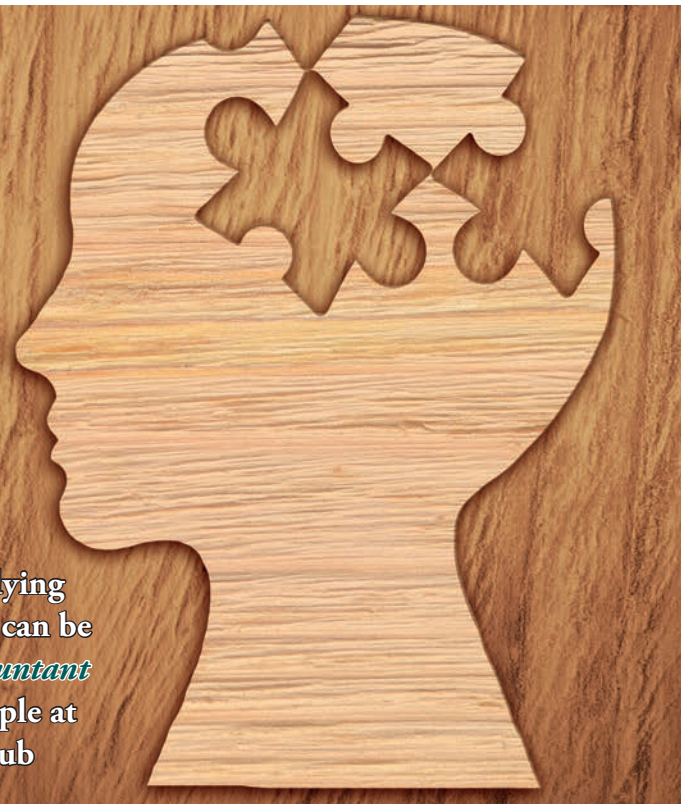
  Regulation 33 lists various (non-exhaustive) customer, delivery channel, and geographical risk factors which firms must take into account in assessing whether a particular situation presents a higher ML/TF risk, and the EDD measures that should be taken to mitigate such risk, including if the customer is a beneficiary of a life insurance policy.

Ultimately, the most significant driver for these changes is to reduce the opportunity of firms being used for money laundering and terrorist financing activities.

All businesses are expected to comply with the law; however, in the case of these recent changes, the IFA, as a supervisory body, will take into account the short lead time which firms have been given to comply, and assess each firm that we supervise on a case-by-case basis.

What is essential is that you devise and implement a clear strategy to comply with these recent changes, demonstrating your commitment to meeting your legal obligations in the near term. ■

THE WELLBEING HUB: A RESOURCE FOR STUDENTS AND BEYOND



Maintaining positive mental wellbeing while studying can be challenging and techniques to deal with it can be carried through into the world of work. *The Accountant* spoke to Julie Hotchkiss, executive director – people at ACCA, about the organisation's new Wellbeing Hub

The Accountant: The Wellbeing Hub was established following the results from a survey which showed a strong demand for more support for students in regards to wellbeing. What prompted the survey in the first place?

Julie Hotchkiss: We survey our students on a regular basis about their levels of satisfaction in all ranges of areas and their relationship with the ACCA; it is something that we do often. We were becoming aware that, obviously, the ACCA qualification is rigorous, as it should be, as it develops the accountants of tomorrow, and we do know that students want support for exams, but also the wellbeing side of things.

With our students, and probably just more generally, there is more of a conversation around wellbeing now. So as part of the review we carry out on the back of our survey, we wanted to do something specific on wellbeing.

That survey was quite extensive as we really wanted to fully understand the needs of our students. We received more than 4,600 responses globally to the survey, which is a very good size to work with in terms of the feedback that we got.

More than 2,000 described the qualification as having a positive impact on their mental health; however, there was a third that said it had a negative impact. So that is what we wanted to really listen to. We then listened to quite specific feedback about what students would like to see us develop. They asked us for things like lifestyle tips such as dealing with pressure at work, dealing with general life pressures and obviously studying as well. They specifically wanted advice on exam pressures and the steps that they can take when experiencing mental health issues around those times.

From those results, it was quite clear that we had a demand there and we set about developing the resources really to match the demand that our students were telling us about.

> "WE WANTED TO MAKE SURE THAT THE HUB WAS REALLY ENGAGING AND ACCESSIBLE

We wanted to make sure that the hub was really engaging and accessible, and that it is really practical as well. Because if you are already busy – you may be working and studying, or really just focusing on your studies for a lot of the time – then you do not necessarily have a lot of free time at your disposal, so we wanted to make sure that the hub is as accessible and simple to its users as possible.

TA: Obviously you are supporting students who are in the process of exams. How is it tailored to help take some of the advice available on the Wellbeing Hub further into their careers? Is it quite transferable?

JH: The hub has such a broad range of resources that I think there could be something for everybody in there.

We have concentrated on students, and there are some specific resources around exams, pressures, balance, study and so on, so there are some specific resources in there, but equally there are resources that are also generally helpful with everyday life. We feel that those are skills that, once learned, you can take with you on into your career and other areas of your life.

For example, there are resources on reducing stress. There is a podcast on anxiety, there are various lifestyle elements in there, and a very important podcast on sleep. If people can develop positive habits that help them, then they can take them forward into their careers.

I also think the skills that they learn there will possibly help to prevent any future anxiety or stresses going into the workplace,


Julie Hotchkiss, ACCA

because it will perhaps provide more resilience and more coping skills. I think when you learn those skills, it is something that you take with you as you take the first step into your career.

TA: Do you think these issues are becoming more prevalent, or is it becoming less of a taboo to speak about certain issues surrounding wellbeing? Or do you think it is a mix of the two?

JH: I think mental health is a topic that continues to grow in terms of society more generally, and it is something we are much more comfortable to talk about now.

Mental health is something that everybody has, good or otherwise, and it is right that we start to address this and promote a happier and healthier society. As a result of that, society is more open than it has ever been to discuss mental health and wellbeing.

We all have a responsibility to help better mental health and really break down the stigma that may have been there in the past. I think people now are more open to that.

I think the other thing is that people are more willing to candidly share their stories, how they have been on a journey, perhaps. Certainly, our ambassador is one of those people who is keen to share their story. I think that really helps other people.

However, it is also important for us to highlight what we can do, and provide clear and concise advice on how people can address these kinds of situations.

TA: Talking about breaking down the stigma, having the Wellbeing Hub goes some way to do that and aid that cause. Are there any other approaches the ACCA is taking to help break down that stigma further?

JH: Our Wellbeing Hub is on the website and clearly available for students, but it is equally available to our members if they want to access that.

Some of the activities that we may undertake in our markets may focus on mental health or dealing with stress, if that is something that our local students or members want to talk about, but the hub really is the heart of it. The hub is where we have all of those resources and we will look to refresh that on an ongoing basis.

TA: Are you finding different issues affecting members? Obviously these things can affect anyone, but are there any specific issues affecting members that are not affecting students?

JH: I think it is safe to say that students have some quite specific point-in-time needs, pertaining to studying and coping with exams, so those needs are addressed very specifically, but the other areas of the Wellbeing Hub really apply to anyone.

Wellbeing at work is a section on the hub, and lifestyle as I mentioned. That not only applies to topics such as sleep, but we have also got some articles in there about social media, and whether it is good or otherwise for your wellbeing.

There are also topics on managing your finances, as well as nutrition, and then mental health, which I have mentioned in terms of reducing stress, dealing with anxiety, and also if somebody is really suffering from ill mental health, how to deal with a panic attack.

So beyond the studying and coping with exams, which are very specific to students, actually, the other resources really are very applicable to our members as well, and can be used freely.

TA: What was the reason behind appointing Ross Anderson in the newly created role of wellbeing ambassador? Alongside launching the hub, can you tell me a little bit more about his role?

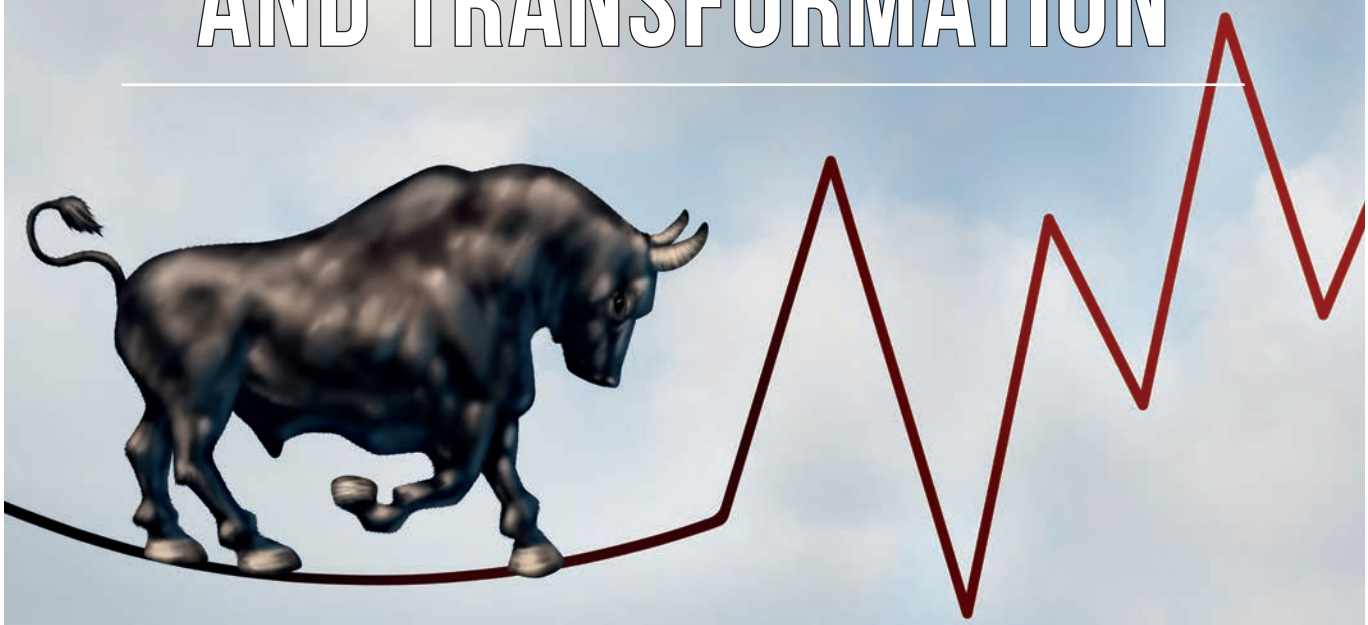
JH: Appointing a wellbeing ambassador is really part of our commitment to working with accredited mental health professionals to really deliver clear messages. Our ambassador, through his professional and his own experience, bring so much to that role

We work with Ross to develop content that we feel could benefit our students and affiliates and also, as we have talked about, our members can also benefit from that as well. We use his skill and expertise to advise us on that content. But also within the hub, you will be able to find podcasts and videos that Ross personally speaks in. He really does bring his own personal experience to that, as well as quite a lot of gravitas in terms of making it okay to ask for support.

Ross's passion really did set him apart and make him an ideal ambassador for the ACCA, and one who is able to advise this from a wealth of experience, and not just through the prism of the accountancy profession. ■

> “ WE ALL HAVE A RESPONSIBILITY TO HELP BETTER MENTAL HEALTH AND BREAK DOWN THE STIGMA THAT MAY HAVE BEEN THERE IN THE PAST

GROWTH HARD TO COME BY WITHOUT INCREASED APPETITE FOR INNOVATION AND TRANSFORMATION



February sees the publication of the annual International Accounting Bulletin World Survey. *Zoya Malik* and the IAB team took the opportunity to analyse the 2019 performance of global networks and associations

Ten years ago, in 2009, there were the first sure signs that the economy was recovering from the global financial crisis.

Most people were still using a Blackberry, Apple was only valued at $80bn, and Barack Obama was just elected as president of the US. Fast forward 10 years and we saw a very different world in 2019, one dominated by divisions and tensions, living lives of constant connectivity and incoming 5G technology as well as impending climate emergency calling for immediate action.

Similarly, in the accountancy profession, things have changed somewhat too. Overall market structure has remained the same, with the Big Four dominating with their market leading position; however, just as the with mid-tier, the Big Four have had to adapt to increased scrutiny as well as jumping ahead of clients' ever-more-complex needs.

Change is far from over; on the contrary, it seems to be happening even faster than ever before, with technology pushing much of the transformation, as well as the need for accountancy firms to provide more assurance and expertise to new business areas on themes that had barely been envisaged 10 years ago.

SURVEY THEN AND NOW

The *International Accounting Bulletin* world survey data also looked somewhat different a decade ago, with 42 organisations taking part – 18 networks and 24 associations – making $142.1bn in fee income.

In this year's survey, looking back at 2019, we have 51 organisations taking part – 29 networks and 22 associations – earning $234.5bn in fee income.

In this year's ranking we have welcomed three new organisations: German network ETL Global features at number 16 in the networks ranking, and associations Daxin and BOKS International now feature in the associations ranking (see pages 11-12).

Average growth among networks in 2019 was 4%. The Big Four's average growth was 4%, as compared to 5% for the mid-tier networks. For associations, the average growth rate was 10%, driven by some organisations' extensive recruitment of new member firms.

Deloitte, the largest global professional services network, cemented its advantage over close competitor PwC even further this year, with 7% growth to $46.2bn, mainly driven by advisory growth.

The gap between third-ranked EY and fourth KPMG also widened, with the gap now standing at just over $6.6bn and EY making $36.3bn in fee income for the year ending 30 June 2019, up by 8%.

In the top 10 networks ranking, RSM edged over Grant Thornton by making $19.3m more in fee income, reporting $5.73bn in fee income and taking the spot of the sixth-largest network globally. RSM's fee income does, however, include $1.3bn from alliance member firms.

In the associations ranking, the two new additions bring minor changes to the overall ranking.

A notable merger between network MGI Worldwide and association CPA Associates International also brings the newly created MGI Worldwide with CPAAI to the spot of the 11th-largest association, with a combined fee income of $914.9m.

At the top of the associations ranking, Allinial Global overtook LEAGLobal/Leading Edge Alliance and claimed the crown of second-largest association with fee income of $4.1bn, up by 36%, attributed to the addition of 20 member firms.

SERVICE LINE SHIFTS

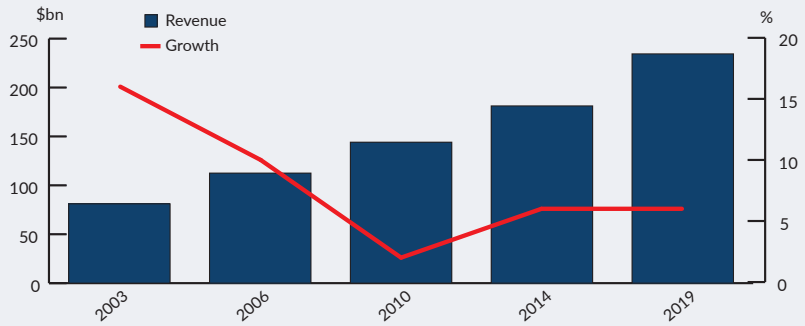
It is old news that, due to fee pressure and squeezed margins, growth from audit and accounting services is hard to come by. Data gathered by *IAB* shows an ever-growing trend for advisory services, which reaches far beyond just the Big Four.

As per the data in the graphic, in 2019 the Big Four earned only 34% if their total fee income from audit and accounting services; for the rest of the mid-tier networks, 50% of overall fee income came from audit, assurance and accounting services. To compare with 2008 data, the Big Four then made 53% of their fee income from audit and accounting services, and in 2014 42% of the their fee income came from those services.

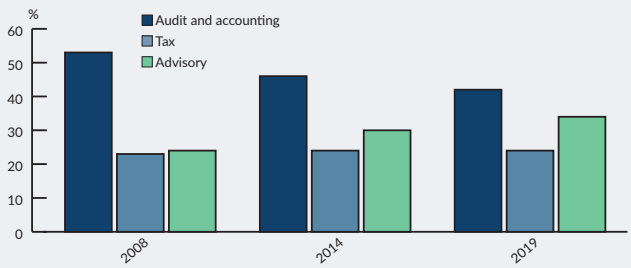
Tax is the only service line that has seen little change in the amount of fees earned, with most networks earning around 23% of their overall fee income from tax. This figure is exactly the same as recorded in 2008, when the *IAB* data showed that networks made an average of 23% of their overall fee income from tax services. ■

WORLD OVERVIEW

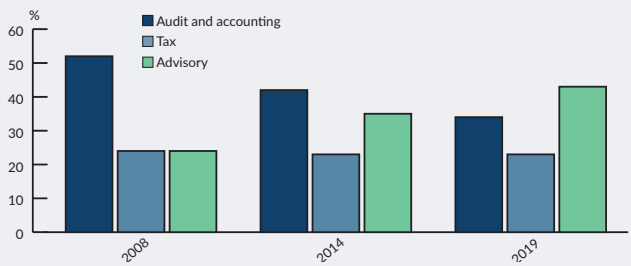
Total revenue vs growth: 2003-2019
(average growth of networks and associations surveyed)



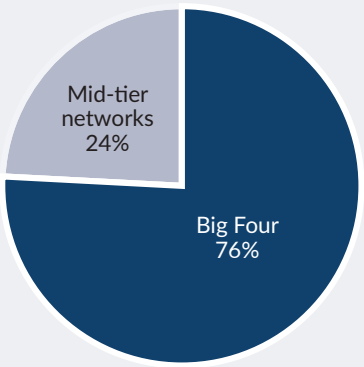
Average fee split through time – top 10 networks 2008, 2014, 2019



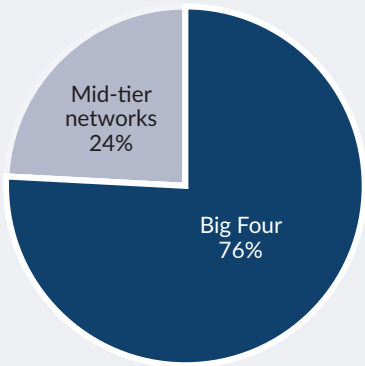
Average fee split through time – Big Four 2008, 2014, 2019



Market shares 2012



Market shares 2019



Source: *International Accounting Bulletin*

APPLYING VISION AND RESOLVE TO A CLEAR DIRECTION

As part of its 2020 World Survey, *International Accounting Bulletin* spoke to experts in the global industry about their views on the profession and wider market conditions, and found a range of differing views

Looking at core activities such as auditing, advisory, taxation and recruitment, the broad consensus is that accounting businesses that apply vision and resolve to a clear direction increase their chances of success, provided they continue to engage regularly with ongoing technological developments and hiring of skilled staff in order to remain nimble and keep adapting to the changes in client demand and market patterns.

As ever, there is a divergence of views among the leading industry players, and these pivot on fundamental differences such as a local versus global outlook, or the imperatives driving an independent firm as opposed to the parameters of a network or association.

Not surprisingly, the strategic initiatives of most firms also vary depending on their positioning within this global ecosystem, and how far along the developmental curve they may be in adapting to these external influences. Most importantly, each entity looks to answer the question of how best to weigh up risk against investment, in order to grow and serve their international clients in the current environment.

CHANGING FACE OF AUDIT

With increased scrutiny on audit quality and perceived conflicts of interest between audit and non-audit work, a fundamental question that has arisen for the industry is: how should firms develop their audit practices going forward, especially in terms of staffing and training of the audit unit to become a specialist service function?

In the UK, the Brydon review, *Assess, Assure and Inform; improving audit quality and effectiveness,* was published in late 2019. The review was commissioned following a number of high-profile company collapses such as Carillion and British Home Stores, which put their auditors in the firing line of parliamentary select committees, and then the national press.

The main aim of the Brydon review was to assess the issue of the expectation gap in audit, and to see if audit in its current form is still fit for purpose in the 21st century. While this was a UK review, this is an issue that a number of jurisdictions have increasingly faced over the past few years and the review took under consideration comment from stakeholders from across the globe.

One of the main sticking points for UK politicians was the perceived conflict of interest of audit firms providing non-audit services. To address this issue, the Brydon review suggested developing audit into a profession in its own right, noting that audit is part of the wider accountancy profession. By doing so, the review suggests that this would create more specialised auditors.

A few weeks prior to the review's publication, KPMG UK announced that it would be launching an audit-only apprenticeship. Commenting at the time on the new apprenticeship, KPMG UK head of audit Jon Holt said: "Advances in new technology such as AI, blockchain and predictive analytics are fundamentally changing how we work and the sort of skills we're looking for. Strong numeracy is still hugely important, but we also look beyond academic achievement alone and focus on potential."

Jon Lisby, MD at Global Alliance Advisory Services, suggests that although this scrutiny comes at a time when technology is delivering a new "age of audit revolution", technology alone cannot replace all the human skills that are needed to develop future audit practices.

He says: "As well as being fully trained for the digital audit, staff need excellent communication and judgement skills, they need to appreciate how the audited entity works, understand the applicable industry and be commercially aware.

"Adding additional independent review processes may support appropriate judgement but, ultimately, traditional and vital personal characteristics should be embedded within the audit leadership and the audit team, namely professional scepticism, integrity and strength of character."

A growing dependence on technology, especially artificial intelligence (AI), in the execution of auditing work is a recurrent theme across the industry. Marion Hannon, global leader for quality and risk at RSM, states: "Audit is a core part of our business, and grew by more than 6% in 2019.

"Last year we launched RSM Orb, our own bespoke audit solution and, being client risk focused, the methodology behind it aims to provide deeper critical insights. We have also established a data analytics working group to experiment with new technology such as AI to streamline and enrich the audit process."

The obvious question is what effect this has had on the workforce, and Hannon underlines the positives. "We use AI and automation in two main ways at RSM," she explains. "First, we use it to complement and enhance our people, not replace them. By streamlining processes and digitising our


Jon Lisby, Global Alliance Advisory Services


Marion Hannon, RSM


Clive Bennett, MGI Worldwide with CPAAI

services, AI frees up our consultants to advise, to grow relationships with their clients and get to grips with their businesses.

"Second, AI is a tool that allows us to tackle new, more difficult client challenges. For example, even small businesses today have complex international supply chains. AI and machine learning can help us to understand them far better."

Networks and associations have been deploying new technology for several years, and many have created partnerships with technology companies for the benefit of their members. As Clive Bennett, CEO at the recently merged MGI Worldwide with CPAAI explains: "Disruptive technology and the resultant transformation of the profession has been a key theme at many of our member conferences in recent years.

"We have implemented a technology advisory initiative, which includes monthly technology webinars for our firms and the negotiation of global partnerships with key suppliers of software services and applications. One of these partnerships is with a leading supplier of AI audit software."

Another approach is to focus on cloud-based solutions. Nexia International CEO Kevin Arnold encourages member firms to use these scalable, network wide, cloud-based tools to increase the efficiency and consistency of audits, and also to use them as a commercial tool towards creating a global outlook – because the cloud allows you to train staff remotely, in a coordinated fashion, why not use that same quality to pitch for business, regardless of location?

A QUESTION OF QUALITY

With a steady shift towards the incorporation of new technology, obvious concerns are thrown up about the quality of work being delivered and, as a result, many industry participants are working on improving quality assurance review procedures.

Bennett comments: "We have invested in a dedicated and customised online audit independence checking system. Following advice from the Forum of Firms, we widened the risk-based scoping of our on-site quality assurance reviews, and extended this approach to due diligence for new member firms.

"To comply with IFAC (IESBA) and EU network rules, firms must check on any possible threats posed to audit independence by work being carried out by fellow network members for the same clients as their own. We designed and implemented a custom online system to help members easily and effectively search for and evaluate such threats before accepting new client engagements."

For reasons of jurisdictional spread, it can prove challenging for networks and associations to maintain consistent standards across the board. Anton Colella, global CEO at Moore Global, alludes to the fact that they do not have an integrated global audit practice but, rather, rely on member firms to run their own quality checks.

"However," he continues, "Moore Global has a vital role in promoting the adoption of the international auditing standards and the IESBA Code of Ethics, through the provision of network resources such as our global audit manual. We have significantly increased the resources dedicated to audit quality at a global level, and we operate a robust global network review programme which is constantly evolving to keep pace with regulatory developments. We have also extended our admission review programme, for new firms joining our network."

BROADENING SCOPE OF ASSURANCE SERVICES

The financial statement audit is fundamental to any market-based economy and this will remain so for the foreseeable future, even in


Anton Colella, Moore Global


Kevin Arnold, Nexia International

the age of AI; however, there is a growing demand from investors and regulators for assurance over newer risks, anything from cybersecurity to the effects of climate change.

The skills base required to satisfy this function, with assurance and integrity, is different from that of an efficient financial statement auditor, but many firms continue to amalgamate these skills under one roof.

IAPA International CEO H Özgür Demirdöven feels there is justification for keeping all assurance activities under one roof. He states: "A multidisciplinary approach, drawing on deep methodology and frameworks for assurance, combined with specialist and subject matter expertise, is well positioned to meet this need and will be increasingly vital as the market continues to evolve towards integrated thinking, in the years to come."

AUDIT AND NON-AUDIT: HAPPILY EVER AFTER

Following the UK's Competition and Markets Authority's (CMA) and Kingman reviews' recommendations, resulting on calls to split audit and non-audit services, "the narrower issue of whether audit firms should provide non-audit services to their existing audit clients, is more nuanced," continues Demirdöven. "Standard-setters, audit committees and regulators are all keenly aware of potential conflicts, real or perceived. Robust rules and policies already exist to mitigate risks to independence, and are under review for further enhancement."

Chris Biggs, MD at independent firm Theta Financial Reporting, appears to support this view, stating: "Any split will have a fundamental impact on a trainee accountant's/auditor's breadth of experience which is key to their ability to do the best job they can and add wider insight and support to clients. If the current drive to 'split' the


H Özgür Demirdöven, IAPA International

audit and non-audit functions of firms goes ahead, either voluntarily or by legislation, this is likely to exacerbate further the narrowing of the individual's range of expertise across the skills in both audit and non-audit services. This will also impact what they can take out of the profession into industry and will be detrimental to the profession as a whole."

Newcomer to the *IAB* World Survey, ETL Global CEO Christian Gorny, goes further to say: "Clients expect value-added services from their auditors. Thus, the fact-based background of our member firms' core audit activities guarantees the opportunity to become the trusted advisor for the client.

"We are currently developing and expanding the ETL Global Cloud, a platform with which our member firms can automatically extract data from the client's ERP system and analyse the data to formulate an opinion. In addition, the data lake which builds the backbone of our ETL Global Cloud presents the opportunity to deliver value-added insights for the client."

For those institutions that consider the splitting of the audit and non-audit functions as commercially sensible, Kreston International CEO Liza Robbins suggests that secondments can be a valuable means of both assisting with staffing needs and helping the development of individuals and firms by the sharing of knowledge and experience.

TRANSACTION SERVICES AND ADVISORY GROWTH

IAB's global surveys continue to reflect the trend of consulting overtaking audit and accounting as the major service line for many networks and associations. This is most apparent with Deloitte, where advisory is now 60% of the total business.

Technology appears to be playing a large part in this growth with the advent of AI and more complex algorithms for analysing big data sets tethering an affordable and more-efficient platform for accounting firms to provide a more holistic service. The indisputable reality is that demand for consultative services is growing globally.

Achieving a commercially successful result is another matter that ties in to concerns about investment in technology, the analytical prowess of staff and, most importantly, economies of scale. The sector is, therefore, neatly cleaving into the Big Four versus the rest.

Betty Ann Jarrett, global human capital leader at PwC, outlines the organisation's intent on its digital transformation journey marked by key investments in technology and a focus on upskilling its staff.

Jarrett comments: "Over the next four years, as part of our New World, New Skills initiative we are investing $3bn, primarily in training all of our 276,000 people as well as recruiting those with necessary skills in areas including data analytics, robotics, process automation and AI for use in their work and also in developing and sharing technologies to support clients and communities."

Lisby reiterates: "Many of the developments in corporate operations and performance are technology-led. It is extremely rare for the client to have the in-house specialisms, international resource and experience to deliver the project.

"Working on a major national or multinational organisation's internal operations is the largest segment of the global advisory services sector in terms of fees, and is largely the reserve of the Big Four.

"However, mid-tier accounting firms specialise by engaging more on transaction services, the next strongest sector, covering acquisitions, mergers, turnarounds and sales. The services offered are extremely broad covering targeting, valuation, due diligence, funding and pre- and post-integration support.

"They have also built a significant portion of their advisory package targeted at the SME sector; for example, by offering profit building support via outsourced finance director services using the widespread adoption of cloud accounting, which facilitates the service, by providing online access to the client's real-time accounting."

Lisby continues: "Within the Asia-Pacific accountancy market, China remains a significant challenge for locally sourced expertise, with many Chinese firms generally focused more on traditional compliance services and not being sufficiently resourced


Chris Biggs, Theta Financial Reporting

or experienced, at present, to offer the advisory and non-audit functions that are so needed by both Chinese entrepreneurs and foreign investors."

Richard Smith, chair of the Global Centre of Excellence for Risk Advisory Services at RSM, talks about how the changing regulatory environment has led to an increase in demand for consulting services to provide support with compliance and IT structures. He feels that this demand has largely been driven by middle-market businesses looking to digitise more of their functions to benefit from efficiencies and reduced costs.

Smith states: "Clients are also looking to organise themselves more efficiently as they revamp their governance structures to link their performance with more sustainable investment decisions."

Complicating the process is the need to factor in analysis of geopolitical and strategic risks, a skill that may be outside the comfort zone of many industry executives. Demirdöven is of the opinion that these are not fundamentally unknowable or unmanageable business problems.

He says: "They could even be a potential source of competitive advantage for companies that develop better capabilities to manage these risks.

"To stay ahead of geostrategic uncertainty, executives will want to take the following steps: identifying trends and disruptions that are specific to their organisations and markets, developing initiatives to mitigate risks and capture opportunities, establishing a decision-making process that prioritises initiatives and ensures executives are aligned on their implementation, and embedding the capabilities for geostrategic analysis into regular decision-making and planning processes.

"Executives should also monitor these trends for new developments that would require a reassessment of strategic initiatives." ■

FEMALE STAFF AND PARTNERS: PROGRESS, BUT STILL A LONG WAY TO GO

As part of the World Survey questionnaire, the *IAB* once again collected information in regards to the number of female staff and partners. *Joe Pickard* takes a closer look

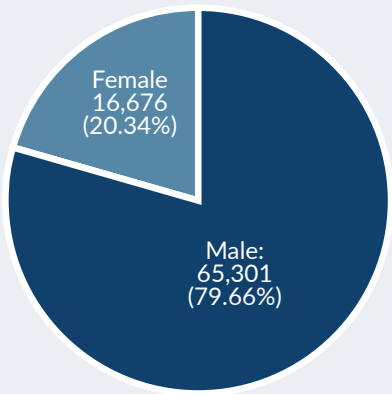
This year saw a much greater uptake of networks and associations providing information on the number of female staff they employ.

For the networks and associations which did submit this information, there were 853,597 female staff members compared to 16,676 reported last year. For this year, it shows that almost half (45.36%) of staff members are female; however, there is a much greater gap at partner level, with only a fifth (20.34%) of partners being female.

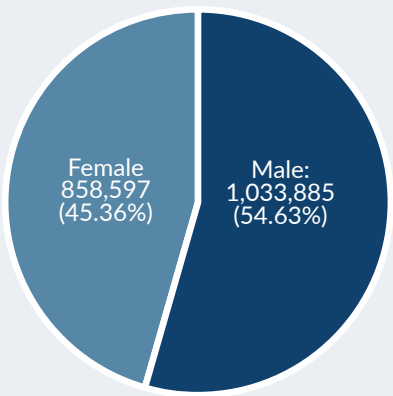
While it is a slight increase on those reported last year, which had women making up 17.38% of total partners, there is still a long way to go for the profession to increase the number of women it has at the partner level. ■

FEMALE REPRESENTATION

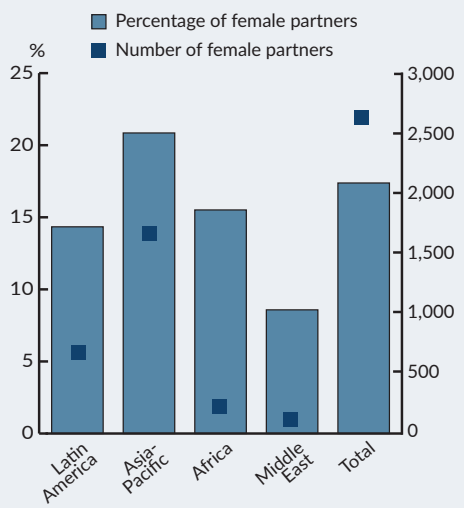
Partners 2019



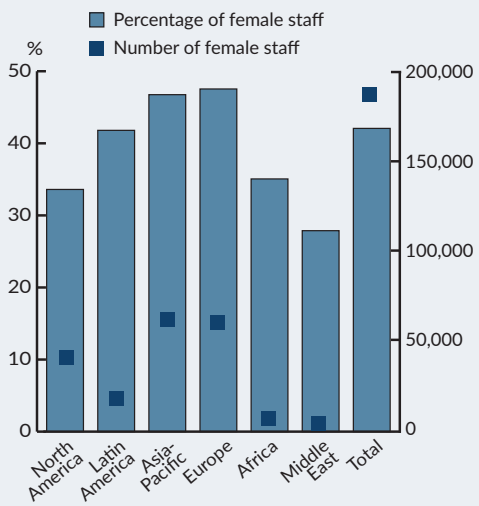
Staff 2019



Female partners 2018



Female staff 2018



Source: *IAB*

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