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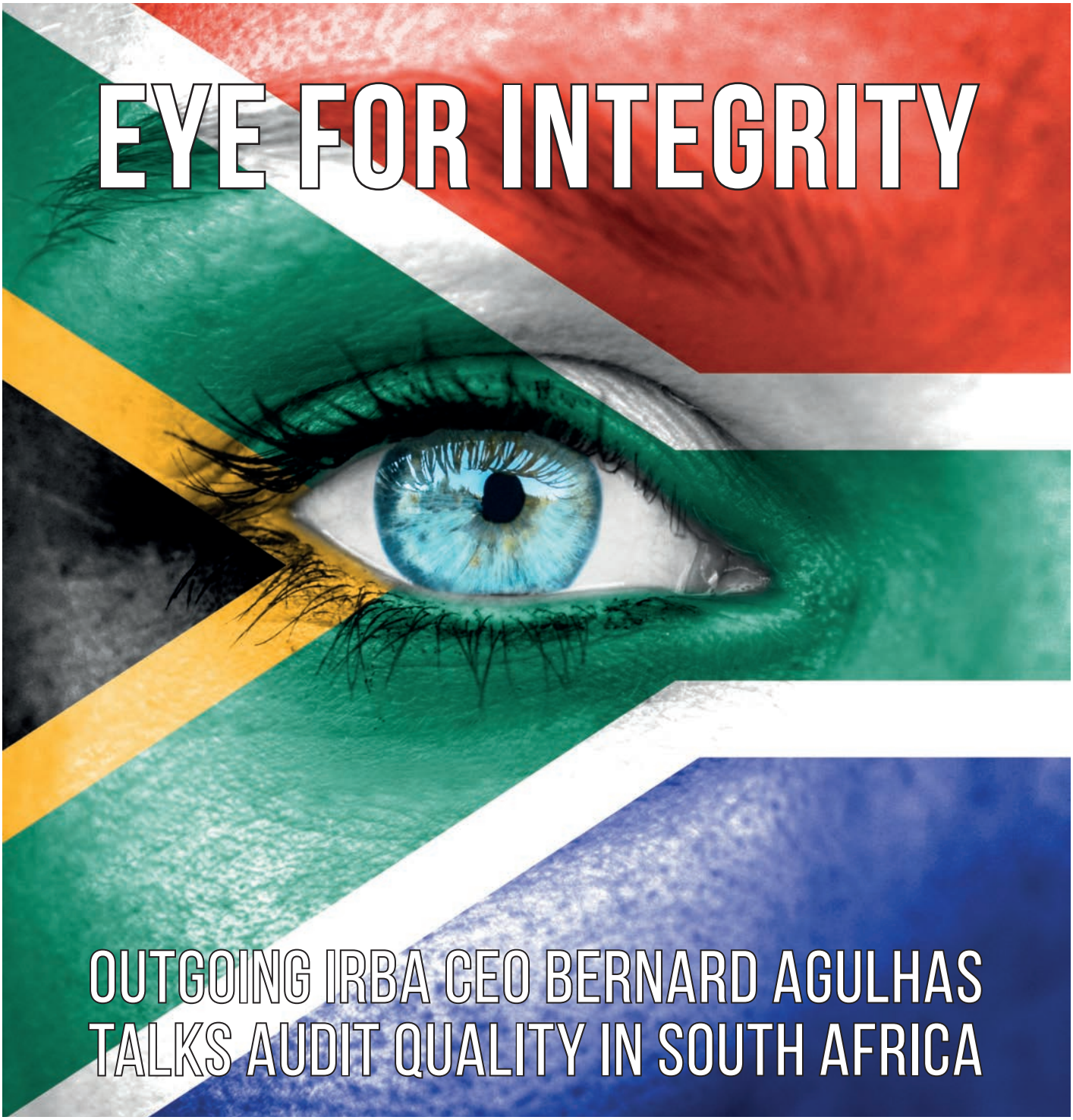

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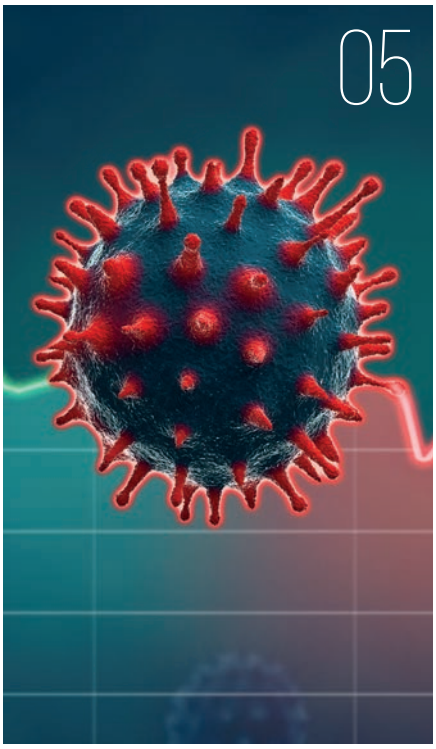

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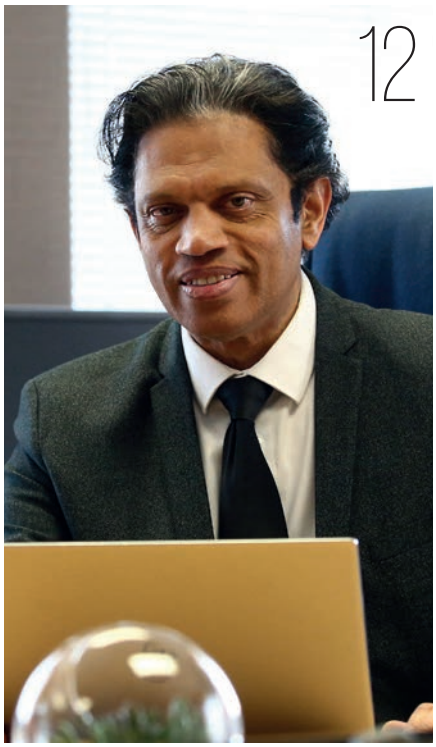


COMMENT

PEOPLE

FEATURE

EDITOR'S LETTER
BACK TO NORMAL, BUT IN A STRANGE NEW WORLD

Joe Pickard, Editor

SINCE THE PUBLICATION OF THE JUNE EDITION OF THE ACCOUNTANT, LOCKDOWN MEASURES HAVE BEEN EASED FURTHER AND I HAVE NOW ENJOYED A COUPLE OF PINTS IN THE LOCAL PUB.

However, it was not how it used to be before the pandemic hit UK shores. There was, rightfully, an air of caution – people were keeping their distance from each other; conversations were more subdued; it was not quite the same. The situation extends beyond my local: although certain aspects of life have started to return to some form of normality, things are just not quite what they were.

Remote management

Such is the case for business. Despite workplaces now being able to open up their offices, there has not been a wave of people pushing to get on an already-full train carriage in hopes of getting to the office on time. Many employers have seen that working from home – for the most part – has worked, and people have enjoyed the extra time with their families and loved ones in lieu of the hours they previously spent commuting.

However, businesses need to make a conscious effort to understand how they can manage their teams and best engage with their employees and clients alike. On **page 9,** Chartered Institute of Management Accountants president Nick Jackson calls for greater collaboration between CFOs and HR teams, and on **page 18,** Ifty Nasir, CEO of share scheme platform Vestd, talks us through ways to mentor a remotely working team.

Around the world

The passing of the Hong Kong National Security Law, which came into force at the start of the month, gives new powers to security forces, bringing the special administrative region more closely in line with Beijing. In response, the UK government has announced that it will create a route for British National (Overseas) passport holders to gain UK citizenship. **On page 11,** staff from BDB Pitmans and Hugill & Ip in Hong Kong look at possible tax implications for Hong Kong citizens looking to make the move to the UK.

In South Africa, the Independent Regulatory Board for Auditors' outgoing CEO, Bernard Agulhas, tells *The Accountant* about how the country's auditors have been striving to maintain high levels of quality and integrity during the Covid-19 pandemic, having worked hard to rebuild the profession's reputation following the controversies of a few years ago. ■

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

NEWS UPDATE

Change of plans for AAT remote invigilation

Despite previous plans to move to remote invigilation (RI), the Association of Accounting Technicians (AAT) has now deemed it is impossible for the process to be implemented in the way it had planned.

While AAT has been in numerous conversations with regulators to find solutions, as a result of further testing and investigation it has "become clear" that AAT will not be able to proceed as planned.

In a release, the AAT noted: "It is very important that AAT maintains a strong suite of qualifications, and the association is not confident that it will be able to meet the levels of compliance and security that it would expect for its assessments, and that would be required by the regulators for high-stakes, performance-table qualifications such as AAT."

AAT has changed plans and is now working to implement a managed pilot though selected training providers using two of the AAT's Level 1 qualifications, with the aim of gaining insight on how the association can mitigate risks and issues associated with RI.

AAT CEO Mark Farrar said: "This has been a very difficult decision for us to take, and we recognise that it will have a negative impact on some of our training providers and students. We are very sorry for this, but it is of the utmost importance that the integrity and validity of AAT assessments and qualifications are protected.

"Hopefully the impact of this change in our plan will be less significant as we return to a situation where our assessments are widely available from 29 June through training providers. We recognise that the constantly changing landscape has created uncertainty around the world, and we're adapting each day to consider new ways to provide suitable support and services." ■

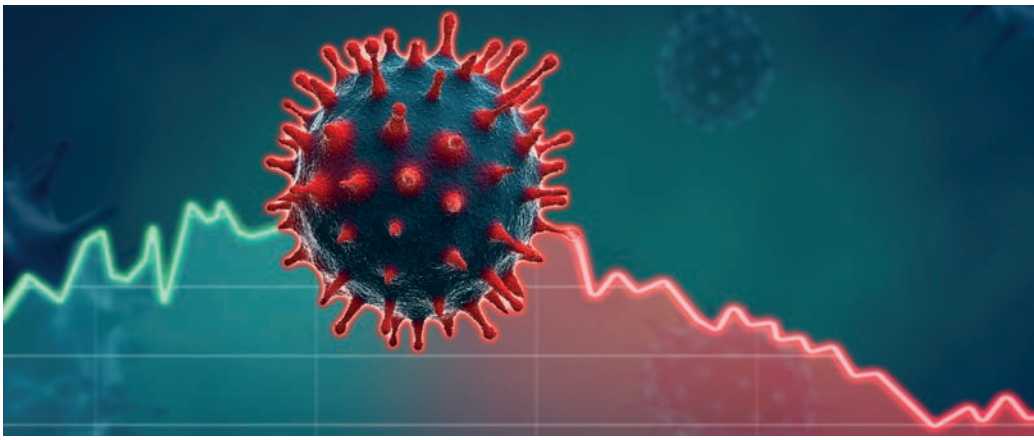
IFAC: AUDIT MUST RISE TO THE CHALLENGES OF THE NEW NORMAL

As the Covid-19 pandemic continues to impact home and work lives, the International Federation of Accountants (IFAC) and the Institute of Internal Auditors (IIA) have issued a call to action for audit committees to "ensure objective oversight of organisational activities, including risk management, performance, controls and key processes".

IFAC and the IIA have developed specifications for organisations to aid them in confronting uncertainties that may threaten their integrity, transparency and accountability.

IIA president and CEO Richard Chambers said: "We must be aggressive and future-oriented in prioritising and managing new threats and vulnerabilities, while not being distracted from existing risks. Governing bodies, and their audit committees in particular, must be highly vigilant, nimble and well engaged to ensure they as well as management and others are receiving objective assurance and insight on critical aspects of organisational activity."

IFAC and the IIA have called on governing bodies and their audit committees to:



1. **Stay informed.** Maintain a timely and clear understanding of the continuously evolving operating environment and how it may impact organisational objectives and performance;
2. **Communicate and collaborate.** Adopt a multi-disciplinary approach to exercising oversight of internal and external audit and reporting through dynamic communication and collaboration;
3. **Leverage available expertise.** Seek qualified and reliable assurance and advice on management evaluations of, and responses to, the organisation's continuously evolving risks and risk profile;
4. **Promote continuous improvement.** Encourage innovation and change to address vulnerabilities and to build resilience, strengthening the pursuit of value creation;
5. **Think holistically.** Adopt a broad perspective of the organisation and its environment across both financial and non-financial goals, considering interconnectivity with other organisations, internal and external interdependencies, and the central importance of people;
6. **Embrace technology.** Optimise the performance of the audit committee through the use of technology and flexible working practices.

IFAC CEO Kevin Dancey said: "The impacts of Covid-19 on the global economy will be felt for years, if not decades. This creates long-term risks and uncertainties that organisations need to confront head-on through strong governance and internal controls. We hope these recommendations will support governing bodies and audit committees as they navigate the continuously evolving operating environment of today and tomorrow." ■

CIMA: UK GOVERNMENT SHOULD FOCUS ON FOUR KEY AREAS FOR COVID-19 RECOVERY

The Chartered Institute of Management Accountants (CIMA) has published a set of recommendations designed to support the UK government in helping the country to recover from the Covid-19 pandemic.

CIMA has called on the UK government to concentrate on four key areas:

- **Providing businesses and consumers with confidence to invest and do business.** Key recommendations relate to temporarily lowering VAT to encourage business and consumer spending, and cutting employers' national insurance bills to help keep people employed and create new jobs;
- **Providing businesses with certainty.** Key recommendations pertain to outlining business tax plans for the next two years so companies can make informed investment decisions, and pausing plans to implement new business regulations to ensure companies can focus on recovery;
- **Creating a more sustainable business environment.** Key recommendations include supporting the adoption of integrated reporting for businesses across the UK to better showcase how they create value, beyond financial results, for all stakeholders;
- **Investing in skills to help generate economic growth and improve productivity.** Key recommendations encompass changing the Apprenticeship Levy to an Apprenticeship and Skills Levy for all workers to ensure businesses have the talent they need to succeed, now and in the future.

CIMA chief executive of management accounting Andrew Harding said: "We must of course tackle immediate issues such as restoring jobs and increasing consumer spending, but the UK government must also ensure that its recovery strategy encompasses long-term priorities.

"This includes putting a greater focus on tackling our faltering productivity, widening skills gap and failing social mobility to deliver a truly inclusive, lasting economic recovery and propel our resilience to the next level. This will be the uphill battle of the UK's post-lockdown world." ■

AICPA URGES IRS TO 'ACT IMMEDIATELY' TO PROVIDE PENALTY RELIEF

The American Institute of CPAs (AICPA) has urged the Internal Revenue Service (IRS) to provide broader tax administrative and penalty relief ahead of the 15 July filing and payment deadline, due to concerns that taxpayers and preparers may struggle to calculate and pay tax bills as a result of the Covid-19 pandemic.

AICPA has made the following recommendations:

- **Penalty Relief**
  - Current state: Taxpayers who fail to file a return or fail to pay an amount shown as tax on the return on or before its due date are subject to a penalty.
  - The AICPA recommends the IRS automatically waive penalties for the 2019 tax year through the extended filing deadline for all taxpayers. Additionally, AICPA asks that the IRS reassess the impact of the coronavirus during 2021 and determine the appropriateness of offering similar penalty relief for the 2020 tax year.
- **Instalment Agreements**
  - Current state: Taxpayers who are unable to pay the full amount of tax due in one payment may enter into an agreement with the IRS to pay any tax due in instalments.
  - The AICPA recommends the IRS establish an expedited process to approve new instalment agreements or modifications of existing instalment agreements based on realistic and affordable payment arrangements for taxpayers impacted by the coronavirus.
- **Delay in IRS Collections**
  - Current state: If taxpayers do not pay their tax obligation in full at the time it is due, they generally will receive a series of escalating automated notices reminding them of the amount owed, including any penalties and interest accrued, and demanding payment. These notices precede the automated collection process, which continues until the account is satisfied, the case is transferred to a revenue officer or until the IRS is no longer able to legally collect the tax.
  - The AICPA recommends that the IRS continue to halt its automatic collections activities of liens and levies by at least an additional 90 days after 15 July. At that time, the IRS should reassess the appropriateness of re-establishing any collection activities.

AICPA VP of taxation Edward Karl said: "The coronavirus pandemic has created a tremendous amount of hardship and uncertainty for taxpayers and their advisors, and for the IRS.

"We are asking the IRS to do its part to help businesses and individual taxpayers by waiving penalties and delaying collections as the country begins the process of re-opening and operating in only a limited capacity." ■

GRI AND SASB ANNOUNCE COLLABORATION

The Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) have announced a collaborative work plan, in response to global demand for clarity on sustainability reporting.

SASB and GRI acknowledged that the reporting effort can be high for companies that use both standards. To address this, the two organisations will collaborate to demonstrate how some companies have used both sets of standards together, and the lessons that can be shared.

The organisations also aim to help consumers of sustainability data understand the similarities and differences in the information created from these standards.

Initially the collaboration will focus on delivering communication materials to help stakeholders better understand how the standards may be used concurrently. These resources are planned to be delivered before the end of 2020. GRI and SASB expect that this can lead to the identification of further collaboration opportunities.

GRI CEO Tim Mohin said: "GRI and SASB share the guiding principle that transparency is the best currency for creating trust among organisations and their stakeholders. Investors, policymakers, civil society and other stakeholders are demanding improved disclosure of information on sustainability impacts, including those likely to drive risk and opportunity in both the short and long term."

SASB CEO Janine Guillot added: "In a post-Covid-19 world, companies will increasingly be expected to disclose their performance on a range of ESG topics. The pandemic has demonstrated that so-called 'non-financial' information can indeed highlight material financial implications. This makes the collaboration between SASB and GRI, and the increased clarity it will bring for all stakeholders, all the more timely."

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

- SASB's industry-specific standards identify the subset of sustainability-related risks and opportunities most likely to affect a company's financial condition, such as its balance sheet; operating performance, such as its income statement; or risk profile, such as its market valuation and cost of capital.

- The GRI Standards focus on the economic, environmental and social impacts of a company, and hence its contributions – positive or negative – towards sustainable development.

Users of the GRI Standards identify issues that are of primary importance to their stakeholders. If not already financially material at the time of reporting, these impacts may become financially material over time.

They provide both the framework and supporting standards on a wide range of sustainability topics and are aligned with international instruments for responsible business behaviour. ■

SME Recovery Tracker: Lifting of lockdown hits SMEs hard

The easing of lockdown restrictions in the UK has not alleviated concerns about the future viability of SMEs or eased the stresses they are under, according to the latest Association of Chartered Certified Accountants (ACCA) UK and the Corporate finance Network (CFN)'s SME Health Tracker.

The Health Tracker survey features insights from accountants representing 15,500 SME clients. The weekly survey that closed on 15 July revealed increasing levels of stress and anxiety, with 83% of accountants reporting that SME clients were feeling more stressed and anxious than usual. A third reported that they were not sleeping, compared to 21% two weeks previously, and nearly a fifth said they cannot cope.

The results highlighted wavering levels of confidence, with cashflow impacted over the preceding two weeks:

- 5.4% of SMEs have decided to liquidate, compared to 2.9% two weeks earlier;
- 23% said current social distancing rules make it difficult for them to open and trade;
- 29% of SMEs have made credit terms more favourable to get cash moving, and
- 66% have deferred tax payments; of these, only 34% say they will be able to meet their tax liabilities in six months.

CFN founder Kirsty McGregor said: "Today [16 July], we launch the nationwide #LeaveNoBusinessBehind campaign with a call to support every business owner, so they can get back to business health and start thriving again.

"Financial forecasts are an essential part of this survival – they're a dynamic and necessary forward-looking roadmap. But we know this planning and forecasting will involve tough discussions between the SME owner, their accountant, lenders and families, and there is an understandable reluctance to focus on the glaring reality of the situation. The government has introduced a raft of measures, which we have welcomed, but there is more to be done. That's why this campaign is now calling on the accountancy profession to step up with their expertise and ability to motivate."

ACCA UK head Claire Bennison added: "The lockdown may have been lifted, but this tracker's results show SME clients are more stressed than before. In the recent discussions we've had with ACCA members working with SMEs, we hear loud and clear the pressure their clients are under, clients who are hungry to find solutions to survive.

"Addressing these welfare concerns needs to be part of the policy mix in finding these solutions, and that's why we're proud to be supporting #LeaveNoBusinessBehind, an inclusive campaign that aims to redress the balance and where the skills of accountants will be paramount." ■

REPORTING AND COMPLIANCE: WHY WE NEED A DATA REVOLUTION

Commerce no longer adheres to national boundaries: the largest international organisations to the smallest businesses operate in a global market. However, rules for corporate reporting and compliance do adhere to borders, write IMA's *Jeff Thomson* and *Liv A Watson*

As concern grows over climate change and corporate transparency, more governments have adopted regulatory compliance standards that require organisations to report multiple data points and metrics, in multiple reports, to multiple regulatory agencies and end users, in multiple jurisdictions.

For example, securities regulators and taxing authorities often have different definitions of the term 'revenue', and there is little overlap in the required data or the systems through which a company reports.

This disjointed regulatory environment has enormous costs for corporate reporters, users and policy makers. The International Federation of Accountants estimates that fragmented regulations cost the financial industry sector alone $780bn annually.

For the accounting and compliance professionals tasked with navigating this labyrinth of regulations, the ascendance of machine learning, artificial intelligence and automation provides the opportunity to aggregate and streamline data for reporting purposes with far-improved efficiency.

A new paper by the Institute of Management Accountants (IMA), *A Digital Transformation Brief: Business Reporting in the Fourth Industrial Revolution,* drawing on research by Workiva, provider of a cloud-based reporting and compliance platform, addresses this issue. It calls for a full data revolution in global reporting and compliance, the paper connects the ongoing digital transformation with the need for companies to better manage and automate the processing and reporting of data to multiple jurisdictions.

At the heart of this digital transformation for finance and accounting teams is the potential for information technology and open data standards to reduce lags and latencies in reporting and compliance processes. Today, corporate reporting teams, even at the largest global companies, use myriad basic spreadsheets and old technology to recompute, reformat and reconcile the same data for compliance and submission to different agencies and end users.

For example, the Workiva research found that UK banks report to at least 10 regulators via 14 submissions platforms, and information is spread across more than 300 forms using at least seven data formats and more than six modes of submission with differing periodicity and frequency. Keeping data for emerging forms of external reporting locked in static software platforms is no longer sustainable. It is a spectacularly wasteful use of the talents of highly skilled accounting and finance professionals.

The World Economic Forum asserts that we are entering the Fourth Industrial Revolution, with unprecedented connectivity through increasingly sophisticated technologies. Data standards, such as the XBRL (eXtensible Business Reporting Language) standard, and innovations such as blockchain, cloud computing and natural language processing can increase efficiency, underpin new competitive opportunities and, notably, ensure auditable data. AI will enable valuable improvements to an entity's reporting process and transform regulatory monitoring systems. To do this, we need auditable and usable data – and lots of it.

Regulated entities, governments and regulatory authorities are increasingly recognising the need to discard the information-processing and reporting ways of the past. The benefits of such a move include streamlining regulatory reporting requirements not only to reduce the burden on preparers but also to ease the administrative and compliance oversight for regulators and ensure greater transparency. This modernised reporting is poised to disrupt information production from both an IT and a data-governance perspective. The shared commitment – and system-wide cost-sharing – for better data for statutory reporting and compliance calls for a collaborative revolution.

Global market participants can realise financial and non-monetary benefits by furthering the goal of building reporting systems that bring the right information from its source within an individual organisation seamlessly to investors, regulators, policy makers and other users. Each stakeholder along this information chain can further this digital transformation by:

- Establishing a stakeholder task force committed to the digital transformation of regulatory reporting;
- Ensuring that standard setters, framework developers and best practices are committed to an open, global repository as the authority of digital taxonomies for industry bodies of knowledge around reporting and compliance;
- Preparing a high-level solution blueprint for implementing a global digital framework within products, and using a high-level understanding of the regulatory ecosystem and its scope with a view to assessing the value that digital transformation provides to policymakers and regulatory authorities, and
- Ensuring software vendors and service providers develop a prototype to test mapping and lodging of the reporting requirements.

The data revolution is possible but not inevitable for every organisation. It requires cross-stakeholder cooperation – including regulated entities as well as investors, professional organisations, accounting and advisory firms, standards setters, software vendors, regulatory authorities, data aggregators, academics and policymakers.

Only this type of cooperation – as well as firm leadership and a willingness to play a role in the process – will ensure a new and highly efficient, cost-saving global compliance and reporting order takes shape. It will allow professionals to return to their traditional, honoured role of using their expertise and skills as part of quality decision-making. ■

CREATING A RESILIENT WORKFORCE FOR YEARS TO COME

In times of crisis, people are a business's biggest asset. They are also its biggest expense. Having issues of cashflow front and centre forces the cost of talent into the limelight – but it does not mean putting profit before people, writes *Nick Jackson,* president at CIMA and finance transformation leader at Oracle

This is where the CFO and HR team need to come together, working more closely than ever before to ensure every decision is made with empathy.

The CFO, delivering change across a business, must be a trusted partner for HR teams – not least since 62% of CFOs say changes to employment and employee benefits will be among the hardest decisions they have to make. Together, the CFO and HR need to evaluate skills and resources, minimise temporary and long-term loss of staff, and look after their people. All of this will build a resilient business.

CULTURE OF INTEGRITY

There will need to be a cultural shift, a crossing of divides in a virtual office. The CFO should make themself available to HR teams, bringing an overarching view of the organisation's health. They should also understand that decisions involving people are the most sensitive to make – and defer to the experts on the best course of action. Together, using data to shape every discussion, is the best way to make these decisions.

Sometimes immediate action must be taken, but any change needs to take long-term strategic planning into account. Foresight can be hard to maintain, and prioritise, amid uncertainty. Working as one, the CFO and HR team need to fall back on the data: to understand where there is need, find smart ways to redeploy staff, provide them with the training to make an impact, and to make hard decisions about furloughing or reducing hours with empathy.

Being data-driven sees the right kind of change in the short and long term. Being empathetic ensures your employees remain the priority. Together, this creates a culture of integrity.

MANAGING CHANGE

During lockdown, many businesses have experienced a change in customer needs and buying patterns, triggering a pivot in business priorities. Those that chose to tackle the challenges head-on are reinventing their priorities. But in this transition, employees cannot be left behind.

> "ANY CHANGE NEEDS TO TAKE LONG-TERM STRATEGIC PLANNING INTO ACCOUNT

Any change to a business's purpose will have a direct impact on the workforce. In conjunction with HR, workforce modelling can connect headcount with new financial plans. This needs to incorporate data from across the organisation, to bring together needs with skill sets and budget.

The CFO will need to evaluate where long-term change needs to happen, be that divestment in certain areas, which departments need new investment, or how to reshape certain functions entirely. This is not an easy task, and it should not be done alone.

DECISIONS FOR THE FUTURE

Beyond the here and now, the CFO and HR team need to plan what comes next. Hurdles include the cultural and financial implications of getting back to the office – or not.

To make this shift work, businesses need to understand if they have the right talent for a remote culture, and the right systems in place to support one. To do so, the CFO and HR need to access forward-looking insights into workforce trends by tapping into predictive data. This level of understanding will drive cultural change, help employees adapt and keep an eye firmly on the future.

Automation is key here. It will allow the CFO and CHRO to sift rapidly through vast amounts of data from across the organisation and make smart, information-driven decisions. Office space could be reduced, for example, if the majority of employees are in favour of more flexible work from home policies in the future.

Employees could also receive more targeted training and support while working remotely, with data insights enabling a greater understanding amongst businesses of how happy their employees are. Not only is this crucial for long-term staff retention, but also valuable for understanding where staff may be most satisfied if they need to be redeployed elsewhere in the business.

Constant communication, strong data and a maniacal focus on what may come next will ensure that changes contribute to a better future. CFOs need to make some hard decisions about their people – but they will be much harder without HR by their side. This will not only lead to better decisions now, but will be the key to a resilient workforce for years to come. ■

CALLING ALL CFOS: IT IS TIME TO RESTRUCTURE THE FINANCE FUNCTION

As lockdown restrictions lift and financial care packages are being offered by the UK government, *Jeremy Fletcher,* MD at Transform Finance, argues that operational finance functions should be taking significant action now to ensure survival

With Covid-19 set to dominate global headlines for some time to come, most organisations will rightly be focused on protecting their cash and re-budgeting to allow for a totally new outlook.

However, they must also take the opportunity, or be forced by circumstance, to review their organisational plans. The CFO will typically be at the forefront of these initiatives, and will be leading by example through reviewing the structure of the finance function.

Aside from its fiduciary and legal responsibilities, the primary role of the finance function is to support the organisation of which it forms a part. Therefore, any plan to transform or restructure must begin with a fundamental review of the requirements and needs of the business. And this starts from the top.

Before any replanning exercise starts, the CEO and the individual members of the executive team must be allowed the opportunity to explain their own needs and expectations. While these demands need to be given full consideration, it is for the CFO to assess them for cost, feasibility and practicality of delivery, and accept or reject them accordingly.

From these C-Level discussions, the CFO and their appointed project team will gain greater knowledge and understanding of the key components of the business, how it works, and its fundamental drivers. All the executive inputs will require full consideration in the next stage of the restructuring process.

Armed with their own detailed knowledge of the finance function and the new demands from the senior team, the CFO must now map a new hypothetical organisation.

Why hypothetical? Because, although the new structure should be drawn from scratch to create the perfect model, the reality of having a fully staffed department inevitably means that the hypothetical organisation will be compromised to allow for the existing employee base. The hypothetical organisation can be created in draft form, but in reality, it can only be brought into existence in stages over an appropriate period of time.

Once the bones of a new structure have been formed, the CFO should review the plan with individual finance managers and the relevant subject matter experts. This will ensure that the new structure is workable and that various elements of detail have been fully considered and worked through. Of course, at this point, although the CFO needs the skills to manage the disappointments and disagreements that this stage of the process may entail, they must also ensure that the momentum towards the new organisation is maintained as required.

With the new structure agreed, but with the old structure still in place, the CFO will now create a route map to move the organisation from the old state to the new. There are three major components in doing this: people, process and systems.

Taking the most important element first – people – the CFO reviews the current organisation with an eye to planning the steps towards the new organisation. This would normally include at least the following elements:

- **Redefining the split of management responsibilities:** Ensuring each area fits with the process flow of the business;
- **Reducing layers of management:** Ensuring a suitable manager-worker ratio;
- **Checking stress points:** Amending functions that have historically been overwhelmed with work;
- **Reviewing your direct reports:** Ensuring you have suitable individuals for each new role, and
- **New pieces:** Building in any new responsibilities highlighted from your executive reviews.

The steps above are the keys to simplify and streamline the finance structure. However, in order to take this further, both finance processes and systems need to be fully reviewed and appropriate changes made.

Detailed processes can be amended by combining the skills of finance managers and the individuals working the detail of each process. Robust and open communication and debate should be encouraged in order to flush out any unnecessary process steps, unneeded data production and inefficient process loops. Alternatively, a general process owner can be employed, usually on a short-term basis, to lend experience and expertise to ensure that the new processes conform to the most efficient and commonly practised standards.

A systems upgrade can help to create a more streamlined finance function allowing for faster processing requiring less steps and less human intervention. Again, creating a team of subject matter experts and individuals with the relevant technical knowledge will ensure the most efficient system choice and design.

Finally, all elements coordinated in a well-structured comprehensive plan will lead to the creation of an efficient cost-effective organisation, and the CFO can show leadership across the whole company by showcasing the functional effectiveness of an efficient finance function.

The steps are straightforward; the skill is in the CFO's coordination. ■

HONG KONG NATIONALS: UNDERSTANDING VISA AND TAX WHEN MOVING TO THE UK

Over 2 million Hong Kongers learned recently that they may soon be offered a route to UK citizenship following China's introduction at the end of June of its controversial Security Law in the territory. *Lara Mardell,* legal director, and *Alastair Collett,* partner at BDB Pitmans, and *Alfred Ip,* partner at Hugill and Ip, write

An important consideration for anyone thinking of relocating is UK tax. Hong Kong has a territorial system of taxation, with relatively low rates of tax, so individuals from Hong Kong may find the complexity and rates of the UK's system rather daunting.

To provide the most helpful advice, tax advisors need to be aware of how the immigration rules interact with the tax rules. We do not yet know how the new visa will operate, but it would be logical for it to work in a similar way to the current rules for Tier 1 or Tier 2 visas, normally leading to an ability to apply for indefinite leave to remain after five years.

Take the case of 'Joe', a Hong Kong national who holds a BNO passport. Joe is 47, and recently sold his business. He owns a flat in Hong Kong and some financial investments. He decides to move to the UK for a while on the new BNO visa.

Very sensibly, Joe consults a UK tax advisor while still resident in Hong Kong. The advisor tells him about the UK's Statutory Residence Test, and Joe plans to become UK resident on 6 April the following year.

Joe is relieved to learn that as a non-UK domiciliary he is entitled to the remittance basis of taxation, so will pay UK income tax and capital gains tax only on his UK-sourced income and gains, and on foreign income and gains remitted to the UK. He carries out the advance planning his advisor recommends prior to becoming UK resident, so he can maximise the remittance basis.

Joe decides not to sell his flat in Hong Kong; he would like to retain the option to return to his original home, so instead he rents it out. He pays Hong Kong tax on the rental income (15%) and may pay some Hong Kong tax on the income from his financial investments, although this is not generally taxable in Hong Kong. For now, though, he does not pay UK tax on this income, unless he brings it to the UK.

REMITTANCE BASIS CHARGE

Joe settles in the UK and decides he wishes to stay long term. If the BNO visa works in a similar way to a Tier 1 Visa, he would be granted 'indefinite leave to remain' in the UK after five years. Joe's advisor informs him that once he has been UK resident for seven of the previous nine tax years he will have to pay the remittance basis charge, initially £30,000 ($37,500) per year, to be able to use the remittance basis.

Joe suggests he might break UK residence for a time, in order to delay having to pay the charge – as long as he is resident for less than seven years of the previous nine, he will not need to pay it. But his immigration lawyer tells him that this will cause a problem with his visa. If Joe leaves before five years in the UK, the five-year period required for indefinite leave to remain will start from scratch on his return. If he leaves after five years, when he has right to remain, he is permitted only two years outside the UK before losing the right. Two years will not be long enough to avoid the remittance basis charge.

Joe considers whether he might leave the UK anyway – as a BNO passport holder he can always come back. Maybe he does not need indefinite leave to remain. But what if the rules change? He decides to stay in the UK and acquires indefinite leave to remain.

After six years, Joe can apply for British citizenship. Could he move outside the UK after his passport comes through, just in time to avoid the seven-year deadline for the remittance basis charge? He could come and go for a while, maintaining less than seven years' tax residence out of any previous nine for a while yet. His immigration lawyer is not happy with this: to apply for a British passport, he has to declare that he intends to make his main home in the UK. This would hardly fit with leaving it so soon afterwards. So Joe takes some more advice on how to mitigate his overall tax burden, finds that with appropriate structuring the additional tax is not quite as much as he feared, and acquires his British passport.

Some years later, Joe is advised that once he has been tax resident for 15 of the previous 20 tax years, he will be deemed domiciled for all UK tax purposes. Inheritance tax, capital gains tax and income tax will all be payable, with no concessions allowed for the fact that he is not actually UK domiciled. Many years have passed since he declared he intended the UK to be his main home, so leaving might be an option, but he is not keen to do this. He discusses with his advisor the planning opportunities he still has, particularly before this happens. He also learns that any Hong Kong tax he pays on his Hong Kong income sources will be credited against UK tax under the Hong Kong-UK double-tax treaty.

Of course matters are, in reality, more complex: for example, Joe might acquire an actual domicile of choice in the UK. His best plan will be to take advice on all this, together with immigration advice and the structuring he can do, in good time – ideally well before the end of the tax year prior to moving. ■

ENTRENCHING THE NEED FOR AUDITORS TO DO THE RIGHT THING, EVERY TIME

As Bernard Agulhas, CEO at South Africa's Independent Regulatory Board for Auditors (IRBA), prepared to step down from his role at the end of June, he took time to speak to *The Accountant* about the how the audit profession has been working to maintain its integrity throughout the Covid-19 pandemic

The Accountant: How has the Covid-19 pandemic impacted the profession? How have firms and their clients responded?

Bernard Agulhas: The extended lockdown has made conducting audits challenging.

Early in the lockdown process, the key financial sector regulators, being the South African Reserve Bank, the Independent Regulatory Board for Auditors and the Companies and Intellectual Property Commission, established a joint regulatory task force which also included the top five firms, the Johannesburg Stock Exchange, the Institute of Directors SA, the King Committee, the Audit Committee Forum, the CFO Forum and the Institute of Internal Auditors.

The forum provided a platform for all role-players in the financial reporting chain to raise their challenges and discuss solutions such as extensions of statutory deadlines. In excess of 30 projects were identified and three workstreams established for audit, accounting and governance projects. The South African Institute of Chartered Accountants was instrumental in delivering on the accounting projects and providing the necessary guidance, while the IRBA facilitated the development of audit guidance.

Audit firms have responded positively to the challenges posed by auditing remotely and have been innovative in using technology to deliver on their audit responsibilities.

This experience has provided a blueprint for the day when Comprehensive Regulation becomes a reality, and has facilitated – albeit under unexpected circumstances – the opportunity for all role-players to combine efforts to continue to achieve high-quality financial and audit reporting without compromising good governance, ethics and controls.

TA: Has any regulation been introduced or changed in light of the pandemic? What impact has this had?

BA: The discussions above resulted in several extensions being granted to companies as well as auditors. For example, the Financial Sector Regulatory Authority issued extensions to financial reporting periods for listed entities with year ends from January to April, and the IRBA extended the period in which auditors must submit Reportable Irregularity reports to the IRBA, to accommodate government regulations that most businesses had to remain closed as a health precaution.

TA: The MAFR deadline is 2023, but many organisations are already changing auditors voluntarily. Has the pandemic hindered progress?

BA: No, voluntary rotations have continued, although it has been impossible to hold Annual General Meetings in person; these have continued via electronic platforms.

TA: In April, commenting on the impact of the pandemic, you said: 'Financial regulators and standard-setters, locally and globally, must maintain the integrity of the markets in terms of standards and quality, while also appreciating that it is not business as usual.' Do you think integrity has been retained? How difficult has it been for auditors to carry out their work?

BA: It has been difficult and challenging for auditors, particularly in the area of stock counts and physical asset verification.

The whole profession has had to change its way of working. There is much greater reliance on remote meeting platforms and digital exchange of information. We are certainly seeing a hybrid audit taking shape, as we are still limited in terms of movement and travel as well as in terms of numbers of people gathering; numbers are limited to 50. This takes some planning to make sure the right people are on site at the right time, while still observing social distancing and health and safety requirements.

We see the response of the profession in their endeavors to continue to deliver high-quality audits as a good opportunity to restore

confidence in the profession, and believe that the regular engagement between regulators, the profession and industry has highlighted the challenges and the need to continue to comply with the standards.

This expectation has been confirmed by regulators, those charged with governance, and investors.

TA: What is the state of the profession currently in South Africa? Has its reputation recovered from the scandals of a couple of years ago?

BA: We felt that we had made tremendous progress in restoring the reputation; however, there continue to be accounting scandals, and some of the business and accounting scandals from 2018 and 2019 are only now being prosecuted or reported on as forensic reports are released.

Investigations into improper conduct by auditors related to a number of high-profile business failures continue. I believe our firms have come a long way in terms of improving their independence, enhancing acceptance and continuance methodologies, and paying greater attention to the levels of corruption that persist in South Africa.

I also believe that our projects to restore confidence, which included changes to the standards, revisiting auditor competencies, amendments to the audit legislation, introducing comprehensive regulation and improvements to the Code of Ethics, have had a positive impact on the public's perception of the audit profession.


Bernard Agulhas, IRBA

> " I AM CONFIDENT THAT SOUTH AFRICA HAS ACHIEVED THE REQUIRED RECOGNITION AS A WORLD-CLASS STANDARD-SETTER

TA: In the past year, IRBA has introduced measures to increase transparency and rebuild trust in the profession, such as the voluntary Audit Firm Transparency Reports and Feedback Report on Audit Quality Indicators. How successful have these initiatives been? What has the auditor response been?

BA: The Audit Quality Indicators have been well received, and our first reports from firms are in. We hope to produce a thematic report about audit quality in South Africa very soon.

The largest firms have produced transparency reports and we will undertake a process of engagement with the Audit Committee Forum and others to evaluate the usefulness of these reports and seek to make improvements on what the firms include and report on.

TA: In our 2019 year-end review, you mentioned that IRBA was considering whether auditors should have specific competencies in the identification of fraud. Has there been any movement in this area?

BA: This is an area that IRBA continues to highlight for auditors, and even more so in the Covid-19 environment.

We have now issued a staff alert on fraud detection and the questions auditors should be asking. This has been in development for some time, but came to fruition during the heightened risk of fraud during the pandemic. It is now even more critical that auditors are vigilant towards potential fraud.

TA: Have there been any other key developments in the last year for the profession?

TA: The most recent development in the last year is the drafting of amendments to the Auditing Profession Act. The act amendment was tabled in parliament in February just before lockdown. We are still hopeful that this will continue through the parliamentary process this year.

TA: Your tenure as IRBA CEO comes to an end this year. What has your proudest achievement been?

TA: Leading the organisation and instilling an absolutely strong culture of ethics, integrity and independence. Our people truly understand the role of the regulator as a public protector, and the very high importance we place on retaining an unblemished reputation.

While challenging, it has also been a privilege to lead the organisation through a period when confidence was lost in the profession, in order to restore confidence, which I am pleased has started to manifest before my departure.

At a global level, I am confident that South Africa has achieved the required recognition as a world-class standard-setter and an independent audit regulator, which acts without fear or favour. Such recognition is demonstrated by South Africa's and the IRBA's continued participation in global standard-setting and regulatory structures.

We have continued to focus attention on auditor independence, which is a key ingredient of audit quality, and have hopefully entrenched the need for auditors and other role-players to always behave ethically and do the right thing, every time. ■

IFRS 17: THE ACTUARIAL CHALLENGES

The new IFRS 17 standard for the accounting of insurance contracts will become mandatory on 1 January 2023. This provides significant challenges in reassessing actuarial risks and margin expectations, and then reflecting these outcomes in a totally new way in the financial statements. *Michael Winkler,* actuary, and *Sunil Kansal,* head of consulting at Shasat, write

IFRS 17 requires a much higher level of data granularity than any existing accounting standard or regulatory framework, including Solvency II.

The portfolios must be split depending on their type of business, their expected profitability, and their respective underwriting year. This split has to be maintained for many years – according to the standard: until expiry. The priority for many companies is therefore to enable their IT systems to provide and 'maintain' the required granular data. This is a very challenging task on its own; however, this article focuses on other challenges.

IFRS 17 is a principle-based standard; therefore, many parts are not prescriptive and companies can make various choices on the detailed implementation. However, the final outcome – the future annual results – will heavily depend on these choices; therefore, it is important to make well-informed decisions in this area.

RESULT VOLATILITY

Most companies try to mitigate result volatility as much as possible. There are several sources for result volatility in IFRS 17, starting with the grouping of contracts. The standard requires companies to keep onerous contracts separately and to recognise losses immediately so there is no room for cross-subsidy with profitable portfolios absorbing the losses of other portfolios.

Furthermore, discounting can be a source of significant volatility – translating the volatility of published Solvency II balance sheets into annual results that may indicate the volatility in this area. For participating businesses, the so-called Variable Fee Approach can mitigate this volatility up to a certain degree, with the Contractual Service Margin (CSM) serving as a buffer for interest rate movements.

> "IFRS 17 IS A PRINCIPLE-BASED STANDARD; MANY PARTS ARE NOT PRESCRIPTIVE

The authors of IFRS 17 would argue that the CSM is, in general, supposed to reduce profit volatility, which is certainly true if you compare IFRS 17 to a standard with current assumptions but without CSM. However, compared to a standard with locked-in assumptions, IFRS 17 is expected to produce more volatile results, despite the CSM.

If all future cashflows are in line with the initial expectations, the annual insurance results are entirely driven by the releases of the CSM and the risk adjustment. Therefore, the corresponding release patterns require careful consideration.

COMPONENT SEPARATION

An important objective of IFRS 17 is to make the insurance business comparable to other businesses. This means components that are the same as in other businesses must be treated consistently and, therefore, separated from the insurance contract.

This concept certainly applies to services that are not an integral part of the insurance cover provided. Furthermore, it applies also to any kind of deposits, such as savings or investment components. These have never been classed as part of the turnover for any other type of business, particularly in the field of banking.

The process of splitting out investment components, such as fund investments, that are also available without an insurance contract – the so-called Distinct Investment Components – is straightforward. However, there are investment components that are closely linked to the insurance risks; they can only be identified as an investment component since corresponding amounts are paid to the policyholder, independent of any insured event.

DISCOUNTED CASHFLOWS

The basis for the valuation of the insurance contract liabilities are the discounted expected future cashflows. Expected cashflows can well be the cashflows based on best estimate assumptions; however, this only works in the case of symmetric distributions. For other distributions, stochastic simulations are an adequate way to determine the expected future cashflows.

This is a major challenge in practice. The basis for accounting statements must be consistent over time as any variation flows through the results. However, stochastic simulations depend on random generators, seed numbers and so on, and tend to deliver inconsistent results over time. Furthermore, they are very difficult to audit. A more practical approach may be to capture the most relevant dependencies in corresponding tables – originally produced based on stochastic calculations – and use the results from the tables for the periodic statements.

The yield curve for discounting the expected cashflows is another challenging item. According to the standard, it can be derived from risk-free rates (a bottom-up approach) or portfolio yields (a top-down approach).

Companies normally aim to minimise the gap between the impact of market movements on the liabilities and the corresponding impact on the value of the corresponding assets, as this would be another important source of accounting volatility. In practice, ALM is never perfect, and many asset classes cannot be properly reflected in a yield curve.

CSM AND AMORTISATION

The CSM at the inception of a cohort is determined in a way that there is no initial gain – comparable to other accounting standards. The amortisation runs in line with the so-called Coverage Units, reflecting the number of insurance services provided.

There is not much guidance for the calculation of the Coverage Units; however, the intention seems to be that they are based on pure volume measures – total sum insured, premiums and so on – and do not require any actuarial calculations. The Coverage Units can also be based on investment services, allowing earlier profits for deferred annuities without biometric risk in the deferment period.

In the Variable Fee Approach for participating contracts, the current interest rates are flowing into the CSM, leading to a potential (unintended) deferment of profits. In this case, the Coverage Units have to be defined accordingly, leading to higher CSM releases in early years. In any case, the amortisation of the CSM has a significant impact on future results. Therefore, a careful check of alternative concepts should be done before making decisions.

RISK ADJUSTMENT

IFRS 17 requires an explicit margin for insurance risk, the so-called risk adjustment, reflecting the risk appetite of the company.

There is little guidance on how the risk adjustment should be calculated; there are only some qualitative statements in the standard. On the other hand, there is a requirement to disclose the quantile that the risk adjustment is signifying. This would obviously require some stochastic simulations to come up with a distribution of results.

> “ THE NEW FRAMEWORK SIGNIFICANTLY IMPACTS THE WAY THE INSURANCE COMPANIES WILL PRESENT THEIR FINANCIAL PERFORMANCE

REINSURANCE

Reinsurance assumed is treated exactly like primary insurance; however, reinsurance ceded or ‘reinsurance held’ is causing additional challenges in IFRS 17.

The fundamental principle is that reinsurance held is booked separately from the underlying business, since primary insurance payments are never reduced due to any failure of a reinsurer to pay their part of the claims.

The actual challenges arise from a series of significant mismatches between the underlying business and the corresponding reinsurance held. The most important one lies in the CSM, which is very likely to be different in reinsurance held since the reinsurer usually does not participate in the acquisition cost. Without adjustments, these differences in CSM would lead to odd effects in the profit and loss statements.

TRANSITION APPROACH

One of the biggest challenges is the transition to IFRS 17. This process determines the equity and the CSM at the start, and therefore its impact on future results. The most appropriate approach for the transition is the retrospective application of IFRS 17 since inception; however, this is very challenging in practice, and may simply not be possible for major parts of the portfolio. Therefore, some simplifications may be used (in the so-called Modified Retrospective Approach) or the so-called Fair Value Approach – the latter being the less challenging approach from an operational point of view.

The expectation of the IASB seems to be that the most recent business is fully retrospective – as the requirements for the standard are now known for a couple of years – and the Fair Value Approach is used for very old business only. Given the impact on future results, managing the transition well should be a very high priority for all companies.

HOW TO MOVE FORWARD

The IFRS 17 implementation requires a lot of prescriptive decision-making, because the new framework significantly impacts the way the insurance companies will present their financial performance vis a vis its impact on the capital market and the way market experts would read, interpret and compare the financial outcome of insurance entities.

The first choice is the one regarding the interest rates for discounting their liabilities, for which the standard only describes the basic principle – bottom-up or top-down. The companies, however, most likely aim for a solution mitigating accounting volatility as much as possible. This requires a careful analysis under a comprehensive series of market scenarios.

Furthermore, the methodology to calculate the risk adjustment and the definition of the Coverage Units for the CSM amortisation must be chosen, both having a direct impact on the pattern of future results. Finally, the transition must be handled carefully as it determines IFRS equity and CSM at the start date, with a big impact on future results and an even bigger impact on return on equity. ■

A NEW OPTION TO GET THROUGH THE COVID-19 CRISIS

The Corporate Insolvency and Governance Act 2020 will open up new options for businesses experiencing cashflow problems due to the Covid-19 crisis, as it gives viable concerns breathing space to get through the difficult times and out the other side. *John Bell,* founder and senior partner at insolvency practice Clarke Bell, explains what it will do and how it might help struggling businesses


John Bell, Clarke Bell

The Corporate Insolvency and Governance Act 2020 has now come into effect, having received Royal Assent on 26 June 2020.

A key provision of the act is a new 'debtor in possession' moratorium procedure – as opposed to the previous 'creditor in possession' – which gives a business 20 business days' protection from certain creditor action, with a monitor overseeing the moratorium but leaving the company's existing management to run the its day-to-day business.

The monitor must be a Licensed Insolvency Practitioner, but it is the company director(s) who remain in charge of the business.

This is great news, as a common complaint of the previous rules was that it was the bank that was in charge, and its focus was often perceived to be on recovering its money rather than the longer-term aim of helping the business to recover.

Also, whenever it was required to do so, a bank would appoint its chosen insolvency practitioner, whose statutory objective was to maximise realisations, not to rescue the struggling business.

Now, the directors will be able to choose which insolvency practitioner they want to appoint, but the practitioner will only be responsible for checking that the company is eligible for the moratorium and is likely to be rescued as a going concern. The day-to-day management of the business remains in the hands of the directors.

After day 15 of the initial period, if the directors still need time to formulate a turnaround plan, they can extend the moratorium period by a further 20 business days, without having to get the approval of creditors. Any further extension would need the approval of the creditors or the court.

The moratorium can be extended up to a year with creditor support or by court order. This means it can act as a vital lifeline for a business struggling as a result of the Covid-19 crisis, providing enough breathing space for the shape of the post-pandemic recovery to become apparent and the company's long-term survival to be secured.

The act also provides temporary relief – currently until 30 September 2020, but potentially extendable by further legislation – from being subject to a winding-up petition and from wrongful trading provisions where a business can demonstrate that its difficulties have arisen due to the Covid-19 pandemic.

Essentially, the act is very welcome news. Businesses need all the help they can get right now, and this piece of legislation is ideal for aiding the rescue of strong companies who have been knocked off balance by the crisis, and only require a Time to Pay Arrangement with their creditors, coupled with further working capital finance, in order to make it through. And finance can still be obtained for strong companies, even in a Company Voluntary Arrangement.

It will not save the 'zombie' companies, however, that are only surviving because of low interest rates and financial support from the government. They are unlikely to survive – and, arguably, should not be encouraged to survive. A better option for those companies would be to liquidate now, before they put any more resources and money into a company that is not going to get through this economic crisis.

> "THIS PIECE OF LEGISLATION IS IDEAL FOR AIDING THE RESCUE OF STRONG COMPANIES WHO HAVE BEEN KNOCKED OFF BALANCE BY THE CRISIS

Accountants will play a key role in these light-touch rescue plans to help any of their clients who basically have a sound business but need some breathing space to get through this crisis.

Options like a Time to Pay Arrangement or even a formal Company Voluntary Arrangement could also result in a significant reduction of the total debt to be paid back. ■

OFF-PAYROLL LEGISLATION: STEPS NEEDED TO ENSURE COMPLIANCE

In April 2021, Chapter 10 of the ITEPA 2003 comes into effect in the private sector. For firms engaging limited company contractors, and their advisors and accountants, preparations should begin well in advance, writes IR35 Shield and ContractorCalculator CEO *Dave Chaplin*

Possibly an unfamiliar concept to some accountants, the off-payroll legislation is billed as reform of the 'intermediaries legislation', despite the two being distinctly separate statutes.

Contained in Chapter 8 of the ITEPA 2003, the intermediaries legislation – often referred to as IR35 – sets out rules to determine the 'deemed employment status' of limited company contractors and the subsequent tax treatment of their earnings.

Under IR35, contractors have traditionally been required to assess the tax status of their own contractual engagements and calculate their tax accordingly. However, under the new off-payroll legislation, this is now the responsibility of the hiring firm, which is also liable for additional employment taxes where the individual is deemed 'employed for tax purposes'.

Employment status is a complex issue, and so off-payroll compliance necessitates expert assistance. With HMRC permitted to pursue companies for backdated tax and penalties where it believes an incorrect assessment has been made, the significance of thorough compliance processes cannot be overstated.

The perils of non-compliance

Coupled with the administrative burden, the tax liability risk has seen some businesses seek to negate their compliance obligations by ceasing to engage contractors via limited companies. This has been evident in the public sector, where the off-payroll legislation has been in effect since 2017, and in the build-up to the private sector roll-out.

The fallout for businesses in both cases has been characterised by mass contractor walkouts, resulting in restricted access to key skills and subsequent damage and delays to projects. Put simply, the only way to mitigate the risk of off-payroll without suffering damaging repercussions is through careful compliance.

Securing accurate status assessments

Compliance protocols must be established well in advance of April 2021, and many companies will look to their accountants to help ensure a cohesive transition when the legislation comes into play. Central to this is the sourcing of trustworthy advice and accurate status assessments.

Though HMRC encourages use of its Check Employment Status for Tax (CEST) tool to guide status decisions, the questionnaire's logic does not align with employment status case law. Consequently, the tool is often geared towards delivering an 'inside IR35' determination when the facts of the engagement do not support this. Moreover, HMRC has been known to challenge CEST assessments, resulting in substantial tax bills for public sector bodies.

A safer option is to enlist IR35 legal expertise. However, the problem is that organisations specialising in IR35 compliance are in relatively short supply, and few will have the capacity to carry out contract reviews at the rate required of them by companies engaging large numbers of contractors.

Further experts are unlikely to emerge any time soon, given the specialist nature of IR35 and the fact that HMRC takes three to five years to train its status inspectors. Fortunately, alternative, scalable solutions are available online, providing accurate assessments alongside tailored compliance advice.

Ongoing protection against HMRC

An accurate status assessment alone will not fully relieve a company of risk. IR35 status considers the day-to-day working practices. Consequently, firms will need to gather evidence throughout an engagement to ensure that the working relationship continues to reflect the original status determination.

Some businesses may be discouraged by the perceived administrative burden. However, with HMRC permitted to retrospectively investigate a party's tax affairs by up to six years in some cases, the retention of evidence is essential to protect against future risk. A strong defence file alone could prove enough to deter HMRC's advances, which could halt a prospective investigation dead in its tracks.

Insurance alone is not the silver bullet

Some may view insurance as an alternative to robust compliance processes, but this would be foolhardy. Insurance can obviously prove invaluable, and all businesses are advised to secure tax investigation insurance; however, if your company or client views tax liability insurance as the silver bullet that will negate their compliance obligations, they should be reminded that insurance exists to compensate in the event of unforeseen circumstances, and not to recompense for ill-considered compliance decisions leading to non-payment of due tax.

Insurance companies will expect claimants to endeavour to arrive at the correct status determination, and are unlikely to pay out if certain measures have not been taken. This will be explained in the small print of any insurance policy, to which close attention must be paid. Put simply, an off-payroll defence must be founded on solid compliance and supplemented by insurance. Providing compliance obligations have been diligently fulfilled, firms should wind up in the enviable position of never having to make an insurance claim.

Act early to avoid any nasty surprises

Finally, it is important that firms get their houses in order well in advance of April 2021. If your company or client has failed to address the off-payroll legislation thus far, an exploratory discussion into their compliance plans could help prevent a nasty surprise.

Any contract that overlaps beyond 6 April 2021 is at risk of attracting unwanted attention from HMRC. If possible, companies should issue shorter contracts in the interim while work is undertaken to establish effective compliance processes. ■

HOW TO MENTOR MENTOR A REMOTE WORKING TEAM

Share scheme platform Vestd has been managing its team remotely for many years, having initially started out in a shared office. Co-founder and CEO *Ifty Nasir* shares his advice based on that experience


Ifty Nasir, Vestd

We have just witnessed a revolution in the way we work. It now appears doubtful that most people will ever return to working in an office five days a week. What does that mean for management?

Remote teams have to work harder in a few crucial areas, such as team alignment, knowledge sharing and company culture. They need to continually refine the processes to make sure that the whole team pulls in the right direction.

Building relationships

You need to establish trust and strengthen bonds between colleagues. This is especially important when bringing in new hires. Remote teams have to try that little bit harder to forge relationships.

The key is to ensure your team communicates regularly with each other. It is a fine balance. Anyone who has worked in an office will know that meetings can be the death of productivity, so try to minimise the number of them; however, it is crucial to conduct regular check-ins, and it is worth putting structure around this.

Consider holding morning stand-ups around three times a week, and encourage everyone to attend. These should not be a rigorous checklist of what people are doing, but an opportunity to give the team sight of the initiatives in progress across the company. Blockers can be flagged and discussed with the relevant people straight after the stand-up, or in a subsequent meeting.

You should also consider team meetings, which can be more tactical, plus strategic pow-wows on a monthly basis, with senior management and also intra-departmental meetings.

Every fortnight you should consider gathering together for a company retro and review session. It needs to last for around half a day – any more than that and people disengage, whether on Zoom or in person.

The fortnightly meetings should include a show and tell, followed by a group discussion where everyone should be encouraged to contribute ideas. You can vote on which to prioritise, using an online tool called Retrium to do this.

Of course you also need one-on-one catch-ups, which are less about operations and more to do with checking in with each other.

The importance of documentation

Clearly defining and documenting your processes is absolutely essential, both in terms of the tools you use and how you use them, but also the tasks that need to be carried out.

It is worth regularly updating process maps to help new employees understand the way you do things. This is especially crucial if your business is technical in nature.

Knowledge sharing is also important. Slack and Google Drive are great for this, but there are numerous other tools. The aim should be to help people to find answers to questions without having to distract colleagues.

Focusing on output, not input

Measure output rather than input. Keeping track of performance and optimising for efficiency is still crucial, but the end goals are what matter most.

Many office-based companies are still anchored to 'inputs', most obviously in the form of seeing employees turn up at 9am and work until 6pm. Checking in and out is not something remote-based firms can do easily, nor should they want to.

There is no point in monitoring people's keystrokes, as some firms do, unless you are mandated to do this for regulatory purposes. Nobody likes this kind of Big Brother approach; instead, thorough planning and goal setting can really help to keep focus on what needs to be done.

Clarity of communication

The ability to communicate clearly and concisely should now be right at the top of your hiring requirements, when interviewing prospective employees. This is certainly not a 'soft' skill, but something that can make or break your remote-based business.

Strong verbal and written communication is essential. The ability to quickly communicate thoughts, ideas and feedback is critical, given that we all use the likes of Slack, email, Hubspot and Zoom on a daily basis. People can learn to be better communicators, so do consider training.

Team alignment

Sharing ownership is an excellent way to align your team, and we are seeing a lot more remote-based businesses using their equity with this purpose in mind. In fact, recent research discovered that team alignment was the third-biggest benefit of running an employee share scheme, after increased employee loyalty and productivity. ■

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