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The international fight against money laundering

Interview with Linda Richards, AIA Vice President

Understand your statutory obligations

Making the choice between simplified and enhanced due diligence

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In this issue

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Make sure that your practice is compliant

Angela Partington Editor, IA

The requirements of the International Ethics Standards Board for Accountants (IESBA), which have been adopted by AIA, set out the fundamental principles of ethics for professional accountants. These principles establish the standard of behaviour expected of a professional accountant, which include integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In his article 'Practice compliance: know your statutory obligations' (page 23), Ian Waters explains the ethical principles of professional behaviour and some of the statutory obligations placed upon accountancy practices. Ensuring data privacy and security is a legal requirement, requiring the personal data you hold to be processed legally and fairly, and giving rights to the data subject about the processing of their personal data.

The Information Commissioner's Office is responsible for enforcing the provisions of the UK General Data Protection Regulation and the Data Protection Act 2018. Following the accountability principle sets out six key areas requiring you to have appropriate measures and records in place to be able to demonstrate your compliance. These include lawfulness, fairness and transparency; purpose limitation; data minimisation; accuracy; storage limitation; and integrity and confidentiality. Ian's article contains a breakdown of what each of these measure entails so that you can make sure your firm is in compliance with the principles.

He also examines the Provision of Services Regulations 2009, under which your practice is required to provide specified information to its clients and those wishing to become clients.

Another key aspect of practice compliance involves due diligence, and the importance of knowing and understanding your client's identity and business activities so that any money laundering or terrorist financing risks can be managed. In his article on page 14, David Potts considers the different levels of diligence that are required to enable you to effectively manage money laundering risk.

Simplified due diligence can usually be applied when a client is low risk, in accordance with the firm's risk assessment criteria. However, you must also consider the services you are being asked to provide to the client, alongside delivery methods, and whether this is something assessed as being of higher risk. A risk-based approach to client due diligence will identify situations in which there is a higher risk of money laundering or terrorist financing, when the Money Laundering Regulations specify that 'enhanced' due diligence must be undertaken.

The fight against money laundering is, of course, a truly international battle. In his article on page 17, Muhamad Nazri Shaidon explains how Malaysia is preparing for the upcoming mutual evaluation 2024-25 in its attempt to tackle money laundering and terrorist financing.

Contributors to this issue

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IAN WATERS

Ian Waters supports accountancy firms with compliance – AML, ethics, professional standards and more, and is a coach and specialist in regulatory policy and practice, compliance and anti-money laundering.

LINDA RICHARDS

Linda Richards is Vice President of the AIA, as well as a Finance Director at Wildstar Films, with vast experience in television production. She has held various roles at the BBC, ITV and Endemol Shine UK and others.

MUHAMMAD BILAL

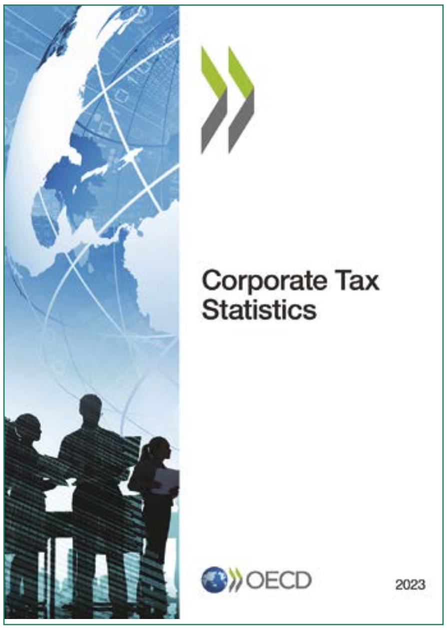
With an accounting degree and MBA in Accounting and Finance, Muhammad Bilal is an accomplished accounting and finance professional with over two decades of experience. He currently serves as a consultant with a leading national firm in West Yorkshire.

DAVID POTTS

David Potts is Director of Operations & MLRO at the AIA, working with regulatory bodies across the world to ensure AIA members meet the appropriate standards of competence and professionalism.

OECD

New stats underline need for global tax reform



Jurisdictions with high tax rates account for more than half of the low-taxed profits reported globally by multinational enterprises (MNEs), according to new OECD analysis (see tinyurl.com/mdm27yyv).

The data on the taxation of large MNE profits show how tax incentives and other concessions in jurisdictions with high average tax rates enable some firms to pay low effective tax rates. The findings highlight how the introduction of a global minimum tax rate on the profits of large MNEs agreed by the OECD/G20 Inclusive Framework would create new opportunities for how governments raise and send their tax revenues.

The OECD's latest Corporate Tax Statistics report and accompanying working paper, 'Effective tax rates of MNEs: new evidence on global low-taxed profit', provide new data on global low-taxed profit, a key issue for determining the impact of the global minimum tax.

The OECD said: 'The paper finds that an estimated 37.1% ($2.411 billion) of global net profits (totalling $6.503 billion) are taxed at effective tax rates below 15%. In contrast to earlier studies, which have focused on low-taxed profit only in low-tax jurisdictions, the new paper estimates that high-tax jurisdictions – jurisdictions with statutory and average tax rates above 15% – account for more than half (56.8%) of all global profits currently taxed below 15%. This profit in high-tax jurisdictions exists across all country groups regardless of income level, with an estimated 28% of all global low-taxed profit being located in low or middle-income jurisdictions.

'High-tax jurisdictions even account for more than 20% of very low-taxed profits – those with an effective tax rate below 5%. These low-taxed profits in jurisdictions with high tax rates, which are likely the result of tax incentives and other targeted concessions, highlight the revenue-raising potential of the global minimum tax, even in jurisdictions that have previously been thought to be high-tax.'

The data in Corporate Tax Statistics covers the taxation of multinationals in more than 160 countries and jurisdictions.

DIGITAL PLATFORMS

HMRC introduces new tax on 'side hustle' businesses

People making money from selling second-hand goods online could end up paying tax on their 'side hustle' earnings, following the introduction of new rules by HMRC that came into effect on New Year's Day.

From 1 January, digital platforms such as eBay, Airbnb, Etsy, Amazon and Vinted must share seller information with HMRC as part of a crackdown, dubbed the 'side hustle tax'.

The tax authority said the new rules will allow it to detect and tackle tax evasion, while also levelling the playing field with how traditional businesses are treated for tax purposes.

Vinted is reporting that some of its sellers have already closed their accounts as a result of the new tax.

The threshold for earnings from so-called 'side hustles' is set at more than £1,000 a year. Above this, online sellers must register as self-employed and file a self-assessment tax return at the end of the financial year.

HMRC was already able to request information from UK-based digital platforms, but Britain has signed up to new rules that came into effect at the start of this year via the OECD, allowing it to share information with other tax authorities to access data from platforms based outside the UK.

Online platforms will be required to report seller information directly to HMRC – although not until the end of January 2025.

This will include information such as tax ID, bank account details, as well as the amount and number of transactions made by sellers with sizeable trading activity.

It will apply to digital apps and platforms – including website providers to third-party sellers – and cover the sale of goods and services, such as handmade or second-hand clothes and items, alongside taxi hire, food delivery, freelance work and the letting of short-term accommodation or driveway parking.

ARTIFICIAL INTELLIGENCE

US accountants embracing 'empowering' technology and AI

Accountants in the US are 'overwhelmingly positive' about the profession, although they believe there is 'a clear need for more automation', new research has found.

The 'Automation: putting accountants on the right path' study, commissioned by ShareFile, asked accounting professionals how they felt about their profession, job satisfaction and automation. When it came to the latter, respondents said that technology represented an opportunity for firms to provide better client and employee experiences and to gain a competitive advantage.

The study said that while complex tax regulations and strict compliance requirements continue to drive demand, staff shortages mean many firms find it challenging to manage their growing workloads.

It found that accountants are increasingly frustrated with the time-consuming tasks and the limitations of their current technology.

However, despite the challenges, accountants feel satisfied and secure with their jobs, companies and the profession overall. More than nine in 10 accountants (93%) surveyed said they're satisfied with the current state of the accounting profession, and 89% believe their roles as accounting professionals will never be replaced despite technological advances.

When it comes to technology adoption in the field, accountants don't see automation as a threat, but rather as 'a growth lever that can help them enhance client experiences', with 96% considering it 'important' and more than half (51%) describing it as 'very important'.

'Regardless of the industry's obstacles, accountants are optimistic – bullish even – about their profession's future,' said Mike Fouts, Chief Business Officer of ShareFile, a business unit of Cloud Software Group. 'The survey indicates that accountants are excited to see how automation can help them do their jobs better and are eager for tools that empower them to deliver better experiences by streamlining routine workflow-related tasks and reducing or eliminating repetitive, admin-heavy work. When these workflows and processes flow effortlessly, that's when the more impactful work can really begin.'

The study also found that those who work for an accounting firm are more likely than those who work in-house at corporations to be satisfied with the profession overall. They feel the technology at their firm is 'very good', and they are more likely to say automation technologies are important to their jobs, especially AI and machine learning.

'The barriers to success in the accounting profession can often point back to limitations set by the technology they work with,' Fouts said. 'If you're using inefficient, backward solutions – multiple, complex, non-integrated technologies to manage simple workflows – you'll never be able to keep up with the increased workloads nor adapt to business changes or growth.

'Technology like that of ShareFile is purpose-built to meet the ever-changing needs of accountants, streamlining document and client-facing workflows and helping firms keep information secure so they can focus on high-value work and delivering a modern client experience.'


Mike Fouts

CARBON PRICING

Carbon pricing mechanism for UK imports

Goods imported into the UK from countries with a lower carbon price than the UK will have to pay a levy, known as a carbon border adjustment mechanism (CBAM), from 2027.

It will initially apply to imports of iron, steel, aluminium, fertiliser, hydrogen, ceramics, glass and cement.

The government said CBAM will ensure that products from overseas are subject to a comparable carbon price to those produced in the UK, reducing the risk of 'carbon leakage'.

The EU defines carbon leakage as a situation that may occur if, for reasons of costs related to climate policies, businesses were to transfer production to other countries with laxer emission constraints.

The amount of the CBAM charge applied will depend on the amount of carbon emitted in the production of the imported goods.

The proposed introduction of the UK CBAM follows the EU CBAM entering its transitional phase on 1 October 2023. The EU CBAM is currently due to take full effect for importers into the EU from 1 January 2026.

The design of the UK CBAM will be the subject of a further consultation in 2024.

AIA NEWS

ENVIRONMENT

Remain ESG compliant

Environmental, social and governance (ESG) regulations are government standards for ESG-related actions, reporting or disclosures. While the ESG space is mostly unregulated, various legal requirements have already passed in some jurisdictions, with the EU leading in this regard, but implemented at different paces.

Some businesses may already be undertaking ESG reporting and disclosures, depending on their size and industry.

AIA welcomes the recent update report from Squire Patton Boggs, which looks at the myriad of regulations across the world and what organisations should be doing to remain compliant.

AIA Chief Executive, Philip Turnbull added: ‘Embracing ESG regulations isn’t just a necessity; it’s a chance for businesses to contribute positively to the world while securing their future resilience and relevance in a rapidly changing landscape.’

See the Squire Patton Boggs report ‘Update: ESG laws across the world’ at: tinyurl.com/bde8f5vm

AWARD

AIA Member in Practice wins Entrepreneur of the Year

Shabir Djakiodine

AIA Member in Practice Shabir Djakiodine, Founder of Euro Accounting, achieved notable success by winning Entrepreneur of the Year 2023 and becoming a finalist for Businessman of the Year 2023 at the 8th Annual Birmingham Awards. The event celebrated excellence across business sectors and highlighted Euro Accounting’s contributions to Birmingham’s business community.

This triumph was swiftly followed by the firm’s advancement to the finals of the London Chamber of Commerce SME London Business Awards 2024, showcasing Euro Accounting’s excellence within the small and medium-sized enterprise (SME) sector and its commitment to innovation and growth within the London business community.

Euro Accounting offers business incorporation, domiciliation, accounting, tax, HR and payroll services in Ireland, France, Switzerland and the United Kingdom. They are expanding and have now set up an office in Dubai, the land of opportunities in a multicultural location. This development is a significant step forward for both

Shabir and Euro Accounting Ltd, since it opens up new opportunities to provide professional services to clients all around the world. Euro Accounting also provides services in most European countries and beyond through a network of international accountants, lawyers and consultants called Gentia Alliance CIC, set up by Shabir.

The AIA practising certificate opens doors for members to operate in public practice, providing a host of benefits, including additional recognition, support services and specialist guidance. AIA's extensive support services are tailored to help small and medium-sized practices work, evolve and grow. Members in Practice, like Shabir, have access to comprehensive resources to ensure the success of their operations, while adhering to all necessary regulations.

The dual recognition highlights Euro Accounting's consistent dedication to excellence and success, with Shabir's leadership having propelled the firm to the forefront of the business community. Under the guidance of the AIA, the firm remains a beacon of success, embodying the spirit of innovation, leadership and excellence that defines the dynamic landscape of the UK's business community.

Well done to Shabir and Euro Accounting on this remarkable achievement, and AIA looks forward to witnessing further milestones on their journey of excellence.

SCHOLARSHIPS

Scholarship programme deadline approaches

AIA scholarship programmes support students with strong career aspirations in accountancy or audit to obtain the AIA professional qualification with full financial assistance.

The deadline for applications is 1 March 2024.

AIA Accountancy Scholarship UK

Five awards are available through the AIA Accountancy Scholarship UK, two of which are given with priority to applicants from lower socio-economic backgrounds to support the AIA's commitment to Access Accountancy.

This award covers all course fees via AIA Achieve Academy, exemption fees and exam fees for the AIA professional qualification on either the accountancy or audit route.

AIA Commonwealth Scholarship

The AIA Commonwealth Scholarship offers a further five awards and is open to applicants from all Commonwealth countries, excluding the UK. The scholarship is part of the AIA's aims as a Commonwealth Accredited Organisation to support education and the economy through financial education and professional skills.

This award also covers all course fees via AIA Achieve Academy, exemption fees and exam fees for the AIA professional qualification.

The scholarship programme provides a great opportunity for fully funded learning and we encourage applications from a diverse range of candidates. As part of the application process, applicants are asked to submit a short essay on one of two questions: 'What would this scholarship mean to you?' or 'Why is a career in accountancy important to you?' Successful applicants will have a clear view of how they will develop their future career and the difference they want to make to the accountancy profession.

For further information about the AIA scholarship programmes, see: tinyurl.com/675kw8s8

CONFERENCE REPORT

AIA Examiners' Conference

At the 2024 Examiners' Conference, held on January 26, AIA's academic community convened to explore key topics shaping the future of accounting. It provided a platform for thought leaders to share perspectives on sustainability, AI integration and the future of accounting, reaffirming AIA's commitment to excellence and innovation in the field.

Keynote speaker Mark Manning, Principal Advisor on Regulatory Affairs at the IFRS Foundation, began by explaining the vital role of Sustainability and IFRS in contemporary accounting practices. Emphasising the significance of addressing climate change, Manning underscored the need for a strategic approach towards net-zero commitments.

Priya Dutta, Assessment Manager at Alpha Plus and eAA Board Member, discussed AI integration in examinations and accounting, dispelling any apprehensions about embracing technology. She emphasised the need to not fear AI but to harness its potential for the benefit of the accounting profession. Dutta's insights aligned with AIA's commitment to staying at the forefront of advancements in the field.

The collaborative effort of examiners, moderators, tutors and members of AIA's governance framework ensures that qualifications meet the highest standards and align with regulatory requirements. The support of the Financial Reporting Council at the conference underscored the pivotal role of sustainability reporting in professional accountancy and audit qualifications.

SUSTAINABILITY

AIA member leads the way in sustainable practices

The AI Accountant proudly announces its move towards net neutrality, marking a significant stride in sustainable business practices. Under the guidance of AIA Member in Practice and CEO Steve Hall, the firm has set an exemplary standard in the accounting industry.

Founded by Steve Hall in July 2023, The AI Accountant is dedicated to continuous improvement and innovation. During an AIA webinar, software provider Trace introduced a tool for measuring an organisation's environmental impact.

Using Trace's software, The AI Accountant conducted a thorough assessment aligned with the Greenhouse Gas Protocol, revealing a monthly carbon footprint of 1 tonne of CO_2, totalling 12.3 tCO_2 for 2023, primarily from supplier choices. Steve swiftly implemented a robust carbon reduction plan, collaborating with Trace to make significant strides towards the firm becoming carbon neutral through contributions to conservation projects.

Commenting on the achievement, Steve said, 'Our journey towards becoming net neutral reflects our commitment to responsible business practices. We believe in leading by example, setting a precedent for our industry and demonstrating the positive impact businesses can make on the environment.

'This was all made possible by the invaluable support of AIA and Trace. AIA's guidance helped me to understand the need to be more aware of our carbon footprint, and we want to thank AIA for fostering an environment that encourages responsible business practices.'

Steve Hall

Looking forward, Steve has joined the Carbon Accounting Fellowship programme, aiming to launch carbon accounting services for small businesses in the UK by February 2024, addressing the increasing demand for environmental reports in supply chain bids and tenders. Steve's commitment includes addressing supply chain carbon footprints to begin their movements to also become carbon neutral. As a member of the B1G1 organisation committed to 'Business for Good', which promotes positive impact globally, Steve will be contributing to the United Nations Sustainable Development Goals.

The AI Accountant's commitment to improving its carbon footprint exemplifies its dedication to positive industry change, aligning with the AIA's mission to support global accountants.

MONEY LAUNDERING

Suspicious Activity Reporting trends 2023-24

Each year AIA Members in Practice must submit an Annual Declaration relating to their firm, internal controls and clients. As part of this Annual Declaration, AIA requests information on the number of Suspicious Activity Reports (SARs) made in the past 12 months and their general categorisation.

A SAR is required when, during the course of their business in a regulated sector, a relevant employee (e.g. a Member in Practice) develops a suspicion of a crime with proceeds. More guidance on each of these elements is contained within the Consultative Committee of Accountancy Bodies report 'Anti-Money Laundering Guidance for the Accountancy Sector' (see tinyurl.com/8c6kwuc5).

David Potts, AIA Director of Operations and MLRO, said: 'AIA Members in Practice have identified a range of suspicions and reported these via the appropriate channels in the past 12 months. SARs are a vital source of intelligence not only on economic crime but on a wide range of criminal activity. As a Professional Body Supervisor, AIA highlights the importance of spotting and reporting suspicious activity, and provides guidance and support to Members in Practice to support this role.'

Read the full bulletin at: tinyurl.com/mse28bvn

CPD

New CPD on demand titles released

AIA's commitment to fostering continuous growth and learning is underlined by the latest release of new CPD on Demand titles. Notably, these include a comprehensive three-part series of sustainability events, which explores the sustainability challenges being faced by society and their impact on the accounting profession.

Additionally, leading ethics expert Chris Cowton delivers Business Ethics for SMEs, examining the main elements of an ethics programme that can help SMEs to chart the right course – and ensure not only that it is ethical but that it is also seen to be so!

AIA members and non-members seeking to enhance their knowledge and expertise can access the CPD on Demand portfolio (see tinyurl.com/2877f9v6), ensuring a flexible and comprehensive learning experience tailored to their professional growth needs.

AIA signs statement in support of ISSB climate standard as global baseline

The AIA has recently signed a climate declaration in support of a new ISSB climate standard to help drive an enhanced global corporate reporting system. The ISSB sets out the details of the standard.

Close to 400 organisations from 64 jurisdictions have committed to advancing the adoption or use of the International Sustainability Standards Board (ISSB)'s climate-related reporting at a global level.

This groundswell of support from companies, investors, stock exchanges, the accountancy profession, multilaterals, NGOs, universities, data analytics providers, corporate advisors and others comes as the ISSB embarks on a new phase – from creation to action – following the issuance of the first two ISSB Standards in June 2023.

Earlier this year, the ISSB Standards were endorsed by IOSCO, the global body for international securities regulators. Since then, companies, jurisdictions and other market players from around the world have been paving the way towards adopting or using the ISSB Standards.

The declaration of support, announced on Finance Day at COP28, demonstrates the strong support to advance action-oriented responses to the risk of climate change (see tinyurl.com/yc4ax6xh).

> **Companies, jurisdictions and other market players have been paving the way towards adopting the ISSB standards.**

Membership groups

Corporate membership groups representing thousands of companies globally have signed the statement, joined by more than 140 companies preparing public disclosures who also chose to demonstrate support directly. Companies have been calling for standards that enable them to communicate to investors comprehensive information about their climate resilience strategy.

Investor membership groups from around the world have also signed, gathering thousands of investors with more than $120 trillion of assets under management. They are joined by more than 70 institutional investors who signed individually. Investors have been calling for standards that provide decision-useful sustainability disclosures.

More than 25 stock exchanges have also directly signalled their support, as well the African Securities Exchanges Association, which represents 27 securities exchanges, and the Arab Federation of Capital Markets, representing 17 stock exchanges. Over 40 professional accounting organisations and audit firms have pledged their support.

A global endeavour

Regulators and standard setters from ASEAN, Brazil, Brunei, Canada, the European Union, Germany, Ghana, Hong Kong, Japan, Kenya, Mauritius, Mexico, Myanmar, Nigeria, the Philippines, Singapore, Turkey, the United Kingdom, Uruguay and Vietnam have welcomed the work of the ISSB (see tinyurl.com/3y62ynxy), as jurisdictions around the world start considering how they may incorporate the ISSB Standards into their regulatory frameworks.

IOSCO and the Financial Stability Board of G20 reiterated the critical support they brought on the announcement of the creation of ISSB at COP26, joined by the IMF, OECD, United Nations entities, the World Bank, the Asian Development Bank, and Network for Greening the Financial System.

The ISSB's key partners in the sustainability disclosure landscape – including the Global Reporting Initiative, the Carbon Disclosure Project and the Taskforce on Nature-related Financial Disclosures – also reaffirmed their support for the work of the ISSB. The ISSB continues to work closely with these partners to reduce market fragmentation in the sustainability disclosure landscape.

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APPLY TODAY FOR AN AIA SCHOLARSHIP

Application Deadline: 1 March 2024

aiaworldwide.com/scholarships
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T: +44 (0) 191 4930277

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Arthur Kaliisa: What I have learned from Achieve

Arthur Kaliisa shares his experiences of studying with the AIA Achieve Academy, and how the programme can help students develop their professional skills.

"I am Arthur Kaliisa, currently residing in Doha, Qatar. Within the ground services department of a leading airline based here, I serve as a contracts specialist. In my present capacity, my responsibilities encompass the negotiation and execution of airport service contracts, which span various back-office functions, including airport use and lease agreements, systems, baggage reconciliation services and fast-track services.

In addition to my role in the airline industry, I hold the title of an International Accountant. Until recently, I held a position on the Finance Committee of a non-governmental organisation in Uganda. This committee was established to address finance and administration matters on behalf of the Board of Trustees, the governing body of the organisation. The primary responsibility of both the Board and the Finance Committee is to oversee the strategic direction of the organisation.

The initial draw to enrol with the AIA for my studies was a referral from Dr Jeff Wooller, during my professional exams with another body. Struggling with limited support and study materials, and after initial contact with the AIA, I quickly realised they were the right association for me. The appeal lay in their cost-effective study route and a distinct emphasis on students and customer service, which aligned well with my academic needs and aspirations.

The AIA Achieve Academy

I chose to study using the Achieve Programme. My work is demanding, so it was easier to stay focused with a well-structured study programme. Incorporating the Achieve Academy into my professional development journey has been instrumental in enhancing my skills and knowledge as an accountant. The decision to leverage the Achieve Programme was motivated by the need for a well-structured study regimen that could seamlessly align with the demands of my work.

The Achieve personal study planner emerged as a valuable asset, offering the necessary structure to maintain focus on my studies amidst a demanding workload. Its strategic layout enabled me to navigate through the material efficiently, ensuring a comprehensive understanding of key concepts essential for my role.

One of the standout features of the Achieve Programme is its provision of practice questions and mock exams, meticulously designed to mirror the actual examination format. This aspect proved to be invaluable in my exam preparation, offering a simulated experience that not only familiarised me with the exam environment but also honed my ability to tackle diverse question formats.

Furthermore, the constructive feedback from e-tutors played a pivotal role in refining my exam-taking strategy. Understanding the nuances of what examiners seek in responses allowed me to tailor my answers more effectively, ultimately contributing to improved performance.

In essence, AIA Achieve Academy has proven to be a strategic companion in my professional journey, offering a comprehensive and tailored approach to education. Its focus on structured study, realistic exam simulations, and expert guidance has significantly contributed to my success in navigating the challenges of professional development within the realm of accounting.

Advice to prospective students

For prospective students considering AIA, enrolling on AIA Achieve Academy is a sound investment in your professional development. Achieve not only imparts structured learning but also aids in goal setting, helping students to stay on track. The online learning platform offers regular notifications at different study stages, allowing you to monitor your progress effectively.

The study materials provided by Achieve are of excellent quality, and the timely, constructive feedback from online tutors on tests is invaluable. Interactive workshops, strategically scheduled during studies and revision periods, prove beneficial in preparing for exams. These workshops not only offer guidance on tackling exam questions but also enhance overall exam readiness.

One notable strength of the Achieve Academy is its flexibility, accommodating the needs of working professionals. Access to online resources, including recorded lectures and bite-sized videos, allows for convenient learning without disrupting regular work schedules. Embrace the structure, quality materials and flexibility that Achieve offers, and it will undoubtedly support you in achieving your professional goals.

My profession career development

The AIA professional accountancy qualification has been a cornerstone of my career success. It not only laid the foundation for my current role but significantly enhanced my overall professionalism on the job. The qualification served as a comprehensive guide, introducing me to the core aspects of my current responsibilities. The practical application of what I studied during my professional qualification has become integral to my daily tasks, allowing me to navigate challenges with a solid technical foundation.

One of the remarkable strengths of the AIA qualification is its transferability. The skills acquired are not confined to a specific business unit or industry but prove to be versatile across different organisational contexts. This adaptability has empowered me to excel not only in my current role but also in diverse environments, contributing to my success and growth in the professional realm.

In my current role, the most demanding task revolves around supporting outstation teams across the Americas, Southwest Europe and Africa regions. This involves the continuous review, revalidation and renewal of over 2,500 contracts, ensuring compliance with budgetary constraints and raising necessary approvals in systems. The complexity of the role necessitates a comprehensive understanding of outstation operations.

This multifaceted responsibility calls for the application of various skills, including financial accounting, accounts payable, operations, risk management and compliance. The dynamic nature of the task requires a keen attention to detail and adaptability to address challenges that may arise during the contract review and renewal processes. Overall, this demanding aspect of my role keeps me engaged and continually draws upon a diverse set of skills and knowledge.

AIA Achieve Academy has been a transformative part of my professional journey. Its structured study approach, realistic exam simulations and valuable feedback from e-tutors have been instrumental in my career development. Balancing work demands was easier with the Achieve personal study planner, and the focus on exam preparation proved crucial.

As an AIA graduate, the professional accountancy qualification has played a pivotal role in propelling me to my current position. The comprehensive education, global recognition and high professional standards associated with AIA have not only distinguished me in the field but also contributed significantly to my career advancement.

Supporting my skills

Arthur Kaliisa explains the skills he has gained from the AIA professional accountancy qualification and membership and the benefits to his career.

The AIA professional accountancy qualification and membership actively supports my day-to-day responsibilities by aligning with the competencies required in the airline industry.

- **Meeting competencies:** The qualification ensures that I meet the competencies demanded by the airline for its staff, enhancing my proficiency in various aspects of financial management.
- **Customer-centric approach:** Prioritising a 'customer first' mentality, similar to external customers, translates into providing timely and efficient services to internal customers. This approach fosters a positive work environment and enhances overall productivity.
- **Personal effectiveness:** The qualification emphasises the importance of personal effectiveness, including prioritising work and mastering time management. These skills are critical in navigating the demands of a dynamic work environment.
- **Commitment to excellence:** The AIA qualification instils a commitment to excellence, aligning with the drive to deliver on key performance indicators. This commitment ensures that set goals are not just met but surpassed.
- **Commercial focus:** Recognising the evolving landscape of information needed for decision making, the qualification emphasises a commercial focus. Understanding the impact of various facets of the business on both top and bottom lines enables finance professionals to provide instant feedback and support.
- **Upholding standards and integrity:** The AIA qualification underscores the importance of upholding high standards of practice and integrity, essential attributes for finance professionals in maintaining trust and credibility.
- **Inspiring leadership:** The qualification fosters inspiring leadership by encouraging succession planning and building business continuity capacity. Delegating responsibilities to empower subordinates, coaching colleagues, and ensuring effective KPI delivery contribute to a culture of leadership excellence.

The AIA professional accountancy qualification actively equips me with the skills and values necessary to excel in my day-to-day responsibilities, fostering a holistic approach to financial management.

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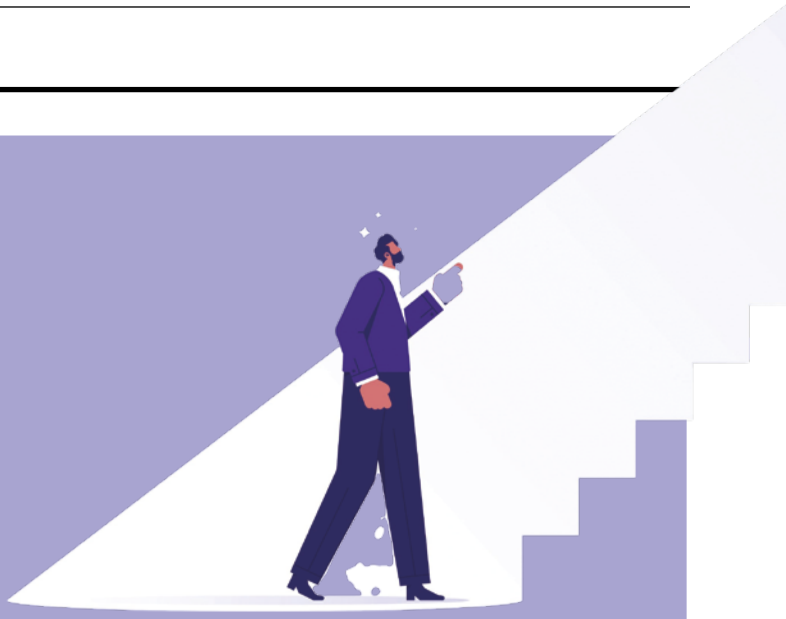
The power of continuous professional development



Continuous professional development can help you rise to new heights in your career.

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Client due diligence: are you asking the right questions?

David Potts **explores 'simplified' and 'enhanced' due diligence and explains how the right questions enable the effective management of money laundering risk.**

It is well established that criminals and bad actors often seek to mask their identity by using complex and opaque ownership structures.

As accountants we have a key tool available to disrupt economic crime and to ensure that illicit finance is prevented from entering the legitimate economy. Client due diligence is all about knowing and understanding your client's identity and business activities so that any money laundering or terrorist financing risks can be managed.

Effective client due diligence is, therefore, a key part of anti-money laundering defences. By knowing the identity of a client, including who owns and controls it, you are not only fulfilling your legal and regulatory requirements but equipping yourself to make informed decisions about your client's standing and acceptability.

Client due diligence also helps you to construct a complete understanding of your client's typical business activities. By understanding what normal practice is, it is easier to detect abnormal events, which in turn may point to money laundering or terrorist financing activity.

The Money Laundering Regulations require that the extent and breadth of your client due diligence measures reflect your assessment of the risks. Fundamentally this means focusing your effort on higher risk clients, whilst avoiding disproportionate effort for lower risk clients.

Broadly speaking, simplified due diligence may be applied in circumstances where your firm has determined that a client is low risk (with certain exceptions). For clients where high-risk characteristics are present, your firm must undertake enhanced due diligence. The scenarios and requirements for undertaking enhanced due diligence are explored throughout this article.

David Potts
Director of Operations & MLRO, AIA

Principles of client due diligence

Client due diligence requires the collection and recording of information about a client's personal background and business, or 'know your client information'.

The Money Laundering Regulations outline the required components of good client due diligence. You must apply them at the start of a new business relationship (including a company formation), at appropriate points during the lifetime of the relationship and when an occasional transaction is to be undertaken:

- **Identify the client:** This involves knowing who the client is and then verifying their identity (i.e. demonstrating that they are who they claim to be) by obtaining documents or other

information from independent and reliable sources.

- **Identify beneficial owner(s):** This is so that the ownership and control structure can be understood and the identities of any individuals who are the owners or controllers known. On a risk sensitive basis, reasonable measures should be taken to verify their identity.
- **Gathering information:** This should be conducted on the intended purpose and nature of the business relationship.

When determining the degree of client due diligence to apply, your firm must adopt a risk-based approach, considering the type of client, business relationship, product or transaction, and ensuring that the appropriate emphasis is given to those areas that pose a higher level of risk.

Should my firm be applying simplified due diligence?

Simplified due diligence can usually be applied when a client is low risk, in accordance with the firm's risk assessment criteria. To perform this risk assessment, you should ensure that your firm takes into account risks outlined in the National Risk Assessment of Money Laundering and Terrorist Financing 2020 (see tinyurl.com/45khntf6) and in the sectoral risk outlook published by the Accountancy Anti-Money Laundering Supervisors Group (see tinyurl.com/mry4h5xj).

The Money Laundering Regulations set out low risk indicators, which should be considered too:

- public authorities or state-owned businesses;
- lower risk geographic location – both of the client and its activities;
- regulated businesses – such as banks and other financial institutions; and
- businesses listed on the stock exchange (or a foreign exchange where the rules are equivalent to those in the UK).

As a firm, you must also consider the services you are being asked to provide to the client, alongside delivery methods, and whether this is something assessed as being of higher risk in your firm-wide risk assessment; for example, providing trust or company services. If the services you are providing are considered high risk or if the client has high-risk characteristics, such as being a cash-based business, then simplified due diligence is not appropriate, even if any of the other conditions above are met.

As a minimum requirement to perform simplified due diligence, there must be no high-risk characteristics related to the client.

How should my firm apply simplified due diligence to a client?

The Money Laundering Regulations require only that you must comply with standard client due diligence measures; however, you may vary the extent, timing or type of measures taken to reflect lower risk.

The components of good client due diligence outlined in the Regulations are:

- identifying the client (i.e. knowing who the client is);
- verifying the identity of the client (i.e. demonstrating that they are who they claim to be) by obtaining documents or other information from independent and reliable sources;
- identifying the beneficial owner(s) so that the ownership and control structure can be understood and the identities of any individuals who are the owners or controllers can be known;
- on a risk-sensitive basis, taking reasonable measures to verify the identity of the beneficial owner(s); and
- gathering information on the intended purpose and nature of the business relationship.

Examples of simplified due diligence may include the following:

- in the case of a corporate client, perhaps only verifying a single director's identity;
- reducing verification requirements for ultimate beneficial owners;
- requiring fewer identity documents for an individual; and
- carrying out periodic monitoring at longer intervals.

Documenting simplified due diligence

Your firm should document your processes and explain which client due diligence actions are required when you are undertaking simplified due diligence. These processes will be reviewed during any anti-money laundering compliance review undertaken by AIA.

Furthermore, even though your firm may be undertaking solely simplified due diligence on a client, it is important to note that ongoing monitoring is still required by the Money Laundering Regulations.

This is useful when considering whether anything in your business relationship – or any information that has come to you while providing services for that client – indicates that it is no longer appropriate to carry out simplified due diligence and instead a more in-depth assessment is required.

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Recent anti-money laundering and economic crime updates

Politically exposed persons: New rules categorising politically exposed persons affecting the application of client due diligence were introduced on 10 January 2024 (see tinyurl.com/2ynfkaxn).

Economic Crime and Corporate Transparency Act 2023: Some of the measures introduced by the Economic Crime and Corporate Transparency Act 2023 will come into force in March 2024. Anyone setting up, running, owning or controlling a company in the UK will need to verify their identity. To help you prepare for this, Companies House has launched a new Changes to UK company law website (see tinyurl.com/58caey75).

High risk countries: This list published by HM Government replicates those countries listed by the Financial Action Task Force as high risk or under increased monitoring. It is updated periodically to reflect changes (see tinyurl.com/4vkkeu4y).

Additional guidance and free webinar recording

Log in at www.aiaworldwide.com/my-aia/aml/cdd-requirements/ for more information, including templates, checklists and a free webinar recording outlining your client due diligence requirements.

Author bio

David Potts is Director of Operations and MLRO at the AIA.

When should my firm undertake enhanced due diligence on a client?

A risk-based approach to client due diligence will identify situations in which there is a higher risk of money laundering or terrorist financing. In these instances, the Money Laundering Regulations specify that 'enhanced' due diligence (Regulation 33) must be applied:

- where there is a high risk of money laundering or terrorist financing;
- in any occasional transaction or business relationship with a person established in a high-risk third country;
- if a business has determined that a client or potential client is a politically exposed person, or a family member or known close associate of a politically exposed person (taking into account amendments to the Money Laundering Regulations made in 2023 relating to UK domestic politically exposed persons);
- where a client has provided false or stolen identification documentation or information on establishing a business relationship;
- where a transaction is complex and unusually large, and there is an unusual pattern of transactions which have no apparent economic or legal purpose; and
- in any other case which by its nature can present a higher risk of money laundering or terrorist financing.

When undertaking enhanced due diligence on a client, the following steps must be taken. As far as reasonably possible, examine the background and purpose of the engagement. You should increase the degree and nature of monitoring of the business relationship in which the transaction is made, to determine whether that transaction or that relationship appears to be suspicious.

For clients that are higher risk due to connections to a high-risk third country:

- obtain additional information on the client and its ultimate beneficial owners;
- obtain additional information on the intended nature of the business relationship;
- obtain information on the source of wealth and source of funds of the client and the client's beneficial owner;
- where there is a transaction, obtain information on the reasons for the transaction;
- obtain the approval of senior management for establishing or continuing the business relationship (where appropriate dependent on the size of firm); and
- increase the monitoring of the business relationship, by increasing the number and timings of controls applied.

Enhanced due diligence may also include one or more of the following measures:

- Seeking additional independent, reliable sources to verify information, including identity information, provided to the business.
- Taking additional measures to understand better the background, ownership and financial situation of the client, and other parties relevant to the engagement.
- Taking further steps to be satisfied that the transaction is consistent with the purpose and intended nature of the business relationship.
- Increasing the monitoring of the business relationship, including greater scrutiny of transactions.

Ask the right questions

Performing enhanced due diligence at certain trigger points is a regulatory requirement which often means that more in-depth questions are asked of clients. It is important to make use of your professional scepticism to judge whether the information you are being told is accurate or trustworthy and to question further where clients may be uncooperative or things do not seem right.

Remember that you must have documented policies and procedures that trigger the application of enhanced due diligence both at client onboarding and for ongoing monitoring. You should also record your decisions and reasoning – both to accept and decline a client.

Further detailed guidance is provided within 'Anti-Money Laundering Guidance for the Accountancy Sector' for situations where simplified and enhanced due diligence are required, including what constitutes simplified due diligence and enhanced due diligence respectively. This guidance is available at: www.aiaworldwide.com/my-aia/aml.

The fight against money laundering

Muhamad Nazri Shaidon explains how Malaysia is preparing for the upcoming mutual evaluation 2024-25 in its attempt to tackle money laundering and terrorist financing.

Muhamad Nazri Shaidon
Head of AML Advisory and Training, Law Enforcement Agencies in Malaysia

Stepping up the fight against money laundering activities is a crucial task that involves concerted efforts from governments, regulatory bodies and reporting institutions under the Anti-Money Laundering, Anti-terrorism and Proceeds of Unlawful Activities Act (AMLA) 2001. Money laundering is the process of disguising the origins of illegally obtained money, typically by passing it through a complex sequence of banking transfers or commercial transactions.

As a member of the Financial Action Task Force and the Asia Pacific Group on Money Laundering, Malaysia is subjected to ongoing review by means of mutual evaluation exercises. This assesses the country's level of compliance and the effectiveness of international standards – i.e. Financial Action Task Force recommendations – relating to anti-money laundering, countering the financing of terrorism and countering the financing of proliferation of weapons of mass destruction.

Malaysia was previously assessed in 2014-15, and the findings and recommendations were published in Malaysia's Mutual Evaluation Report 2015. The upcoming mutual evaluation of Malaysia will take place between April 2024 and December 2025.

The designated non-financial businesses and professions sector also plays a critical role in the global effort to combat money laundering and terrorist financing, as recognised by the Financial Action Task Force.

The mutual evaluation process is a key component of the anti-money laundering and counter financing of terrorism framework, where a country's measures are assessed against international standards. Malaysia's mutual evaluation in 2024-25 is likely to be

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conducted by the Financial Action Task Force or a regional body.

Preparing for mutual evaluation

To prepare for this evaluation, the designated non-financial businesses and professions sector should consider the following steps.

1. A comprehensive risk-based approach

Implement a robust risk-based approach to anti-money laundering and countering the financing of terrorism measures. Tailor preventive measures based on the identified risk levels, including customer due diligence, transaction monitoring and enhanced due diligence. The risk-based approach entails two assessments: institutional risk assessment; and customer risk profiling:

Institutional risk assessment

A reporting institution is expected to identify risk factors that affect its business and address the impact on the reporting institution's overall money laundering and financing of terrorism risks. For this, non-financial businesses and professions are required to take sufficient steps to identify, assess and understand their risk at the institutional level, taking into consideration all relevant risk factors.

Customer risk profiling

For customer risk profiling, non-financial businesses and professions are expected to consider the inherent risks arising from the types of products, services and distribution channels that the customers are using and implement appropriate measures to manage and mitigate the risks identified therein. This requires granular and well-defined risk categories for better customer segmentation and clearly defined scenarios where a customer should be automatically rated as high risk, regardless of other factors.

There are common factors that may influence a customer's risk ranking, depending on the customer risk profiling methodology. For example, if the beneficial owners are identified as politically exposed persons or relative close associates, originate from high-risk jurisdictions, operate high-risk business or have adverse criminal or media records.

2. Customer due diligence

The designated non-financial businesses and professions sector must conduct due diligence on clients, business partners or other entities with whom the company engages especially in financial transactions. This due diligence is part of the process of anti-money laundering and countering the financing of terrorism to ensure that the company is not unwittingly involved in money laundering activities. Companies must collect customer information as required by internal standard operating procedures or policies.

Due diligence should not be viewed as a mere checklist or tick-box exercise. Rather, it is a comprehensive and ongoing process that requires careful examination of various factors. It is a comprehensive and dynamic process that involves in-depth analysis, ongoing assessment and adaptability. It is a crucial step in minimising risks and making informed decisions in various business contexts.

3. Appointment of a compliance officer

The appointment of a compliance officer is a critical step for organisations aiming to adhere to laws, regulations and internal policies. A compliance officer plays a key role in ensuring that the company operates within the legal and ethical boundaries of its industry by developing and implementing compliance policies and procedures and communicating policies to employees.

The compliance officer should have a deep understanding of anti-money laundering and countering the financing of terrorism, strong analytical skills and the ability to communicate effectively with various stakeholders. Additionally, they should be independent and have the authority to enforce compliance measures within the organisation. The role of a compliance officer is crucial in maintaining the integrity of the organisation and ensuring it operates ethically and legally.

4. Beneficial ownership transparency

Companies must identify beneficial owners based on cascading steps. For the onboarding of legal entities, they must have internal standard operating procedures for the identification of ultimate beneficial owners.

One of the common issues with the identification and verification of beneficial owners is that identification stops after a limited number of layers, resulting in the process stopping short of true beneficial owners who are natural persons. Companies are required to exercise reasonable measures to identify the beneficial owners through an understanding of the ownership and control structure of the customer. Therefore, they must rely on supporting documents, such as constitutions, directors' resolutions, minutes of meetings, charters, trust deeds, partnership agreements, joint venture agreements and others.

Companies are also required to obtain nine data points on the beneficial owner as follows:

- Name
- Identity card number/passport number
- Residential and mailing address
- Date of birth

Author bio
Muhamad Nazri Shaidon is Head of AML Advisory and Training at various Law Enforcement Agencies in Malaysia. He is also a Certified Financial Investigator (AML/CFT).

- Nationality
- Occupation type
- Name of employer or nature of self-employment/nature of business
- Contact number
- Purpose of transaction

5. Sanction screening

Businesses are required to conduct sanctions screening on existing, potential or new customers against the United Nations Security Council resolution list and domestic list. These state the names and particulars of specified/designated entities as declared by the United Nations Security Council or Minister of Home Affairs, as part of the customer due diligence process and ongoing due diligence.

For customers who are legal persons, reporting institutions are required to screen the name of the customer; i.e. among but not limited to companies, bodies corporate, foundations, partnerships, associations and other similar entities, as well as the beneficial owners; i.e. directors and shareholders, including nominees, against the sanctions lists.

Businesses are required to ascertain that potential matches are true matches and not false positives. It is their responsibility to take further measures or steps (e.g. make further inquiries for additional information) to determine whether the potential match is a true match.

Upon confirmation of sanctioned entities and/or related parties, they are required to reject a potential customer, block transactions (where applicable) to prevent the dissipation of the funds, and report a suspicious transaction report to the Central Bank of Malaysia (BNM).

6. Training and capacity building

Non-financial businesses and professions may be involved in training employees, especially those in key positions, to recognise and address potential money laundering risks. This includes being aware of red flags and suspicious transactions and behaviour.

- **Technology and innovation:** Embrace technological solutions to enhance anti-money laundering and countering the financing of terrorism measures. Implement advanced analytics, artificial intelligence and other innovative tools to detect and prevent financial crimes more effectively.
- **Continuous monitoring and evaluation:** Establish a system for continuous monitoring and evaluation of measures. Regularly assess the effectiveness of policies and procedures, make necessary adjustments and address emerging risks promptly.

Enforcement actions

These are examples of enforcement actions taken by the Central Bank of Malaysia.

TNG Digital Sdn Bgd (TNGD): TNGD was found guilty of failure to conduct sanctions screening on the names of its customers, and of failure to ascertain and make further inquiries that its customer matched with the United Nations Security Council Resolutions List or the Minister of Home Affairs Domestic List. It contravened the Financial Services Act 2013 s 48(1)(a), read together with the Anti-Money Laundering and Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions policy document. TNGD was fined RM 600,000. (18 May 2023)
MPI Generali Insurans Berhad (MPGB): MPGB was found guilty of failure to conduct sanctions screening before onboarding new customers. It contravened the Financial Services Act 2013 s 48(1)(a) and was fined RM 260,000. (29 December 2022)
Mandiri Remittance International Sdn. Bhd: Mandiri Remittance was found guilty of failure to identify and verify the beneficial owners for the remittance transactions. It contravened the Money Services Business Act 2011 s 74(3) and fined RM 134,400. (12 April 2022)
Takaful Ikhlas Family Berhad: Takaful Ikhlas was found guilty of failure to conduct sanctions screening and failure to flag high-risk customers' certificates under the Islamic Financial Services Act 2013 s 58(1)(a) and fined RM612,000. (7 October 2022)
Wawasan Ilham (M) Sdn. Bhd: Found guilty of failure to conduct customer due diligence under the Money Services Business Act 2011 s 74(4) and fined RM151,200. (1 March 2022)

Source: Central Bank of Malaysia website: www.bnm.gov.my/enforcement-actions-regulatees

By taking a proactive and comprehensive approach to strengthen its framework, Malaysia can demonstrate its commitment to combating money laundering and terrorist financing during the mutual evaluation process.

Central Bank of Malaysia enforcement action in 2023

The Central Bank of Malaysia (Bank Negara Malaysia) is the competent authority that regulates and coordinates anti-money laundering and countering the financing of terrorism in Malaysia. When a central bank issues a serious warning regarding enforcement actions, it typically indicates that there may be non-compliance or serious violations within the financial system that need to be addressed. Enforcement actions can include penalties, fines, regulatory measures or other interventions to ensure compliance with financial regulations and maintain the stability of the financial system.

These actions may be taken concurrently with, and are separate and distinct from, criminal proceedings that are under the sole purview of the Attorney General. The designated non-financial businesses and professions sector should take lessons learned from the enforcement action taken by the Central Bank of Malaysia. ●

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In the field of finance and accounting, individuals often embark on distinctive journeys that carve their path towards success. One such journey is embodied by Linda Richards, AIA Vice President and Finance Director of Wildstar Films.

This interview delves into Linda's inspiring story, from aspiring accountant navigating the BBC's unique financial environment to steering the financial helm of a globally recognised, award winning film production company and being shortlisted for Finance Director of the Year at the Accounting Excellence Awards 2023.

Linda shares insights into her motivations, challenges and the pivotal moments that have shaped her career to date.

Meet Linda Richards, AIA Vice President and Finance Director of Wildstar Films

Linda Richards sheds light on her involvement with the AIA and her perspective on the evolving landscape of the accounting industry, the significance of diversity and inclusion, and the challenges posed by technological advancements. This conversation not only unravels Linda's professional journey but also provides a glimpse into her vision for the AIA's future.

Can you tell our readers what inspired you to become an accountant? And the journey you have taken to achieve your goals so far?

Well, I certainly didn't take a standard route into accountancy, if there is such a thing?

I left school with A levels in the late 1970s, a time when the conventional career paths for women were relatively limited to roles such as nursing and working in a bank. Uninterested in these options, I spent over a decade working in a variety of roles across the civil service and NHS.

While working at the NHS, I realised my interest in television, so when an opportunity as an assistant accountant in the finance department at the BBC arose, I seized it. This marked the beginning of my accounting journey and a 15 year tenure at the BBC followed. It was during this time that I made the decision to formalise my accounting skills, leading me to join AIA and undertake my professional accountancy qualifications.

Following my time at the BBC I further broadened my skill set, undertaking senior finance roles within both the banking and insurance sectors, before eventually returning to the television industry.

Then out of the blue six years ago, a unique opportunity presented itself when two former BBC colleagues approached me to join their newly formed business startup as the Finance Director. Some would say a big risk, but I truly felt passion for the project and believed in the founder's vision. We have witnessed phenomenal growth in the intervening six years, becoming a leading Natural History programme maker employing 140 staff with turnover exceeding £30 million.

What attracted you to join the AIA and latterly to take on the role of AIA Vice President?

My decision to join the AIA was twofold. Firstly, it was to formalise my interest in accounting, and secondly, as a management accountant I found the AIA's topic focus highly relevant to my work at the time. I believed, and still do, that a broad base of knowledge is crucial for a successful accounting career, and AIA provides that knowledge platform.

Becoming a council member and subsequently Vice President has been a real honour and for me an opportunity to offer a unique and fresh perspective to the council. As a woman who has never worked in practice, I saw an opportunity to provide valuable insights for accountants beyond the confines of traditional practice spheres. My goal was and still remains to be a catalyst for change, contributing a distinctive viewpoint to shape the AIA's trajectory in a more inclusive and diverse direction.

Can you share with our readers what skills you feel have made you a successful accountant?

Understanding business is paramount. While technical proficiency is essential, the ability to work collaboratively, share information and seek the best outcomes for the business is equally vital. Soft skills, such as effective communication and influencing, play a significant role.

Being able to adapt and use these skills to drive positive outcomes for oneself, the company and the professional organisation is absolutely key.

"I believed, and still do, that a broad base of knowledge is crucial for a successful accounting career, and AIA provides that knowledge platform.

Wildstar Films

Wildstar Films makes inspirational and groundbreaking shows about the natural world for enquiring minds everywhere. It was founded on the simple belief that the natural world is constantly evolving and our job is to keep up. To achieve this, Wildstar Films brings fresh thinking, new perspectives and greater diversity to natural history, approaching each new challenge with an open mind and a flexible attitude.

Everything it does is founded on respect, be that for the planet, for the audience or for each other as a team, and that manifests itself in its desire to be sustainable, diverse and honest. It strives to raise standards for quality and impact measured not just against other natural history producers but against any other media while entertaining and delighting audiences in fresh and surprising ways.

What does it mean to you to be an international accountant?

Being an international accountant signifies being part of a global team with shared goals and ambitions. In today's world, accounting transcends borders, and being part of a community that spans the globe is a source of pride. It emphasises the importance of common standards and a global approach to financial practices.

Given your unique role, what do you see as the role of AIA as a professional accounting organisation?

A professional accounting organisation plays a multifaceted role, supporting members and clients, upholding standards, leading the industry in a positive direction and acting in the public interest. By maintaining high professional standards, such organisations provide the framework for accountants to deliver the best possible outcomes for their clients and businesses, contributing to the overall wellbeing of the industry.

Equality, diversity and inclusion within the accounting sector is imperative. Do you feel the AIA and the wider sector is doing enough?

Achieving equality, diversity and inclusion is a complex challenge, and while progress has been made, there's far more to be done in the accounting sector. It is encouraging to see the AIA, in particular, making significant strides to actively bring about positive change.

Initiatives such as the AIA scholarships programme which launched in 2021 are an excellent way to contribute toward increased inclusion, offering the younger generation a financially viable pathway into the industry.

However, personally I think to drive change faster we need to see the industry as a collective – coming together and working together for the greater good.

In addition to equality, diversity and inclusion, what do you see as the main challenges for the accountancy industry moving into 2024 and beyond?

The rapid evolution of AI poses a significant challenge to the accountancy industry. The sector must quickly understand, adapt and harness the power of AI to add value effectively. Striking the right balance between leveraging AI for efficiency, while retaining the necessity for human understanding and interpretation, will be crucial. AI cannot fully replace human judgement.

Sustainability is another challenge, not just in terms of green initiatives but also in fostering good practices within businesses, treating staff well and promoting responsible interactions with the world.

Where would you like to see AIA in ten years' time?

I see a bright future for AIA. In the next decade, I envision the AIA continuing to lead in new areas, working closely with SMEs and proactively adapting to industry changes. Embracing technological advancements, remaining at the forefront of industry trends, and strengthening global presence will ensure its continued relevance and influence for members.

What's next for Linda Richards?

While retirement might be on the longer-term horizon, my immediate business focus is on the continued success and growth of Wildstar Films, alongside succession planning to prepare a capable replacement and facilitate a smooth transition when the time (eventually) comes for me to step down.

From an AIA perspective, I would like to continue to work proactively on the council to facilitate positive change for our membership and the wider industry. I want to build on the great work we have started with regard to equality, diversity and inclusion, building a more balanced representation on the council which reflects truly represents our globally diverse membership.

And finally, what advice would you give to any aspiring accountants reading this interview?

My advice for aspiring accountants is to recognise the value of teamwork and seek support from colleagues. Don't struggle alone; share your challenges and achievements. With determination and support, you can achieve anything. I started with little knowledge in accounting and became the Finance Director of a multi-million pound turnover business. The journey is challenging, but with perseverance, it's incredibly rewarding. ●

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Practice compliance: know your statutory obligations

***Ian Waters* explains the ethical principle of professional behaviour, and some of the statutory obligations placed upon accountancy practices.**

Ian Waters
Compliance for Accountants Ltd

AIA members, like anyone else, must comply with the law. But as professional accountants, that obligation is underpinned by the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics (as adopted by AIA) with which all AIA members must comply.

In particular, the fundamental ethical principle of ***Professional Behaviour*** requires a member to 'comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know might discredit the profession'. So I am keen to remind you of your obligations under UK law, although the time and space available in this article won't allow me to cover all those obligations in detail.

Statutory limitations

Before addressing statutory obligations, let us acknowledge our statutory limitations, by which I mean the areas of work undertaken by some firms that are subject to statutory regulation (and beyond the bounds of 'general practice'). I am thinking of audit work, insolvency, regulated investment business and reserved legal activities (such as probate). Unless you and your firm are authorised in these areas, you must be aware of the risk of straying into them and thus fundamentally breaching the law.

For example, you might not even realise when you are going beyond your role as executor of a deceased client's estate or undertaking regulated activities specified under the Financial Services and Markets Act 2000. Sometimes, our wish to help our clients – especially those we have known for a long time – can lead us to overlook the fact that our relationship is a professional one, and we are not authorised to provide services in certain areas.

What are your statutory obligations?

Understanding the limitations on what you can do without needing authorisation within a statutory framework might be something you need to research further. In this article, I can only focus on your 'general practice' legal obligations. I should, of course,

The accountability principle

As stated by the Information Commissioner's Office: 'The accountability principle requires you to take responsibility for what you do with personal data and how you comply with the other principles. You must have appropriate measures and records in place to be able to demonstrate your compliance.' These are the six key principles regarding the processing of personal data.

1. **Lawfulness, fairness and transparency**
   - You must identify valid grounds under the UK GDPR (known as a 'lawful basis') for collecting and using personal data.
   - You must ensure that you do not do anything with the data in breach of any other laws.
   - You must use personal data in a way that is fair – not in a way that is unduly detrimental, unexpected or misleading.
   - You must be clear, open and honest with people from the start about how you will use their personal data.

2. **Purpose limitation**
   - You must be clear about what your purposes for processing are from the start.
   - Record your purposes as part of your documentation obligations and specify them in your privacy information for individuals.
   - You can only use the personal data for a new purpose if either this is compatible with your original purpose, you get consent, or you have a clear obligation or function set out in law.

3. **Data minimisation**
   - You must ensure the personal data you are processing is: adequate (sufficient to properly fulfil your stated purpose); relevant (it has a rational link to that purpose); and limited to what is necessary (you do not hold more than you need for that purpose).

4. **Accuracy**
   - You should take all reasonable steps to ensure the personal data you hold is not incorrect or misleading as to any matter of fact.
   - You may need to keep the personal data updated, although this will depend on what you are using it for.
   - If you discover that personal data is incorrect or misleading, you must take reasonable steps to correct or erase it as soon as possible.
   - Carefully consider any challenges to the accuracy of personal data.

5. **Storage limitation**
   - You must not keep personal data for longer than you need it.
   - Think about – and be able to justify – how long you keep personal data. This will depend on your purposes for holding the data.
   - You need a policy setting standard retention periods wherever possible, to comply with documentation requirements.
   - You should also periodically review the data you hold, and erase or anonymise it when you no longer need it.
   - You must carefully consider any challenges to your retention of data. Individuals have a right to erasure if you no longer need the data.
   - You can keep personal data for longer if you are only keeping it for public interest archiving, scientific or historical research, or statistical purposes.

6. **Integrity and confidentiality**
   - You must ensure that you have appropriate security measures in place to protect the personal data you hold.
   - This is the 'integrity and confidentiality' principle of the GDPR – also known as the security principle.

Information Commissioner's Office

mention anti-money laundering compliance, but there is little I could say in this article that couldn't be covered better in a more focused article or CPD event. However, you should be aware of the wide range of resources AIA makes available to members on its website.

So the rest of this article considers two other important areas of statutory compliance.

Data privacy and security

The careful handling of personal data makes good business sense for your practice, as well as being a legal requirement. You will be holding personal data about your clients, their officers and employees, and perhaps your own employees.

A small accountancy practice is perhaps particularly vulnerable to non-compliance with data privacy legislation. Furthermore, a practitioner may be compliant but lack sufficient understanding of the legislation when the rights of a data subject are exercised.

The legislation is complex. The UK General Data Protection Regulation (UK GDPR) interacts with the Data Protection Act (DPA) 2018, and Part 2 of DPA 2018 supplements the UK GDPR.

However, the principles are relatively straightforward. The UK GDPR and DPA 2018 together:

- require personal data to be processed lawfully and fairly;
- confer rights on the data subject concerning the processing of their personal data; and
- confer functions on the Information Commissioner, giving them responsibility for enforcing the provisions of the UK GDPR and DPA 2018.

Your practice must be able to justify how and why it uses personal data. This is known as the 'accountability principle', which is relevant to the six key principles regarding the processing of personal data (see box).

Unfortunately, it is easy to retain large amounts of data without necessarily realising it. So think about the six principles and whether you can justify the way your practice processes personal data. It is advisable to document your policies and procedures for complying with these data processing principles and set aside time to periodically monitor compliance.

There is a comprehensive guide to the UK GDPR on the website of the Information Commissioner's Office (ICO) (see tinyurl.com/3yhwk254). It explains each of the key principles, and provides checklists and examples that you may wish to consider when assessing your practice's risk of non-compliance.

Different responsibilities apply according to whether your practice is in the role of 'data controller' or 'date processor'. In brief, a controller determines the purpose and means of processing the data; a processor simply processes data on behalf of a controller, in accordance with their instructions. Guidance on the ICO website sets out how to identify who is determining the purpose and means of processing the personal data.

This is important because if your practice is, in fact, using a data processor (perhaps where a third party is processing a client's payroll), your practice is responsible for the processor's compliance. You must ensure that your contract with the data processor will enable you to meet your data protection obligations.

You must also be clear about your clients' rights and those of other individuals whose personal data your practice holds. For example, a data subject's right of access means, in effect, their right to copies of that data. A 'subject access request' can be quite disruptive for any small business, so it makes sense that personal data held is kept to a minimum. (Your employees must be trained on the risks of retaining personal data unnecessarily.)

Provision of Services Regulations 2009

Your practice is required to provide specified information to its clients and those wishing to become clients. In effect, the appropriate means of providing much of the required information is by way of an engagement letter, although further information must be supplied if requested by the client.

Information provided must be clear and unambiguous. You must inform all clients (and potential clients) of where they may send a request for information about your services (or a complaint about the service). Unsurprisingly, those details must include:

- the name of the practice;
- its postal address and/or email address;
- its telephone number; and
- its official address (such as a registered office), where relevant.

Providing this information should not present a problem for your practice, as it will appear on your letterhead (when sending the engagement letter, if not before). But you must also make the following information available to clients and potential clients:

- the practice's legal form;
- its geographic address (not necessarily the same as its postal address);
- where the practice is authorised for a regulated activity (such as audit or insolvency), the name of the competent authority;
- where the practice's name appears in a public register, the location of that register;
- the practice's VAT registration number, where applicable;
- the fact that the practice is required to hold professional indemnity insurance, the contact details of the insurance provider and the territorial coverage of the insurance;
- the main features of the services to be provided, the price (if it has been pre-determined) and the general terms and conditions of the practice; and
- the contractual terms, if any, concerning the competent courts or the law applicable to the contract.

This information may be provided in a number of different ways, including your practice's website, brochures, factsheets, letterhead, etc. However, you should be clear (and confident) about where you provide this information. In my opinion, your standard engagement letter is the best means of demonstrating compliance.

Further information must be provided if a client (or potential client) requests it, namely:

- the basis for calculating your fees where a fixed fee arrangement has not been offered;
- if you are providing services regulated by statute, the professional rules applicable in the UK and how the client may access them; and
- details of any codes of conduct to which your practice is subject.

Handling complaints

Advising your clients at the outset of how they would be able to complain, if necessary, is not only a requirement of the Regulations, but a matter of professionalism. It demonstrates your respect for high technical and ethical standards. But the Regulations go beyond the provision of information and set out how your practice must react to a complaint from a client. You must respond to a complaint as quickly as possible, and use your 'best efforts to find a satisfactory solution' (unless the complaint is vexatious).

A practice would be expected to have processes in place to ensure that reasonable complaints receive the attention they deserve and are not (deliberately or inadvertently) put to one side.

Final thoughts

Of course, there may be other areas you need to consider when reviewing your practice's compliance with the law. Given what you know about your practice (including any employees and subcontractors you may engage), how confident you are that you are compliant in areas such as bribery and corruption, health and safety, and employment law? What resources do you have available should you need advice in such areas? I recommend that you assess the risk to your practice of non-compliance with the law, and establish clear policies and procedures that define what you and your colleagues may and may not do.

Furthermore, as an AIA member, you are required to plan and undertake CPD that must be relevant to your current role and development. Therefore, you should plan your CPD to cover any aspects of statutory compliance that may be concerning you.

Author bio
Ian Waters supports accountancy firms with compliance – AML, ethics, professional standards and more.

Stress busting techniques

***Muhammad Bilal* shares some tips on how accounting professionals can improve their wellbeing and strengthen their mental health.**

Muhammad Bilal
Accountant, M B Dean Accountants

Stress is inherent in many professions, including accounting, and can be found in many aspects of the job. Accountants can suffer from intense pressure due to ongoing tax deadlines, year-end reports and other financial ad hoc tasks that require timely completion. Challenges can often arise from the need for accountants to be organised and work effectively and efficiently.

Stress levels can also increase due to the complexities of accounting and the ongoing challenge of being familiar with new regulations and tax laws. Accountants must make sure that they keep up to date with compliance issues, which can pose a significant challenge for smaller firms or sole practitioners with limited resources.

The pressure to ensure financial accuracy and meet tight deadlines can take a toll on both mental and physical health. As a result, 'corporate stress' is increasingly becoming a condition of significant concern in the corporate accounting and financial sector.

In this article, we will explore a range of stress-busting techniques tailored specifically for accounting professionals, emphasising the importance of mental health and overall wellbeing. Here are my eight top tips for you to consider and incorporate into your workflow.

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Step 1: Time management

Effective time management is the core of stress reduction for accounting professionals. By managing time wisely, you not only enhance efficiency but also create room for self-care, contributing to improved mental wellbeing.

Top tip
Prioritise tasks, set realistic deadlines and break down complex projects into manageable steps.

Step 2: Mindfulness and relaxation

In the world of numbers, finding calm moments of mindfulness and relaxation is crucial. Incorporating mindfulness and deep breathing exercises into your routine can help you to stay present and calm.

Top tip
Short breaks for stretching and relaxation can rejuvenate your mind, providing a mental reset that enhances focus and concentration.

Step 3: Exercise to energise your body and mind
It is recognised that regular physical activity is a powerful stress-buster, not only for the body but also for your mental health. Exercise releases endorphins, the body's natural stress relievers, contributing to a positive mood.

Top tip
Whether it's a quick walk, a workout session or joining a sports league, physical activity is an investment in both your physical and mental wellbeing. Make a commitment to make a habit of regular activities, exercises or workouts.

Step 4: Effective communication
Building stronger teams is a massive boost to your wellbeing, and clear communication is essential for reducing stress in any workplace. Feeling connected with your team can have positive effects on mental health, providing a sense of camaraderie and shared responsibility.

Top tip
Establishing open lines of communication not only ensures that everyone is on the same page but also creates a supportive and trusting work environment.

Step 5: Maintain a work-life balance
You need to look beyond the ledger. Maintaining a healthy work-life balance is crucial for sustained wellbeing. A balanced life not only prevents burnout but also contributes to your mental resilience, allowing you to approach challenges with a fresh perspective.

Top tip
Set boundaries between work and personal life, allocate time for hobbies and family, and make sure that you take your holidays and breaks.

Step 6: Embrace continuous learning
We all know the demands of staying updated on industry trends and changes! Embracing a growth mindset is integral to managing stress. Continuous learning not only keeps your skills sharp but also stimulates mental engagement. Engaging in learning opportunities can be a source of inspiration and motivation, positively impacting your mental wellbeing.

Top tip
Schedule CPD activities when new changes emerge. That helps you to keep on track with vital changes, as well as improving your performance and mental wellbeing.

Step 7: Embrace technology and automation
Embrace technology! It is increasingly being recognised that accounting software and automation tools can streamline tasks which can reduce manual workload. Embracing technology not only enhances efficiency but also minimises the risk of errors, alleviating the mental burden associated with meticulous financial tasks.

Top tip
A more streamlined process improves organisation and time management, which contributes to a healthier work environment.

Step 8: Empower your team
If you work in a team, effective delegation is an art and skill that can significantly lighten the workload. A collaborative approach not only reduces stress but also fosters trust. This creates a sense of shared accomplishment and support within the team, positively impacting the overall mood and mental health of the team.

Top tip
Take a collaborative approach and empower your team members by entrusting them with responsibilities.

In conclusion
In summary, a good starting point is to implement these stress-busting techniques. Remember that it is essential to find a combination of techniques that work for you personally. Experiment with different strategies and tailor them to your specific needs and preferences.

If stress becomes overwhelming, consider seeking professional support from a counsellor or therapist. Break down the taboos that surround mental health counselling and therapy can be widely regarded in the corporate world. Accounting professionals can not only maintain their mental and physical wellbeing but also enhance their efficiency and effectiveness in the challenging and demanding landscape of corporate finance.

I hope you found these top tips helpful. A healthy accountant is a productive accountant, and prioritising mental health is a key component of sustained success. ●

Author bio
Muhammad Bilal is an accounting and finance professional with over two decades of experience, working as a consultant with M B Dean Accountants.

FEATURE EVENT

Inclusive leadership in the workplace
Date: 15 March 2024
Time: 10.00 – 11.00
Venue: Online webinar

Speaker: Geffrye Parsons

Through his Diversity, Equity and Inclusion consultancy, The Inclusion Imperative, Geffrye Parsons helps organisations to build leadership capabilities and harness the power of inclusion as a key strategy for wellbeing, organisational learning and superior business outcomes.

Widely regarded as a thought leader and driver of positive change for workplace inclusion, Geff promotes a holistic, intersectional approach. He challenges received wisdom and practices to facilitate culture shift and business learning.

In doing so, Geff does not stop at theory; he brings the benefit of a practical perspective to his work. This is the product of the 35 years he spent in successful front office executive roles based in the UK, Hong Kong, Singapore and the Netherlands, working for leading international financial and professional services organisations, prior to launching The Inclusion Imperative in early 2022.

This webinar will explore the importance of inclusive leadership in organisations and teams within workplaces, based on a model that was developed by The Inclusion Imperative (www.theinclusionimperative.com).

He will show how to distil disparate guidance into taking a practical approach in this area. The session will explore, and produce learning outcomes related to, the following:

- what we mean when we refer to 'inclusion', as distinct from merely 'diversity' – and the detrimental effects of seeking the latter without the former;
- the potential value of difference;
- how the inclusion of difference – of experience, perspectives and views – translates into value added in the workplace;
- the systemic lack of inclusion which typically exists or develops in organisations;
- the distinction between management and leadership;
- how to develop inclusive leadership skills and how these combine with other leadership styles; and
- leadership behaviours which are necessary in order to bring about role model inclusion.

To reserve your place at this exclusive event, go to: tinyurl.com/mt5x25sz

OTHER UPCOMING WEBINARS

Traditional finance to sustainable finance: internalising externalities into financial markets
Date: 14 February 2024
Time: 10.30 – 11.30
Speaker: Lisa Sheenan
This webinar will provide an overview of the history of sustainable finance, explain the concept of externalities from an environmental, social and governance (ESG) perspective and discuss ways in which these can be internalised into financial markets. The challenges and trade-offs that are faced while doing this in practice will also be highlighted, along with possible solutions and ways forward. The aim is to gain an understanding of the challenges facing the global economy in relation to sustainability, externalities and behaviour using a combination of theory, empirical data and policy. It will explain sustainability challenges for corporate investment, as well as how finance can steer funding towards certain companies and projects.

Malaysia's capital gains tax model (Malaysia)
Date: 15 February 2024
Time: 18:00 – 19:00 (Malaysia Time)
Speaker: Thenesh Kannaa
A webinar exploring the new capital gains tax which is being introduced in Malaysia during 2024. Thenesh will highlight the differing implementation dates, tax rates and compliance mechanisms which apply to both domestic and foreign assets.

Compliance awareness: your professional obligations (Part 3)
Date: 27 February 2024
Time: 13:00 – 14:00
Speaker: Ian Waters
The third webinar in our compliance series will focus on your professional obligations, by which we mean the regulatory requirements of your professional body. Those obligations primarily come from AIA's Regulations, with which members and firms agree to comply when they apply for AIA membership. The relevant AIA Regulations include Membership, Public Practice and Continuing Professional Development.

IFRS update
Date: 28 February 2024
Time: 11.30 – 12.30
Speaker: David Potts
This webinar will summarise the current key issues for those reporting under IFRS and will concentrate on the important changes for 2023/24 year ends as compared with recent years. During the session, David will cover any changes to International Finance Reporting Standards (IFRS) and IFRS Interpretations Committee statements relevant to 2023 year ends onwards, including Pillar 2 Tax reform changes.

Budget 2024 (UK)
Date: 11 March 2024
Time: 10:00 – 11:00
Speaker: Tim Keeley
Tim will provide a detailed analysis of the last Budget to be issued during the remainder of this Parliament. He will review the economic forecasts prepared by the government and give his usual insight into the tax changes announced by the Chancellor and their likely impact upon individuals and businesses.

INTERNATIONAL

IFRS Foundation launches knowledge hub in support of global drive to build capacity for the ISSB Standards

The International Financial Reporting Standards Foundation (IFRS) has launched the IFRS Sustainability knowledge hub to support use of the International Sustainability Standards Board (ISSB) Standards. The hub went live at COP28's Climate Action Day and is a key component of the IFRS Foundation's capacity building programme.

The hub hosts content developed by the IFRS Foundation and more than 100 resources developed by third-party organisations. Materials will be added over time in response to market needs and emerging practices.

While the hub has been designed to help companies preparing their ISSB disclosures, it will also be a useful repository for auditors, investors, regulators and other stakeholders seeking to advance their understanding of the ISSB Standards.

Resources on the hub include an introduction to the ISSB Standards, a guide for transitioning from Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations to ISSB Standards and a set of Frequently Asked Questions.

The IFRS Foundation is focused on supporting the implementation of the ISSB Standards through capacity building initiatives and is working with a number of partners to advance this work.

The UN Sustainable Stock Exchange Initiative – which has 134 stock exchanges as members – has developed a training programme that guides companies through a four-step process of preparing, aligning, implementing and communicating sustainability-related information. It sets out practical steps to build the skills needed to identify and disclose climate and sustainability-related risks and opportunities.

The Pan African Federation of Accountants (PAFA), the United Nations Development Programme (UNDP) and the International Federation of Accountants (IFAC) have also emphasised their ongoing commitment to deliver educational initiatives that support use of the ISSB Standards. For example, IFAC's International Panel on Accountancy Education has initiated its Sustainability Reporting Project to consider, among other topics, the implication of the ISSB Standards on IFAC's International Education Standards.

Elsewhere on Climate Action Day, the ISSB participated in the launch of the Global Capacity Building Coalition for Climate Finance established by the Glasgow Financial Alliance for Net Zero as a coalition of organisations that will provide climate-related capacity building to support emerging markets and developing economies. As part of its work, the coalition will support the uptake of emerging global best practices and standards, such as the ISSB Standards.

INTERNATIONAL

IESBA announces completion and approvals of Sustainability Exposure Draft and Tax Planning-Related Ethics Standard

At its December Board meeting, the International Ethics Standards Board for Accountants (IESBA) completed and approved an Exposure Draft on Ethics and Independence Standards for Sustainability Reporting and Assurance and the final Ethics Standard for Tax Planning and Related Services.

Commitment to trustworthy sustainability reporting and assurance

The IESBA approved the proposed new International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA), and proposed revisions to the International Code of Ethics for Professional Accountants on sustainability reporting. The Exposure Draft will contain proposed independence standards for use by all sustainability assurance practitioners regardless of whether they are professional accountants, and specific ethics provisions relevant to sustainability reporting and assurance. This milestone completes more than 18 months of intensive fact-finding, outreach and drafting efforts by the IESBA Board and staff.

The result is a set of draft standards that will establish the essential third pillar of ethics, including independence, standards to support public and corporate trust in sustainability-related information, alongside sustainability reporting and assurance standards. The IESBA intends to release the Exposure Draft in late January 2024.

Using the work of external experts

The IESBA approved proposed ethics provisions addressing the use of external experts by organisations, as well as in the context of audit and assurance engagements, including sustainability assurance engagements. Professional accountants and sustainability assurance practitioners will be guided by an ethical framework to evaluate the competence, capabilities and objectivity of external experts. These provisions will thereby help meet public expectations concerning ethical behaviour when using external experts, especially in an audit or assurance context.

Strengthening ethical behaviour in tax planning

The IESBA also approved final revisions to the Code to address tax planning and related services. These revisions respond to heightened public concerns about ethical behaviour in tax planning in light of high-profile revelations about tax avoidance schemes in several jurisdictions in recent years.

The final provisions establish an ethical framework in the public interest to guide professional accountants in making judgments and decisions when providing tax planning or related services. Pending certification by the Public Interest Oversight Board (PIOB), the final pronouncement is expected to be issued by mid-April 2024.

Strategy and Work Plan 2024-2027

The IESBA voted to approve its Strategy and Work Plan (SWP) for 2024-2027. Among other matters, the IESBA will tackle two new ambitious strategic areas of focus: accountancy firm culture and governance; and extending the impact of the Code beyond the accountancy profession, where it believes it can significantly expand reach and business impact.

Throughout 2023, the IESBA has responded vigorously to the challenges of ethics in the accountancy profession and beyond. The IESBA's 2024 agenda will focus on final approvals of the sustainability-related standards, as well as on new workstreams addressing accountancy firm culture and governance, and independence considerations regarding the audits of collective investment vehicles, pension fund arrangements and investment company complexes.

'The global shift of governments, companies and investors towards a more sustainable future will not happen with good intentions and soft targets,' said IESBA Chair Gabriela Figueiredo Dias. 'This movement will require hard ethics to realise sustainability goals and mitigate the risks of wrongdoing. The IESBA's new and proposed revisions to the Code and the Board's strategy will help ensure that professional accountants and other sustainability assurance practitioners adopt the necessary ethical approaches to foster transparency, relevance and public trust within the reporting sphere while supporting global sustainability efforts.'

UK AND IRELAND

FRC updates the Ethical Standard for Auditors

The Financial Reporting Council (FRC) has published an update to its Ethical Standard for auditors, effective from 15 December 2024.

The FRC's update does three main things:

- First, the FRC has simplified the existing ethical standard and provided additional clarity in a limited number of areas to respond to helpful feedback from auditors.
- Second, the new standard takes into account recent revisions made to the international IESBA Code of Ethics. This aligns the UK with international standards and helps to ensure that high standards of independence and ethical behaviour are applied consistently by UK audit firms and their networks.
- Third, the FRC has added a new targeted restriction on fees from entities related by a single controlling party. This is in response to issues identified through FRC audit inspection and enforcement cases.

In line with the FRC's growth duty, the FRC is mindful that high standards of governance, audit and financial reporting underpin confidence in financial markets and contribute to the UK's ability to attract global capital. High quality ethical standards for auditors enhance trust in the quality of financial information that drives investment in the UK. This is balanced with ensuring that any requirements are targeted and proportionate.

Following feedback to the FRC's earlier consultation, it has amended its proposals to ensure that the requirements in the standard are better targeted and proportionate. For example, additional requirements in respect of ethical breach reporting by audit firms to the regulator have been removed as it would be likely to drive inconsistent reporting behaviours. With regard to tax services provided to the controlling shareholders of unlisted companies, the FRC is enhancing the independence risk assessment around these services rather than specifically prohibiting them.

The FRC notes that a significant number of consultation responses referred to issues that are matters of government policy rather than decisions that can be taken by the FRC. These include the impact of the non-audit service fee cap for auditors of public interest entities and how it might impact on assurance, including sustainability and climate information produced by companies. The FRC will share this feedback with the Department for Business and Trade.

Alongside the revised Ethical Standard, the FRC has also released guidance for auditors on the application of the Objective, Reasonable and Informed Third Party test, which forms a key part of many requirements in the Ethical Standard.

Mark Babington, Executive Director of Regulatory Standards at the FRC said: 'The revised ethical standard has been simplified to ensure auditors are clear as to the high ethical standards expected, while the limited number of new requirements are proportionate and balanced to support trust and confidence in UK corporate reporting and audit and in doing so helping to support UK growth and competitiveness.'

FRC publishes annual review of competition in the audit market

The Financial Reporting Council (FRC) has published an updated overview of competition in the UK's audit market for public interest entities (PIE).

While the report shows a small increase in market share for challenger audit firms, the audit market remains highly concentrated. The Big Four accounting firms continue to dominate, earning 98% of FTSE 350 audit fees in 2022, resulting in limited choices for businesses and ongoing concerns about resilience.

Over the past year, and with a focus on addressing concerns in the quality of PIE audits among smaller firms, the FRC has pursued a range of initiatives targeting different aspects of market competition. These include publishing a standard for audit committees in relation to their role on the external audit, launching the FRC's Scalebox to assist smaller firms' entry in the PIE audit market, and exploring barriers to growth for smaller audit firms.

Looking ahead, the report highlights the FRC's intention to conduct market studies (in-depth investigations) that can generate proposals to improve the way the market functions with particular regard to better choice and resilience. This will allow the FRC to explore issues relating to the audit market in more detail, generating more granular information about areas of concern and suggested actions to address them.

The FRC invites continued engagement and feedback from stakeholders and welcomes views on the update and future market studies.

EUROPE

EBA publishes guidance to assess the knowledge and experience of the management or administrative organ of a credit servicer

The European Banking Authority (EBA) has published its final Guidelines on the assessment of adequate knowledge and experience of the management or administrative organ of a credit servicer as a whole, under the Non-Performing Loans Directive. The Guidelines aim at ensuring that the organs are suitable to conduct the business of the credit servicer in a competent and responsible manner.

To protect the integrity of the market and promote trust, it is crucial to ensure that the management or administrative organ of a credit servicer, as a whole, has sufficiently good repute and adequate knowledge and experience to conduct the business in a competent and responsible manner.

The Guidelines specify the criteria for the assessment of the organs' collective knowledge and experience. This will be performed based on the individual members' assessment by credit servicers, taking into account the principle of proportionality. The Guidelines also spell out the assessment process by credit servicers and competent authorities, which also covers the assessment of good repute of the members of the credit servicers organs.

Legal basis and next steps

The Non-Performing Loans Directive (Directive (EU) 2021/2167) establishes a Union-wide framework for both purchasers and servicers of non-performing credit agreements issued by credit institutions, whereby credit servicers should obtain authorisation from and be subject to the supervision of competent authorities. Credit servicers must ensure that their management or administrative organs meet the suitability requirements at all times, including where the business activities or the composition of the organ change.

The EBA has developed these Guidelines in accordance with Article 5(2) of the Non-Performing Loans Directive, which mandates the Authority to issue Guidelines on the adequate knowledge and experience of the management or administrative organ of credit servicers to conduct the business in a competent and responsible manner, to further harmonise the assessment of the adequate knowledge and experience of the management or administrative organ, as a whole, within the EU financial sector. This is in line with the requirements under Article 16 of the EBA founding Regulation.

The EBA Guidelines will apply to credit servicers and to Competent Authorities across the EU.

UNITED STATES

FASB issues new segment reporting guidance

The Financial Accounting Standards Board (FASB) has issued a final Accounting Standards Update (ASU) that improves disclosures about a public entity's reportable segments and addresses requests from investors and other allocators of capital for additional, more detailed information about a reportable segment's expenses.

'The new segment reporting guidance is based on the FASB's extensive outreach with stakeholders, including investors, who indicated that enhanced disclosures about a public company's segment expenses would enable them to develop more decision-useful financial analyses,' stated FASB Chair Richard Jones.

'It will improve financial reporting by providing additional information about a public company's significant segment expenses and more timely and detailed segment information reporting throughout the fiscal period.'

The amendments in the ASU improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The key amendments:

- Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss.
- Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss.
- Require that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by FASB Accounting Standards Codification Topic 280, Segment Reporting, in interim periods.
- Clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements.

- Require that a public entity discloses the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.
- Require that a public entity that has a single reportable segment provides all the disclosures required by the amendments in the ASU and all existing segment disclosures in Topic 280.

The ASU applies to all public entities that are required to report segment information in accordance with Topic 280. All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after 15 December 2023.

FASB issues standard that enhances income tax disclosures

The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) that addresses requests for improved income tax disclosures from investors, lenders, creditors and other allocators of capital (collectively, 'investors') that use the financial statements to make capital allocation decisions.

'The new standard responds to calls from investors for more transparent, decision-useful information about a company's income taxes,' stated FASB Chair Richard Jones. 'It requires enhanced disclosures primarily related to existing rate reconciliation and income taxes paid information to help investors better assess how a company's operations and related tax risks and tax planning and operational opportunities affect the company's tax rate and prospects for future cash flows.'

The ASU improves the transparency of income tax disclosures by requiring: consistent categories and greater disaggregation of information in the rate reconciliation; and income taxes paid disaggregated by jurisdiction. It includes other amendments to improve the effectiveness of income tax disclosures.

For public business entities, the standard is effective for annual periods beginning after 15 December 2024. For other entities, the amendments are effective for annual periods beginning after 15 December 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance.

The ASU, including more information about transitioning to the new standard, is available at www.fasb.org.

ASIA PACIFIC

Singapore's Financial Institutions (Miscellaneous Amendments) Bill 2024

Minister of State, Ministry of Culture, Community and Youth and Ministry of Trade and Industry, Mr Alvin Tan, on behalf of Deputy Prime Minister and Minister-in-charge of the Monetary Authority of Singapore (MAS), Mr Lawrence Wong, has moved the Financial Institutions (Miscellaneous Amendments) Bill 2024 (FIMA Bill) for First Reading in Parliament.

The FIMA Bill enhances and rationalises MAS's investigative, reprimand, supervisory and inspection powers across various Acts under MAS's purview. These Acts are: Financial Advisers Act 2001 (FAA); Financial Services and Markets Act 2022 (FSMA); Insurance Act 1966 (IA); Payment Services Act 2019 (PS Act); Securities and Futures Act 2001 (SFA); and Trust Companies Act 2005 (TCA).

The Bill also includes miscellaneous amendments to certain Acts under MAS's purview which are: consequential from the introduction of new processes; clarificatory or technical in nature; and meant to update the provisions or remove certain administrative constraints.

MAS has conducted public consultation on the key amendments in the FIMA Bill. Comments received have been incorporated, where appropriate, into the FIMA Bill. Amendments have been made to four key areas, which are briefly described below.

1. **Enhance MAS's investigative powers:** To strengthen MAS's evidence-gathering powers and facilitate greater inter-agency coordination, MAS will introduce several enhancements to its investigative powers under the SFA and the FAA, and amend the IA, PS Act, TCA and the FSMA to broadly align the investigative powers under the other Acts with those under the SFA and FAA.

2. **Clarify applicability of MAS's reprimand powers:** Currently, under the SFA, FAA and TCA, MAS may reprimand a 'relevant person' (which refers to financial institutions regulated by MAS under those Acts or employees, officers, partners or representatives of such regulated financial institutions), whom MAS is satisfied to be guilty of misconduct. The FIMA Bill makes it clear that MAS's powers under those Acts allow MAS to reprimand a person who was a 'relevant person' at the time of the misconduct, even if the person has ceased to be a 'relevant person; since the misconduct; i.e. the person is no longer regulated by MAS or has left the employ of a regulated financial institution.

3. **Expand MAS's powers to issue directions to capital markets services licence holders that conduct unregulated business:** CMSL holders may conduct unregulated businesses such as offering products that are not regulated by MAS (e.g. bitcoin futures and other payment token derivatives traded on overseas exchanges), which may pose contagion risks to their regulated activities. The FIMA Bill will now allow MAS to issue written directions on the minimum standards and safeguards that should be in place when CMSL holders and their representatives conduct unregulated businesses.

4. **Enhance supervisory and inspection powers:** MAS will enhance its supervisory and inspection powers under the SFA, FAA and TCA to ensure that it has consistent powers across these Acts and to align with the Banking Act 1970.

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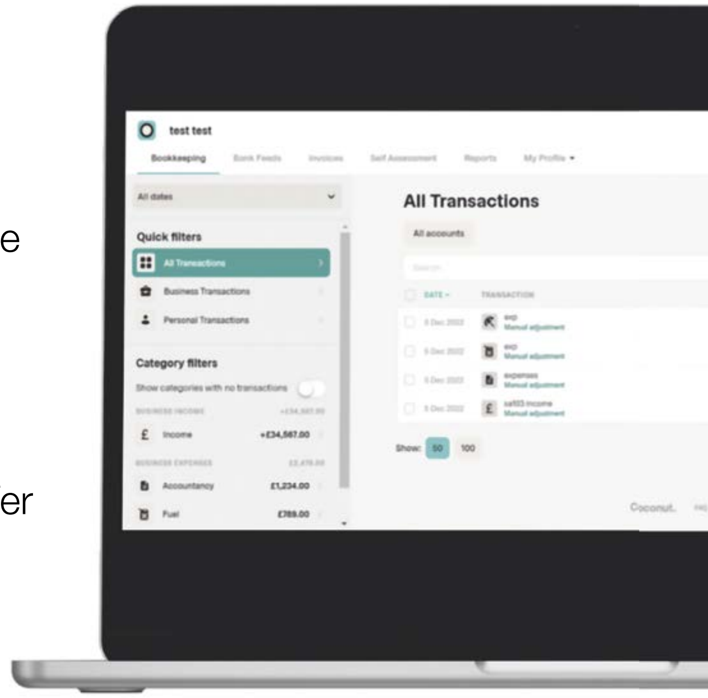

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