

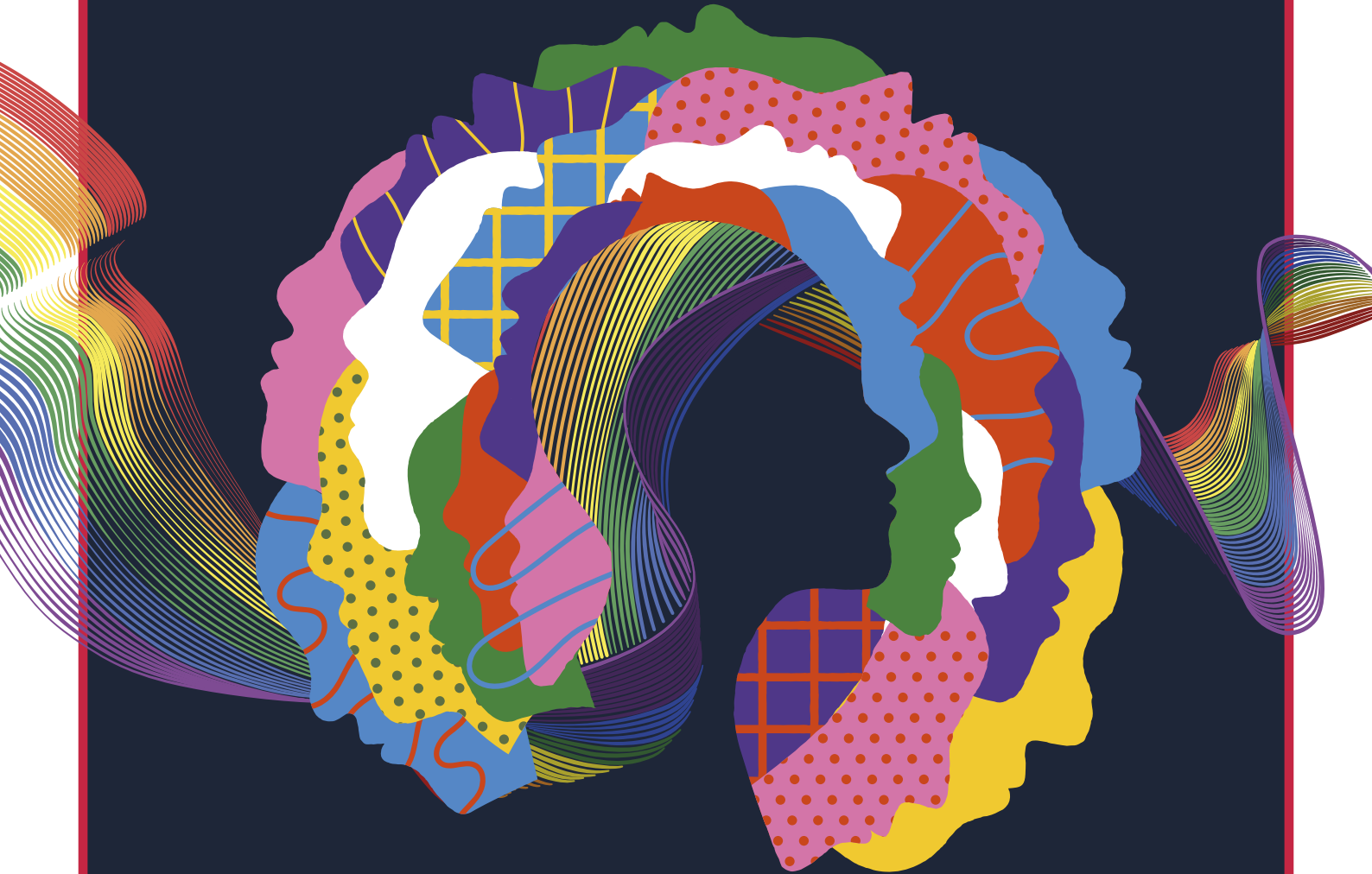


The Professional Journal of The Association of International Accountants

INTERNATIONAL ACCOUNTANT

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ISSUE 134



How diversity and equality can benefit the workplace

IFAC International Panel on Accountancy Education:
preparing future-ready professionals

The impact of generative artificial intelligence

Professional standards: our expectations of AIA members

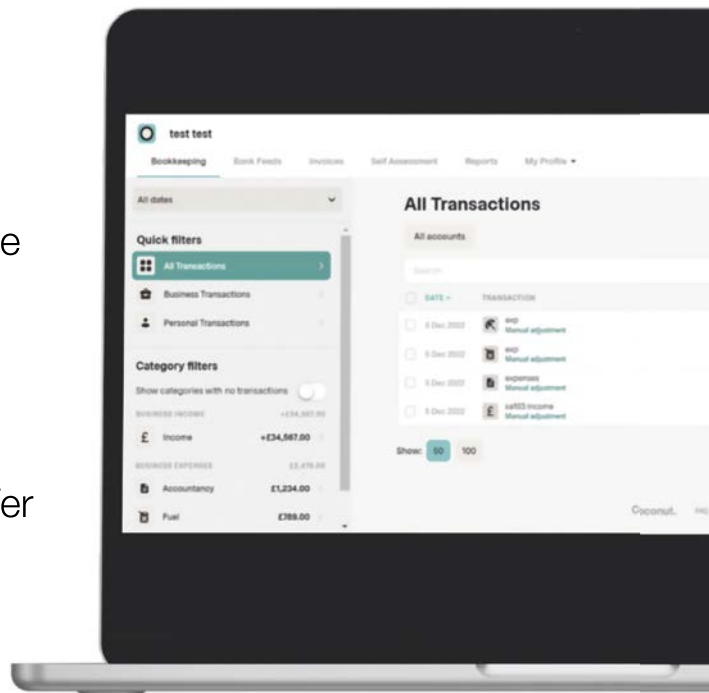
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Students

Essential exam preparation

You can support your study by creating a revision routine that gives you the time and space to engage with the AIA Achieve Academy distance learning course. We share our tips on how you can prepare for your exams, and how exam techniques can help you to get the best grades.



Diversity

Accounting for diversity

Does the industry understand the potential value – in promoting creative innovation and strengthening risk awareness – offered by being inclusive of diversity? *Geffrye Parsons* shows how

2 many benefits diversity and equality can bring to the workplace, and the mindset shift we all need to bring them about.



Practice compliance

The role of professional standards

The accountancy profession is often still referred to as 'self-regulatory'. *Ian Waters* (Compliance for Accountants Ltd) explains the professional standards that you will be held to as an AIA member, and how they will benefit both you and your clients.



Accountancy education

An introduction to the IPAE

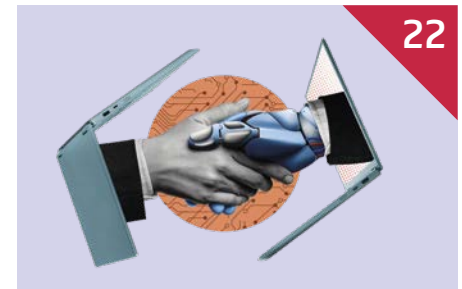
Greg Owens highlights the work of the IFAC International Panel on Accountancy Education, which serves as a global driving force for high-quality accountancy education, acting as a guiding light for preparing future-ready professionals.

Recruitment

The next big talent shortage

Professional bodies have warned of a dramatic shortage of skilled individuals

in accountancy and audit. *Lee Murphy* (The Accountancy Partnership) examines the issue of skills shortages and how we can attract more people into the world of accountancy.



Artificial intelligence

The impact of generative AI

Machine learning is now able to create an image or text description of any specified item on demand. *Gemma O'Brien* and *Priya Dutta* (AlphaPlus) explain the evolution of generative AI, and examine its implications for the accountancy profession.



Leadership

Unlocking your potential

Bolu Fagborun explains how with true leadership, you can unlock your own potential and help others to make the best of their abilities.

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Editorial Information
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WELCOME

Time to go beyond 'optical illusion'

Geffrye Parsons FCA CEO, The Inclusion Imperative

I am the Founder and CEO of The Inclusion Imperative, an independent Diversity, Equity and Inclusion (DEI) consulting practice. As someone who purposefully left a 35-year executive career in financial and professional services a couple of years ago to pursue my passion for boosting DEI within commercial organisations, I was delighted to be invited to contribute an article to this edition of the magazine.

In my consulting practice, I tirelessly preach the principle that all progress is rooted in embracing difference. That difference – of background, perspective, lived experience and attitude – should not just be tolerated or accepted: it should be actively sought and celebrated. Only in that way can received wisdom be meaningfully challenged, paving the way for improved innovation and creative problem-solving, superior risk-awareness and robustness.

In my article, 'Accounting for Diversity' (see page 12), I freely acknowledge that the accounting industry has come a long way in recent decades. But my concern is that – consciously or unconsciously – much of this apparent progress may be an 'optical inclusion'. The quantitative increases in the representation of minoritised groups are not sufficiently matched by the qualitative overlay of the inclusive practices which are needed to empower staff to leverage the potential value which their difference carries. The industry may still have a tendency to

foster organisational cultures of (even implicitly) enforced conformity, triggering a uniformity of thought and approach.

It is critical that accounting firms start to take DEI seriously, reclassifying it from discretionary to essential. Not only is that needed for the industry to develop dynamically; it is also what the available talent, that makes up the lifeblood of the industry, demands.

Professional accountants commonly cite a strong diversity and inclusion culture as a key incentivising factor in deciding whether to work at a firm. And yet, as I note in my article, recent research shows that many firms consider DEI to be the lowest of a wide range of priorities for the year ahead.

With this mismatch of expectations and priorities in mind, is it any wonder that, as Lee Murphy explores in his article on page 20, the industry is experiencing increasing difficulty in recruiting and retaining young talent?

It is time for the accounting industry to grasp the nettle. Ranjana Bell rightly noted that this needs to be addressed when she wrote, in issue 127, that: 'We need to create safe spaces for difficult conversations, and sometimes we will need to hear some hard truths.'

I hope that the materials in this issue will indeed spark some new, progressive debate and thinking about the inherent potential value of diversity, and the steps needed to unlock that potential for the benefit of the industry all those impacted by its work.

Contributors to this issue

GEFFRYE PARSONS



Through his DE&I consultancy, The Inclusion Imperative, Geffrye Parsons helps organisations to build leadership capabilities and promote inclusion.

GREG OWENS



Greg Owens is a Director in BDO's Global Assurance Department and was nominated by BDO LLP to serve on the International Panel on Accountancy Education (IPAE).

IAN WATERS



Ian Waters supports accountancy firms with compliance – AML, ethics, professional standards and more at Compliance for Accountants Ltd.

GEMMA O'BRIEN AND PRIYA DUTTA



As Assessment Managers at the educational consultancy AlphaPlus, Gemma and

Priya work with clients across all sectors to deliver data-driven improvement to learning and assessment programmes.

BOLU FAGBORUN



Bolu Fagborun specialises in executive coaching and consultancy, working with emerging executive talent within organisations focused on growth and scaling.

LEE MURPHY



Lee Murphy started TAP in 2006 after becoming frustrated with accountants whose services were outdated, laborious and expensive.

OECD

IFRS Sustainability Reference Group looking to recruit members

The IFRS Foundation is seeking members to join the IFRS Sustainability Reference Group (SRG). The purpose of the SRG is to provide technical input to the International Sustainability Standards Board (ISSB) members and staff for research and standard-setting projects.

The IFRS Foundation intends to include a mix of geographic and industry coverage across SRG membership. Members will be selected based on their professional expertise and their practical, direct experience in preparing or using sustainability disclosures and/or general purpose financial reports. The role is voluntary.

The IFRS Foundation said that most engagement with the SRG will be undertaken virtually by the ISSB staff on an ad hoc basis through bilateral meetings or through meetings with a small group of SRG members selected based on the topic for discussion.

It said: 'The objective of the SRG is to establish a group of members who can contribute individually, in sub-groups or collectively to the ISSB's technical agenda by providing valuable insights and technical feedback on research and standard-setting projects.



The group will be designed to bring diverse stakeholder perspectives through ad hoc consultation on the ISSB's technical work from a variety of industries and geographies.'

Members are expected to participate for a term of at least two years.

The SRG will facilitate effective technical discussion on sustainability standard-setting issues including:

- specific sustainability topics;
- industry considerations for research and standard-setting projects;
- geographic/jurisdictional considerations for research and standard-setting projects;
- feasibility of providing high-quality, transparent, comparable and decision-useful information to primary users of general purpose financial reports; and

- the relevance of information for decisions about providing resources to a company.

To meet the SRG's objectives, members should have professional competence and practical preparer or user or related experience of sustainability disclosures and/or general purpose financial reports.

The IFRS Foundation said: 'Members should be capable of providing technical expertise and practical knowledge of sustainability-related risks and opportunities that are useful to primary users of general purpose financial reports. They should also be able to consider different perspectives and have an ability to participate in a free exchange of ideas.' The application deadline is 20 April 2024.

Finance worker transfers £20 million to criminals after being caught in 'deepfake' scam

A Hong Kong-based finance worker was conned into transferring £20 million into the bank account of criminals operating a so-called 'deepfake' scam.

The employee of a multinational company was persuaded to move with funds after a video call from his 'Chief Financial Officer' and other employees. He had been suspicious after receiving an email requesting a secret transaction but sent the scammers HK\$200 million after the group video call.

'In the multi-person video conference, it turns out that everyone

[he saw] was fake,' commented Hong Kong police senior superintendent Baron Chan Shun-ching.

According to Hong Kong police reports, the case is the latest in a string of deepfake scams across the city. One of the most common frauds involves the criminals using deepfake technology to modify existing footage in order to cheat people out of money.

A recent article published by Bloomberg offered advice on how to spot deepfake footage, saying that deepfakes are unable to execute

complex movements in real time. It said potential victims should ask video conference 'participants' to write a word or phrase on a piece of paper and show it on camera. This is difficult for deepfakes to replicate convincingly in real-time.

It also advised the use of multi-factor authentication. For sensitive meetings, consider involving a secondary conversation via email, SMS or an authenticator app, it said. And companies should ensure they are using the latest version of their video conferencing software as it may incorporate security features to detect deepfakes.

EU approves delayed Due Diligence Directive

The EU Council has finally approved implementation of the delayed Corporate Sustainability Due Diligence Directive (CSDDD), which requires large EU limited liability companies and non-EU companies active in the bloc to evaluate environmental damages and breaches of human rights throughout their value chains, and initiate measures to prevent and eradicate them.

It also imposes duties on directors of the EU companies covered, including setting up due diligence processes and integrating due diligence into corporate strategy. Directors must also take into account the human rights, climate change and environmental consequences of their decisions.

The delay to approving the directive came as the EU made last-minute changes, including raising the employee threshold from 500 to 1,000 employees, and the turnover threshold from €150 million to €450 million, sparing some 70% of the companies that would have been affected.

MEP Lara Wolters said: 'I'm delighted that a clear majority of Legal Affairs Committee members backed the Due Diligence Directive. It is high time that this legislation is adopted, to stop corporate abuse and to give companies clarity in what is expected of them.'

However, Isabella Ritter, EU policy officer at ShareAction, commented: 'Today's vote marks a watershed moment for corporate accountability. Yet the last-minute changes made to appease some member states have substantially reduced the scope of what the CSDDD could have achieved.'

'Slashing by more than half the number of affected companies that the legislation will apply to severely undermines its original intentions, failing both people and planet. Additionally, by phasing in the limited measures agreed upon today, we are unlikely to see tangible results for almost a decade, leaving vulnerable workers at risk and jeopardising our planet and its vital ecosystem.'

FRAUD

UK firms urged to 'take urgent action to bolster their defences against fraud'

The cost of fraud to UK businesses more than doubled in 2023 to £2.3 billion, according to the latest fraud report from accountancy firm BDO. However, the study reveals the true level of fraud is likely to be significantly higher, with many organisations not reporting that they been the victim of fraud. The latest Crime Survey for England and Wales revealed that fewer than one in seven fraud offences are reported to the police.

While the number of high value cases (over £50 million) in BDO's FraudTrack report increased by 60% in 2023, the total number of reported cases also rose, up by 18% to a three-year high. It uncovered a large increase in online scams, phishing and system breaches, and in Authorised Push Payment transactions in which fraudsters trick their victim into transferring money to them.

Kaley Crossthwaite, forensic partner at BDO, said: 'This increase in reported fraud numbers is consistent with the surge in frauds that our forensic investigations teams are seeing on the ground. Many people choose not to report fraud because of shame or embarrassment. Businesses are also reticent about coming



Kaley Crossthwaite

forward because of fears around negative publicity, reputational damage and a lack of faith that the authorities will take action. While we hope the introduction of the government's online fraud charter will encourage the technology sector to narrow the opportunities for online fraud, the sad reality is that the fraudsters will be looking to stay one step ahead by exploiting new options like AI.

'All businesses are at risk, and many need to take urgent action to bolster their defences against fraud and financial crime. The "failure to prevent fraud" offence introduced by the Economic Crime and Corporate Transparency Act 2023 may just provide the extra incentive to do so.'

Should tax agents be members of a professional body?

HMRC has opened a consultation to discuss the government's intention to raise standards in the tax advice market through a strengthened regulatory framework. This includes whether the government should introduce a requirement for paid tax practitioners to be a member of a recognised professional body that supervises their professional standards. The consultation sets out three possible approaches to strengthening the framework:

- mandatory membership of a recognised professional body;
- joint HMRC/industry enforcement; and
- regulation by a separate statutory government body.

The consultation also explores various approaches to strengthen the controls on access to HMRC's services for tax practitioners, and asks which groups of tax practitioners should be in scope or excluded from the proposed option.

Responses to the consultation and enquiries can be emailed to raisingstandardsconsultation@hmrc.gov.uk. The consultation will run until 29 May 2024.

AIA encourages all Members in Practice to complete a short survey (<https://forms.office.com/e/H6ZL8Rf7Ss>) based on the consultation, so that we can feed your views back to HMRC.



APPOINTMENT

AIA council member appointed advisor to Quality Assurance Agency

AIA Council member, Dr Peter Ellington, has been appointed as an advisor to the Quality Assurance Agency for University Education (QAA) benchmarking review for Accountancy Education.

Peter's role in this review is to advocate for the representation of SME accountancy practices, ensuring that their perspectives are thoroughly considered in the evaluation process. With his extensive experience and insights into the dynamics of accountancy practice, Peter will make invaluable contributions to the review.

'Being an advisor for the QAA benchmarking review is a tremendous opportunity to shape the future of accountancy education in the UK,' said Peter Ellington.

His appointment coincides with QAA's confirmation of the membership of advisory groups for the Subject Benchmark Statements to be reviewed in 2024-25. This holds the promise of reshaping the landscape of accounting education in the UK.

Of particular significance is Peter's involvement in the working group examining education for sustainable development in accounting, which underscores his commitment to address social and environmental imperatives.

AIA NEWS

AWARD

Professor John Blake Award winner announced

AIA is pleased to announce that Ho Kam Cheong has been honoured with the Professor John Blake Award for outstanding achievement, following the November 2023 exam session. The award, presented biannually, recognises the student who attains the highest scores in the International Financial Reporting Standards (IFRS) at Professional Level 2.

The Professor John Blake Award symbolises excellence and dedication in the field of accountancy, honouring individuals who demonstrate exemplary academic performance and commitment to professional development. Ho Kam Cheong's accomplishment serves as an inspiration to aspiring accountants worldwide, showcasing the value of

dedication, diligence and continuous learning within the profession.

Expressing his gratitude upon receiving the award, Ho Kam Cheong said: 'Thank you so much for this humbling award. In my current role, it is crucial that I learn IFRS and how to apply them in practice. Studying with AIA has helped me to fully understand the meaning behind each standard, which in turn has allowed me to apply theory to my accountancy practice more easily and improve my professional skills in daily work.'

Jane Steele, AIA Qualifications Manager, congratulated Ho Kam Cheong: 'Congratulations from everyone at AIA for this achievement. We wish him the best of luck with his remaining AIA examinations and future career.'

APPOINTMENT

AIA member appointed Advisor to the Republic of Ghana

Ambassador Winfred Nii Okai Hammond, representing the Republic of Ghana, proudly announced the appointment of AIA Member, Professor Lingyun Xiang, an economist based in the United States, as the Chief Financial and Economic Advisor to the Republic of Ghana.

Professor Lingyun Xiang brings a wealth of expertise and experience to his new role, poised to make significant contributions to Ghana's financial and economic landscape. His appointment underscores the Republic of Ghana's

commitment to fostering robust economic growth and development.

Professor Lingyun Xiang said: 'I am deeply honoured to accept the role of Chief Financial and Economic Advisor to the Republic of Ghana. I look forward to collaborating with Ghanaian officials and stakeholders to drive sustainable development for its people.' He will play a pivotal role in shaping Ghana's economic policies, leveraging his extensive knowledge and insights to drive sustainable growth and prosperity.

AWARDS

AIA Director on Yorkshire Accountancy Awards judging panel



Yorkshire Accountancy Awards

In February, AIA Director of Operations David Potts had the honour and privilege of being on the judging panel for the Yorkshire Accountancy Awards.

Financial and related professional services support 2.5 million jobs in the UK, with two thirds of those based outside London. The industry acts as an enabler for the economy in every region and nation of the UK, creating jobs, generating investment and growing prosperity.

According to TheCityUK, Yorkshire and The Humber adds a gross value of £11.8 billion to the economy, with

Leeds being one of seven key cities for employment in the sector.

AIA is dedicated to developing financial services professionals across regions and worldwide. Collaborating with key partners such as NPH Ethnic Minority Business and Policy Forum, we are committed to increasing diversity within the industry and providing opportunities for ongoing learning and development.

Congratulations to the well-earned winners at the Yorkshire Accountancy Awards!

EQUALITY

AIA is committed to achieving gender balance

At AIA, we are committed to achieving gender balance across our Council by 2025. We believe in breaking down barriers, changing unfair ideas about people and making sure all women feel valued and respected.

We are taking action to create a world where everyone, no matter who they are, has a fair chance to succeed.



COMMONWEALTH

AIA celebrates Commonwealth Day 2024

On 11 March, AIA celebrated Commonwealth Day 2024 with the theme 'One resilient common future: transforming our Commonwealth', embracing the collective commitment of Commonwealth nations to address global challenges and build a sustainable future together. AIA reaffirmed its dedication to these shared values and foster international cooperation.

At the core of Commonwealth Day is unity and resilience, encapsulating the essence of AIA's mission to empower accountants and finance professionals across borders. With a dynamic global membership, AIA demonstrates the spirit of collaboration and knowledge exchange that defines the Commonwealth community.

In alignment with AIA's dedication to fostering international cooperation and talent, our Commonwealth Scholarship programme is an opportunity for aspiring accountants and finance professionals from Commonwealth nations through access to top-tier education with the AIA Achieve Academy.

AIA is committed to nurturing talent and fostering collaboration across borders, ultimately advancing the collective goals of the Commonwealth community and shaping a brighter future for all.

Philip Turnbull, Chief Executive of AIA, emphasised the significance of Commonwealth Day in fostering unity amidst diversity. 'As we celebrate Commonwealth Day, we are reminded of the importance of working together to address the challenges facing our world. At AIA, we are proud to embody the values of resilience and collaboration that define the Commonwealth.'

As the world deals with challenges ranging from climate change to economic inequality, the collective strength of the Commonwealth community serves as a beacon of hope and resilience. AIA remains steadfast in its dedication to support accountants worldwide in driving sustainable development and economic prosperity. Through shared values and collective action, AIA and its members stand ready to contribute to a brighter and more resilient future for all.

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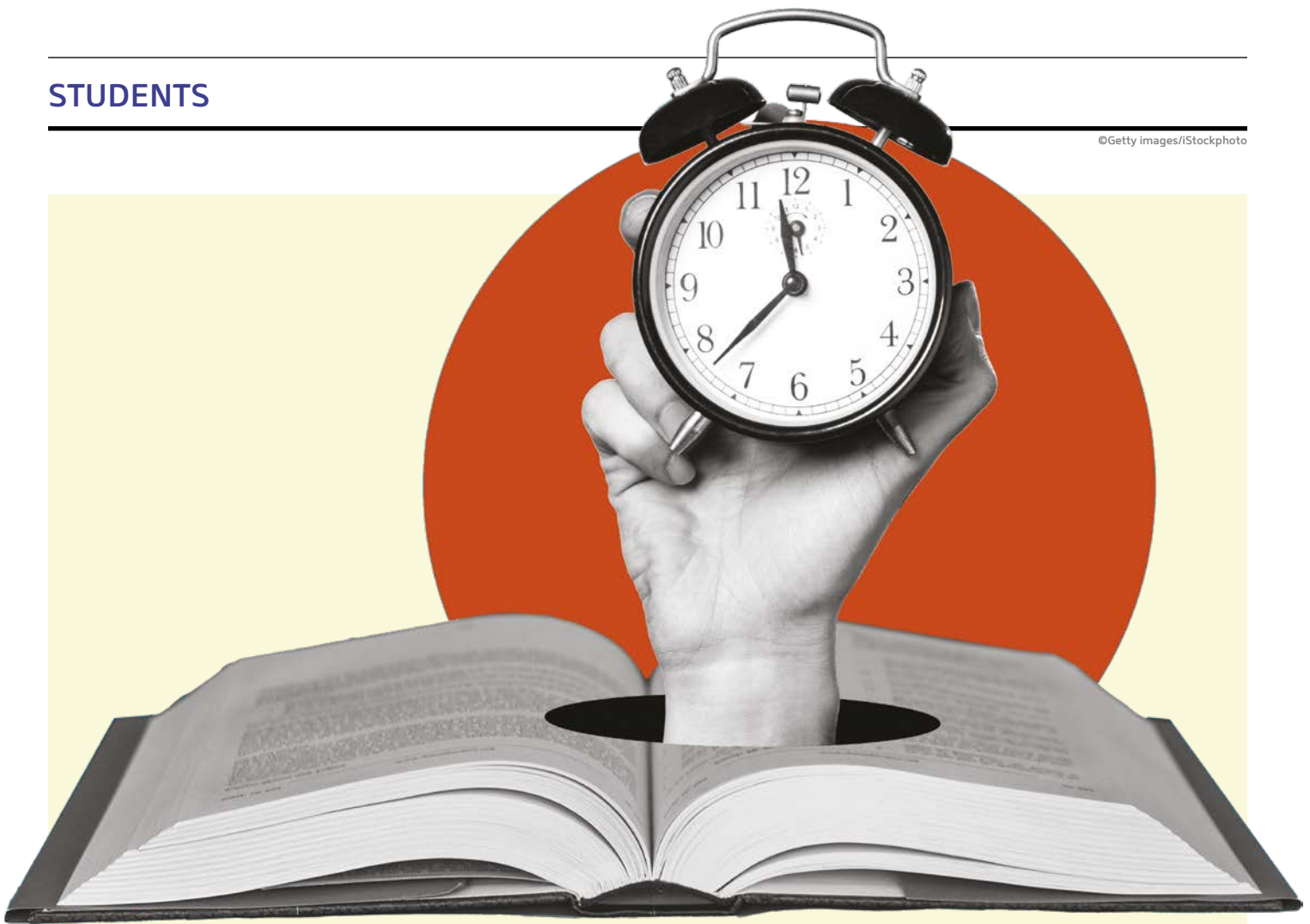
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Essential exam preparation

We share our tips on how you can prepare for your exams, and how exam techniques can help you to get the best grades.

As with any examination, it is essential to study and prepare prior to sitting your exam. You need to create a study schedule to make sure that you have identified all the required topics and revised them before you take the exam. It is advisable to consider the relative weighting given to particular topics in your exam, and the extent to which the examination paper will require computational or discursive responses.

You can support your study by creating a revision routine that gives you the time and space to engage with the AIA Achieve Academy distance learning course. This includes recorded BPP lectures, live workshops, practice questions, tutor feedback, textbooks and other valuable study resources. It is also important that you practise past questions.

Spend your time wisely

Before sitting the online exam, it is important to

familiarise yourself with the format of your exam paper. How many questions will you be required to answer and how much time should you allocate to each question? In a three hour paper, you have 180 minutes – in a 100 mark exam paper, this equates to 1.8 minutes per mark.

For example, a 100 mark exam that takes 180 minutes might be structured like this:

- **Multiple choice questions** (10 marks): 18 minutes
- **One long question** (40 marks): 72 minutes (or 1 hour 12 minutes)
- **Short form questions** (20 marks): 36 minutes
- **Choice questions** (30 marks): 54 minutes

Exam technique

Exam technique is essential. It is highly recommended that you sit the practice exam paper within Achieve Academy to practise these skills, as this will provide you with a general idea of what to expect in the actual exam.

To ensure that your online exam runs smoothly and to resolve any technical issues prior to your exam, it is advisable that you take part in the practice exam session which is held prior to the exam week. The aim of the practice session is to allow you to:

- check that your device meets the requirements;
- check that you have downloaded the Rogo Kiosk app correctly;
- familiarise yourself with the ID checks; and
- ensure that you are able to access the exam platform.

In computer-based testing, you will be providing responses in a Word template or on spreadsheets. Your answers should be clear and logically ordered, and supporting workings should be included. The computer-based platform provides an opportunity for you to present your answers with clarity and precision – it is important to maximise this benefit as it can effectively signal to the marker where each element of the answer is provided.

To help you achieve a pass in the exam, you must be able to perform computational questions in the correct layout and show all your workings. By adopting the correct layout, even if you make some errors, the marker can clearly follow your workings and give credit where due.

Make the most of your work

The best way to prepare for calculation questions is to practise lots of past questions. When presenting answers in the exam, be sure to label your workings. Numbers used should be labelled so your treatment is clearly demonstrated.

For discursive questions, there are two techniques that you can adopt to maximise your performance.

Take aways

- Register on Achieve Academy
- Familiarise yourself with the syllabus content and prepare a realistic study plan
- Practice past questions and exam technique
- Take part in the practice exam session
- Ensure your device meets the requirements
- Answer all questions thoroughly and attempt all parts to the question
- Self-reflect

Firstly, relate your answers to the question scenario. Phrases such as 'in this company' or 'in this particular situation' can help in focusing your responses on the details of the scenario, and can help to demonstrate how you have applied your knowledge. These forms of phrases can also signal to the marker where in your answer you are demonstrating such application skills.

Secondly, ensure that you support your analyses with evidence or reasons. Marks are awarded for breadth and depth of content. Use 'reason indicators' in your answer, such as 'this is because...' or 'the reason for this is...' These allow you to construct 'reasoned arguments' that communicate your ability to write in depth.

It is vital that you attempt all the questions and all parts of a question. Note the word 'attempt' – it is important to attempt everything, not to finish everything (you don't need to score 100% to pass the exam). It is always better to respond to a question than leave the answer template blank – even if you are unsure of the answer, one or two marks may make all the difference between passing and failing.

If you are not able to respond at that given moment, do not dwell too long on the question and risk inefficient use of your time. You can return to complete unanswered questions later in the exam – the online, computer-based platform supports and facilitates this form of flexibility.

After the exam

After sitting your exam, it is important that you reflect on how you think you performed. This self-reflection will, of course, focus on content and technical aspects of the exam questions, but it can also extend to reflection on learning outcomes that relate to your preparation or approach.

You might consider how well-prepared you were, and how this was reflected in your experience of the examination. You might also reflect on how you managed the allocation of time, and how familiar you were with the software and tools at your disposal. In engaging in this reflection, you may be able to carry forward valuable insights into the preparation phase of your next examination. ●



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- ✓ **Training Records:** Prove your employees' AML knowledge with online tests for each training video, all saved in your audit trail.
- ✓ **Internal Reporting:** Submit an internal Suspicious Activity Report online. This tool ensures the relevant information is provided, so that your AML officers can make an informed decision.
- ✓ **Document Management:** Client documents are encrypted and stored securely online for quick reference. Digital client identification and validation checks can be stored here too.
- ✓ **AML Policy:** Tailor our detailed draft policy to consider all aspects of your business' AML needs.

ashboard



Name: William Smith Ltd
Reference: UK/ASP/1681287638
Sector: Accountancy

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User level: MLRO
Country: United Kingdom

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- Internal SARs by MLRO
- Internal SARs by staff
- NCA information
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- Archived documents
- Reminder list
- Your AMLCC Account
- Business details
- Personal details
- Manage users
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- DBS Checks
- FAQs and support
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Welcome William Smith

My clients | Unmanaged clients | All clients | Staff clients

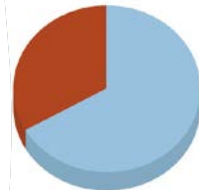
Primary CRA



- High risk: 3 60.0%
- Low risk: 1 20.0%
- Not completed: 0 0.0%
- Risk mitigated: 1 20.0%

Status of 5 of my clients

EDD Measures to Apply



- Satisfied: 2 66.7%
- Not satisfied: 1 33.3%

EDD Measures Required = 3

SHOW SCRA

Workflow

Number of firm risk mitigations request(s) outstanding	0
Number of primary client risk mitigation request(s) outstanding	0
Enhanced due diligence measures outstanding	1
Number of weeks until AML Policy needs updating	6

MacBook

Anti-Money Laundering Compliance Company Limited

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Accounting for diversity

Geffrye Parsons shows how many benefits diversity and equality can bring to the workplace, and the mindset shift we all need to bring them about.

In many ways, 1987 seems like a long time ago. The Berlin Wall was still in place, Hong Kong was still a British colony, the internet barely existed, and *The Simpsons* was only just debuting on TV... In reality, it was not that long ago. It was the year that I started my professional career. That autumn, I joined a medium-sized accounting firm based in Piccadilly, in London's vibrant, cosmopolitan West End, as a trainee chartered accountant.

My personal experiences

I was one of an intake of 15 people. On our first morning, we all gathered in a conference room for our induction. As I looked around at my new

Geffrye Parsons FCA
CEO, The Inclusion
Imperative

colleagues, I incredulously observed that every single one of us was an able-bodied, white cis man. There were no women or people of minority ethnicity. No one was differently abled.

There had been no attempt to do anything other than to replicate the firm and the industry in its own image. We were an example of affinity bias writ large, a bubble of uniformity and exclusion right in the heart of one of the most diverse places on earth.

The firm did not know it but there was an LGBTQ+ person among that intake: me. But conformity was clearly received wisdom in my position, so deep in the closet I stayed. Only a few days later, the British Prime minister Margaret

Margaret Thatcher made the homophobic conference speech that would shortly lead to the introduction of the notorious Section 28 legislation. That effectively ensured that I would remain in the closet, condemned to cover and codeswitch every day throughout my tenure.

Four years later, by now qualified as a chartered accountant, I moved to Hong Kong to join one of the Big Four as an audit manager. Surely a firm in a dynamic international setting like that would be more inclusive of diversity, I thought. I was wrong. Even senior personnel there were de-personalised by being referred to in documents by their department number, rather than by their name. Female staff were required to wear skirts or dresses at all times. All correspondence has to be signed off by a partner. And new ideas – such as modern audit techniques – were met with disdain by many of the partners – all of whom were, of course, male.

The cost of conformity


The effect of all this was massively detrimental. The first step towards psychological wellbeing is inclusion safety – which means feeling safe to be yourself. Being denied this most basic right means that there is no chance of feeling safe to question received wisdom, habitual practice and the status quo in the interests of forging improvement.

A culture of trepidation, bordering on fear, prevailed in my firm. I was encouraged to give feedback to the audit teams who worked under my supervision. However, most chose to slavishly follow precisely what had been done on the previous year's audit for fear of possible retribution, never daring to consider whether a more efficient or accurate test could be found.

They certainly worked hard (we all pulled over a hundred hours a week during the peak reporting season) but they absolutely did not work smart. In sporting parlance, they played not to lose, rather than to win. The latter just felt too risky.

Such a culture squashes both creativity and corporate citizenship. Experts like Peter Drucker and Robert Greenleaf have noted that by creating or perpetuating an environment which is the antithesis of psychological safety, authoritarian leaders will never get the maximum possible discretionary effort from their staff.

The risks in our industry are massively amplified when psychological safety is sacrificed. This lies at the root of calamitous audit failures over recent decades – like Bernie Madoff's Ponzi scheme, the loans masquerading as sales at Lehman Brothers, the understated debts of Enron and the inflated income and assets of WorldCom. Might these scandals – two of which led to the demise of Arthur Andersen – have been avoided if diversity of experience, perspective and opinion had been embraced rather than suppressed?



Through his DE&I 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. He promotes a holistic, intersectional approach, challenging received wisdom and practices to facilitate culture shift and business learning.

Where are we now?

All these years later, how much has changed? Does the industry now understand and celebrate the potential value – in both promoting creative innovation and strengthening risk awareness – offered by being inclusive of diversity?

Statistically, things certainly appear much better, although there remains plenty of room for improvement. According to the UK Financial Reporting Council's 'Key Facts and Trends in the Accountancy Profession' annual reports (see tinyurl.com/mu9tyr4b), the number of male and female trainees recruited by the industry is now roughly equal. Equality is building slowly though. The rates for female, minority ethnicity and disabled staff working at partner level are only about half those working at manager level.

The only exception to this trend toward growing diversity among minorities seems to be LGBTQ+. But declarations are often implausibly low. This not only undermines the integrity of the data, but also speaks volumes about the perceived lack of safety felt by junior staff when it comes to declaring what is typically a less visible minority characteristic.

In its 2020 (industry-agnostic) research report 'LGBTQ+ voices: Learning from lived experiences' (see tinyurl.com/2s4jdhna), McKinsey observed that while 80% of senior leaders identify as LGBTQ+ at work, only 32% of junior staff do so. This shines a harsh light on the robustness of any positive statistics around LGBTQ+ inclusion.

Actions to promote diversity

In the US, the American Institute of Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants (CIMA) certainly seem keen to promote diversity in the profession. There is a National Commission on Diversity and Inclusion, as well as a Pipeline Acceleration Plan, with the stated aims of promoting of diversity, equity and inclusion. The Private Companies Practice Section (PCPS) is running a project to 'Transform your business model', and is seeking to 'create cultures that attract, retain, and develop talent from diverse backgrounds'.

In an article published at the end of 2022, 'Diversity is critical to the future of the CPA profession', the AICPA and CIMA stated categorically: 'Whether a firm embraces diversity and inclusion for the business case or for the ethical



'Diverse teams, facilitated by inclusive management, consistently outperform their homogeneous counterparts. It's vital for businesses to shift focus away from token gestures and recognise the true benefits of diversity. Embracing diversity unleashes vast potential, in terms of innovation, productivity, creative problem-solving and risk awareness.'

Ranjana Bell MBE, Director, rba Equality and Diversity and AIA Council Member



reasons, a commitment to diversity, equity and inclusion is essential to long-term sustainability' (see tinyurl.com/muv9eur2).

Statistically, there appears to be some pay-off from this effort. According to the AICPA's annual Trends Reports, between 2018 and 2020 the hiring of ethnically diverse graduates rose from 30% to 35%, while the proportion of women at partnership level increased from 23% to 39%. On the other hand, only 2% of CPAs are Black, and there is little data to speak of for less visible minority characteristics, like LGBTQ+, ability or neurodiversity.

And anyway, regardless of geographical location, raw statistics speak only to quantity, not quality. Just how much is this increased representation overlaid by inclusive practices, empowering staff to leverage their difference to really add value?

Are our efforts working?

One of the biggest challenges in this context – and one that is not at all limited to the accounting industry – may be the failure to make the case other than from a compliance-oriented perspective.

This approach manifests itself in the way that many staff experience learning and development about diversity and inclusion. Typically focused on employment law, often this might as well be subtitled: 'How not to get sued'. For example, standardised module-based online training packages are routinely used by many firms, covering legally protected characteristics and discriminatory behaviours. This style of formal training can all too often feel removed from the everyday work environment, rather than truly encouraging the development of inclusivity and a shared understanding of diverse cultural practices.

In their Harvard Business Review article, 'Why diversity programmes fail', (see tinyurl.com/369d2vz8), Frank Dobbins and Alexandra Kalev stated that: 'It's more effective to engage managers in solving the problem, increase their on-the-job contact with female and minority workers, and promote social accountability.' Rather than relying on formalised training packages, they recommend interventions such as targeted college recruitment, mentoring programmes, self-managed teams and task forces to boost diversity in businesses.

Yet how far have these issues permeated our businesses? The 2023 Global Advisory Trends Report

by Spotlight Reporting was focused on the accounting profession (see tinyurl.com/bdf78nk3). When asked to identify the biggest challenges in the coming year, only 10% of survey participants cited diversity and inclusion – the lowest of all the listed priorities. Not uniquely to the accounting industry, this suggests a persistent belief that diversity and inclusion is a 'nice to have', rather than a commercial imperative. This is incorrect. It is so much of an imperative that I named my diversity, equality and inclusion (DE&I) consulting practice – The Inclusion Imperative – after it!

What we really need

What is needed by the accounting industry is a mindset shift. Inclusively embracing diversity is the right thing to do – and also the best thing to do. Inclusively managed diverse teams always outperform better qualified homogeneous teams. The platitude that 'great minds think alike' is actually a constraint. So firms must stop focusing only on the downsides (trying to avoid grievance lawsuits) and convincing themselves that the odd token hire or promotion is a silver bullet. Instead, they should unleash the upside of diversity – the pollinating potential synergies it offers in terms of innovation, productivity, creative problem solving and risk awareness. They should prioritise empathetic leadership, moving beyond the conceptual to the practical in allowing individuals to flourish.

This overhaul necessitates improved recruitment practices – for example, by disrupting cloning tendencies triggered by affinity and confirmation unconscious biases, recruiting for team fit and stretch, using expanded candidate pools and acknowledging that minoritised individuals often present themselves differently in interview situations.

It also means that corporate culture must be regarded as bi-directional. Rather than forcibly assimilating away all potential value from new recruits' perspectives, organisational culture should embrace the stretch and development which they offer – through better learning and development, as well as tools such as mentoring, sponsorship and staff networks, and a commitment to disrupting those structures and policies which, based on traditional norms, implicitly favour majority groups over others. Especially in turbulent times like now, this is a worthy ambition, and one that the industry should wholeheartedly aspire to.

As The Charity CFO put it perfectly in its March 2023 article 'Does the accounting industry have a diversity problem?' (see tinyurl.com/5x59s7ax):

'By committing to diversity with intention, impact and financial resources, an organisation can be in a prime position to attract high quality professionals, grow their firm, and become a leader and an example of how great the accounting profession really can be.' ●



The role of professional standards

Ian Waters explains the professional standards that you will be held to as an AIA member, and how they will benefit both you and your clients.

Over the last few months, I have written articles in *International Accountant* with a focus on compliance and small accountancy practices. This is my third and final article in the series, and it discusses the professional standards to which an AIA member in practice is held. Before I go on, it is worth reminding ourselves why professional standards (as well as technical standards) are important.

Ian Waters
Compliance for
Accountants Ltd

The accountancy profession is often still referred to as 'self-regulatory'. In many parts of the world (including the UK, for example), an accountant is still able to practise without formal qualifications and without the need to belong to a professional body. The use of the term 'accountant' is not restricted in law. But, as a member of a professional body, if you cannot easily embrace the need to comply with professional standards, then perhaps we can at least agree on the value of being **seen** to be regulated and being **seen** to be compliant.

A respected professional body such as AIA has the right to restrict its membership (and the use of a designation such as 'International Accountant'). Robust regulation is usually an important ingredient in the professional body's 'brand'.

Equally as important, the public has the right to know what to expect from a member of a professional body such as AIA. Therefore, proportionate, targeted regulation by a professional body sets its members apart from other accountants, and transparency of regulation reveals the high professional standards against which members are held accountable. Therefore, the public may have confidence that the vast majority of AIA members are trustworthy and observe high professional standards. This serves both the public interest and AIA members.

What are the relevant professional standards?

In the space available for this article, I cannot explore all the relevant requirements in detail. But perhaps I can give you confidence that you know the broad requirements and where to look for further information.

The Bye-Laws

The Bye-Laws are key, as they set out AIA's high-level expectations of its members, and so make clear the commitment that is being made by an individual seeking AIA membership. The commitment you make as an AIA member is to both AIA and your fellow AIA members. There is the tacit agreement of members that they will abide by the Bye-Laws, as well as the explicit undertaking they make on joining AIA and renewing their membership.

Regulations made, and subsequently amended, by the Council are made under the Bye-Laws. While the Bye-Laws are updated fairly infrequently, there is more agility in the Regulations, which may be amended by the Council – to raise standards and adapt to evolving demands.

In the Bye-Laws, you will find provisions concerning:

- membership eligibility requirements;
- some ongoing membership obligations;
- students and examinations;
- the powers and responsibilities of the Council;
- the responsibilities of different committees; and
- liability to disciplinary action (particularly relevant to this topic).

The Membership Regulations

The provisions of the Membership Regulations include the various rights and responsibilities of AIA members. They set out the various

classes of membership, those that may use the description 'International Accountant', and the different sets of designatory letters that may be used. An important means by which AIA monitors compliance is by way of the annual return, which members are obliged to submit annually by the due date. It perhaps goes without saying that failure to complete the annual return correctly may be regarded as a serious breach suggesting liability to disciplinary action.

I should also mention the provisions in the Membership Regulations concerning fitness and propriety. They are relevant to admission to AIA and to ongoing eligibility, and they simply reflect the standards that a member of the public might reasonably expect of a professional person.

So, there are various areas of the Membership Regulations that relate to professional standards and compliance. However, the rest of this article focuses on two other sets of Regulations that require AIA members in practice to implement specific procedures.

Continuing Professional Development Regulations

Although these Regulations are quite prescriptive, they are underpinned by the ethical responsibility of any professional to ensure they have the technical knowledge to serve their clients well – to not mislead clients and potential clients (knowingly or naively) into thinking they will get the expertise they need.

The Code of Ethics puts this into words in the principle of **professional competence and due care**, which requires an accountant to 'attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation'.

This should always be borne in mind alongside the specific obligations you have under the Continuing Professional Development (CPD) Regulations, namely:

- to have undertaken 120 hours of relevant CPD over the last three years;
- to include 20 hours of independently verifiable CPD each year (ending 30 September);
- to keep suitable records and make an annual declaration of compliance to AIA; and
- to support AIA's CPD monitoring process.

Public Practice Regulations

Most of the public practice compliance requirements can be found in the Public Practice Regulations. Although the requirements apply

most rigorously in those jurisdictions in which a member is required to hold a practising certificate, it would be reasonable to expect an ethical accountant in practice to adhere to the principle behind each requirement (as well as local requirements) in other parts of the world.

The Regulations set out the need to hold a practising certificate, and how to obtain one from AIA, before covering the monitoring of members in practice and their obligations in respect of:

- professional indemnity insurance;
- continuity of practice arrangements in the event of death or incapacity;
- custody of client assets;
- engagement letters; and
- internal complaints handling.

I am keen to impress upon you that, while all of the above exist primarily to protect the interests of your clients, they also serve your practice well.

Taking **continuity arrangements** as an example, these are required to be in writing. This is an agreement between you and your continuity provider placing obligations on your continuity provider, as well as making clear their right to do all that is necessary to ensure that your clients continue to be properly supported.

If drafted well, a continuity agreement will provide comfort to you if you find yourself incapacitated, so that you can place your practice in safe hands while you recuperate, knowing that the reputation of your practice and the trust placed in AIA members will remain intact. An effective continuity agreement will also help to protect the value in your practice – either for you when you are ready to return to work, or for your beneficiaries (should you not return). It might also protect any staff in the practice, which is to the mutual benefit of them and the practice.

The Code of Ethics

On becoming an AIA member, you agreed to comply with the Bye-Laws, the Regulations and the Code of Ethics, and the Bye-Laws make clear that a breach of the Code shall render a member liable to disciplinary action.

Part 3 of the Code of Ethics (relating to Professional Accountants in Public Practice) carries some requirements in respect of specific situations. Although those requirements are consistent with the fundamental ethical principles set out in Part 1 of the Code, you should familiarise yourself with the Code's **specific** contents in respect of:

- conflicts of interest;
- professional appointments;

- second opinions;
- fees and other types of remuneration;
- inducements, including gifts and hospitality; and
- responding to non-compliance with laws and regulations.

Closely related to the Code of Ethics is the publication 'Professional Conduct in Relation to Taxation' (also known as PCRT), relevant to the UK. It has been endorsed by HMRC and adopted by AIA. It focuses on the tripartite relationship between the tax adviser, the client and HMRC, and sets out the fundamental principles and standards for tax planning that members must follow.

It is supported by supplementary help sheets that cover:

- the submission of tax information and tax filings;
- tax advice;
- dealing with errors;
- requests for data by HMRC; and
- the tax practitioner's personal tax affairs.

The latest version of PCRT is, of course, available on the AIA website.

Parting thoughts

I assume the above round-up of professional standards relevant to AIA members in practice may be daunting for many readers. But perhaps it has been helpful in identifying some areas where you might need to 'brush up' your compliance knowledge.

As I alluded to earlier, although the focus of the AIA Bye-Laws and Regulations is on protecting clients, it is difficult to identify any compliance obligations that don't also, in some way, serve the practising accountant well.

If that thought alone doesn't fill you with optimism, then may I suggest that a thoughtfully crafted engagement letter goes a long way towards achieving compliance. The AIA website carries a range of templates and guidance for the use of AIA members, including recorded webinars, such as the three recent webinars in respect of practice compliance.

Finally, I would urge you to keep in mind the fact that the Bye-Laws and Regulations declare to the general public the professional standards that AIA expects of its members and what will happen if those standards are not met.

In having a regulatory framework that holds the public interest paramount, AIA and its members are seen to be competent, ethical and trustworthy – all things that clients and employers will look for in a professional accountant. ●



Author bio

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

An introduction to the IPAE

Greg Owens highlights the work of the IFAC International Panel on Accountancy Education.

Greg Owens
Deputy Chair of IFAC's
International Panel on
Accountancy Education

In today's ever-evolving business landscape, ensuring that current and future generations of professional accountants are equipped to navigate the challenges and opportunities ahead is paramount. This is where the International Panel on Accountancy Education (IPAE) plays a crucial role. Established by the International Federation of Accountants (IFAC), as a successor to the International Accounting Education Standards Board (IAESB), the IPAE serves as a global driving force for high-quality accountancy education, acting as a guiding light for preparing future-ready professionals.

Three pillars of expertise

The IPAE's work rests on three pillars of expertise:

1. Strategic advisors

The IPAE provides crucial guidance to IFAC's accountancy education work plan, ensuring that it remains relevant and addresses the most pressing needs of the accountancy profession. By analysing emerging trends like technology integration and sustainability, the IPAE recommends specific actions and initiatives to future-proof accountancy education.

2. Global advocates

Members of the IPAE act as champions for high-quality accountancy education, both internationally and in their local jurisdictions. They work tirelessly to raise awareness about the importance of robust educational standards and encourage stakeholders to invest in continuous improvement. Through this advocacy, the IPAE fosters a global ecosystem that prioritises

excellence in preparing future accountants.

3. Resource connectors

The panel serves as a vital link between IFAC's vast repository of resources and professional accountancy organisations around the world. Members share best practice and knowledge exchange, and provide practical support to professional accountancy organisations seeking to enhance their educational programmes. This collaborative approach ensures that all corners of the world benefit from the IPAE's expertise and IFAC's resources.

As the role of the IPAE has continued to evolve, it has recently announced plans to focus on standard-setting activities to maintain the International Education Standards (see www.iaesb.org). The International Education Standards, issued by IFAC, set forth the principles that professional accountancy organisations should follow to build a national accountancy profession that is fully capable of fulfilling the complex demands economies and societies place on it.

The International Education Standards are authoritative and are used by IFAC member organisations when setting education requirements for professional accountants and aspiring professional accountants. They are also informative for educational organisations, employers, regulators, government authorities and any other stakeholders who support the learning and development of aspiring professional accountants.

Impacting the landscape

The IPAE's work has significantly impacted the landscape of accountancy education:

- **Roadmap for professional accountancy organisations worldwide:** The IPAE has continued to build on the learning outcomes-based approach described in the International Education Standards, which has played a pivotal role in establishing the competencies and skills that accountants need to thrive in the 21st century. The framework of interdependent International Education Standards serve as a roadmap for professional accountancy organisations worldwide, guiding them in tailoring their educational programmes to meet the demands of tomorrow's workplace.
- **Promoting sustainability in education:** Recognising the growing importance of sustainability in the business world, the IPAE has actively championed its integration into accountancy education. Through research, extensive outreach and resource development, the IPAE is ensuring that future accountants are equipped to address and report on sustainability matters. We will go into more detail on this later in this article.



- **Supporting PAOs in emerging economies:**

The IPAE actively engages with professional accountancy organisations in developing nations. We provide tailored support and resources to support adoption and implementation of the International Education Standards and strengthen their accountancy educational systems. This commitment to inclusivity ensures that the benefits of high-quality accountancy education reach all corners of the globe.

The future work of the IPAE

As the accounting profession continues to evolve, the IPAE remains at the forefront, proactively shaping the future of accountancy education. Whether it's addressing the impact of new technologies, fostering critical thinking skills or promoting ethical leadership, the IPAE is unwavering in its commitment to preparing future accountants who are not only technically adept but also adaptable, responsible and ready to make a positive impact on the world – with professional accountants who are able to protect the public interest.

By actively engaging with stakeholders, advocating for excellence and continuously adapting to the changing needs of the profession, the IPAE is ensuring that the next generation of accountants will be equipped to navigate the dynamic landscape of the future, contributing to a more sustainable and prosperous global economy.

The IPAE strategic priorities

As we complete Q1 of 2024, the IPAE has set itself an ambitious set of strategic priorities.

Sustainability

Recognising the significant shift in stakeholder demands and increasingly important business imperative for relevant and reliable sustainability related disclosure, reporting and assurance, the IPAE has created the sustainability reporting project.

The IPAE, together with IFAC staff, have undertaken information gathering activities including over 70 stakeholder engagements, a literature review (see tinyurl.com/yak2fsfm) and a global stakeholder survey with over 300 responses from 78 countries.

These activities:

- affirmed the importance of sustainability as an area of skills development for current and future professional accountants; and
- supported the need to revise the International Education Standards to address sustainability reporting and assurance competence skills and to recognise the evolving role of professional accountants in this important area.

As IFAC's former CEO Kevin Dancey said: 'As sustainability reporting and assurance become mainstream, professional accountants have a unique opportunity to lead and bring value. Professional accountants should begin their journey now to develop or enhance sustainability reporting and assurance abilities. It is imperative that we all commit to personal professional development, ensuring that we are ready to meet the moment with the competence and due care that define our profession.'

Revision of International Education Standard 6

Reflecting innovations in assessment methodologies and best practices, the IPAE has also commenced a review of IES 6 'Assessment of Professional Competence'. Likely changes will include a broadening of potential types of assessment, increased focus on fairness and other factors when setting assessments and additional explanatory material to support implementation of the standard.

Attractiveness of the profession

The IPAE will provide advice and support to IFAC on knowledge products that respond to accountancy education elements of attracting and retaining talented individuals in the profession, as described in IFAC's recent paper 'Attractiveness of the profession' (see tinyurl.com/2s2jxwfp).

Artificial intelligence

The IPAE will consider the impact of artificial intelligence on accountancy education, and how the profession can respond effectively.

Final words

The work of the IPAE, everyone involved in accountancy education and the need for innovation to support the education of our thriving profession will continue. As we close out this article, there are two things I'd like to say.

Firstly, I want to acknowledge the incredibly valuable work that the volunteer members of the IPAE – our Chair Anne-Marie Vitale and the outstanding IFAC staff that support us – do to help shine a spotlight on the critically important areas of accountancy education. We are incredibly fortunate that membership of the IPAE comprises representatives from professional accounting organisations, academia, regulators and accounting firms from right across the globe.

Secondly, as we continue our work this year, I want to set a personal challenge to every one of us as professional accountants. Let's take a serious look at the professional challenges and opportunities that are presenting themselves to each of us now and take the time to perform an inventory of our skills to help us individually identify where we really need to boost our skills. ●



Author bio

Greg Owens is currently a Director in BDO's Global Assurance Department and was nominated by BDO LLP to serve on the International Panel on Accountancy Education (IPAE) in 2019 and re-appointed in 2021.



The next big talent shortage?

Lee Murphy examines the issue of skills shortages and how we can attract more people into the world of accountancy.

Lee Murphy

Managing Director, The Accountancy Partnership

The Office of National Statistics has reported that more than a fifth of adults in the UK, aged between 16 and 64, are not looking for work. That's 9.2 million people and 700,000 higher than before the Covid-19 pandemic. Some commentators have blamed a lazy generation and reliance on government support during lockdown, and it should be considered millions want a better job market.

There are serious skills shortages in sectors like hospitality, medicine, construction and IT, with each sector dealing with a storm of economic challenges. In the US, 300,000 accountants and auditors left their jobs in 2022, a 17% decline in industry headcount.

This 'great retirement' shows no sign of abating, while the flow of young talent into the profession continues to dwindle and there is a similar story in the UK. Professional

bodies have warned of a dramatic shortage of skilled individuals in accountancy and audit.

How can we close this talent gap before it becomes a chasm?

Attracting young talent

Why would vibrant young talent shun a career in accounting? Accountancy has an image problem. The traditional image of the sector – with its emphasis on routine tasks and number-crunching – doesn't resonate with younger generations eager for dynamic and fast-moving work environments.

Millennials and Gen Z increasingly prioritise a sense of purpose in their work, as well as the opportunity to contribute positively to businesses, society and the environment. They are seeking meaningful work that aligns with their values and offers growth opportunities. This means that the accountancy profession's traditional 'selling points' of a comfortable income and job security seem like a burden.

Junior accountants: our training programme

Our training programme is targeted at those who have a keen interest in joining the world of accounting, and further education or work experience. It takes 12 months to complete and is broken down into four sections:

Knowledge

- Develop practical knowledge and learn how to prepare accounts, tax returns, and VAT returns.
- Learn technical knowledge beyond the industry standard for Junior Accountants

Practical

- Hands-on experience whilst you train, ranging from calling HMRC to completing accounts and taxes.
- Real-life experience speaking with clients and building relationships
- Develop practical skills working in a thriving, busy office environment

Support

- 1-1 mentoring support from experienced and approachable accountants.
- Starting your journey with other like-minded Junior Accountants
- Gain confidence and learn how to work independently

Progression

- A clear pathway from Junior to Semi-Senior and then Senior accountant
- The chance to progress to a generous bonus scheme
- Opportunity to become a training mentor to new trainees
- Progress at a rate which suits you

Young people are also prioritising a better work-life balance. They are understandably concerned about a culture of overwork. Ironically, these issues will only worsen if more young people don't enter the profession.

Changing the narrative

How can UK accounting firms become beacons of opportunity for young professionals? As industry insiders, it's up to us to shift the narrative and make young people aware of the rewarding opportunities that a career in accountancy offers. School and university outreach, internships and graduate schemes, and positive PR and informative content marketing are great ways to do this.

We need to frame accountancy as a force for good. This means demonstrating how accountants help to drive tangible business value and highlighting transferrable skills like problem solving, analysis and communication.

But we also need to look inward at our industry. Young professionals are eager to learn and use cutting-edge tools, like AI and automation. This means that time spent on administrative tasks can be delegated to technology, meaning that more time can be spent working with businesses on strategy and creativity.

We can also do more to show the multi-faceted nature of a career in accounting, and the varied opportunities that are available. From auditing to forensic financial investigators, working in industry to joining a practice – the stereotype of accounting is well overdue a facelift. After all, accountants are at the heart of pretty much everything – even the Oscars relies on a well-known accounting firm to prepare its list of the evening's winners.

Retaining talent

What about encouraging experienced accountants to stay in their jobs for longer? We must recognise the enormous value that older employees bring to the workplace – not just in career years but in life experience too.

At The Accountancy Partnership, we have veterans who worked the armed forces for 20 years before switching to a career in accountancy. Our Junior Accountant Programme is a gateway for many local people to seamlessly transition into the sector if they wish to and we encourage everybody, at any age, from all walks of life to apply. Like younger staff, older accountants should be offered tailored professional development opportunities and the chance to explore new areas, such as advancing digital technology.

Employers should also ensure that seasoned professionals aren't lost to early retirement or job dissatisfaction. One way to do this is by pairing senior accountants with younger tech-savvy colleagues. This formal and informal mentoring creates a sense of purpose for older employees and accelerates learning for the next generation.

A call to arms

The future of accounting depends on our ability to close the generational gap. By rebranding the profession, harnessing technology and cultivating inclusive and supportive workplaces, UK accounting firms can become destinations of choice for the brightest young minds.

The accounting sector has a critical part to play in the world. Let's ensure that we have the dynamic workforce needed to rise to the challenge. ●



Author bio

Entrepreneur Lee Murphy started TAP in 2006 after becoming frustrated with accountants whose services were outdated, laborious and expensive. His qualified accountants work on the cutting edge of digital accountancy.

The impact of Generative AI

Gemma O'Brien and Priya Dutta explain the evolution of generative AI, and examines its implications for the accountancy profession.

Gemma O'Brien and Priya Dutta
Assessment Managers,
AlphaPlus

Generative Artificial Intelligence (AI) has revolutionised various sectors, including finance and accounting. As the accountancy profession navigates through the era of digital transformation, the integration of generative AI technologies has become increasingly prominent.

This article explores what generative AI actually is and its relevance in assessing competence within the accountancy profession. We will examine its pros and cons, and discuss the international implications for the profession.

So what do we mean when we talk about AI?

In short, when we refer to AI, we are actually referring to the practice of getting machines to *mimic* human intelligence to perform tasks. Machine learning is a type of artificial intelligence. Through machine learning, practitioners develop artificial intelligence by using models that can 'learn' from data patterns without human direction.

The unmanageably huge volume and complexity of data that is now being generated has increased the potential of machine learning, as well as the need for it.

A key characteristic of machine learning is the concept of self-learning. This refers to the application of statistical modelling to detect patterns and improve performance based on data and empirical information – crucially, all without direct programming commands. The machine is formulating decisions based on experience and mimicking the process of human decision making to generate outputs.

One can think of building a machine learning model as similar to training a guide dog. Through specialised training, guide dogs learn how to respond in different situations. After the dog has been properly trained, the trainer is no longer

required. The guide dog can apply its training to make decisions in unsupervised situations. Similarly, machine learning models can be trained to form decisions based on experience.

Until recently, machine learning was largely limited to predictive models, and was used to observe and classify patterns in content. A classic example of machine learning is when a program was shown a series of images of different breeds of dog. The program would identify patterns among the images, and then scrutinise random images for ones that would match the pattern – allowing it to identify the breed of dog for itself. It was largely (though not entirely) successful.

Generative AI was a breakthrough. Rather than simply perceiving and classifying images, machine learning is now able to create an image or text description of any specified item on demand.

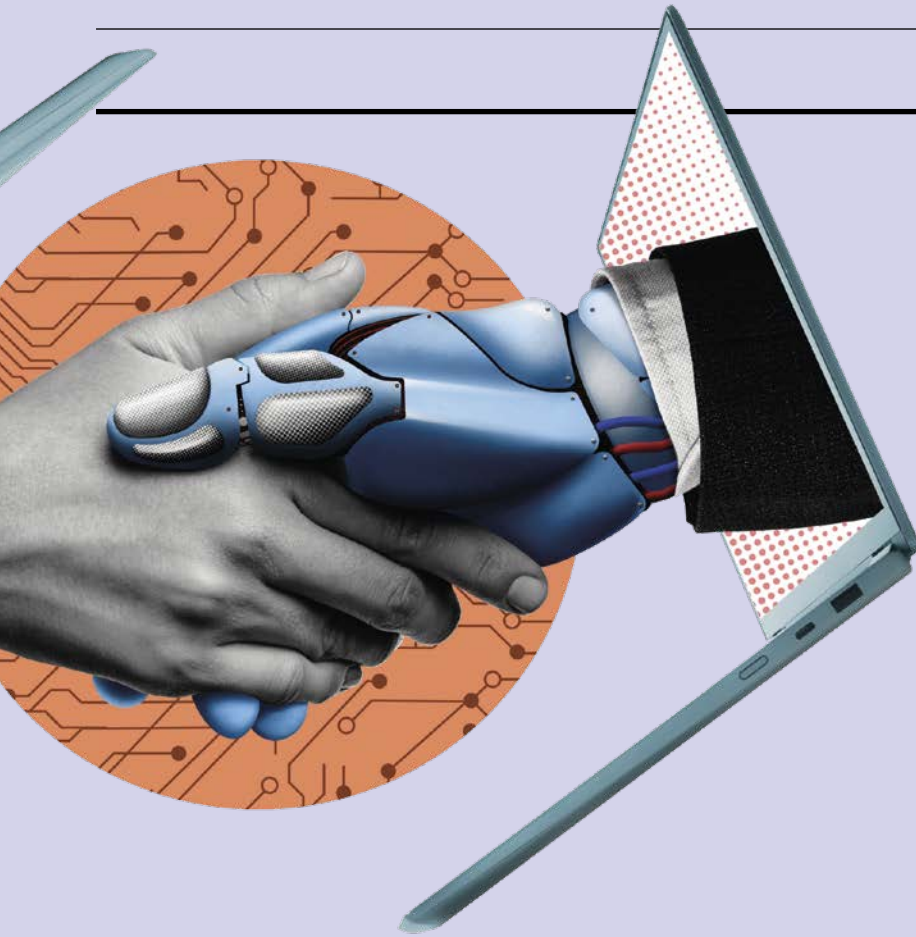
Generative AI and machine learning

Generative AI systems fall under the broad category of machine learning. It is an umbrella term that describes algorithms that can be used to generate new content, including audio, code, images, text, simulations and videos.

A large language model works by receiving an input, encoding it and then decoding it to produce an output prediction. However, before a large language model can receive text input and generate an output prediction, it requires training, so that it can fulfil general functions and fine-tuning, which enables it to perform specific tasks.

Large language models are pre-trained using large textual datasets from sites like Wikipedia. Such datasets consist of trillions of words and their quality will affect the language model's performance. At this stage, the large language





model engages in unsupervised learning, meaning that it processes the datasets fed to it without specific instructions.

During this process, the large language model's algorithm can learn the meaning of words and of the relationship between words. It also learns to distinguish words based on context. For example, it would learn to understand the different meanings of homonyms (words with the same spelling or pronunciation but different meanings) from their contexts – for example, 'bat' (an animal) and 'bat' (an item of sporting equipment).

Large language models can be used for a multitude of purposes, some of which are already ubiquitous. Take Google, for example: whenever you use the search feature, you are relying on a large language model to produce information in response to a query. The Google search engine is able to retrieve information, then summarise and communicate the answer.

Large language models can also be used for text generation. These are behind generative AI like ChatGPT and can generate text based on typed inputs from a user. They can produce an example of text when prompted. Large language models are always improving because they grow when more data and parameters are added. In other words, the more a large language model learns, the better it gets.

It is clear that the potential benefits are transformative and applicable across all of society. But what are the implications for the accountancy profession?

The challenges of AI

Large language models might give us the impression that they understand meaning and can respond to human inputs accurately. However, they remain a technological tool and, as such, face a variety of challenges.

Hallucinations have been talked about in depth in the media, with consequent doom-mongering. Simply put, a hallucination is when a large language model produces an output that is false, or that does not match the user's intent – for example, claiming that it is human or that it experiences emotions. Large language models predict the next syntactically correct word or phrase, but they can't wholly interpret human meaning. The result can sometimes be what is referred to as a 'hallucination'.

An understanding of the processes by which an output is achieved helps to remove the fear from media reporting. Large language models are not gaining consciousness – they simply gathered the wrong data from which to produce an output.

Large language models do, however, present important security risks when not managed properly. They can leak private information, be used in phishing scams and produce spam. Users with malicious intent can reprogram AI to their ideologies or biases and contribute to the spread of misinformation. The repercussions can be far-reaching, which is why public education about AI and its uses is crucial.

The data used to train language models will affect the outputs that a given model produces. As such, if the data represents a single demographic, or lacks diversity, the outputs produced by the large language model will also lack diversity.

Large language models are trained on trillions of datasets – some of which might not have been obtained consensually. When gathering data from the internet (known as 'scraping'), large language models have been known to ignore copyright licenses, plagiarise written content and repurpose proprietary content without getting permission from the original owners or artists. Large language models have already run into lawsuits for violating intellectual property.

AI and the accountancy profession

In the realm of accountancy, competence assessment is crucial for maintaining professional standards and ensuring the accuracy and integrity of financial reporting. Generative AI has the potential to transform this process by automating tasks such as data analysis, report generation and risk assessment. For example, AI-powered tools can analyse financial data with greater speed and accuracy, identify anomalies or discrepancies, and generate comprehensive reports for stakeholders.

What does this mean for current accountancy students? Much as productivity tools in the early 1990s changed our approach to things like database management, generative AI will require a shift in mindset – and also a thorough re-evaluation of curriculum content – to be assessed in order to determine competence. The knock-on effect on teaching approaches may mean that we have to rethink what competencies we are actually looking for in the accountants of tomorrow.

What are the pros of using AI in accountancy?

1. **Efficiency:** Generative AI streamlines repetitive tasks, allowing accountants to focus on higher value activities such as strategic planning and advisory services.
2. **Accuracy:** AI algorithms can analyse large volumes of data with minimal errors, reducing the risk of human oversight or bias.
3. **Innovation:** Generative AI encourages innovation by enabling the development of advanced analytics tools and predictive models, enhancing decision-making processes.
4. **Cost-effectiveness:** Automation reduces operational costs associated with manual data entry, reconciliation and auditing processes.

But what are the cons of using AI in accountancy?

1. When thinking about AI, specifically large language models, the key is in the name. Where the dataset is *language*, tools like ChatGPT are great at essay-style output but fall down (very badly, in fact) on numerical calculations. This will certainly change over time as new models make better use of numerical data.
2. **Ethical concerns:** The use of AI in accountancy raises ethical questions regarding data privacy, algorithmic transparency and accountability.
3. **Rearrangement of the employment landscape:** Automation may lead to job displacement among entry-level accounting professionals, necessitating upskilling or reskilling initiatives.
4. **Overreliance on technology:** Excessive reliance on generative AI tools without human oversight could result in erroneous conclusions or misinterpretation of financial data.
5. **Security risks:** AI systems are vulnerable to cyberattacks and data breaches, posing a threat to the confidentiality and integrity of financial information.

International implications for the accountancy profession

The adoption of generative AI technologies in the accountancy profession has significant international implications, influencing regulatory

frameworks, professional standards and workforce dynamics across different countries. International accounting bodies such as AIA will play a crucial role in guiding the integration of AI in accounting practices and ensuring global consistency in competence assessment.

Regulatory alignment: Countries will need to harmonise regulatory frameworks to address the ethical, legal, and technical challenges associated with the use of generative AI in accounting. This includes establishing guidelines for data protection, algorithmic transparency and audit trail documentation.

Professional standards: International accounting standards organisations such as the AIA must update existing guidelines to accommodate the use of AI in financial reporting, auditing and regulatory compliance. This includes incorporating AI-specific considerations into professional development programmes and certification requirements for accountants.

Cross-border collaboration: The globalisation of accounting services requires collaboration among stakeholders from different jurisdictions to develop common standards, share best practices and address emerging issues related to generative AI adoption.

Workforce development: The widespread adoption of generative AI in the accountancy profession necessitates investment in workforce development initiatives to equip accountants with the necessary skills and competencies to leverage AI technologies effectively. This includes training programs on data analytics, machine learning and AI ethics.

Conclusion

Generative AI has the potential to cause seismic shifts in the accountancy profession, offering opportunities to enhance efficiency, accuracy and innovation in financial management and reporting processes. However, its adoption also poses challenges related to ethics, job displacement and cybersecurity.

To navigate these complexities, international collaboration and proactive regulatory measures are essential to ensure the responsible and ethical use of AI in accounting practices.

By embracing generative AI technologies while upholding professional standards and ethical principles, the profession can adapt to the evolving digital landscape and drive sustainable growth. We are at an exciting time in the development of AI – and the profession must be proactive in shaping its own future. ●



Author bio

As Assessment Managers at the educational consultancy AlphaPlus, Gemma and Priya provide bespoke services to clients, from assessment design, development of assessment instruments and management of large research projects, to data collection, analysis and reporting. They work with clients across all sectors to deliver data-driven improvement to learning and assessment programmes.

Unlocking your potential

Bolu Fagborun explains how with true leadership, you can unlock your own potential and help others to make the best of their abilities.

Bolu Fagborun
CEO, Fagborun Limited

It's important for us all to be able to discuss leadership and the unlimited talent that exists in business today. As leaders, we have a responsibility to unleash this potential and create the environment in which people can flourish.

I myself have a background both in professional rugby and in business. As well as being the co-founder of a courier company, I'm the Managing Director of the professional coaching company Fagborun Limited. I believe that all these elements of my working life so far have given me a unique perspective on how to identify talent and make the most of the potential in our organisations.

Building talent

When it comes to talent, I believe that the most gifted and talented individuals exist within all organisations. These people will typically represent the top 20% in their field. And they have a choice to make.

The individuals with the highest potential can all too easily coast through work using their gifts and talent. Colleagues and managers who don't have the ability to recognise their potential can be too easily fooled into thinking that they are already working at their full capacity.

But if they choose, these people can continue to build upon their talents. They can help their organisations to grow, and they can inspire everyone who works with them. They are likely to have worked incredibly hard to get to this point in their career, and may have sacrificed a lot to reach their current position in the business. But the most talented workers can keep climbing and striving to build their skills and their careers.



My personal experience

I am a former professional rugby league player with Huddersfield Giants, Sheffield Eagles, Batley Bulldogs and Rochdale Hornets. I played internationally for Nigeria and even managed the Nigeria national team to success in the Middle East-Africa Rugby League Championship in 2022.

I'm also a provider of bespoke transformational executive coaching and consultancy, specialising in leadership both for emerging talent and executives in high growth and highly skilled industries like tech, digital and consultancies. It's an honour and a privilege to be able to spend time inside organisations, supporting them in the development of their greatest resources.

Through my experience in professional sports, I believe the natural abilities of most elite athletes share their natural abilities with the top 20% of their field. But it is when the most gifted put in the extra 1% of effort that they reach the arena of professional excellence.

The people in businesses who share the successes of Michael Jordan in their own industry are those who have committed to not stopping at the top 20%, but rather who are going as close to the very top as they can. They are the people who will push the boundaries of what is possible for themselves and their industry.

There is a special selection of people who can work tirelessly to make the most they can of their talents and gifts. They can put in that additional degree of effort to build on this and to reach the very top in their field.

From my sporting experiences, it was always amazing how the very best rugby players continue to train hard, put in the extra effort and look at the best way to keep ahead of the game. In business, the commitment to a continued development to growth and excellence can bring the same long-term rewards.

The support of businesses

There is always a danger that people with these talents and skills can find that their potential is crushed by the day-to-day reality of business.

But if an organisation can set up a system to recognise their talents, and to retain, train and galvanise these exceptional people, they can achieve results far beyond what is predicted, and beat any industry norms. They can become 'trailblazers' and can set the pace for everyone else to follow. They can become leaders in your business.

It doesn't all come down to holding a senior management position, though. They can also lead by example and raise the standards of everyone around them – both consciously and subconsciously.

These are the people and organisations that I like to challenge, and when it comes to developing talent this is effectively my core audience. I believe that these people are spread across all demographics, gender and social classes. It's so important that we challenge our beliefs as we try to capture the unlimited potential in our workforce. Just in terms of pure practicality, you don't want to put stabilisers or full stops on these sorts of people.

Overcoming obstacles

I worked in personal development as an internal business coach at a company for a number of years. Whilst completing a Level 5 certificate in coaching and mentoring at the Institute of Leadership and Management, I had to do in-depth sessions across a wide range of staff and analysis. That was when it really struck me that people I'd worked with for years had so much untapped potential.

Whilst completing my studies, I learned that most people are facing the same obstacles, regardless of their race, age, demographics and sex. However, there are external factors that make a huge difference in determining whether these people will try to reach the top of their profession. Why do some people have an inclination to climb in their careers, whilst others are seemingly content to run their race on the flat?

Great people are formed under immense stress. The reality is that within our most under-represented groups in organisations, you will find people who have faced a combination of obstacles and uphill battles that would have deterred many others. But these same conditions have created resilient and focused individuals who have worked so hard to be where they are.

When I help to develop teams in an organisation, I ask myself: do they have people whose very presence is a motivational tool to believe that anything is possible?

The lessons of diversity in sport

The ability to attract, retain and develop diverse talent is so beneficial to the outcomes of an organisation.

I learned this lesson early on. Standing at 5ft 6 and weighing around 74 kilos, I was nearly a foot smaller and 30 kilos lighter than some of my teammates in the professional rugby league. I may have represented the underdog, but I enjoyed taking on the challenges which were meant for the toughest and strongest players.

When I was a non-exec at Bradford Bulls, a professional rugby league team, I was one of a handful of black executives in rugby league. It was hard to ignore the lack of diversity and the impact that has made to the growth of this great game. I would have to say critically that the lack of diversity in terms of senior coaches and executives over the last generation is a fundamental issue which means that the decisions made at the top don't best represent the changing customer base, participants and society.

But I can give some good examples of the positive impact that has been made by encouraging diversity in sport. I joined a really talented board as a trustee of a sports association. I belonged to an ethnic minority, grew up in a council estate and

was an immigrant – and that all meant that my opinions on community-based provisions were completely different to the others on the board.

I understand that a community raises families, and believe that a sports club should do everything it can to support the most vulnerable. We started to provide eight weeks of holiday camps every year for children, including meals. It was shocking to me that while 350 males were playing regular sports, only three females were doing so. We now have two female only teams, a rounders team and a female only fitness group.

Transferring these lessons to business

In the private sector, I worked for an organisation where the HR offering needed to be developed. Everyone in the business received the same training and went to the same courses, regardless of their own skill sets.

I come from a professional athletic background, where each person needs a tailored development plan. Building on that experience, I stood up for personalised training to nurture the individual responsibilities of people to develop their natural talent. Training needed to be based upon the core talent of the individuals and their roles, responsibilities and development of the organisation.

This was groundbreaking for the organisation and resulted in a culture shift towards a more people focused development plan driven by the individual.

The race to diversity

I think that it is so important for us to be exposed to the best in class coming from minorities.

Nobody bats an eyelid watching a high percentage of black runners competing in the 100 metres at the Olympics. That's a world where we are comfortable seeing minorities thrive. This also means that those trusted to create the next generation of athletes will be influenced by what they perceive is working.

Can the same be said of our exposure to minorities in top business sectors? Are we routinely using ethnic minority or female CEOs heading up businesses from the FTSE 100? And what does that lack of visibility do to the mindset of those around as they foster the most talented people within organisations to be the future leaders?

My idealistic picture of diversity is that people of colour working in the top business positions should be just as normal as seeing athletes of colour prosper. They should be able to achieve their potential with no fanfare attached. ●



Author bio

Bolu Fagborun specialises in executive coaching and consultancy, working with emerging executive talent within organisations who are focused on growth and scaling. He is a qualified ILM L5 coach and mentor, and a former professional rugby player.

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EVENTS

FEATURE EVENT

What content can accountants write on LinkedIn?

Date: 4 June 2024

Time: 10.30 – 11.30

Venue: Online webinar

Speaker: Ashley Leeds



Ashley Leeds is the unstoppable 15-Minute Guy! With over 30 years in sales, he has also specialised in assisting accountants and bookkeepers for over 16 years. As a business coach, Ashley empowers business owners to become sales and marketing savvy.

His expertise on LinkedIn led to the creation of the renowned LinkedIn Daily Habit Workshop.

With 39 cohorts under his belt, he teaches LinkedIn on stage, through webinars, YouTube and podcasts.

From free resources to 1:1 VIP services, Ashley helps users to excel on this professional platform. Energetic and engaging, he'll unveil LinkedIn's value whenever you talk to him, leaving you with key takeaways for profile and LinkedIn improvement.

We all know that we should write content. For our blogs, newsletters and social media.

But where do we start? What should we write about? Do we do video or is text ok? And what about those pesky selfie photos that should be on Facebook?

It's not always easy. And if we are not naturally writers then what do we do?

In this webinar, Ashley will help you get over your biases for creating content and actually get you out there sharing your thoughts.

Problems solved:

- Why we don't like posting and why we should
- How to overcome the nerves about putting yourself out there
- What to write about
- The best time to post

Big promise:

By attending this session, you will gain the knowledge and confidence to become a content creator. You'll walk away with actionable ideas to create content immediately!

To reserve your place at this exclusive event go to: tinyurl.com/6eatw7ya

OTHER UPCOMING WEBINARS

Corporate governance (Malaysia)

Date: 17 April 2024

Time: 18.00 – 19.00 (Malaysia Time)

Speaker: Dr Lau Chee Kwong

The Malaysian Code on Corporate Governance (MCCG) introduced in 2000, with latest updates in 2021, has been a significant tool for corporate governance reform. This webinar presents a conceptual and practical perspective to managing and reporting corporate governance practices for businesses in Malaysia. It seeks to:

- help participants evaluate the basic concepts and practices of corporate governance;
- assess the Malaysian Code on Corporate Governance (MCCG) management framework and reporting requirements; and
- reflect on your role in an organisation for corporate governance management and reporting.

Capital allowances: full expensing got fuller

Date: 29 April 2024

Time: 10:30 - 11:30

Speaker: Callum Byers

This webinar session will explain why capital allowances are more important

than ever, with full expensing in full swing and newly improved after the recent Budget, as well as providing an overview on all things to do with capital allowances. The session will:

- set out the key opportunities;
- explain the purpose and intent of the legislation;
- provide an overview of the various allowances and enhanced reliefs available; and
- discuss entitlement, timing and the practicalities of making a capital allowance claim.

Sustainable financing for SME's (Malaysia)

Date: 11 June 2024

Time: 18:00 - 19:00 (Malaysia Time)

Speaker: Sunita Devi

Businesses should be clear on how projects are considered sustainable, which are key criteria for due diligence and how to measure impact of the project for disbursement of financing. During this one-hour webinar, Sunita will provide information for delegates to understand how a low carbon/sustainable financing due diligence is carried out, and what constitutes a sustainability risk and climate

risk. She will also help delegates to prepare sufficient data and intelligence surrounding sustainability projects and corporate portfolios for sustainable financing, while outlining the technical inputs required to avoid greenwashing practices in sustainable financing.

How AI is impacting the accounting profession and how you can benefit

Date: 26 June 2024

Time: 10.30 – 11.30

Speaker: Shane Lukas

Explore the transformative power of artificial intelligence in the accounting profession in this enlightening webinar. From task automation and data analysis enhancements to new client advisory opportunities, uncover the multifaceted impact of AI on your practice.

Shane will guide you through the immediate and long-term changes that AI is bringing to the industry, helping you to pinpoint which aspects of your role will evolve. Learn how to adapt and thrive, leveraging AI as a powerful ally to stay ahead and remain relevant to your clients. Featuring real-life examples and case studies, this session will demonstrate how leading accountants and firms are already harnessing AI.

INTERNATIONAL

IAF and IESBA join forces to support growth in the market for high-quality sustainability information

The International Accreditation Forum (IAF) and the International Ethics Standards Board for Accountants (IESBA) have announced a strategic partnership to advance the use of a common framework of high standards of ethical conduct to underpin trust in the assurance of sustainability information.

After extensive engagement over the previous six months, the IAF and the IESBA have agreed to common objectives to support the growth of transparent, relevant and trustworthy corporate sustainability disclosures. The cornerstone of the partnership is the IAF's stipulation to national accreditation bodies around the world that the IESBA's proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) are to be used when accrediting and authorising conformity assessment bodies to carry out assurance work on corporate sustainability disclosures.

The IESBA recently launched the public consultation on the proposed IESSA and related standards, and is expected to finalise the standards by the end of 2024.

Among the key elements of the agreement, both the IAF and the IESBA:

- recognise the importance of

having a global baseline of high-quality ethics (including independence) standards consistently applied by, and enforced on, all providers of assurance services on corporate sustainability disclosures, whether audit firms, conformity assessment bodies or others;

- agree on the importance of establishing connections between the two organisations and to promote consistent use of a global framework of high-quality ethics standards for sustainability assurance;
- will collaborate to determine how to incorporate the IESSA as part of the accredited verification activities of ISO/IEC 17029-compliant programmes as they apply to assurance of sustainability information;
- will share strategic insights and perspectives on their respective work as it relates to assurance of corporate sustainability disclosures; and
- will explore collaboration with respect to training activities for accreditation bodies and conformity assessment bodies in relation to the proposed IESSA.

Corporate sustainability disclosures provide stakeholders with vital insights into a company's sustainability

practices. Beyond compliance with evolving regulations and standards, sustainability disclosures offer companies a competitive advantage, attracting socially conscious investors, enhancing brand loyalty and fostering resilience in the face of environmental and social risks.

Assurance of these disclosures plays a crucial role in ensuring trust in reporting, particularly given the subjectivity, prospectivity and immaturity of the data underpinning the disclosures.

'Trustworthy sustainability disclosures are vital in demonstrating a company's commitment to sustainability practices,' said Emanuele Riva, IAF Chair. 'Through this partnership, we strive to foster trust and confidence in sustainability reporting worldwide.'

Gabriela Figueiredo Dias, IESBA Chair, said: 'A robust, global ethical framework, developed by the IESBA under public oversight and embraced by the IAF, will spur growth in the supply of sustainability assurance practitioners to meet the rapidly increasing market demand for high-quality sustainability information. I am proud of the IESBA and the IAF embarking on this exciting partnership together, which is undoubtedly in the public interest.'

INTERNATIONAL

ISSB at COP28: close to 400 organisations from 64 jurisdictions join multilateral and market authorities to commit to advance the ISSB climate global baseline

Close to 400 organisations from 64 jurisdictions, including associations gathering over 10,000 member companies and investors, have committed to advancing the adoption or use of the International Sustainability

Standards Board'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 the global body for international securities regulators (IOSCO) and 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 during Finance Day at COP28, demonstrates the strong support to advance action-oriented responses to the risk of climate change.

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

Furthermore, over 40 professional accounting organisations and audit firms from around the world have pledged their support.

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 also welcomed the work of the ISSB, as jurisdictions around the world start considering how they may incorporate the ISSB Standards into their regulatory frameworks.

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:

- 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.
- 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.

- 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, it is mindful that high standards of governance, audit and financial reporting underpins confidence in financial markets and contributes 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.

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 takes systemic look at barriers to competition in UK audit market

The Financial Reporting Council (FRC) has published a summary of key findings and potential actions from research it commissioned into barriers to entry and growth faced by audit firms in the UK. The report highlighted capacity constraints, recruitment and retention challenges, alongside regulatory requirements, as the main obstacles for smaller firms looking to expand their presence – especially in audits of public interest entities (PIEs).

To promote greater competition and choice in the audit market, the FRC has highlighted the importance of a collaborative, cross-system approach involving the regulator, audit firms, professional accounting bodies and government. The FRC itself has already launched initiatives like Scalebox to help smaller firms understand regulatory standards and grow their PIE audit capabilities.

Audit firms are encouraged to prioritise cultures that better support their staff, including training and resources, while professional accounting bodies should continue efforts to attract new talent into the profession and maintain high auditing standards. Government can also play a role with policies that encourage competition and innovation in the audit market.

Mark Babington, Executive Director of Regulatory Standards at the FRC, said:

'While ensuring high standards of audit quality is paramount, a resilient, competitive audit market is crucial for upholding the UK's status as a leading financial centre and protecting the public interest. The research makes clear that tackling the barriers to audit firm growth requires a co-ordinated approach to foster an environment that supports sustainable growth at all audit firms, greater capacity and choice in the market while maintaining high standards.'

The FRC plans to conduct further market studies to deepen understanding of audit market dynamics from a resilience perspective.

FRC policy update: launch of the UK Stewardship Code 2020 review

As stated in its Policy Statement on 7 November 2023, and now that the revised Corporate Governance Code has been published, the Financial Reporting Council (FRC) is undertaking a fundamental review of the UK Stewardship Code 2020 to ensure that it supports growth and the UK's competitiveness. As part of the review process, it is seeking views from all stakeholders on whether the Code, in its current format, is being used by asset managers, asset owners and other signatories to the Code in a manner that drives better stewardship outcomes from engagement with issuers across all asset classes.

The Code is an important part of the investment stewardship eco-system in the UK, safeguarding the interests of the public and pension holders by promoting transparency and accountability, and is also adopted by global investors. The principles are designed to encourage alignment of incentives through the investment chain for the benefit of the ultimate investment beneficiary and contributes to the UK's well-deserved reputation as an attractive investment destination for global capital.

Following feedback received during the 2023 consultation to the Corporate Governance Code, it is clear that now is an opportune moment for a fundamental review process to ensure that the principles of the Code are still driving the right stewardship outcomes for investors while not unduly contributing to reporting burdens. The review will focus on, amongst other topics, the extent to which the Code:

- supports long term value creation through appropriate investor-issuer engagement that drives issuers' prospects and performance;
- creates reporting burdens on issuers, as well as Code signatories; and
- has led to any unintended consequences, such as short-termism in targets and outlook for issuers.

There are currently 273 signatories to the Code, representing £43.3 trillion assets under management. This includes 188 asset managers, 66 asset owners and 19 service providers. Current

signatories span single-strategy boutique asset managers to large global asset managers with active and passive funds. Approximately one third of the total assets under management of signatories are invested in both UK and global listed equity and two thirds in other asset classes, including fixed income, private equity, real estate and infrastructure and others.

EUROPE

ESAs recommend steps to enhance the monitoring of BigTechs' financial services activities

The European Supervisory Authorities (ESAs) – the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Services and Markets Authority – has published a report setting out the results of a stocktake of BigTech direct financial services provision in the EU.

The Report identifies the types of financial services currently carried out by BigTechs in the EU pursuant to EU licences and highlights inherent opportunities, risks, regulatory and supervisory challenges. The ESAs will continue to strengthen the monitoring of the relevance of BigTech in the EU financial services sector, including via the establishment of a new monitoring matrix.

In 2023 the ESAs, via the European Forum for Innovation Facilitators (EFIF), conducted a cross-sectoral stocktake of BigTech subsidiaries providing financial services in the EU as a follow-up to the ESAs' 2022 response to the European Commission's Call for Advice on Digital Finance. The stocktake showed that BigTech subsidiary companies currently licenced to provide financial services pursuant to EU law mainly provide services in the payments, e-money and insurance sectors and, in limited cases, the banking sector. However, the ESAs have yet to observe their presence in the market for securities services.

To further strengthen the cross-sectoral mapping of BigTechs' presence and relevance to the EU's financial sector, the ESAs propose to set-up a data

mapping tool within the EFIF. This tool is intended to provide a framework that supervisors from the National Competent Authorities would be able to use to monitor on an ongoing and dynamic basis the BigTech companies' direct and indirect relevance to the EU financial sector.

The ESA will also continue the cross-disciplinary exchanges in the setting of the EFIF to further foster the exchange of information between EFIF members and other relevant financial and non-financial sector authorities involved in the monitoring of BigTechs' activities (e.g. data protection and consumer protection authorities).

UNITED STATES

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 R. 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 also includes certain 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.

FASB issues standard to improve the accounting for and disclosure of certain crypto assets

The Financial Accounting Standards Board (FASB) has published an Accounting Standards Update (ASU) intended to improve the accounting for and disclosure of certain crypto assets.

'The new standard responds to feedback from stakeholders of all backgrounds who indicated that improving the accounting for and disclosure of crypto assets should be a top priority for the Board,' stated FASB Chair Richard R. Jones. 'It will provide investors and other capital allocators with more relevant information that better reflects the underlying economics of certain crypto assets and an entity's financial position, while reducing cost and complexity associated with applying current accounting.'

The amendments in the ASU improve the accounting for certain crypto assets by requiring an entity to measure those crypto assets at fair value in each reporting period with changes in fair value recognised in net income. The amendments also improve the information provided to investors about an entity's crypto asset holdings by requiring disclosure about significant holdings, contractual sale restrictions and changes during the reporting period.

The amendments in the ASU apply to all assets that:

- meet the definition of intangible asset as defined in the FASB Accounting Standards Codification;
- do not provide the asset holder with enforceable rights to or claims on underlying goods, services or other assets;
- are created or reside on a distributed ledger based on blockchain or similar technology;

- are secured through cryptography;
- are fungible; and
- are not created or issued by the reporting entity or its related parties.

The amendments in the ASU are effective for all entities for fiscal years beginning after 15 December 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If amendments are adopted in an interim period, they must be adopted as of the beginning of the fiscal year that includes that interim period.

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

ASIA PACIFIC

Public consultation on Corporate Service Providers Bill and Proposed Amendments to Companies Act and Limited Liability Partnerships Act

The Ministry of Finance and the Accounting and Corporate Regulatory Authority (ACRA) have proposed a new Corporate Service Providers (CSP) Bill to enhance the regulatory regime for the CSP sector, and legislative amendments to the Companies Act 1967 and Limited Liability Partnerships Act 2005 to enhance the transparency of beneficial ownership of companies and limited liability partnerships. Members of the public are invited to provide their feedback on the proposals from 12 March to 25 March 2024.

The key proposals aim to:

- require all business entities carrying on a business of providing corporate services in and from Singapore to register with ACRA;
- introducing fines of up to \$100,000 on registered CSPs and their senior management upon conviction for non-compliance with obligations for the purpose of detecting and preventing money laundering, the financing of proliferation of weapons of mass destruction and terrorism financing;

- combat the misuse of nominee directorship arrangements by prohibiting persons from acting as nominee directors by way of business unless their appointments are arranged by registered CSPs and they have been assessed as fit and proper by the registered CSPs; and
- enhance corporate transparency by requiring nominee directors and shareholders to disclose their nominee status and identities of their nominators to ACRA, and increasing the penalties for breaches of obligations pertaining to the Register of Registrable Controllers, Register of Nominee Directors and Register of Nominee Shareholders.

Public consultation on proposed legislative amendments relating to digital communications and regulatory enhancements

The Ministry of Finance and the Accounting and Corporate Regulatory Authority (ACRA) have proposed amendments to the Accounting and Corporate Regulatory Authority Act 2004 and the Companies Act 1967 to streamline Singapore's corporate regulatory regime. Members of the public are invited to provide their feedback on the proposed amendments from 5 March to 18 March 2024.

The key proposed amendments aim to:

- facilitate digital communications with businesses and other stakeholders by allowing statutory correspondences and notices to be sent to and accessed via a digital mailbox and requiring business entities, position holders, shareholders and members to maintain updated email addresses with ACRA;
- improve filing convenience and data accuracy by empowering the registrar to use information from specified government agencies to keep ACRA's registers up to date;
- enhance the accuracy of the registers of directors by empowering the registrar to reflect the disqualification status of individuals for all types of disqualifications under the CA; and
- streamline the financial reporting requirements for foreign companies.



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