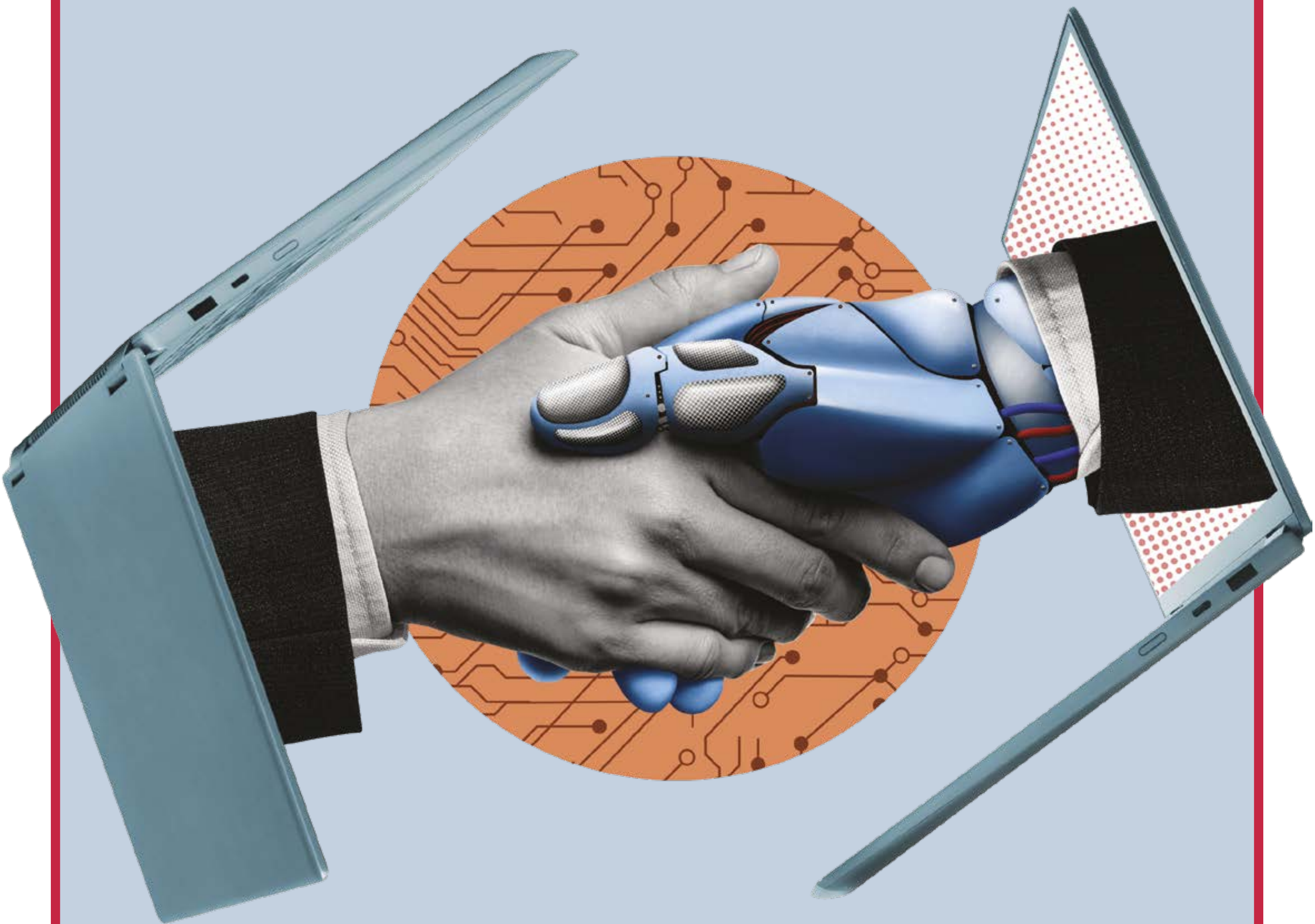
The Professional Journal of The Association of International Accountants

INTERNATIONAL ACCOUNTANT

JULY/AUGUST 2024

ISSUE 136



Harnessing the power of AI in accountancy

A look into the world of European football finance

Personal development and how to build your self-efficacy

Furnished holiday lets: a looming deadline

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In this issue

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International Accountant, the bimonthly publication of the Association of International Accountants (AIA).

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Design and production
LexisNexis,
Lexis House,
30 Farringdon Street,
London EC4A 4HH
www.lexisnexis.co.uk

Printed by The Manson Group Ltd,
St Albans, Herts, AL3 6PZ

This product comes from sustainable forest sources.

ISSN: 1465-5144

How generative AI will transform accountancy

Angela Partington Editor, IA

All professions undergo periods of change, and accountancy is no different. Many practices are starting to grapple with some substantive questions. What impact might generative AI have on accountancy? How can they use it to benefit their businesses? And what does this all mean for the role of the accountant in the coming years?

We consider these questions in two articles in this issue. David Tattersall (see page 10) believes that there are some significant positives to be gleaned from AI. He predicts that this technology will reduce the impact of 'human error' (through 'the occasional oversight or missed keystroke') and improve efficiency in the workplace. These are perhaps some of the more predictable advantages to be gained from technological advances – though we will, of course, need to ensure that AI reaches the necessary levels of accuracy and consistency to secure these benefits.

However, David believes that we should embrace the time saved through the automation of routine tasks to offer a more comprehensive and tailored service to our clients, providing expert insight to inform future business and investment decisions. It seems we are on the cusp of a major change in how we practice.

A second article (see page 12) examines how generative AI is already transforming life for tax practitioners, revealed by a May 2024 survey by Tolley. The survey of over 400 UK tax practitioners found that 10% already use generative AI every day. More than a third (35%) of those surveyed are using generative AI at least once a month, and a further 32% of tax practitioners said they are currently not using generative AI but have plans to do so. The main priorities for those using AI are to research tax matters (91%), draft tax documents (87%) and draft emails or other communication-based tasks (80%).

The report does highlight the concerns about the reliability and security of public access generative AI tools, including general lack of trust (29%) and issues relating to hallucinations (27%) and security (21%). We will all watch the evolution of the technology to see how developers tackle these concerns and transform the practice of accountancy.

In other articles in this issue, we examine the reform of the UK rules governing furnished holiday lets (see page 19), take a look at the world of football financing (see page 22) and reveal how the practice of self-efficacy can improve your ability to learn (see page 26).

Finally, an interview with Fred Wong, the President of the Hong Kong Management Committee, discusses his perspectives on CPD, the importance of networking and his vision for the future of the AIA Hong Kong Branch.

Contributors to this issue

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Fred Wong is President of the AIA Hong Kong Management Committee, focusing on the integration of AI, sustainability and ethical considerations. In 2014, he joined forces with other auditors to set up SRF Partners & Co. CPA, where he is still a partner.

SKILLS SHORTAGE

Accountancy facing 'existential' global skills crisis

The accounting industry across the globe is facing an 'existential' skills crisis, with an 'ever-widening chasm' between increasing demand and the supply of labour.

This was the conclusion of the recently published Accounting Talent Index, a new global research study conducted for outsourcing specialists Advancetrack. It found that almost half – 45% – of firms are being 'severely' or 'significantly' affected by skills shortages.

A total of 74% of respondents said that compared with three years ago, labour shortages have got significantly worse. The report said reasons for this ranged from more competition for talent from commerce firms to fewer people attending and graduating from university, as well as the effects of the Covid-19 pandemic and an ageing workforce.

Vipul Sheth, MD of Advancetrack, said: 'Our Accounting Talent Index shows how the acute lack of accountants has emerged as a critical bottleneck, and its impact has been nothing short of severe, impacting businesses, institutions and economies on a global scale.

'Without skilled practitioners and a robust sector to oversee financial transactions, tackle regulatory complexities and ensure compliance, the stability of modern commerce is genuinely at risk.'

Some 61% of respondents thought that the Covid-19 pandemic had made an 'appreciable difference' to accessing industry talent. It said smaller firms are especially bearing the brunt – largely unable to compete against the salaries and prestige offered by mid-tier accountancy firms and the Big 4 accounting giants, with the latter also struggling to compete against other industries.

Other day-to-day issues for accounting firms include needing to pay higher salaries, challenges in recruiting and retaining staff, limiting the services they offer and being forced to not take on new clients.

TAX AVOIDANCE

UK reports surge in offshore assets

The number of people admitting to HMRC that they have offshore assets on which they avoided paying UK tax has surged by 146% to 5,427 in the last financial year, say chartered accountants and business advisers Lubbock Fine.

HMRC has been collecting data from overseas banks and fund managers and then using this information to send out 'nudge letters' to UK residents threatening them with a full tax investigation if they do not voluntarily come forward.

The 5,427 taxpayers who have admitted that they have not paid the right amount of tax on their overseas income and gains have done so through HMRC's Worldwide Disclosure Facility (WDF) – an online portal that allows the underpaid tax to be disclosed along with interest for late payment and an assessment of tax related penalties.

If a disclosure is made to HMRC via the WDF, then it should mean the taxpayer avoids a higher penalty and a potential criminal prosecution. In more extreme cases of deliberate tax evasion, this could mean a custodial sentence.

Graham Caddock, Director at Lubbock Fine, says: 'The surge in people admitting to undertaxed income and gains shows that HMRC's more active approach, supported by the amount of information they are receiving, is getting better and yielding more tax to help reduce the "tax-gap". For tax evaders there are now very few places to hide.'

Taxpayers who fail to make a voluntary disclosure to HMRC can face a tax penalty of up to 200% of the tax owed, and the possibility of having their details published on the list of deliberate tax defaulters.

ASIA

Global Forum members raise £18.3bn in extra tax revenue

Participants in the Global Forum's Asia Initiative have successfully raised at least €21.8 billion (£18.3 billion) in additional revenue (tax, interest and penalties) since 2009 through the use of exchange of information on request (EOIR) and automatic exchange of financial account information (AEOI). This includes related voluntary disclosure programmes and offshore tax investigations, the organisation said.

Tax Transparency in Asia 2024 helped 13 jurisdictions to collect at least €1.8 billion extra tax revenue in 2023 through the use of EOIR (€1.5 billion) and AEOI (€277 million).

The report also said that through the Convention on Mutual Administrative Assistance in Tax Matters (MAAC), Asian jurisdictions have entered into more than 3,000 EOI bilateral relationships to foster tax co-operation.

18 Asian jurisdictions are committed to start automatically exchanging financial account information by 2026, and 15 had already started exchanging by the end of 2023.

The Global Forum on Transparency and Exchange of Information for Tax Purposes is the leading multilateral body mandated to ensure that jurisdictions around the world adhere to and effectively implement both the exchange of information on request standard and the standard of automatic exchange of information. It has 171 members.

AIA NEWS

AIA NEWS

AGM

AIA Annual General Meeting 2024

AIA held its 92nd Annual General Meeting on 14 June 2023 at the AIA Head Office.

All resolutions of the AGM were passed, and the following members were re-elected to Council: AIA Vice President Phillip Ford, Venetia Carpenter, Seth Ganu, George Josephakis and Gloria Murray. The Council represents members of the Association and is responsible for setting AIA's strategic direction and priorities.

AIA would also like to express sincere gratitude to Les Bradley and Koon Sang Jong, who leave the Council following many years of dedicated service.

AIA President Shahram Moallemi said: 'As we reflect on the past year, I am proud to share the significant progress we have made in achieving our five key strategic outcomes. Despite a year marked by global challenges, including economic fluctuations and geopolitical uncertainties, our dedication to our mission and values has remained resolute.

'Our people have shown remarkable resilience and adaptability, embracing professional development opportunities and new ways of working. This commitment to growth has empowered our members and colleagues, ensuring that we continue to meet and exceed the expectations of our community.

'In a rapidly changing world, thought leadership has been crucial in guiding our activities. We have been involved in important conversations on industry trends, sustainability and innovation. Our research and insights have not only influenced policy but also provided valuable guidance to our members navigating a complex global landscape.'

For further details, including the President's full message, Annual Report and Accounts, and voting results, see: www.aiaworldwide.com/my-aia/agm-2024

AIA's five key strategic outcomes

1. Empowered and exceptional people nurtured to achieve shared goals
2. Thought leadership driving excellence in all of AIA's activities
3. Outstanding student and member outcomes
4. Strong global reputation and market position, with diversified revenue streams
5. Organisational stability, efficiency and effectiveness

AML

AIA Releases new AML monitoring and supervision guidance

AIA has published new guidance based on findings from its anti-money laundering (AML) monitoring and supervision activities. This guidance is intended to assist members in practice in complying with AML regulatory requirements.

Key themes addressed in the guidance include firm-wide risk assessments, client risk assessments, client due diligence and internal controls. The guidance also includes key questions that firms should answer when reviewing their compliance with the Money Laundering Regulations.

Members are encouraged to review the guidance alongside the AML Compliance Checklist and other detailed resources available on the AIA website.

David Potts, AIA Director of Policy and Regulation and MLRO, emphasised the importance of this guidance, saying: 'Accountants are key gatekeepers of the financial system. Our updated guidance is crucial in helping our members to ensure their services are not used to further criminal activities.'

HONG KONG

Hong Kong Branch AGM and Annual Dinner

On Tuesday, 25 June 2024, the Hong Kong Branch held its 49th Annual General Meeting.

During the meeting, Mr Fred Wong was re-elected as the Branch's President, while Mr Terence Tsui and Mr Savio Ho were elected as Vice Presidents. The Executive Committee also welcomed new members: Mr Joe Chan, Mr Benson Chang and Mr Tommy Yung.

Following the AGM, the Branch celebrated its 51st Annual Dinner 2024, marking its distinction as the first overseas branch of AIA, founded in 1973. AIA's Chief Executive Philip Turnbull and AIA President Shahram Moallemi, delivered speeches.

Both gave special thanks to Mr K. S. Jong for his dedicated service on the AIA council before recently retiring, with Shahram stating: 'K. S. Jong, who is retiring from our council, has been a pillar of strength and dedication, serving on the council for many years. His commitment to AIA and representation internationally in the UK, Malaysia and other countries has been exemplary.' Henry Ong, Mr Jia Jia, Madame Li and Wilson Shou were also thanked for their dedication to AIA.

Among the honourable guests celebrating with the AIA Hong Kong Branch were Legislative Councillor Hon Edmund Wong, Deputy Commissioner of the Inland Revenue Department Mr Leung Kin-wa, Deputy Director-General Coordination Department of the China Liaison Office Mr. Li Xu Hong and presidents from professional accounting institutions.

Branch president Fred Wong highlighted Hong Kong's developed accounting industry and its future role in serving the Greater Bay area (see his interview on page 16). Savio Ho, Chairman of the Annual Dinner, extended appreciation to the organising committee, the secretary and student helpers for their dedicated efforts in ensuring the event's success.

Congratulations to the Branch Executive Committee, branch employees and to all our members and students for their outstanding representation of AIA and Hong Kong. Thank you to all attendees for joining us!

AWARD

AIA Chief Executive to judge at Accounting Excellence Awards

AIA is pleased to announce that Chief Executive Philip Turnbull has been invited to serve as a judge for the Breakout Star of the Year and International Firm of the Year categories at the prestigious Accounting Excellence Awards, set to take place in October 2024.

The Accounting Excellence Awards are renowned for recognising outstanding achievements and innovation in the accountancy profession. This year, the Breakout Star of the Year award aims to celebrate emerging talent and highlight the contributions of rising professionals who have demonstrated exceptional promise and impact within the field.

Philip Turnbull brings extensive expertise and a commitment to advancing the accounting profession. His involvement as a judge underscores the AIA's dedication to fostering professional excellence and supporting the next generation of accountants.

Philip commented on the judging opportunity: 'I am honoured to be a part of the Accounting Excellence Awards once again and to have the opportunity to recognise the achievements of the industry's emerging leaders.

'These individuals represent the future of our profession, and it is inspiring to see their dedication and innovative approaches to accounting. AIA consistently works to uphold and promote the highest standards in the accountancy profession. Participating in this event aligns with our mission to support and develop accountants throughout their careers.'

Good luck to all the nominees at the Accounting Excellence Awards!

APPOINTMENT

AIA welcomes its first female Chief Examiner

AIA is delighted to welcome Tracey Wilson as its first female Chief Examiner. Tracey has been a Professional Level 2 Examiner at AIA for almost ten years, specialising in financial accounting and reporting.

In addition to being a chartered accountant and chartered tax advisor, Tracey is a Senior Lecturer at Newcastle University Business School, teaching financial reporting and tax, and focuses her research on corporate taxation. She is also a Fellow of the Higher Education Academy, and former Managing Director of BPP Professional Education's Newcastle learning centre, where she was responsible for directing and managing resources to deliver high quality tuition, consistently high pass rates and excellent customer service to both clients and students.

Tracey expressed her excitement about the new role, saying: 'It is a true honour to be appointed as AIA's first female Chief Examiner. This position is an incredible opportunity to contribute to the future of accounting education and uphold the high standards of excellence that AIA represents. I look forward to working with a dedicated team to support and inspire the next generation of accountants.'

AIA's Qualifications Manager, Jane Steele, welcomes Tracey: 'We are thrilled to welcome Tracey as our new Chief Examiner at AIA. Her background as an accountant, tax advisor and Senior Lecturer at Newcastle University Business School, combined with her extensive experience in teaching and managing professional education, makes her the perfect fit for this position. We trust that she will bring fresh perspectives and enthusiasm to our assessment process.'

Tracey's appointment follows the retirement of Emeritus Professor Philip Shrives, who served for over two decades on AIA's Academic Team. Since his appointment as Chief Examiner in 2018, Philip Shrives has overseen all aspects of the AIA Professional Qualification's assessment process, ensuring that the examinations meet the requirements of the specification and maintaining standards year on year.


Tracey Wilson

AIA Chief Executive, Philip Turnbull, expressed thanks to Philip for his dedication to AIA: 'We extend our deepest gratitude to Philip Shrives for his unwavering commitment to AIA over the past 24 years. His impressive career and contributions have not only advanced the field but also inspired many in our community. We're immensely grateful for all he has done and wish him all the best in his well-deserved retirement.'

AIA remains committed to delivering exceptional education and equal opportunities to both current and future AIA students. Our mission is to ensure they receive the highest quality learning experience, equipping them with the vital skills and knowledge for a successful career in accounting and finance.

AUDIT

Government announces Draft Audit Reform Bill in King's Speech

On the 17 July, the government announced a Draft Audit Reform Bill within the King's Speech and will press ahead with reforms of company audits and corporate governance with plans for a more powerful regulator under long-awaited legislation.

The Draft Audit Reform and Corporate Governance Bill will put the Financial Reporting Council (FRC) on a statutory footing through the establishment of the Audit, Reporting and Governance Authority (ARGA), building on the FRC's transformation in recent years and its remit to support the UK's economic growth and international competitiveness.

David Potts, AIA Director of Policy & Regulation, said: 'AIA welcomes the inclusion of a Draft Audit Reform and Corporate Governance Bill within today's King's Speech and looks forward to working with the government to strengthen the transparency and integrity of regulation of the UK's corporate governance, financial reporting and audit framework.'

AIA wrote to new Prime Minister Sir Keir Starmer following the General Election earlier this month setting out its priorities for action, including moving ahead with reform to the UK's corporate governance, financing reporting and audit regulatory framework.

In that letter, AIA argued that the ongoing delay in implementation of audit and corporate governance reform should be ended to remove uncertainty and unlock growth and investment. Furthermore, taking early action in this area should reduce the risk of unexpected business failure and deliver on existing commitments to reinforce the UK as a trusted destination for investment.

AIA recommended that the government should commit to audit and corporate governance reform as a key priority, including by establishing the Audit, Reporting and Governance Authority (ARGA) as a new statutory regulator and granting significant powers to take effective enforcement action. As a Recognised Qualifying Body under the Companies Act 2006, AIA also continues to recognise its own responsibilities in offering a recognised professional qualification for audit and is committed to working with stakeholders to develop and improve the profession in which it operates.

AIA is ready to work with the new government to drive forward necessary reforms to strengthen the UK economy and ensure that the financial and related professional services industry continues its vital role in securing the UK's future success. By focusing on key areas such as audit reform, SME support and green finance, we can build a resilient and thriving accounting sector.

Student support

We present some tips and guidance for how to proceed with the paper on Developments in Auditing and Assurance in November 2024.

The Developments in Auditing and Assurance (DAA) paper is now well established and students should be familiar with the new syllabus and examination approach. As is clear from the structure of the AIA qualification, the examination builds on the Principles of Governance and Audit paper from the Professional 1 level and the other related elements of the Foundation level and then aims to extend and deepen the student's understanding of auditing and auditing techniques.

The examination therefore explores auditing and assurance procedures to consider more challenging reporting areas and issues. It examines and critiques current practices and explores emerging and future developments in auditing and assurance. In addition to providing a thorough professional grounding in audit, other assurance areas are also discussed, applying audit techniques to emerging areas.

What does this mean in practice?

The paper examines your ability to analyse issues and develop appropriate audit or other responses, as well as demonstrating your ability to critically appraise current practice and future developments. To test these skills, the DAA paper is based around a complex real-world scenario from which audit and assurance issues arise.

The paper is split into three questions, all of which are compulsory, and which may or may not always relate to the same scenario. The first question, worth 50% of the marks, will always be based on this scenario and will generally be focused on advanced audit/assurance techniques. One of the key areas that students seem to have been struggling with relates to the issues around practice management and how to ensure the quality of the audit. Links to governance ideas also seem to have proved problematic for some.

This article aims to help students to prepare for this first unseen practice scenario-based question and repeats much of the advice issued to support prior papers.

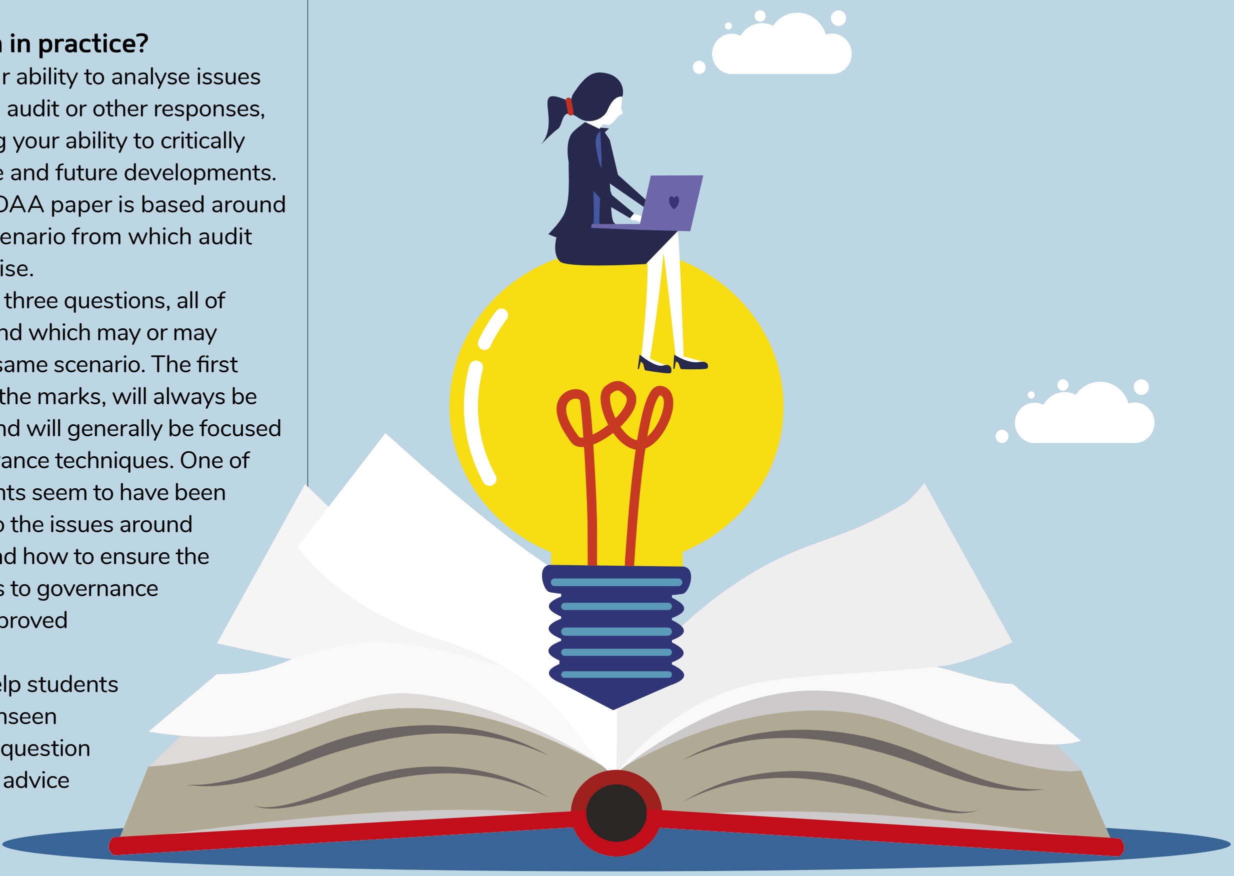
Key skills

You are being assessed on the ability to apply your professional knowledge and skills to the specific issues arising in the audit/assurance engagement described. To maximise your marks, you must address the specific issues in the scenario against relevant professional auditing standards or professional codes or quality guidance and show that you appreciate the key risks and problems.

Nature of the scenario

The scenario will give details of an entity subject to an audit or assurance assignment. Students will be asked to place themselves within a professional service team – usually as the audit manager or engagement partner – and to respond to the issues raised from this practical perspective.

These topics always require the assessment of the audit risk and will represent the audit of an accounting estimate. Ensure that you are familiar with the new



ideas in ISA 315 Identifying and Assessing the Risks of Material Misstatement, and the ideas of ISA 540 Audit of Accounting Estimates (revised), reflecting the move by IFAC to embed increased professional scepticism and evidence of management challenge in the work done.

The paper requires an ability to assess risk and management bias within the context that the entity is operating and an understanding of the specific accounting balance or issue being explored; and to appreciate the impact that the context in which the entity operates has upon these risks. It assesses your ability to identify risks and develop appropriate responses in the professional assignment. As the standard on risk assessment has been significantly updated, so you must understand and apply this as a framework to your risk assessment.

The examiner tries to ensure that the issues examined are as relevant as possible and will therefore contextualise the entity in challenges that are contemporary and should be familiar to the student. The entity described will be a business that most students should be able to relate to.

Examination approach

The key weakness in answers remains the lack of detailed development of the issues. This may reflect a lack of detailed reading of the scenario or of detailed knowledge of the standards. Lack of knowledge can only be resolved by detailed preparation, but lack of application can be resolved by exam technique. As the paper is 70% application and 20% evaluation and synthesis rather than knowledge recall, your answers must reflect this.

You need to make explicit links between the professional requirements applicable to the issue and the issue as described. Side headings are useful. You can either structure the answer around the individual issues within the question that are applicable or against the sections of the standard/code you are using to determine your professional response – but only include those sections!

Using the scenario requires the following elements.

Obtaining and understanding of the scenario: Your preliminary analysis of the scenario should always apply the indicators of problems in ISA 315 Identifying the Risks of Material Uncertainty (revised) and ISA 570 Going Concern.

Understanding the questions: Ensure that you understand the overall context for the question. To that end, ensure you identify the following:

- What role have you been assigned (engagement partner, audit manager, ethics partner, etc.)?
- What sort of firm are you working for? Is it an international LLP? Does it have a lot of offices nationally or internationally? Are you the primary or secondary auditor?
- Are there any issues with staff changes?
- Are there any indicators of problems with the quality or competence of the staff?
- Are there any development issues in the light of new standards or practices? How are they affecting the audit client and the audit firm?
- What aspect of the engagement does each sub-part of the question require you to address? How do the issues you have identified in your planning relate to and affect these?
- Are there any specific accounting standards or issues being explored in the question?
- What are the issues in applying those standards in practice and what issues in the question may make these difficult? Is there management bias? How will it potentially affect the way in which the accounting estimates are treated?

If the question asks for specific guidance on the conduct of the audit work, be as specific as possible around the evidence that you will obtain. Link this into the ideas from ISA 500 Audit Evidence and ISA 540 Audit of Accounting Estimates (revised).

The paper focuses on the more complex issues and your ability to synthesise information, which means that you will be potentially pulling information from a lot of sources in the question and from a lot of different auditing and accounting and other professional standards. This reflects the real world of a working auditor – it is rare to get a real-life problem which nicely sits in only one aspect of accounting or auditing!

Writing your answer

Having identified the issues from the scenario and decided upon the correct response for the question, your answer should clearly show the link between the two. Side headings are useful to structure the answer and clearly demonstrate the links between professional standards and how this applies to the issue.

- Ensure that you address the specific requirements of the question.
- Use side headings – including introduction and conclusion or recommendations (depending upon the requirements).
- Use full sentences, not bullet points.

Key technical areas

As you will appreciate, 2024 continues the theme of material economic uncertainty for many businesses. This is as a consequence of the ongoing economic and social challenges caused by geopolitical uncertainty, recent surging inflation and changes in interest rates and supply shortages, in addition to climate related problems making themselves felt.

It is against this background that the 2024 sittings of DAA have been set. Be prepared to consider the commercial impact of these times on any risk assessment you explore. Of particular note are the problems around logistics for many companies and the difficulty in estimating demand from major economies. There is some evidence of a slowdown in retail demand in both China and the UK, for example.

I emphasise to students that 20% of the paper considers wider accountability and is therefore almost as important as Issues of Quality Control. 15% of the paper relates to ideas of ethics and public interest and how this relates to the actual conduct of assignments.

You should be familiar with the specific more advanced areas of auditing practice that are only examined on DAA, and the basic ideas of auditing and governance and financial reporting from prior studies. As an accountant, you are not able to forget prior technical knowledge as you progress! A diligent review of the detailed syllabus for DAA and the textbooks should highlight these specific concerns. Go over the syllabus and identify the specific accounting standards that are highlighted and ensure that you understand the accounting issues within them.

The impact of inflation

Inflation occurs as prices rise over time and over the last few decades has been negligible. However, one of the key economic impacts of the reopening of the world after the disruption of Covid has been to stimulate demand. Where this has been coupled with supply chain or supply issues, prices have risen sharply. Much of this is linked to the problems in the energy prices resulting from geopolitical problems, as well as issues in core commodity supply. Inflation then causes a decrease in the purchasing value of money and therefore problems for accountants in determining the values of future events.

There isn't a specific standard which gives guidance on how to account for inflation, but its impact can be widespread through the financial statements. As it impacts on the time value of money, this impacts on several aspects of reporting, including: discount rates used to determine future cash values; cost forecasting to assess value of cash generating units; assessing the profitability of contracts or research and development; going concern assessments; and other estimates and judgements.

Issues of uncertainty

The Covid pandemic and subsequent years of economic turbulence have created considerable uncertainty for companies, and this has a significant impact on the reporting and assessment of viability and going concern. Since 2017, there has been guidance from the FRC around viability statements. Whilst these improved through the times of the pandemic, this is still a critical area for the auditor to examine in addition to going concern disclosures.

Key accounting standards

The most significant debates around accounting standards continue to relate to both IFRS 16 Leases and IFRS 15 Revenue Recognition as recent updates created significant new accounting judgements around the lease classification and revenue, and creates additional subjectivity in both aspects of accounting.

IFRS 3 Review and impact on Goodwill testing and impairment

Following the review of IFRS3 Business Combinations in 2015, the IASB has been reviewing four significant areas of concern within this accounting area, namely:

- the effectiveness and complexity of testing goodwill and impairment;
- the issues around accounting for goodwill subsequent to its initial recognition;
- the identification and fair value measurement of intangible assets; and
- the information regarding the subsequent performance of the acquiree

IFRS 13 Fair value measurement

In September 2023, the FRC published a thematic review around fair value. Therefore, auditors should be aware of the following key issues:

- Fair value assumptions should use MARKET assumptions rather than those of the company (and its directors).
- Companies should consider the need for third-party specialist advice.
- High quality disclosure is important.

Sustainability reporting and assurance

The reporting of issues around sustainability have been developing at pace over the last few years with the inauguration of the ISSB and the publication of IFRS S1 and IFRS S2. In 2023, the FRC published its thematic review of climate related metrics and targets which focused on four key questions:

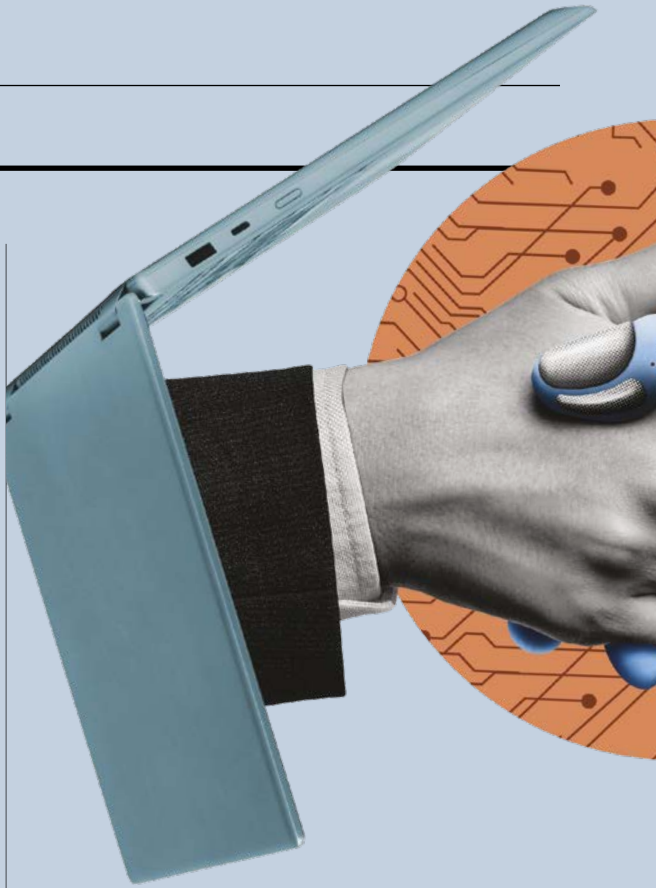
- Have companies' climate-related metrics and targets reporting improved since last year?
- Are companies adequately disclosing their plans for transition to a lower carbon economy, including interim milestones and progress?
- Are companies using consistent and comparable metrics?
- Are companies explaining how their targets have affected the financial statements?

These four areas are a very useful insight into the key issues of concern around where reporting is weak and are therefore useful issues to consider.

Concluding thoughts

The DAA paper is not designed to trip you up or to trick you. The examiner has written a scenario that allows you to show your professional knowledge and skills, and to demonstrate that you have the necessary competence to be in charge of an audit or assurance assignment in the real world. ●

Harnessing the power of AI



It is useful to keep an open mind about the benefits of artificial intelligence. *David Tattersall* sets out some of the advantages it could bring to your practice.

David Tattersall
Head of Client Relations,
Handpicked Accountants

As the old adage goes, 'nothing in life stays the same' and accountancy as a profession is not immune to changes either. The role of the accountant is likely to shift as AI and machine learning make their impact on how we work on a daily basis.

While it is understandable to be wary of change, particularly when it comes to still developing machine learning, it is useful to keep an open mind as to how this emerging technology could benefit your day-to-day work and the service that you can offer your clients. Rather than seeing AI as a threat, you could start to see it as an opportunity that could redefine what it means to be an accountant.

The power of AI in accounting

AI – or artificial intelligence – can be seen as a collection of technologies that attempt to recreate and replicate human intelligence, particularly when it comes to performing routine and repetitive tasks. This type of technology is developing quickly, however. AI programs are now able to communicate in an authentically 'human' way, predicting and forecasting events based on historical data.

When it comes to accountancy, the uptake of AI has been significant, with early adopters using it to automate many day-to-day administrative accountancy processes, such as reconciling accounts, producing cash flow forecasts and creating invoices. AI can help you to automate routine tasks, extract and assimilate large volumes of data – both structured and unstructured – and reconcile accounts. This can help you to focus your time on other areas that add greater benefits for your firm and your clients.

AI is a different form of intelligence – not necessarily better than a human, or worse, just different. The balance between accountants and AI is not an 'either/or' situation. It is increasingly accepted that the benefits of AI are increased when used in conjunction with the lived experience of a human.

The changing role of the accountant

With the potential changes resulting from an increased use of AI, many believe that the modern accountant will be more involved in providing strategic business advice, improving the quality of commercial decisions and providing directors with valuable insights and robust advice, rather than simply dealing with the numbers.

However, it is important to remember that a machine cannot replicate a human. While AI can be used to lighten the load, there is likely always going to be the need for a human at the end of the process to assimilate the facts and provide reasoned advice and actionable guidance.

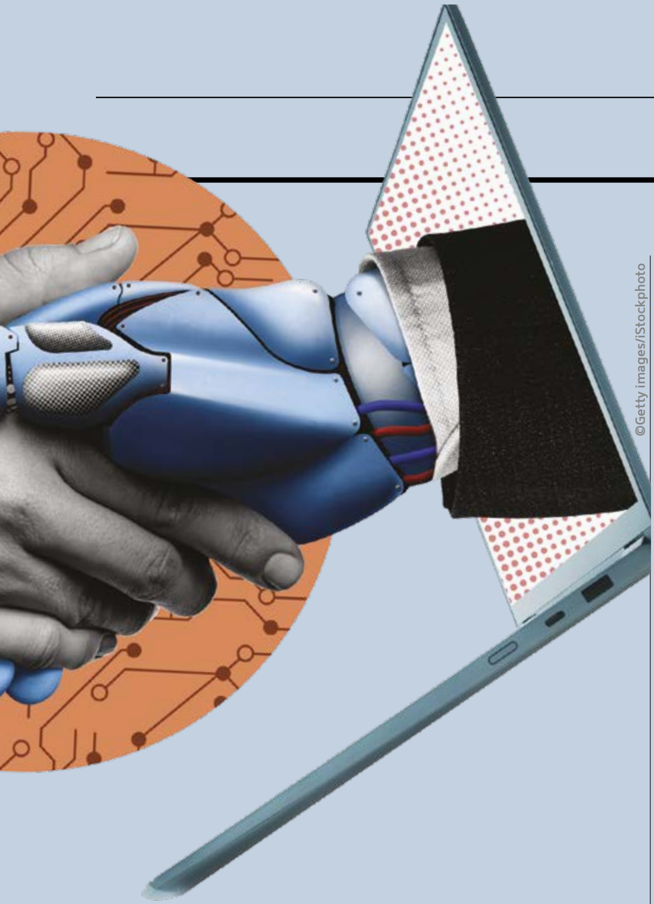
In many ways, as the use of AI has become more embedded, it has only served to highlight how this type of decision making and critical thinking cannot be replicated by a machine.

Seeing the positives of AI

There are many reasons why you should not be afraid of what AI could mean for the accountancy profession. Rather than focusing on what AI may take away from your role, think about the value that it can add to your function – and consequently to the value that you can offer to your clients.

Here are some of the main benefits of implementing AI in your day-to-day role.

Removing 'human error': Humans are not infallible, and even the most conscientious person is not immune to the occasional oversight or missed keystroke. When it comes to advising clients, it is paramount to ensure that you are working with the most accurate data possible. Quite simply, better data makes for better decisions, and AI is capable of providing reliable data that you can have confidence in.



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Improving efficiency: The speed at which AI programs can extract, categorise and process data is simply unbeatable when placed alongside the abilities of even the most capable human. Additionally, AI systems do not get tired, need regular breaks or require statutory annual leave. This means you can, in theory, have a program running continuously to extract, analyse and audit data while your employees sleep. The sheer number of manhours that AI could potentially save your accountancy practice, and the subsequent impact on overall efficiency, should not be underestimated.

Ensuring you are at the 'cutting edge' of service: Stubbornly refusing to adopt the implementation of AI could see you at risk of falling behind in what you are able to offer clients. Just because you may steadfastly refuse to embrace the benefits of AI does not mean your colleagues and competitors will hold the same opinion. If other accountants are able to pass on the benefits of increased efficiency and more accurate data to their clients, you may find that your competitive edge is quickly eroded.

Increasing your value offering to clients: The intrinsic role of an accountant is geared around using the company's data to provide expert insight to inform future business and investment decisions. With more time freed up thanks to the increased automation of routine tasks, this can allow you to dedicate your time and resources to doing exactly this. The accountant of the future is likely to be viewed more as a strategic business partner than simply a 'number cruncher'.

Recognising and reducing fraud: AI is extremely adept at spotting patterns and detecting anomalies in datasets. This makes it a powerful ally when identifying the early signs of potentially fraudulent activity. This tool can even be configured to alert a chosen person to the erroneous data, so that fraudulent activity can be halted at the earliest opportunity. This has the potential to save clients a huge amount of stress, protecting the financial health, and therefore ongoing viability, of their company.

Growing your client base: With the improved efficiency thanks to the automation of routine tasks, you may find that your practice has the capacity to take on more clients without having to employ additional staff or relocate to a larger premises. In this respect, AI can be seen as a useful growth and expansion tool for ambitious practices looking to increase their client base, while keeping staffing resources at their current levels.

Immediate answers through accurate research: The use of AI is not restricted solely to structured client data. AI is able to process huge volumes of unstructured data with the same level of accuracy. This means that you can use natural language to ask an AI-powered program to scour peer-reviewed and subject matter expert published articles to uncover reliable and trustworthy answers.

Using AI to redefine your role and supercharge your career

With the prevalence of artificial intelligence within the industry only likely to increase, embracing the power of AI is quite simply one of the best ways of futureproofing your career in accountancy. By committing to a programme of continuous learning to stay updated with this fast-moving technology and becoming proficient in harnessing the capabilities of AI and machine learning, you are putting yourself in the best position possible when it comes to advancing your career and simultaneously increasing your value to the clients you serve.

AI is able to handle many of the data extraction tasks you may currently do, but there is no substitute for a human being when it comes to presenting and communicating these findings to a client.

If you want to improve your competitive edge, you may find it particularly advantageous to hone your soft skills, such as creativity, problem solving, and interpersonal qualities. All of these will help when it comes to enhancing your advisory competencies – something which is likely to form a much bigger aspect of being an accountant in the coming years.

As an accountant, it is less a matter of 'if' but more a case of 'when' when it comes to the widespread implementation of AI within the industry. While this does not necessarily mean you will find the transition easy, it is always better to be ahead of the curve. If you keep an open mind, you may be surprised at how the capabilities of AI can actually change your day-to-day working experience for the better. ●

Author bio
David Tattersall is Head of Client Relations at Handpicked Accountants. With over 35 years' experience in professional services, David has particular expertise in finance, accountancy and corporate insolvency.

How generative AI is transforming tax practice

Tax practitioners across the UK are recognising the significant time and cost savings offered by generative AI.

The latter half of 2023 saw a rapid acceleration in the development and adoption of generative AI solutions.

A May 2024 survey by Tolley found that two-thirds of UK tax practitioners are regularly using generative AI or are planning to do so soon.

The survey of over 400 UK tax practitioners found that 10% use generative AI every day. Their top priorities are for researching tax matters (91%) and drafting tax documents (87%). Drafting emails or other communication-based tasks was also listed as a priority by 80% of respondents. Almost two-thirds (71%) would be somewhat or completely confident using AI-powered tools grounded on tax research and guidance content.

More than a third (35%) of those surveyed are using generative AI at least once a month, and a further 32% of tax practitioners said they are currently not using generative AI but have plans to do so. Only a third said they have no plans to use generative AI.

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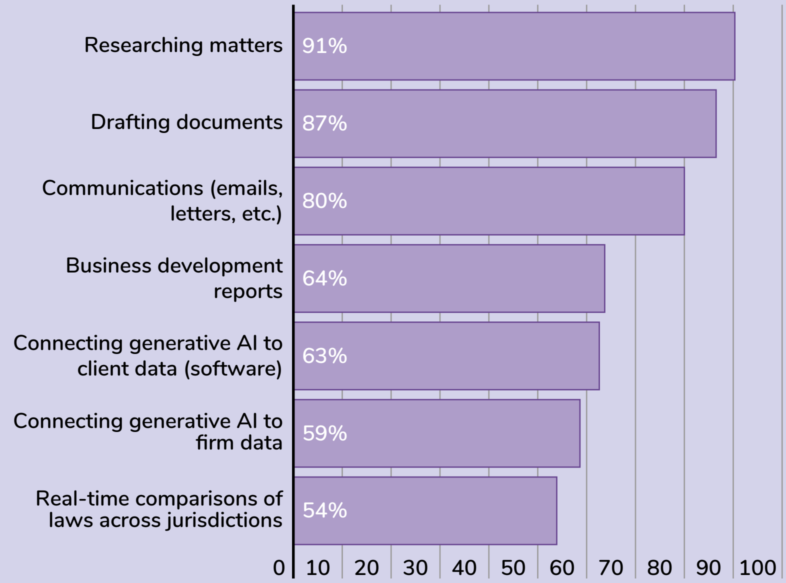
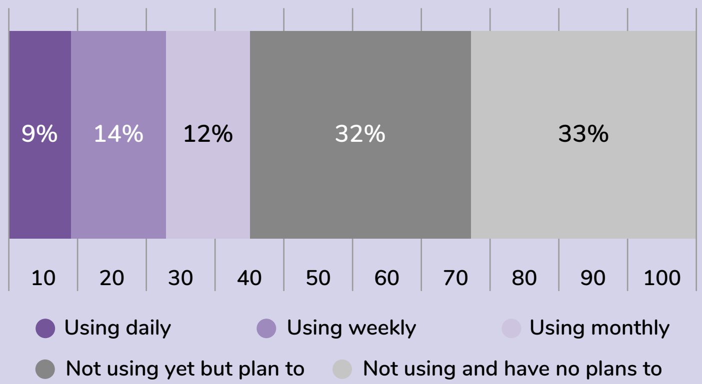
Top priorities for tax technology powered by tax grounded generative AI



Frequency of use of generative AI tools with tax professionals



While excitement levels are high, many tax professionals have valid concerns over the trustworthiness of public-access and free-to-use generative AI tools. To get the most from this technology, they need tools grounded in trustworthy tax sources.

The technology will continue to develop at pace and is set to transform and revolutionise the practice of tax. Tax professionals are clearly keen to embrace the value that generative AI can offer and, with careful adoption and training, it has the potential to significantly improve the productivity and effectiveness of tax practitioners.

Given the pace of change and how much we expect the critical reasoning abilities of generative AI to increase, the tax sector will look very different in a year's time, says Hayley McKelvey, Tax and Legal – Digital Innovation Leader at big four accountancy firm, Deloitte. 'We are only at the foothills of what GenAI can do and how much of the tax professional's compliance and advisory work it can consume,' she says.

Bivek Sharma, Chief Technology Officer & Head of Alliances for Tax, Legal and People business at PwC, says AI has changed the rules of the game, with an unprecedented level of transformation in tax. 'Gone are the times where you have to spend hours, days or even months reviewing thousands of technical documents.'

Helen Whiteman, the CEO of the Chartered Institute of Taxation, says generative AI will only get better. 'We've seen rapid development over the past 18 months and clearly AI offers many benefits.'

AI technology will prove particularly useful in breaking down lengthy or complex analysis, such as research and development (R&D) technical reports, says Moore Kingston Smith (MKS) Partner and Head of Transformation, Becky Shields. 'Generative AI can help tax professionals to understand, break down and evaluate analysis so they better understand client circumstances and address any concerns or points of misunderstanding.'

It is also useful for finding patterns, issues or common themes that we didn't know existed, says Adrian Henderson, the Director of Technology and Transformation Services at one of the UK's biggest accountancy firms, Evelyn Partners. 'Generative AI can spot patterns that humans cannot – this helps us create new business insights for our clients.' His firm is looking into using AI to map trial balance information for tax returns, create claim narratives from interview transcripts and help to interpret foreign language documents.

Phil Waller, Tax Partner at Midlands-based firm, Ballards, hopes that AI will take out some of the drudgery of report writing. 'Accuracy of searches will increase over time to a point where it can be relied upon. Reports, I would expect, will be done at the same standard as a junior member of staff, which can then be reviewed to ensure quality, technical accuracy and tone.'

The AI revolution is well underway

Overall, a third (32%) of all tax practitioners surveyed had made a change in their organisation, the most common being carrying out AI-related training for staff (12%), developing policies on the use of generative AI (11%), and launching an AI-powered product for internal use (11%).

When comparing actions taken by in-house teams to the movements of private practice, there is a clear divide. Almost half of in-house teams have made a change to their day-to-day operations as a result of AI. In-house teams were significantly more likely to have created an AI policy (24% vs. 8%), launched an AI-powered product for internal use (18% vs. 10%), and hired AI experts (11% vs. 5%) than private practice practitioners.

Jane MacKay, Corporate Tax Partner at Crowe, says they are currently using AI to analyse large client datasets, such as Import and Customs' Duty classifications. 'Generative AI means we can quickly identify errors or trends typically resulting in customs duty savings for our clients.'

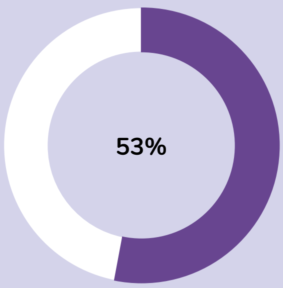
Can tax practitioners rely on AI?

Despite their eagerness, tax practitioners still have concerns over the ethical implications and risks of using public access AI tools.

Without training, oversight and grounding in robust datasets, generative AI technology can lead to inaccurate answers. The tools also require robust security to ensure that confidential data is kept secure.

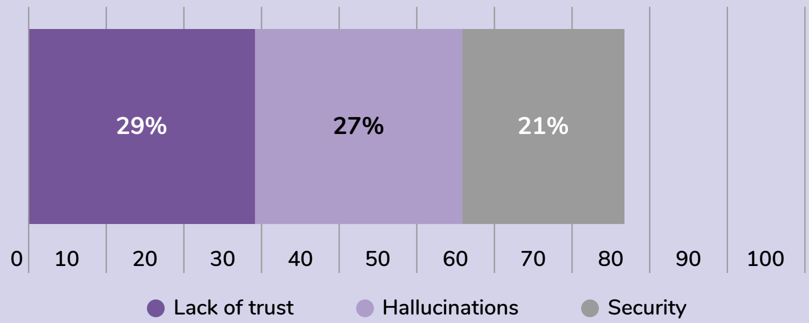
Jonathan Scriven, Director of Tax Markets at Tolley, says accuracy of information is critical to tax professionals. 'There's a huge fear of providing the wrong advice to clients, which is particularly heightened by issues with public access generative AI.'

Helen Whiteman from the Chartered Institute of Taxation says data security and privacy pose significant risks to tax practitioners. 'The lack of transparency around how AI systems operate can leave tax practitioners and their clients in the dark.'



of in-house teams want their firms to use generative AI

Tax practitioners with concerns about the reliability and security of public access generative AI tools



Laurence Kiddle, Partner, Head of Technology and Transformation Services at Evelyn Partners says as data quality improves and calculations are automated, generative AI will become a powerful and increasingly robust adviser. Despite the enthusiasm, Kiddle warns of the challenge of keeping risk and review models in step with new technology, and ensuring the right level of human review is in place. 'Over-reliance on AI to deal with queries without proper consideration of the issue puts tax professionals at high risk of presenting incorrect responses, which could ultimately lead to criminal or civil convictions.'

Overreliance on public access generative AI platforms can be particularly problematic for tax research. Jane MacKay from Crowe says the current AI tools for the tax market are limited by the quality of information, context and appropriateness of research terms. 'The quality of information isn't currently reliable enough, which can lead to ludicrous or inconsistent results if you don't already know what answer you are expecting. This also comes down to the proficiency of the tax professionals, she says, who will need to morph into prompt engineers. 'Whatever the quality of the information, if you ask the wrong question, you'll get the wrong answer.'

Ian Hayes, the President of CFE Tax Advisers Europe, says the possibilities of generative AI are exciting, but the tax world must have competent risk evaluations in place. We are still at a very early stage of this technology and have much still to learn, he says. 'This is not Artificial General Intelligence and we are not, at this stage, preparing to pass over the controls to a machine.'

Beart from Larkstoke Advisors says there is a risk that public access generative AI tools such as ChatGPT produce errors that go unnoticed. 'You really need to be a subject matter expert to determine if what is generated is correct or incorrect. In the hands of an expert, it's a fabulous tool – but in the hands of a novice, it could be very dangerous.'

Almost three-quarters (71%) of respondents said they would be somewhat or completely confident using AI-powered tools grounded in tax content sources, with linked citations to the verifiable authority used to generate the response.

Advisers need to maintain a high level of technical ability to spot instances of hallucinations or the use of incorrect or outdated legislation, says Shields from MKS. 'To get the most out of generative AI, tax professionals need to provide as much context as possible,' she says. 'Training your advisers to ask the right questions is critical, as is ensuring appropriate review procedures are in place to omit hallucinations.'

In-house tax professionals also expressed a strong demand to be informed if the external advisers who they are working with had used

AI. Four-fifths (83%) of in-house teams expect to be informed, whilst only half (50%) of those in private practice think that their clients want to be informed.

How will AI impact pricing models?

One potentially problematic point of conflict for private practice and in-house teams is pricing. Some believe that the firms investing in generative AI-powered products or tools should be the ones who benefit from the time and cost savings. Others believe the benefits should be passed on to the client.

The survey found almost half (45%) of in-house teams expect bills to be reduced as a result of generative AI. Those in private practice were less likely to believe their clients would expect a reduction in cost, with 35% agreeing.

Jonathan Scriven from Tolley says there are challenges firms will need to consider before deploying AI. 'Advisers will need to think carefully about many aspects of their businesses when deploying AI solutions – pricing structures, resourcing models, the cost of acquiring and maintaining the tools, as well as managing employee concerns around job security.'

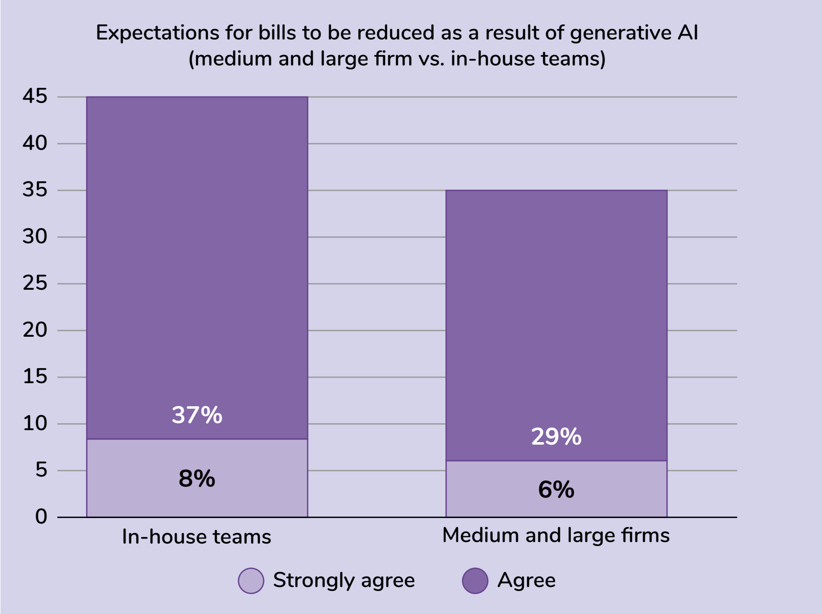
Generative AI will ultimately mean some tax tasks are undertaken much faster than the current delivery model, he says, which could have an impact on pricing. 'The impact of this on price will depend on many different factors – the importance and number of those tasks in the overall workflow, the pricing mechanism at play, the commercial relationship between the client and their adviser, and the overall level of competition in that segment of the market.'

There was an even starker contrast in opinion when it came to the topic of restructuring pricing models in general. Only a quarter (28%) of medium and large practices said they will make changes to their billing as a result of AI, despite 43% believing it will reduce overall costs for the firm and 39% believing it will increase hours billed.

More than half (57%) of in-house teams, however, said they expect practices to make changes to billing as a result of generative AI.

Stephen Roper, a small business adviser and professor at Warwick Business School, believes technology, when deployed effectively, can drive more revenue opportunities and cost-savings for small firms. 'Digital technologies, when implemented well, can yield significant productivity benefits, most notably by making non-billable activities more efficient.'

At larger practices, efficiency gains and increased effectiveness will likely come down to collaboration between tax professionals and tech teams. In-house teams and private practices have a lot to consider over the months ahead – and pricing will be one of them. Yet the opportunity for tax professionals to improve their reach and break new ground is high. As a result, we are seeing real collaboration between advisers and their clients and between technology and innovation teams and fee-earners.



> 'Automating the routine, entry-level tasks, such as data analysis and meeting summaries, will mean the skills required of a tax adviser will change. Many were worried when Excel and Lotus-123 replaced the original paper spreadsheets... and the profession adapted and survived. It will do so again but perhaps the role of the tax adviser will move closer to a tax law-led data scientist.'
>
> *Adrian Hextall, Director of Technology and Transformation Services, Evelyn Partners*

Final thoughts

The efficiency and productivity benefits of using generative AI in tax workflows are significant and adoption of the technology will clearly transform the practice of tax. The level of excitement in the tax profession is high but concerns remain around the trustworthiness of the technology and data security. Careful adoption of Gen AI technology, using tools with robust data security and grounded in trusted tax content sources, will be critical to successful implementation.

The skills required of tax professionals will also need to evolve as the technology develops. Organisations that are prepared to adapt will be able to fully realise the benefits available, unlock new opportunities and deliver even more value to their clients.

For further analysis and information about the Tolley+ AI™ Insider Programme, see: www.lexisnexis.co.uk/tolley-tax/ai-insider/sign-up.html

> Technological advancements and AI are significant challenges, but they also present opportunities. We need to harness these technologies effectively while maintaining our core values of integrity and independence. As businesses increasingly focus on sustainability, there will be a growing demand for environmental, social and governance metrics.
>
> Fred Wong

Fred Wong

Welcome to an insightful interview with Fred Wong, President of the AIA Hong Kong Management Committee.

In this conversation, Fred Wong shares a glimpse into his role within the audit sector and his company's journey. From his international client base to his involvement in professional organisations and community initiatives, he offers an insight into his professional and personal life.

As the AIA Hong Kong Management Committee President, Fred explores the challenges and opportunities facing the accounting profession in Hong Kong, including the integration of AI, sustainability and ethical considerations. Join us as we discuss his perspectives on CPD, the importance of networking, and his vision for the future of the AIA Hong Kong Branch.

Can you tell us a little about yourself, your business and your professional affiliations?

I've been a certified CPA since 2001 and started my first audit practice in 2009. In 2014, I joined forces with other auditors to set up SRF Partners & Co. CPA, where I am still a partner. We primarily operate in the audit sector, focusing on transportation, trading and assorted service industries. Our client base is diverse, with around 50% in the Asia region, including China and Hong Kong, and the remainder in Europe. We cater mainly to SMEs and private entities, and a significant portion of our clients are international.

Besides AIA, I am also a fellow member of Hong Kong Institute of Certified Public Accountants (HKICPA), Chartered Management Association (CMA), Institute of Public Accountants (IPA) and The Education University of Hong Kong (HKInED), as well as being an associate member of the Association of Women Accountants Hong Kong (AWAHK) and The Society of Chinese Accountants and Auditors (SCAA).

In my leisure time, I enjoy hiking in various cities and countries. I also serve as a finance advisor for several NGOs, particularly those with close relationships within China province.

We know you work with the community on various initiatives. Can you explain these to our readers?

I am committed to charitable activities, often donating my audit fees to organisations that support the arts and poverty alleviation. Additionally, I mentor students through the HKICPA, guiding them on their career paths and encouraging them to consider opportunities within the accounting sector.

How do you perceive your role as President of the AIA Hong Kong Branch?

My role is primarily to lead and facilitate the continued growth and influence of the AIA within Hong Kong. With over 40 accountancy bodies in Hong Kong and new ones emerging every year, it's crucial that we continue to remain relevant, innovate where possible and provide an influential voice for our members within the broader accounting community.

How do Branch activities give a voice to your members?

We have received positive feedback from our CPD activities, especially during the Q&A sessions. This indicates strong interest and engagement from our members, which we aim to build upon.

Our CPD sessions have become a vital platform for members to express their views, share their experiences and ask questions. These interactions not only enhance the learning experience but also allow us to better understand the needs and concerns of our members.

What opportunities and challenges do you face in building recognition by regulators, employers and society?

One of our main challenges is that fewer students in Hong Kong are choosing accounting as their major. And those who do often seek careers outside of traditional accounting, auditing and tax roles. Our task is to make the profession more attractive and demonstrate its evolving nature, especially with advancements in technology and sustainability.

What do you think are the most important challenges to the accounting profession?
Technological advancements and AI are significant challenges, but they also present opportunities. We need to harness these technologies effectively while maintaining our core values of integrity and independence.

Sustainability is another critical area where accountants can lead, especially in reporting and compliance. As businesses focus on sustainability, there will be a growing demand for transparent and accurate reporting on environmental, social and governance (ESG) metrics.

What are your views on the delivery of CPD? Is it better to have face-to-face events, online or a combination of both?
Since the outbreak of Covid-19, we've shifted many of our CPD seminars online, which has been well received. Currently, we use a blended approach, offering both face-to-face events and webinars, depending on the circumstances and the preferences of our speakers.

Do you think professional networking and building social capital is possible online?
While online interactions are beneficial, I believe that face-to-face interactions offer greater potential for building genuine relationships and rapport.

What are your top priorities for the Branch?
Our top priorities include maintaining our influence among Hong Kong accountancy bodies, providing valuable CPD to our members and attracting new, enthusiastic talent to the AIA Hong Kong Branch. By focusing on these priorities, we can strengthen the AIA Hong Kong Branch, enhance the value we provide to our members and contribute positively to the accounting profession in Hong Kong and beyond.

Finally, do you have any life lessons that you can pass on to our members?
In today's digital-first world, the greatest skill you can leverage is the power of focused attention. Focused attention is your ultimate currency and the way to build this is through daily meditation. Never underestimate the value of maintaining a positive mindset and being open to unexpected opportunities.

We hope you enjoyed this interview with Fred Wong, AIA Hong Kong Management Committee President. Stay connected with us for more updates from the AIA Hong Kong Branch.

A looming deadline

Muhammad Bilal **considers the proposed reform of the rules governing furnished holiday lets, and the necessary actions to secure tax reliefs.**

Muhammad Bilal
Accountant, M B Dean Accountants

In 2017, the UK had approximately 8,000 furnished holiday lets, but this number surged to 111,000 by 2022. This remarkable growth has prompted the government to reform the rules, aiming to generate revenue and shift properties into the long-term rental market.

What are the changes?

The March 2024 Budget unveiled significant changes affecting furnished holiday lets. From 6 April 2025, the favourable tax treatment for furnished holiday lets will be abolished. With less than eight months remaining, it is important to understand the implications of these changes and to take any necessary actions to secure existing capital gains tax reliefs.

Here are some of the key issues to consider.

Capital allowances: the diminishing advantage

Capital allowances have been a cornerstone benefit for holiday lets and serviced accommodations, extensively utilised by both individual owners and companies. Proprietors of furnished holiday lets have historically claimed substantial tax savings, ranging from 20% to 40% of the property value. This has been particularly advantageous for personal ownership, allowing tax-free extraction of profits offset by capital allowances.

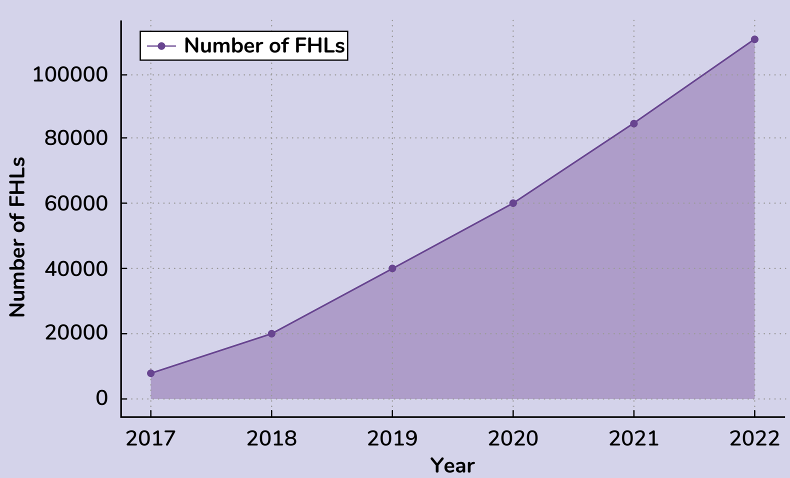
As the current system winds down on 5 April 2025, owners may need to reassess the market value of assets, including integral features (the plant and machinery, such as electrics, plumbing and heating, as well as additional elements in higher-value properties such as air conditioning and swimming pools). This revaluation could potentially trigger a balancing charge, necessitating the repayment of previously claimed tax to HMRC. Understanding the intricacies of these allowances and how they will change is critical for current furnished holiday let owners.

Owners should also consider conducting a thorough review of their property portfolios. Engaging with a tax adviser to evaluate potential tax liabilities and develop strategies to mitigate any negative financial impacts is highly recommended. The impending deadline may also necessitate accelerated plans for renovations or upgrades, which could be affected by the changes in capital allowances.

Interest restriction: a shift in the landscape

The changes will predominantly affect individual owners of furnished holiday lets, while companies

Growth of furnished holiday lettings (FHLs) in the UK (2017-2022)



> **Individual owners will soon face taxation similar to buy-to-let proprietors, with interest no longer being deductible. Instead, they will receive a finance allowance.**

will retain certain tax advantages. Individual owners will soon face taxation similar to buy-to-let proprietors, with interest no longer being deductible. Instead, they will receive a finance allowance. While this adjustment may be manageable for basic rate taxpayers, higher rate taxpayers could face increased tax liabilities.

This shift signifies a substantial change in the financial landscape for many property owners. It will likely reduce the overall attractiveness of furnished holiday lets as an investment for individuals, particularly those in higher tax brackets. Consequently, owners may need to reassess their financing strategies and explore alternative investment opportunities or restructuring options, such as incorporating their furnished holiday let businesses to retain some tax benefits.

Capital gains tax reliefs: a closing window of opportunity

To maximise existing capital gains tax reliefs, furnished holiday let owners may need to consider selling or transferring their properties promptly. The reliefs set out below remain accessible for a limited time.

1. Business asset disposal relief

Formerly known as entrepreneurs' relief, business asset disposal relief offers a reduced 10% tax rate on gains from furnished holiday let business disposals, subject to specific criteria. The disposal deadline is critical: to qualify for business asset disposal relief, owners must reorganise their furnished holiday let by the earlier of three years from the cessation date or 5 April 2025.

It is important to note that the cessation of the furnished holiday let regime on 5 April 2025 will not count as cessation for business asset disposal relief purposes. This presents a strong incentive to act before the changes take effect. For more detailed guidance, refer to HS275 Business Asset Disposal Relief (2024) guidance at: tinyurl.com/7kh94xxb.

2. Rollover relief

This relief allows capital gains tax deferment through the reinvestment of gains into a new business property. The option expires after 5 April 2025. Completing a sale before this deadline enables rolling over gains into qualifying business properties, such as retail units. Without this option, capital gains tax will be due. Detailed information is available in the HS290 Business Asset Roll-over Relief (2024) guidance at: tinyurl.com/43fvbdwu.

Rollover relief is particularly beneficial for those planning to reinvest in new business ventures. The strategy requires careful planning and timely execution to ensure compliance with the strict deadlines and conditions.

3. Holdover relief

For those aiming to keep furnished holiday let properties within the family, tax planning opportunities exist.

Eligible properties can benefit from business asset holdover relief under the Taxation of Chargeable Gains Act 1992 s 165 and may qualify for business property relief, enabling gifts into trust without incurring a lifetime inheritance tax charge. This relief concludes on 5 April 2025. Detailed guidance can be found at: tinyurl.com/mr2ca2p8.

Holdover relief offers a significant advantage for succession planning, allowing the deferral of capital gains tax when transferring assets to the next generation. It is an essential consideration for family-run furnished holiday let businesses looking to maintain continuity and minimise tax burdens.

4. Incorporation relief

Furnished holiday let businesses are likely to remain eligible for incorporation tax relief beyond 5 April 2025. The extent of business activity, as outlined in the *Ramsey* case, will be a determining factor. For more information, refer to HS276 Incorporation Relief (2024) Roll-over relief on transfer of a business guidance at: tinyurl.com/ms2uux5z.

Incorporation relief allows owners to transfer their business to a company without incurring immediate capital gains tax, making it a viable option for those looking to retain ownership while benefiting from the corporate tax structure. However, the decision to incorporate involves complex considerations, including potential impacts on personal tax liabilities, administrative responsibilities and future business planning.

Anti-forestalling measures: closing the loopholes

The Spring Budget 2024 introduced anti-forestalling rules to prevent the exploitation of capital gains tax reliefs through unconditional contracts, effective from 6 March 2024. These provisions will be incorporated into the Finance (No. 2) Bill 2024. In England and Wales, the disposal date typically aligns with the exchange date of an unconditional contract. To leverage existing capital gains tax reliefs, you must ensure contract completion by 5 April 2025.

The anti-forestalling measures are designed to curb any attempts to circumvent the new rules by manipulating contract dates. As such, property owners must exercise caution and ensure that all transactions are completed in compliance with the updated regulations to avoid potential penalties and disqualification from reliefs.

Summary

The impending closure of furnished holiday let tax breaks appears to have cross-party support, suggesting implementation regardless of the recent election outcome. Furnished holiday let owners are strongly advised to seek professional guidance to navigate these complex changes and secure their investments before the new regime takes effect. With the deadline fast approaching, timely action is crucial to make the most of the existing tax reliefs and avoid significant financial repercussions.

As the government moves to close the favourable tax treatments for furnished holiday lets, property owners must carefully assess their current financial strategies and plan for the upcoming changes. The transition requires meticulous planning and possibly significant restructuring to maintain profitability and compliance. Professional advice will be indispensable in navigating these reforms, ensuring that all available reliefs are maximised, and that the transition to the new regime is as smooth as possible.

Given the scale of these changes, it is prudent for furnished holiday let owners to start consultations with tax professionals immediately. The potential financial implications are significant, and early planning can make a substantial difference in preserving wealth and ensuring compliance with the new tax regulations. Engaging with experts who can provide tailored advice based on individual circumstances will be key to navigating this period of transition successfully. ●

Given the scale of these changes, it is prudent for furnished holiday let owners to start consultations with tax professionals immediately.

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

An own goal?

***Dr Christina Philippou* examines the world of European football finance.**

Dr Christina Philippou
Associate Professor in Accounting and Sport Finance, University of Portsmouth

The UEFA European Football Championships and Copa América have both recently concluded and they have not disappointed, with the usual (and sometimes unusual) trials and tribulations associated with knockout football competitions on full show. The players that represented their national sides, however, have gone back to work at their respective clubs – clubs that are increasingly struggling to comply with the myriad of regulations and a variety of financial challenges.

Football finance is now a commonly accepted term and football business something that is regularly discussed as part of general conversations on club performance. This was not always the case, with football originally starting out as an amateur sport and gradually turning into the financial behemoth we see today.

Early clubs were often associated with factories and other workplaces, and encouraged by industrialists as a way for workers to relax, bond and spend. Nowadays, European football is a far cry from its roots and boasts some of the most famous and money-making clubs in the world.

Revenue

Income for football clubs is often split into three general categories:

- match day (including hospitality and ticketing);
- broadcasting; and
- commercial (sponsorship and other partnerships).

Each avenue presents its own challenges, depending on the club, league and year.

Match day income was the traditional revenue source for clubs, and still remains the primary source for lower divisions or smaller leagues. The richest clubs in the world (by revenue) tend not to rely on match day income as much as they once did, though this has changed in recent years as broadcasting revenues have plateaued (more on that shortly).

The drive for continually increased income has created a more intense focus on match day income through stadium redevelopment. For example, the Tottenham Hotspur Stadium opened in 2019 and was specifically built to maximise revenues. From the retractable National Football League (NFL) pitch (and changing rooms large enough to host American football teams) to the specialist beer taps that allow very quick pouring, the stadium is set up to make money from events and match days, and this has shown in revenue growth as depicted in Tottenham Hotspur's financial statements.

Other clubs have also focused on redevelopment, particularly corporate boxes and hospitality suites that allow for high prices to be charged on match days, increasing the possible revenue generated from similar overall stadium space.

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Broadcasting took off massively as a revenue source in the 1990s with the creation of the English Premier League in 1992. Each domestic three to five year cycle (the length of the cycles changed over the years) saw an increase in value, although the £6.7 billion ($8.4 billion) deal for the 2025-2029 Premier League cycle actually saw a fall in price per game as interest (and therefore competition) amongst domestic broadcasters fell.

This is a trend that has been seen in other leagues across Europe, with France in particular struggling not only to increase broadcasting revenue but to get in any domestic broadcasting revenue at all. This has been in part a result of decisions taken to accept a higher bid from a new broadcasting partner (that, like other start-up broadcasters in other countries, eventually suffered from business failure before completing their contracted cycle). This was at the expense of their old partner (Canal+), which then invested in other sports rights and was not interested in stepping back into domestic football for large amounts when the start-up that ousted them from their traditional broadcasting rights failed.

Although the trend is generally in the direction of flat or lower broadcasting rights bids, not all broadcasting revenue hope is lost. For example, the same English Premier League that gave away some of its international broadcasting rights for free in the early years of the league now makes more money from international rights than it does from domestic ones.

Commercial income, too, is an increasingly important source for many clubs. However, this source is very often tied to a club's on-pitch performance, so clubs that get relegated or stop winning trophies can often find themselves losing partners as well as matches. This then often starts the downward spiral as income and performance are closely related through clubs' largest item of expenditure: player wages.

Wages

Player wages have always been a contentious part of professional sport, with many a fan debate held over whether players get paid too much or whether the transfer fees paid for an individual player were 'worth it'. Whatever your take on those particular arguments, the fact remains that wages are the most important and largest item of expenditure for clubs.

So important is this item that wage control, more commonly known as wage-to-turnover ratio, forms the basis of UEFA's financial controls – commonly referred to by their original name of Financial Fair Play. Rule changes mean that from the 2025/26 season clubs that play in UEFA competitions need to have a wage-to-turnover ratio of 70% (currently 80% in the 2024/25 transition season). The Premier League's average ratio was below this threshold in the prior season, while the Championship (the second tier of English football) has had almost a decade and a half of ratios exceeding 100% prior to 2022/23.

Wage control is unfortunately not the only financial metric that clubs consistently fail from a financial sustainability viewpoint. With expenditure on player wages, amortisation and maintenance, losses are rife across European football. For example, Barcelona consistently falls in the top few clubs globally for revenue, yet has struggled on the brink of insolvency for a number of years.

The need to pay high wages to ensure success on the pitch has led to a focus by many clubs on achieving growth in revenue, rather than controlling costs.

Investment in assets

Investments in assets have therefore become a key component of club financial strategy across Europe. The primary assets for any football club are player registrations (the exclusive right to a player's services) which are accounted for as intangible assets. Transfer fees, applicable agent fees and other relevant costs incurred to bring players into the club are all capitalised and form part of a club's intangible assets.

These intangible assets carry two main distortionary issues:

- amortisation as an expense (which affects profit or loss calculations for financial regulation purposes); and
- the undervaluation of homegrown assets of the club.

Amortisation

Taking the issue of amortisation first, each individual player registration intangible asset is amortised over the length of the player's contract, reducing to nil at the end of the contract as a result of the Bosman ruling, which allows players to move on a free transfer at the end of their contract (and thus the useful life of the intangible asset ends when the player's contract does).

This is why we saw Chelsea FC in the English Premier League buy in some players on eight-year deals (to increase the period over which amortisation takes place and therefore decrease the amount charged annually to the income statement), before UEFA closed that particular loophole by capping the amortisation spread limit to five years from 2023 for financial regulation purposes.

Undervaluation

The other distortionary effect is the undervaluation of Academy players playing first team football. This is because under accounting standards, assets cannot be recognised without the historical transaction having taken place with the ability to measure the cost of the asset reliably. As Academy players that make it into the first team squad have not been signed from another club, and therefore no historical transaction with a clear asset valuation exists, the player registrations of Academy players cannot be recognised as assets.

Thus Academy players are undervalued in club financial statements as compared to their bought-in peers. The distortionary effect then doubles up when financial regulation kicks in, as clubs that are close to breaching financial regulation limits in relation to losses often turn to Academy player sales as these are fully booked as profit for the year.

Regulation

So if it is financial regulation that creates the distortionary effect, why not change regulations?

UEFA's financial regulations were introduced in the 2011/12 season, with country Football Associations following suit in the following years. The original aim of Financial Fair Play, as it was then known, was to limit the number of insolvencies that occurred in football. Up until the latest change to UEFA financial regulations, where wage control has also been added to the financial regulation menu that clubs need to adhere to, the focus had been on limiting losses.

While the introduction of financial regulation has helped the financial landscape of clubs somewhat with fewer insolvency events, a large number of clubs still suffer from poor finances and negative equity.

This effect has been further compounded by the on-pitch distortionary effect of financial regulations: less competitive balance. So the clubs that had spent on wages prior to financial regulations coming in were more successful in European competitions (because they had managed to get in the better players before regulations limited spend). And as European competitions carry large prize and participation pots, the revenues of those clubs that were successful at the time of introduction benefited from their pre-regulation spending, allowing them to continue competing at the top, while other teams were unable to spend to keep up. This created a European elite of clubs, which can have a long-term impact on broadcasting rights if competitions get too predictable. (Broadcasters like jeopardy and are willing to pay more for it.)

But it is not just UEFA and domestic league regulations on their own that have affected club finances. Legislation around player geographical movement (such as to and from the UK post-Brexit) have combined with the need for financial savings to help create a mass growth in multi-club ownership. A prime example is The City Group, which owns Manchester City, New York City, Mumbai City and Melbourne City, to name a few across different continents. Having clubs in different leagues across both Europe and more widely has allowed for economies of scale (for example, in terms of directors and their cost allocation) and efficiencies (such as sharing coaching and technological ideas and advancements across the group).

Others have sought different ways to make profit from football. The surge of private equity into European football has been a result of a variety of reasons, from the strength of the US dollar for a number of years to the sharp increase in interest in the sport in certain countries around the world.

Ultimately, though, the draw of European football clubs to potential owners is twofold: high global profile (especially in certain leagues); and high revenues with a cost base that many potential owners think they can cut while maintaining strong on-pitch performances. The former is a given, but only time will tell if the latter is possible. Profit and football, after all, are not natural bedfellows. ●

Author bio
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Build your self-efficacy

How can you help yourself to improve your ability to learn? We share the secrets of self-efficacy.

Dr Nicola Beatson
Senior Lecturer for the Department of Accountancy and Finance, University of Otago

Learning new things is hard. So, what helps people to be able to learn and achieve new things?

Well, lots of things. I've done a lot of research around student success, and one of the most powerful predictors of success in learning is self-efficacy. This is the level of confidence that you feel towards undertaking the task at hand – for example, learning accounting. The best thing about self-efficacy is that it can change and there are several ways for you to try and increase your self-efficacy that will lead to a better chance of succeeding in your education.

What is self-efficacy?

Self-efficacy has been around for a long time. It is a related concept to 'self-worth', 'self-confidence' and 'the self' but it differs from these in one key way: it can change according to what it is you are trying to do. Your self-worth or self-confidence is a general thing, but self-efficacy is all about whether you feel like you can achieve a specific task.

I may have very high self-efficacy when it comes to cooking from a recipe, but low self-efficacy when it comes to cooking from scratch with only my imagination to create a delicious meal. I may have high self-efficacy when it comes to learning languages, but low when it comes to mathematical subjects. You can see that for everything that you try to achieve in your life, you may have variations of self-efficacy towards that job ahead.

Self-efficacy has been shown to be a powerful predictor of performance in multiple contexts of education. At all levels of schooling, and in all

subject disciplines, high self-efficacy means that the student has a greater chance of success.

So, this sounds like a dream, right? All I need to do is believe I can, and I have a greater chance of success? Well, yes and no. Not only do you need to think you can succeed, but you need to believe it deep down **and** apply yourself to the task as well. Just thinking that you can do it won't give you a pass mark if you don't put in the hard work as well.

How to increase our self-efficacy

Now we know that high self-efficacy means that we have a greater opportunity to succeed, what can we do to increase our own levels?

In his article 'Social cognitive theory: an agentic perspective', the psychologist Albert Bandura talks about four sources of self-efficacy. These four approaches can help you to increase your own level of self-efficacy.

1. Mastery

The first step towards improving your self-efficacy is mastery. Basically, if you have success in doing something once, then you will feel more confident the second time. This makes sense, right? When learning to ride a bike, if I get on, and ride successfully for even 30 seconds, I feel more confident. The next time, I may ride for a minute or more.

Small wins lead to higher self-efficacy. So, when you are learning new content, look for an easy test of your ability. If you can successfully do a basic practical example and feel good about getting the answer right, you will increase your self-efficacy for the more challenging questions.

2. Verbal persuasion

The second source of self-efficacy is verbal persuasion. Find someone you trust and ask them if they believe in your ability to succeed. I'm hoping that you pick the right person, and that they respond with a resounding YES. Hearing from others that they think you can do it is another small way that you can boost your self-efficacy.

3. Vicarious learning

The third way you can lift and change your self-efficacy is through vicarious learning. This means that you look at your peers, find someone like you that is doing well, and think to yourself: if they can do it, I can too.

If you can see someone else that reminds you of yourself succeeding at the task, you may have an increased belief that you too can achieve in a similar way.

4. Your emotional state

The last and most interesting (in my opinion) source of self-efficacy is the emotional or physiological state. This is all about how you feel when the pressure is on.

Let's imagine an exam. How do you feel just prior to going in to sit the exam. Anxious? Excited? The way you interpret your emotions will impact your self-efficacy and ultimately your performance.

We see this all the time in sports. In the locker room before a big match, the coach of a top sports team will not be saying things like 'Oh well, the other team is better' or 'We are going to get beaten, we haven't done enough.' They will use every kind of positive, motivational and inspiring message they can to get the team 'amped up'.

This is because our emotions or nerves can sometimes be crippling, but with the right messaging the nervous energy can be transformed into excitement to get the job done. So next time you go into a pressure situation, think to yourself, 'I'm excited' or 'I've got this.' This will help to manipulate any feelings of anxiousness into positive energy to perform.

Put in the work!

None of the above tips are helpful though if you don't do the work. It is super important to stay motivated and persist through learning. Be organised, try to work out what it is you are yet to learn, and then break it down into manageable chunks.

Here's the thing that no one told me when I was going through my education: learning is uncomfortable. So if it feels awful, you are doing it right. Learning new things is difficult – you don't know how things fit together or why things are a certain way. This is totally normal. One day it will click if you continue to work at it.

Good luck building your self-efficacy and succeeding in whatever you choose to do. ●

Author bio
Dr Nicola Beatson is a Senior Lecturer at the University of Otago in the department of Accountancy and Finance. Since 2015, she has been on the organising committee for the AFAANZ Accounting Education SIG.

Further reading

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EVENTS

FEATURE EVENT

Essential Sole Trader Tax Update
Date: 14 October 2024
Time: 10.30 – 11.30
Venue: Online Webinar

Speaker:
Emma Rawson

Emma Rawson is a technical officer with the Association of Taxation Technicians (ATT). Her focus is on business and employment taxes, and she works closely with HMRC on tax policy matters. Emma frequently contributes articles on topical tax issues to leading tax and accountancy publications. She has presented talks and webinars around the country, as well as appearing on BBC Radio 5 Live and BBC News to discuss tax issues and providing oral evidence to committees of both the House of Lords and House of Commons.

In this webinar, Emma will take a look at some of the recent tax changes for sole traders, as well as what is coming down the line. She will have a practical focus, looking not just at what is changing, but what it might mean for our clients and ourselves.

Topics covered will include:

- Basis period reform: what has changed and what this means for both 2023/24 tax returns and beyond;
- The cash basis: changes to the rules from April 2024 and who may benefit from moving to the cash basis;
- Training costs: HMRC's new guidance on what sole traders can and can't get a deduction for;
- National Insurance Contributions: what the position is now for sole traders;
- Making Tax Digital: what is happening and how to get ready; and
- Depending on timing: relevant announcements at the Autumn Budget or possible future announcements.

Specific learning outcomes from this session include an understanding of:

- which taxpayers are affected by basis period reform, and what this will mean in terms of their tax liabilities and compliance;
- who is now eligible for the cash basis, and which clients might want to consider making a change;
- whether clients can get a deduction for costs of training, when they may not have been able to in the past;
- what National Insurance Contributions are now payable by sole traders, and how low income individuals can maintain access to the state pension;
- what Making Tax Digital is likely to mean in terms of your clients' record keeping and filing obligations, and what you need to do to prepare; and
- the impact of actual or expected Budget announcements on your clients.

To reserve your place at this exclusive event go to: www.aiaworldwide.com/cpd/events/essential-sole-trader-tax-update

OTHER UPCOMING WEBINARS

Net Zero is risky for businesses (Malaysia)
Date: 13 August 2024
Time: 18:00 – 19:00 (Malaysia Time)
Speaker: Sunita Devi
During this one hour webinar, Sunita will explore the risks of announcing a company as 'Net Zero', including effects on compliance, management and operations.

Navigating recent key changes in tax laws (Ghana)
Date: 19 August 2024
Time: 10.30 – 11.30 (Ghana Time)
Speaker: Kwasi Nyantakyi Owiredu
The presentation will cover recent developments in the taxation of resident individuals, VAT on real estate and construction, deductibility of expenses, minimum chargeable income and double taxation relief.

Delegates will get an understanding of some key recent changes in tax laws in Ghana. It will also afford attendees the opportunity to engage in the practical issues that may arise in the implementation of the laws.

The FRS 102 Charities SORP: accounting and reporting by charities (Ireland)
Date: 3 September 2024
Time: 11.30 – 12.30
Speaker: Ciaran Connolly
In broad terms, 'FRS 102' is the financial reporting standard used in the UK and Ireland, with the 'FRS 102 Charities SORP' providing guidance for charities on how to apply FRS 102 when preparing their accounts.

This webinar will explore the development and evolution of the FRS 102 Charities SORP and its requirements, including annual reporting and early issues.

ESG audit: review of internal control – ESG risks (Malaysia)
Date: 9 September 2024
Time: 18.00 – 19.00 (Malaysia Time)
Speaker: Sunita Devi
Companies report financial related risks via internal control reviews. There are non-financial risks called environmental, social and governance (ESG), which impact not just the financial position statement but also the reputation of the business and its board.

During this webinar, Sunita will discuss the ESG framework, ESG performance mapping and ESG audit and assurance requirements for internal auditors.

The role of the money-laundering reporting officer (MLRO)
Date: 25 September 2024
Time: 11.00 – 12.00
Speaker: Richard Simms
The role of the MLRO remains consistent between firms of all sizes, including a sole practitioner. It is the key role in ensuring that your business is compliant with all AML regulations and protected from exposure to money laundering.

Richard will explain how you can protect your firm and implement best practice, and will also highlight the risks you should be looking out for. He will discuss how you can incorporate this role into your everyday work.

INTERNATIONAL

The IFRS Foundation and African Development Bank join forces to promote sustainability-related financial disclosures

The African Development Bank and the International Financial Reporting Standards (IFRS) Foundation will seek to work closely on advancing sustainability-related disclosure practices in Africa.

The two organisations signed a letter of intent on the sidelines of the Bank Group's Annual Meetings, which are taking place in Nairobi.

They plan to engage with African financial institutions, regulators and policymakers to provide capacity building and technical assistance. The aim is to develop the knowledge and capabilities for effective sustainability disclosure, in compliance with ISSB Standards, to support investor decision making.

The Bank Group's African Financial Alliance on Climate Change (AFAC) and the IFRS Foundation's International Sustainability Standards Board (ISSB) will lead on the partnership.

AFAC is a voluntary platform that brings together diverse stakeholders within the African financial sector – regulators, policymakers and civil society – to collectively tackle climate change and encourage sustainable finance.

African Development Bank President Dr Akinwumi Adesina said: 'We are committed to supporting markets across Africa to advance sustainability disclosure practices. Through our partnership with the IFRS Foundation, we will deliver capacity building and assistance that will lead to enhanced transparency, accountability and efficiency, with a goal of mobilising capital flows across Africa.'

IFRS Foundation Trustees Chair Erkki Liikanen said: 'We thank the African Development Bank for their important partnership as we prioritise helping companies and jurisdictions to develop the skills and capabilities to adopt the ISSB Standards.'

ISSB Chair Emmanuel Faber said: 'We have heard from African companies of the perceived benefits in using the ISSB Standards to communicate about transition and physical risks to secure competitive advantage and attract investment. Through our partnership with the African Development Bank, we will be better placed to unlock the benefits of sustainability reporting for African companies and economies.'

There is strong support for the introduction of ISSB Standards with jurisdictions from around the world, including Nigeria and Kenya, having signalled their intent to adopt or otherwise use them.

Furthermore, the partners will collaborate to inform the development of training materials that are suitable for use in the African context.

Minister of Finance and Coordinating Minister of the Economy, Nigeria, and Chair, African Caucus, Hon. Wale Edun said: 'We support the partnership of the African Development Bank and the ISSB in furthering the global baseline of sustainability disclosures to meet the needs of African capital markets, which will enhance transparency, accountability, efficiency and comparability. Early adoption by African jurisdictions and companies has the potential to attract more investment and to boost private sector development in Africa. We urge the ISSB and African Development Bank to provide strong advisory and capacity building support to unlock capital flows in tandem with widespread adoption of the ISSB standards in Africa, led by Nigeria which was the first country to launch and adopt IFRS S1 and IFRS S2.'

The letter of intent is valid for an initial term of three years. The African Development Bank and IFRS Foundation are committed to providing resources to support the outlined activities.

INTERNATIONAL

The International Finance Corporation and IFRS Foundation announce a partnership to improve sustainability reporting in emerging markets

The International Finance Corporation (IFC), a member of the World Bank Group, and the IFRS Foundation have signed a Memorandum of Understanding agreeing their strategic partnership to strengthen sustainable capital markets by improving sustainability and climate reporting in emerging markets and developing economies (EMDEs). The collaboration was announced during London's Climate Action Week.

Martine Valcin, IFC Global Manager, Corporate Governance and ESG Advisory, Knowledge and Learning, said: 'This marks a pivotal moment as we join forces with the IFRS Foundation in advancing sustainability and climate reporting. Our combined efforts are set to drive significant strides in standardising and enhancing transparency, ensuring that EMDEs are not left behind in the global shift towards sustainable finance.'

The IFRS Foundation's International Sustainability Standards Board (ISSB) issued two inaugural Standards in June 2023 with the objective of delivering global consistency and comparability of sustainability-related financial disclosures for capital markets. Jurisdictions making up around 55% of global gross domestic product (GDP) are already taking steps towards using these Standards.

The partnership will focus on implementing programmes to promote and build capacity for the consistent application of the IFRS Sustainability Disclosure Standards across EMDEs. This includes developing toolkits and research publications, as well as conducting training programmes to encourage sustainability reporting. Further, the partnership outlines plans to provide technical assistance and tailored support to help jurisdictions adopt and implement these Standards effectively, building on IFC's successful initiatives already in Bangladesh and Jordan.

Jingdong Hua, ISSB Vice-Chair, said: 'We are proud to collaborate with IFC, uniting our commitment to high-quality sustainability and climate-related financial reporting with their deep market insights and global reach. This partnership will expand our impact, helping to enhance the quality of sustainability and climate-related financial reporting worldwide, especially in emerging markets and developing economies. It plays a critical role in bringing structured and reliable sustainability information to the forefront of global markets, facilitating investments.'

This collaboration builds on IFC's extensive efforts through initiatives such as the Beyond the Balance Sheet programme and the Sustainable Finance and Banking Network. The Beyond the Balance Sheet programme has been pivotal in providing advisory services to improve sustainability and climate-related reporting in EMDEs, aligning with the new IFRS Sustainability Disclosure Standards and the European Sustainability Reporting Standards.

The Sustainable Finance and Banking Network, facilitated by IFC as its secretariat, is a global knowledge-sharing and capacity-building platform on sustainable finance for financial sector regulators and industry associations in EMDEs.

This partnership is a commitment to future-proof financial markets against environmental risks, support the private sector's ability to seize opportunities to evolve towards more resilient business models and to promote the transparency that global investors and stakeholders increasingly demand.

The IFRS Foundation releases a jurisdictional guide at the IOSCO Annual Meeting to support regulators

Jurisdictions representing over half the global economy by gross domestic product (GDP) have announced steps to use the International Sustainability Standards Board's (ISSB) Standards or to fully align their sustainability disclosure standards with those of the ISSB.

A growing number of jurisdictions are moving ahead with or considering measures to ensure global comparability in companies' climate and other sustainability-related disclosures by relying on the global baseline established by the ISSB Standards.

More than 20 jurisdictions have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks. Together, these jurisdictions account for:

- nearly 55% of global GDP;
- more than 40% of global market capitalisation; and
- more than half of global greenhouse gas emissions.

Many jurisdictions are seeking full alignment with or adoption of the ISSB Standards: the European Union was first; the Corporate Sustainability Reporting Directive established in June 2022 that the European Sustainability Reporting Standards would incorporate ISSB Standards to the greatest extent possible. That decision paved the way to a high level of alignment on climate and the interoperability guidance the IFRS Foundation and the European Financial Reporting Advisory Group (EFRAG) recently jointly issued.

The latest is China, where the Ministry of Finance of the People's Republic of China issued the Exposure Draft of Chinese Sustainability Disclosure Standards for Business Enterprises – Basic Standard and Explanation of the Drafting. The draft formulates the unified China Sustainability Disclosure Standards based on ISSB Standards, drawing on the beneficial experiences of ISSB Standards, aligning with China's context and showcasing Chinese characteristics.

Together, the 20 plus jurisdictions that have taken steps to adopt or otherwise use ISSB Standards account for around 75% of global market capitalisation excluding the United States. In the USA, when the Securities and Exchange Commission (SEC) recently issued a release in respect of their climate-disclosure rule, they acknowledged similarities with the ISSB Standards. In acknowledging the role of the ISSB Standards and the range of jurisdictions currently considering requirements using the Standards, the US SEC noted that the Standards are not yet integrated in those jurisdictional rules, and accordingly, declined at this time to recognise the ISSB Standards for use as an alternative to the SEC's climate disclosure rules.

The progress towards the introduction of sustainability disclosure requirements globally reflects a significant response since the International Organisation of Securities Commissions (IOSCO) announced its endorsement of ISSB Standards in July 2023.

IOSCO called on its members, who regulate companies in more than 95% of the world's financial markets, to consider ways in which their jurisdictions might adopt, apply or otherwise be informed by ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes companies' consistent and comparable climate-related and other sustainability-related disclosures for investors.

IOSCO Chair Jean-Paul Servais said: 'This marks an important milestone in IOSCO's objective to establish a global framework for comparable reliable sustainability disclosures for the capital markets. I am encouraged by the fact that not even a year after our endorsement and call to action, so many jurisdictions are seeking to adopt or be informed by the ISSB Standards.'

A new report outlines how the accountancy profession enables transformative economic development in Africa

With 12 of the world's 20 fastest-growing economies and an economic landscape characterised by rapid urbanisation, a young demographic and abundant natural resources, Africa's development is vital in a regional and global context.

Achieving the continent's growth and sustainable development ambitions requires the active contribution of accountancy and finance professionals, as highlighted in 'The accountancy profession enabling Africa's transformation', a new report from the International Federation of Accountants (IFAC) and the Pan African Federation of Accountants (PAFA).

The report outlines how influential accountants can be on company boards, and as CFOs and trusted business advisers, to drive sustainable economic growth in Africa and navigate its challenges, including energy access, a lack of regional integration and rising public debt, as well as climate change adaptation and mitigation estimated to cost between $68 and $108 billion annually.

The report was informed by a panel of experts at IFAC's Professional Accountants in Business Advisory Group meeting in South Africa, moderated by the PAIB Advisory Group Chair Sanjay Rughani, and including the Brookings Institution, the African Development Bank (AfDB), the World Bank, TradeMark Africa, Amundi Asset Management, Standard Chartered Bank, Nedbank and Investec Bank.

'We believe the accountancy profession has a critical role in achieving transformation in Africa and empowering change,' said IFAC Chief Executive Officer Lee White. 'We value our partnership with PAFA to support regional efforts towards addressing Africa's priorities to enable sustainable growth and build capital market efficiency and transparency.'

'By strengthening the capacity and influence of the accountancy profession in Africa, we enable our 56 member organisations in 45 countries to help drive sustainable growth and prosperity by enhancing trade and regional integration, investment, the quality of services and trust in institutions,' said PAFA Chief Executive Officer Alta Prinsloo. 'This report highlights the key areas in which the accountancy profession can influence transformation to achieve a just and sustainable transition for Africa.'

UK AND IRELAND

An FRC restructure creates new Market Intelligence and Digital Reporting functions

The Financial Reporting Council (FRC) has announced that following a strategic review of its economic analysis, data analysis, research and market monitoring functions, existing resources have been reorganised into two newly structured teams to enable delivery of better stakeholder outcomes across the FRC's remit and regulatory scope.

These two new functions are Market Intelligence and Insights led by Laura Warren, and Digital Reporting and Taxonomies led by Phil Fitz-Gerald. The work previously undertaken by FRC Lab on reporting and market insights will be absorbed into these new functions.

The Market Intelligence and Insights function will focus on providing more comprehensive, evidence-based analysis and insights across the FRC's policy development, monitoring and regulatory activities. Separately, the new Digital Reporting and Taxonomies function has been established, reflecting the importance of these rapidly evolving areas. It will focus on building the FRC's knowledge and capability, improving the quality of digital reporting, and developing tools to support the reporting ecosystem.

Richard Moriarty, CEO of the FRC, stated: 'I am pleased to announce the creation of these two new functions, which bring together existing FRC strengths to drive even greater collaboration and harness expertise across the FRC to benefit of the stakeholders within our regulatory remit and scope. The core purpose of the Market Intelligence and Insights team is to give the FRC an even stronger capability to understand the markets that are relevant to us and our impact on them. The Digital Reporting and Taxonomies team will enhance our thought leadership and policy work in the rapidly evolving digital reporting landscape.'

EUROPE

The European Banking Authority welcomes the new framework establishing the Anti-Money Laundering and Countering the Financing of Terrorism Authority

The European Banking Authority (EBA) has welcomed the entry into force of the new EU framework that will transform how Europe tackles money laundering and terrorist financing. The EBA is committed to facilitating a smooth transition to the establishment of the Anti-Money Laundering and Countering the Financing of Terrorism Authority (AMLA) and is, and making the EU a hostile place for financial crime.

Since 2020, the EBA has been leading, coordinating and monitoring the EU financial sector's fight against money laundering and terrorist financing. The new legislative framework marks a significant step forward in the EU's fight against financial crime, with a harmonised and single anti-money laundering and counter-terrorist financing (AML/CFT) rulebook, and the establishment of AMLA, a dedicated EU anti-money laundering authority.

The EBA will retain its AML/CFT powers and mandates until December 2025 to minimise disruption and provide continuity, and it will also continue working closely with AMLA going forward. In particular, after transferring the powers that are specific to AML/CFT to AMLA, the EBA will remain responsible for addressing ML/TF risk across its prudential remit.

Since its inception, the EBA has been working to ensure that financial institutions and their supervisors apply effective AML/CFT controls wherever they operate in the EU, providing a solid foundation for the new regime. The European Commission has asked the EBA to provide its technical advice on important aspects of the future EU AML/CFT framework to ensure that AMLA can begin to operate efficiently and effectively as of its establishment.

Over the course of 2024 and in 2025, the EBA's priorities in the area of AML/CFT will focus on:

- a methodology for selecting financial institutions for direct EU-level AML/CFT supervision;
- a common risk assessment methodology;
- information necessary to carry out customer due diligence; and
- criteria to determine the seriousness of a breach of AML/CFT provisions.

The EBA will be providing its advice to the Commission in October 2025.

Throughout the transition phase, the EBA will also support national competent authorities getting ready for AMLA and will coordinate with the European Commission's AMLA taskforce, which will be responsible for the establishment and initial operations of AMLA.

UNITED STATES

The Financial Accounting Standards Board issues the new and final chapter of its Conceptual Framework: Measurement

The Financial Accounting Standards Board (FASB) has issued a new chapter of its Conceptual Framework related to the measurement of items recognised in financial statements.

The Conceptual Framework is a body of interrelated objectives and fundamentals that provides the FASB with a useful tool as it sets standards. A Statement of Financial Accounting Concepts is non-authoritative and does not establish or change Generally Accepted Accounting Principles.

The new chapter becomes Chapter 6 of FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting, and represents the completion of the FASB's Conceptual Framework.

'The publication of Chapter 6 completes the FASB's Conceptual Framework – an important tool used by the Board in our decisions,' stated FASB Chair Richard R. Jones. 'We thank the FASB members, staff, and stakeholders whose input helped us achieve this milestone, one that's been several decades in the making.'

The new chapter is similar to the rest of the framework in that it establishes concepts that the Board would consider in developing standards of financial accounting and reporting. It provides the Board with a framework for developing standards that meet the objective of financial reporting and enhance the understandability of information for existing and potential investors, lenders, donors and other resource providers of a reporting entity.

The new chapter provides concepts for the Board to consider when choosing a measurement system for an asset or a liability recognised in general purpose financial statements. It describes:

- two relevant and representationally faithful measurement systems: the entry price system and the exit price system; and
- considerations when selecting a measurement system.

ASIA PACIFIC

Banks in Singapore are to strengthen resilience against phishing scams

The Monetary Authority of Singapore (MAS) and the Association of Banks in Singapore (ABS) have announced that major retail banks in Singapore will progressively phase out the use of One-Time Passwords (OTPs) for bank account login by customers who are digital token users within the next three months. This will better protect them against phishing.

Customers who have activated their digital token on their mobile device will have to use their digital tokens for bank account logins via the browser or the mobile banking app. The digital token will authenticate customers' login without the need for an OTP that scammers can steal, or trick customers into disclosing. Customers who have not activated their digital tokens are strongly encouraged to do so, to lower the risk of having their credentials phished.

The use of OTP was introduced in the 2000s as a multi-factor authentication option to strengthen online security. However, technological developments and more sophisticated social engineering tactics have since enabled scammers to more easily phish for customers' OTP; for example, through setting up fake bank websites that closely resemble the genuine websites. This latest measure will strengthen the authentication process, making it harder for scammers to fraudulently access a customer's account and funds without the customer's explicit authorisation using his mobile device.

Phishing scams remain a concern in Singapore, where at least $14.2 million lost to these scams last year. Banks continue to work closely with MAS and the Singapore Police Force to develop and introduce solutions and measures to strengthen its collective resistance in the ever-evolving scam landscape.

Mrs Ong-Ang Ai Boon, Director, ABS, said: 'This measure provides customers with further protection against unauthorised access to their bank accounts. While they may give rise to some inconvenience, such measures are necessary to help prevent scams and protect customers.'

The Malaysian Accounting Standards Board issues a new Presentation and Disclosure Standard to improve companies' reporting of financial performance

The Malaysian Accounting Standards Board (MASB) has issued a new Standard, MFRS 18 Presentation and Disclosure in Financial Statements.

MFRS 18 is word-for-word IFRS 18 Presentation and Disclosure in Financial Statements issued by the International Accounting Standards Board (IASB).

The newly introduced Standard aims to provide better information about companies' financial performance. MFRS 18 Presentation and Disclosure in Financial Statements replaces MFRS 101 Presentation of Financial Statements. It retains many requirements from MFRS 101 without modification with some of the requirements now moved to MFRS 108 Basis of Preparation of Financial Statements, including the requirement that financial statements that have been prepared in accordance with MFRS Accounting Standards shall also make an explicit and unreserved statement of compliance with IFRS Accounting Standards.

Previously, the lack of detailed requirements in MFRS 101 resulted in diverse practices among entities, with each defining their own subtotals and performance measures. This variation made it challenging for investors to analyse and compare companies' financial performance effectively.

MFRS 18 aims to enhance financial reporting quality by:

- requiring defined subtotals in the statement of profit or loss;
- requiring disclosures about management-defined performance measures; and
- adding new principles for aggregation and disaggregation of information.

The MASB expects these improvements will enable investors to make more informed decisions leading to better allocations of capital that will contribute to long-term financial stability.

MFRS 18 will become effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. MFRS 101 shall be withdrawn on the application of MFRS 18.