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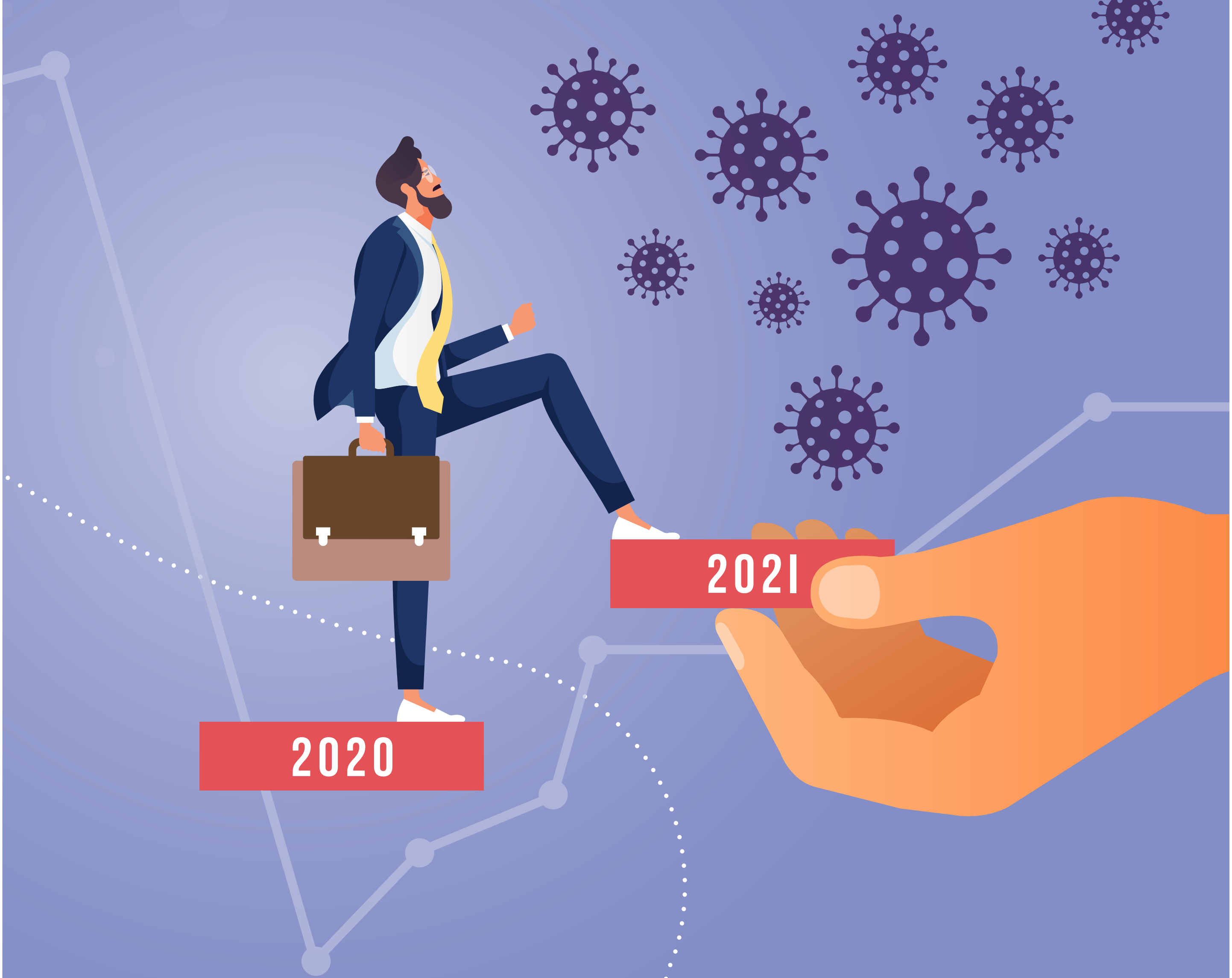
Accountancy IRELAND

THE OFFICIAL MEMBER MAGAZINE OF CHARTERED ACCOUNTANTS IRELAND



FROM HAVOC TO HOPE

Neil Gibson predicts fast growth for the island of Ireland, but lessons must first be learnt

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Chief Executive's **welcome**

Welcome to the first edition of Accountancy Ireland in 2021.

NO MATTER THE CHALLENGES OR OPPORTUNITIES AHEAD, I BELIEVE IN THE ABILITY AND EXPERTISE OF THE INSTITUTE'S MEMBERSHIP. THAT VIBRANT AND DIVERSE NETWORK OF DIGITALLY CONNECTED MEMBERS ACROSS THE WORLD IS A POWERFUL FORCE FOR GOOD.

2020 was a tumultuous year and unfortunately, the public health and business challenges of last year have persisted in the New Year, with further restrictions to curb the pandemic. I wish all readers a safe and healthy New Year, in the hope of better times to come.

We are also now in a post-Brexit environment. Despite the best efforts of businesses and their advisors in recent months, there will be a period of adaptation as we get to grips with the new trading realities.

January can be a testing time for many, even without the challenges of a pandemic and Brexit. With that in mind, I would like to remind members that the Institute is here to provide support, whether professionally or personally. Members and the wider business community have been at the forefront of Institute activities in recent months, and the New Year brings a renewed commitment to that objective.

Chartered Accountants Ireland exists to create opportunities for its members and students. Helping members to deal with current business and wellbeing challenges is a vital part of that. The volunteers, management and staff of the Institute are working hard to optimise the member experience and meet the changing needs of members at this testing time.

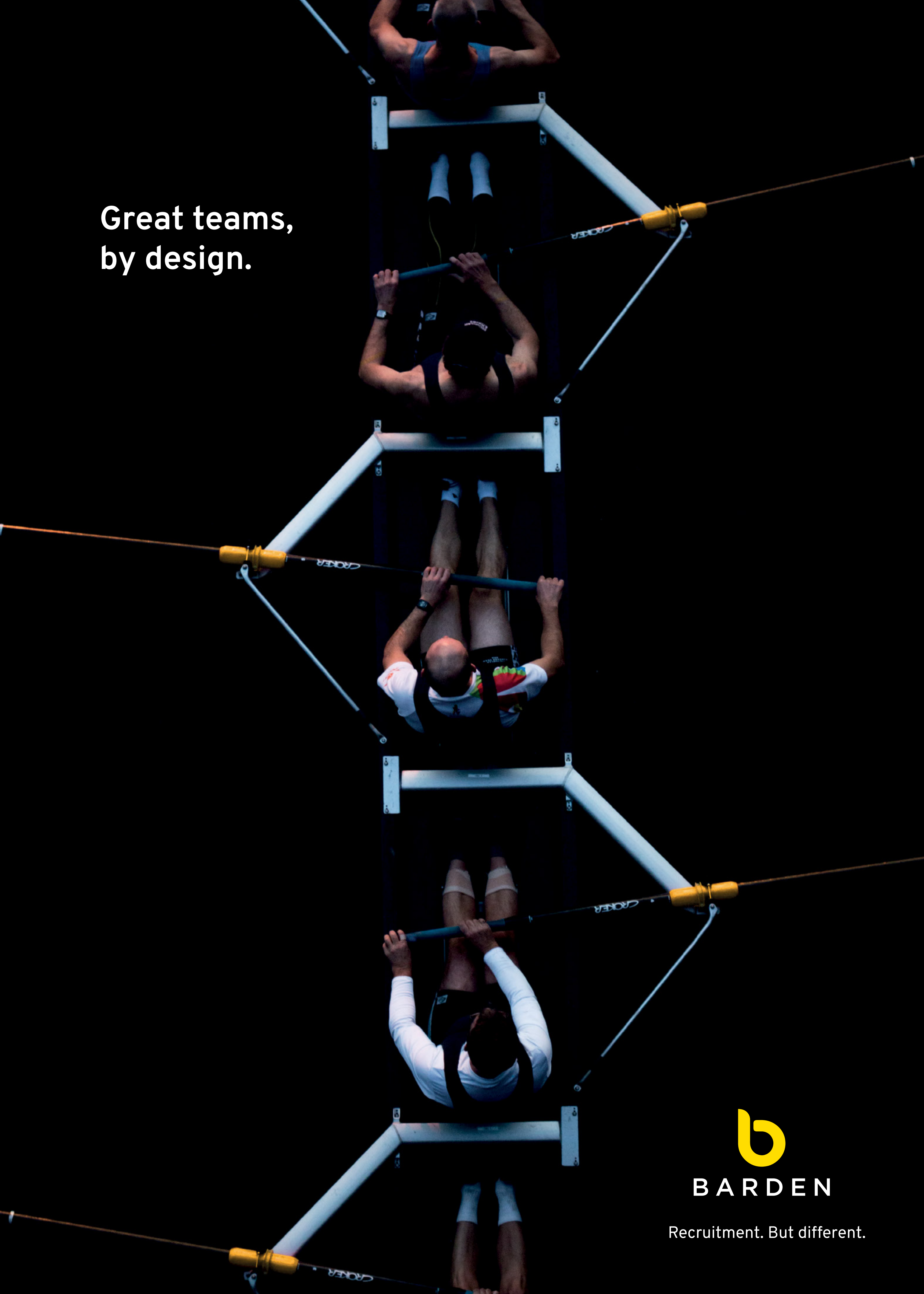
The Institute also has a wider remit: to create ethical, sustainable prosperity for society. This remit has been very evident since March 2020, with the accounting profession playing a key role in supporting businesses across the island of Ireland and around the world. Without the guidance and help of members, many businesses would not have had the time or resources to access much-needed COVID-19 supports.

Chartered Accountants Ireland will continue to support members as they serve their clients and steer their organisations. It will continue to provide a strong voice for the profession and offer leadership on critical issues affecting the economy, sustainability, business confidence and trust.

No matter the challenges or opportunities ahead, I believe in the ability and expertise of the Institute's membership. That vibrant and diverse network of digitally connected members across the world is a powerful force for good.

I wish you all resilience and success in the weeks and months ahead and assure you of the Institute's unwavering commitment to you, our profession, and our society.

Barry Dempsey
Chief Executive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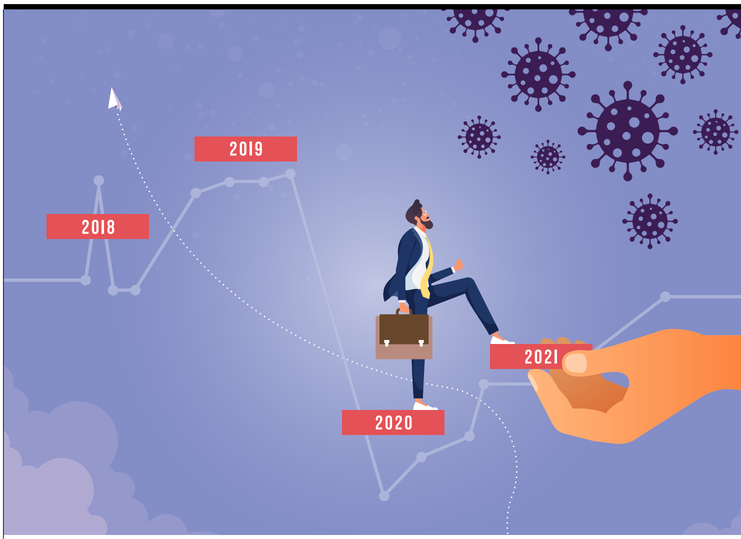
Contents

CHARTERED ACCOUNTANTS IRELAND



ISSUE 1 | FEBRUARY/MARCH 2021

Contents

CHARTERED ACCOUNTANTS IRELAND

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Accountancy Ireland team: **Managing Editor:** Stephen Tormey, telephone: (01) 637 7240. **Deputy Editor:** Liz Riley, telephone: (01) 637 7392.
Advertising Sales: Dylan Conway, email: dylan.conway@charteredaccountants.ie, telephone: (01) 637 7241.
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From the editor

2021 began on a bleak footing, in many respects. Tragic COVID-19 statistics dominated the news as lockdowns continued and the reality of Brexit brought several issues – some expected, some not – to the surface. But for all the bad news, there is hope on the horizon.

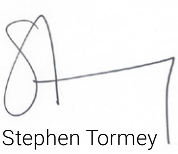
That hope is captured in this issue's cover story on **page 16**, authored by EY's Chief Economist Neil Gibson. From the havoc of 2020, we now have cause for optimism. Yes, we are in a protracted lockdown – but the economy is proving resilient. Not only that, Neil expects a robust all-island economic recovery this year as the build-up of savings accumulated in 2020 is released into the economy. This will bring boom-related challenges for policy-makers, certainly, but to quote Neil: the prospect of economic growth and improved unemployment rates "is encouraging following disruption of such scale".

As the economy opens up, the weaknesses in the 1,246-page Trade and Cooperation Agreement, which was agreed to "in principle" by the EU and UK on Christmas Eve, will undoubtedly become apparent. Brexit has already put pressure on supply chains and thrown up some challenging and unforeseen issues. We can expect that trend to persist as discussions continue between the two sides in the months ahead. While governments grapple with the brittle reality of Brexit, Public Policy Lead at Chartered Accountants Ireland, Cróna Clohisey, has identified the critical elements causing concern and areas that warrant further work. You can read more on **page 44**.

As the vaccination rollout finds its feet and Brexit-related issues are identified and resolved, the work continues. Whether you are a member in practice or a Chartered Accountant in business or the not-for-profit or public sector, your workload likely feels heavier than it did in the past. In some cases, that will result from the added pressure of working remotely in a bustling house while in others, it is a mere fact – your workload has increased. For ideas on how to cope with the added pressures, turn to **page 48** where three Chartered Accountants share their experience of work in 2020 and their tips for a more fruitful (and less stressful) 2021.

And finally, turn to **page 24** for an insightful interview with the newly appointed President of the International Federation of Accountants (IFAC), Alan Johnson. From his decades-long career at Unilever to his unexpected election as President of the global body, Alan candidly shares his thoughts on the profession's challenges and opportunities. It is a fascinating conversation with an accountant whose perspective is embedded in business, and well worth a read.

I hope you enjoy this issue, and stay safe in the weeks and months ahead.



Stephen Tormey
Managing Editor

Our contributors

NEIL GIBSON
EY's chief economist has an all-island perspective, which chimes perfectly with the Institute's all-island remit. In his article on **page 16,** Neil looks at the island's economic prospects as a whole and explains his expectation for a robust economic recovery in 2021.

DR MARY E. COLLINS
Mary is a Senior Executive Development Specialist at the RCSI Institute of Leadership. In her article on **page 30**, she discusses the importance of employability from the employer's perspective and outlines strategies to help organisations focus on the issue.

DR RODNEY IRWIN
On **page 54**, CFO/COO at the World Business Council for Sustainable Development, Dr Rodney Irwin, outlines how Chartered Accountants can fulfil their professional duties by strengthening company value through environmental, social and governance (ESG) criteria.

JOANNE HESSION
Joanne is the Founder and CEO of LIFT Ireland, a not-for-profit initiative to increase the level of positive leadership in Ireland. On **page 64**, she explains the concept of positive leadership and shares five strategies to help you develop this increasingly vital skill.

News in brief

Compliance burden on wage supports must be simplified

Chartered Accountants Ireland recently wrote to Minister for Finance, Paschal Donohoe TD (pictured above), to highlight the need to simplify tax compliance on current and future wage supports. The Institute noted the continued importance to businesses of wage supports in 2021, but called for the associated compliance to be simplified given that rigorous eligibility criteria and checks are already in place.

The Institute's letter sets out that tax compliance attaching to wage supports requires a substantial amount of time and management by businesses and their accountants. This is in addition to other tax compliance obligations for businesses operating under challenging circumstances.

Recent changes to the eligibility test for the Employment Wage Subsidy Scheme (EWSS) will be challenging for businesses. The Institute called for a transitional measure to be put in place to help businesses with a legitimate expectation that they qualified for the support up to March 2021.

CERTIFICATE IN CUSTOMS AND TRADE

The next eight-week Certificate in Customs and Trade will commence on 17 February 2021. The UK's departure from the EU has resulted in a dramatically different trading environment for many businesses, and the disruption to trade has shown the importance of having a practical knowledge of customs procedures. This course will equip you with the skills and knowledge necessary to develop your career or business in international trade, give advice, perform agency functions, or engage with customs authorities and the customs process on your own behalf or on behalf of your clients. Chartered Accountants who complete the course can call themselves a Customs Advisor under the relevant EU Framework.

Members worldwide tune in for Technology Conference

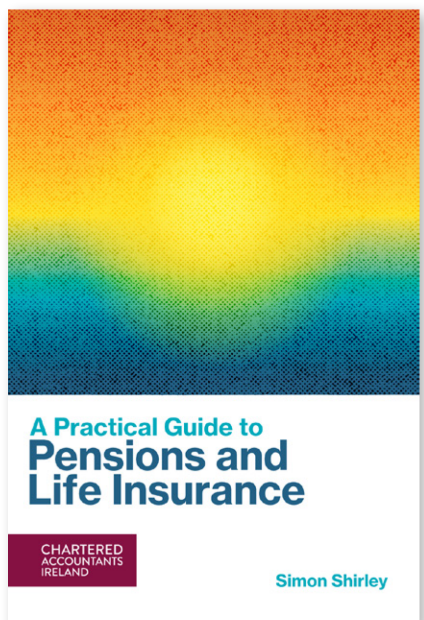
Almost 1,300 people registered for Chartered Accountants Ireland's Technology Conference 2021, the Institute's first large event of 2021. With the theme of technology in a pandemic, the agenda featured a range of keynote speakers and separate business, practice and young professionals streams to discuss the technological and workplace trends in the short- to medium-term.

"POLITICAL MINDS TODAY ARE FOCUSED ON THE STATE PENSION AGE, BUT THE REALITY IS THAT THE STATE PENSION IN ITS CURRENT FORM MAY NOT EVEN BE SUSTAINABLE IN THE DECADES TO COME."

Cróna Clohisey, Public Policy Lead at Chartered Accountants Ireland, commenting on the need for a renewed focus on pension reform and a long-term, consistent approach from Government.

Institute publishes new pensions book

A Practical Guide to Pensions and Life Insurance, authored by Simon Shirley FCA, was recently published by Chartered Accountants Ireland. The book is a comprehensive guide to the complexities and benefits of pension and life insurance planning, supported by practical examples and technical information. It is designed to assist individuals in making informed decisions and professionals in advising their clients.



BOOK YOUR TICKET FOR THE ANNUAL GOVERNANCE CONFERENCE

Chartered Accountants Ireland's Annual Governance Conference on 22 April 2021 will bring together business leaders, professional advisors, and investors to discuss how boards understand and embed sustainability within their strategies and governance procedures.

Attendees will hear expert speakers and panellists discuss sustainability with an emphasis on climate change, and focus on what organisations are doing to address it. For more information, visit the Institute's website, **www.charteredaccountants.ie**

News in brief

MINISTER McGRATH ADDRESSES CORK SOCIETY

Minister for Public Expenditure and Reform, Michael McGrath TD (pictured below), addressed Chartered Accountants Ireland Cork Society members during a live webinar in December.

Minister McGrath updated members on COVID-19 vaccine development worldwide and the measures that have been taken on the economic front to date, touching on the ECB's supportive monetary policy and the Government's business support schemes. He also reflected on how the economy may change after COVID-19, including the future of work and what it might mean for villages, cities and communities.

Finally, Minister McGrath discussed Ireland's potential to grow and recover, noting the vast opportunities for Cork in particular. He touched on the large capital investment opportunities within the National Development Plan 2018-2027 and encouraged attendees to make submissions to the public consultation for the next National Development Plan 2040, which closed in January.

Meet our 29,000th member

Irina Yotova (pictured above) recently became the 29,000th member of Chartered Accountants Ireland. Irina studied for her Chartered Accountancy qualification via the Flexible Route and first trained with Accounting Technicians Ireland. She is now an auditor at the Office of the Comptroller and Auditor General.

"SINCE THE OUTBREAK OF THE PANDEMIC, THE SWIFT IMPLEMENTATION OF THE GOVERNMENT'S PRACTICAL COVID-19 SUPPORT MEASURES HAS PROVIDED CONSIDERABLE SUPPORT TO BUSINESSES AND TAXPAYERS. IT IS CRUCIAL THAT BUSINESSES CONTINUE TO BE SUPPORTED NOW THAT THE SITUATION HAS EVOLVED SO CONSIDERABLY IN RECENT DAYS AND WEEKS."

President of Chartered Accountants Ireland, Paul Henry, in a recent letter to Chancellor of the Exchequer, The Rt Hon Rishi Sunak MP, requesting that the UK Government respond to the deteriorating COVID-19 situation by extending the tax deadline at the end of January.

INSTITUTE BYE-LAWS AND REGULATIONS

At a Special General Meeting (SGM) in September 2020, members approved new principal bye-laws and general regulations and amended disciplinary bye-laws. The main changes in the bye-laws were set out in the consultation document issued before the SGM and in the SGM booklet. As a result of these new and amended bye-laws, conforming amendments have been made to the suite of regulations made by Council under the bye-laws. The new and amended bye-laws and regulations came into effect on 1 January 2021.

One significant amendment is to allow for virtual general meetings and for disciplinary and appeals hearings to be held virtually.

Survey reveals customs paperwork causing headaches for traders

Chartered Accountants Ireland surveyed a portion of its membership in January to ascertain how businesses are coping in the new post-Brexit trading environment. The survey's overwhelming message was that customs paperwork is the greatest difficulty in the new trading environment. Over half of the respondents appealed for better practical guidance from government to enable them to complete declarations correctly.

40% of businesses surveyed have already made changes to their supply chain or business model due to the UK's departure from the EU. Over half of the respondents also reported disruption to their supply chain caused by customs paperwork issues, which resulted in shipment delays.

The east/west border in the Irish Sea and the complexities surrounding the rules of origin were also reported as difficulties. 30% of businesses surveyed said that they have stopped shipping goods through Great Britain as a result.

The Institute has noted members' need for practical guidance and continues to engage with government officials and other stakeholders in both the UK and Republic of Ireland on these and other issues.

Meet our Young Chartered Stars

Due to the exceptionally high calibre of entrants this year, the Institute's annual "Chartered Star" prize has been jointly awarded to Aisling McCaffrey (above left), Associate Director at Grant Thornton, and Dr Caroline McGroary (above right), Assistant Professor of Accounting at Dublin City University.

The Chartered Star award recognises outstanding achievement among young and trainee accountants on the island of Ireland. Each year it is awarded to someone who will lead, motivate, and inspire as they build their career.

Both winners will represent the Irish Chartered Accountancy profession at the One Young World conference in Munich in July.

Tax Gather & Check 2020 toolkit launched

Practice Consulting recently launched its Tax Gather & Check 2020 toolkit for the Republic of Ireland. The toolkit provides user-friendly checklists to streamline your procedures and help you ask the right questions to capture essential details for Republic of Ireland personal tax and corporation tax returns.

Shauna Greely appointed to the board of Accountancy Europe

Shauna Greely (pictured above) was recently appointed to the board of Accountancy Europe. Shauna is a Past President of Chartered Accountants Ireland and was the second woman to hold the office in the Institute's history. The Accountancy Europe board acts in the European profession's collective interest, independent of any particular interest. The board has 12 members from ten countries and is chaired by its President, Myles Thompson.

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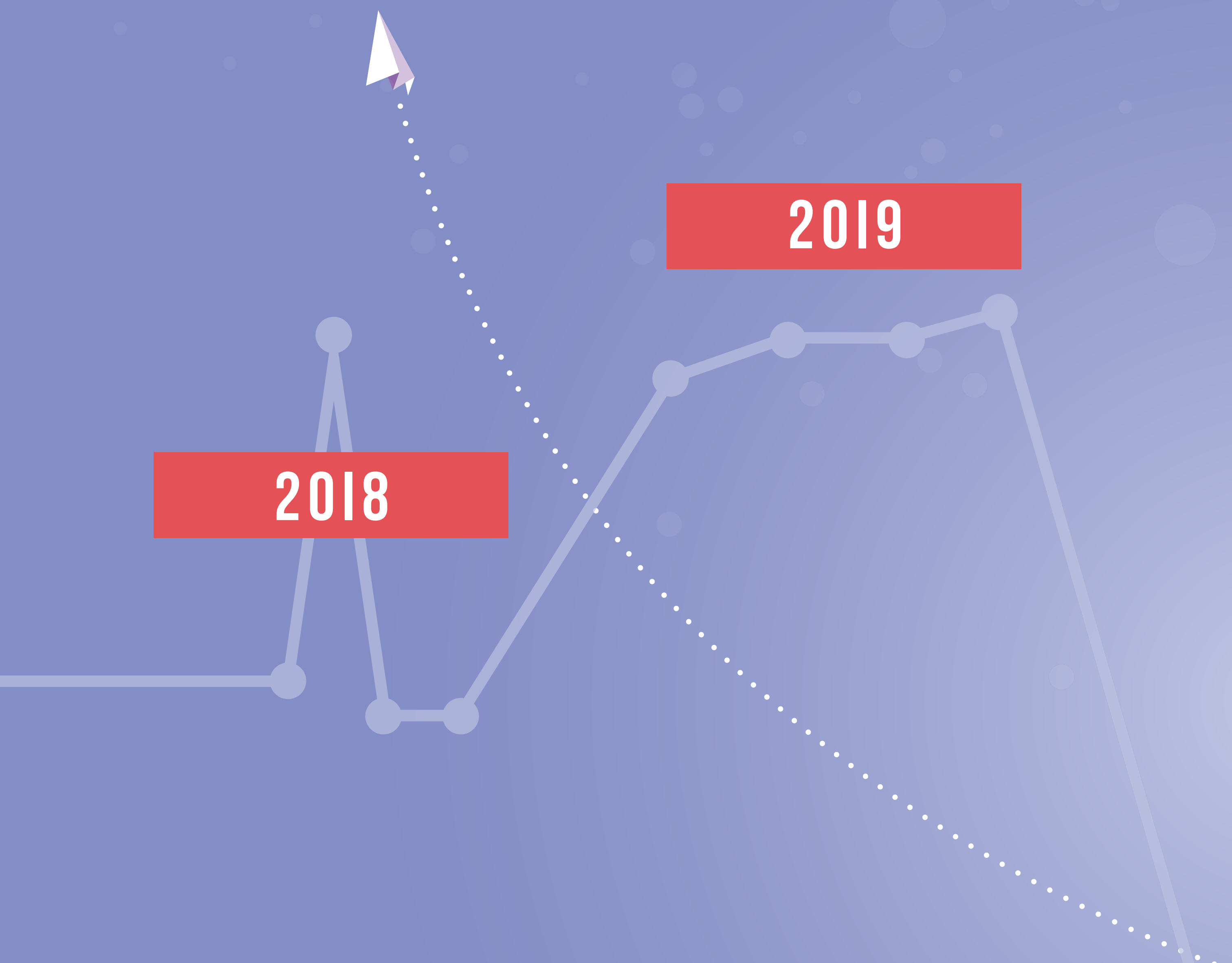
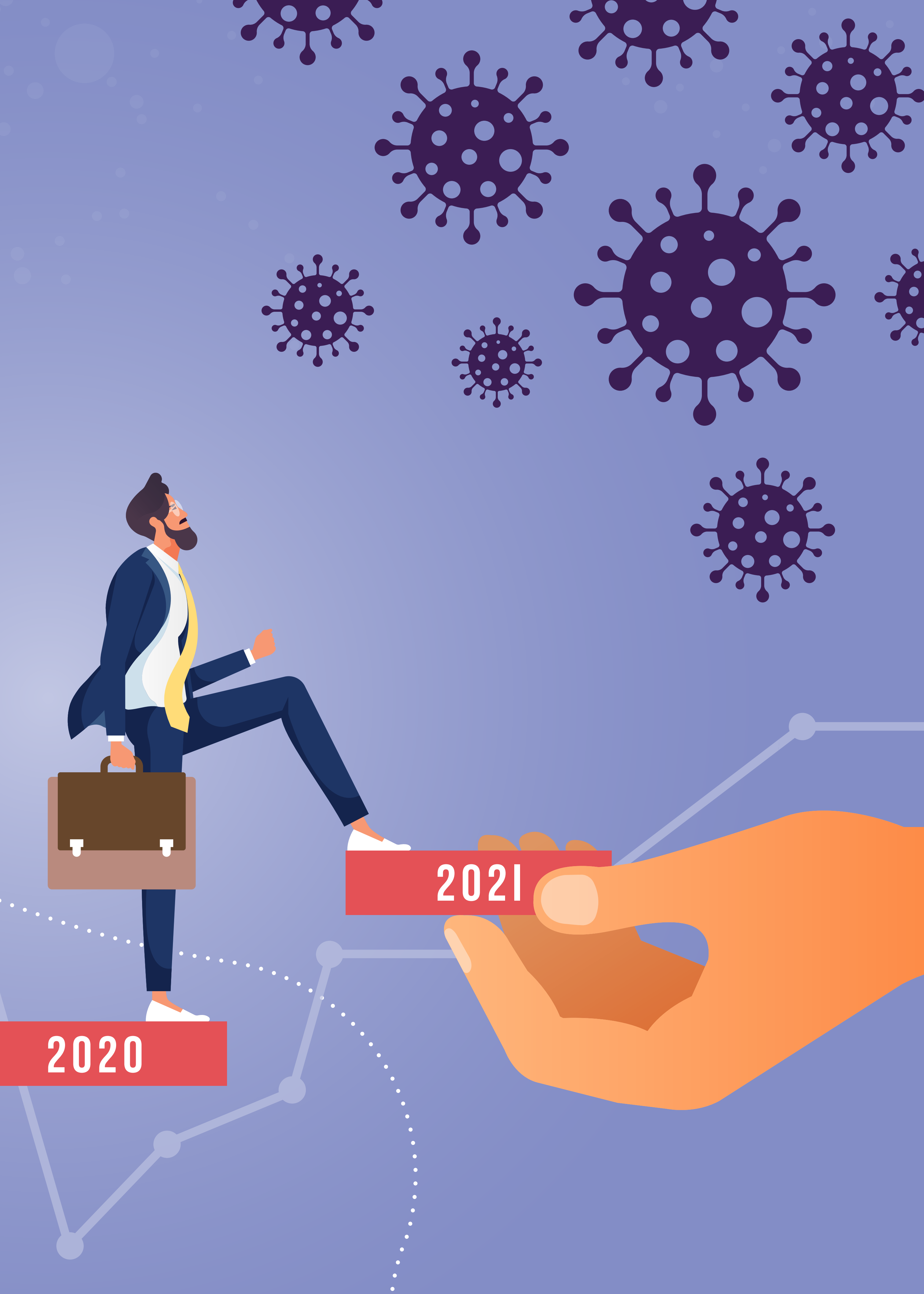


From havoc to hope

Neil Gibson predicts fast growth, both for the Republic of Ireland and Northern Ireland. But lessons must be learnt, he warns.


2021
2020

What a year 2020 was across the island of Ireland! Both economies faced severe disruption from the twin pressures of Brexit and COVID-19 that few could ever have imagined. Citizens, businesses and governments were tested and reacted at pace, with little planning. We saw amazing displays of resilience, adaptability and ingenuity as firms pivoted to new ways of working and into new products and services, while our public services responded to both the health and economic crises swiftly and effectively.

Looking purely at the economic impact, it is heartening to see areas of real progress. The pandemic experience created skills and attitudes that will hopefully drive the economy forward in new, inventive ways. But before we get to those positives, let us first review economic conditions across the island at the start of 2021.

How is the island economy performing now?

Remarkably, the Republic of Ireland could end up being the world's fastest-growing economy in 2020. That depends on Q4 data due in March, but with growth of 8.1% in the year to Q3, income tax receipts down just 1% on the year and corporation tax receipts up 9%, this suggests a high level of insulation from COVID-19 impacts. No such table-topping performance is evident in Northern Ireland, sadly, where the economy is expected to contract by around 12% in 2020, on a par with the UK and towards the more severe end of recorded contractions.

THE CONCERN OF THE PANDEMIC EXPERIENCE FOR LONGER-TERM PROSPECTS IS THE PERCEPTION THAT MONEY CAN BE BORROWED OR, IN THE UK'S CASE, PRINTED IN ANY QUANTUM FOR ANY ISSUE.

Why the divergence? There are technical reasons, notably the way real government spending is measured. Also, Northern Ireland is predominantly a consumer and public sector-led economy, while the Republic of Ireland is more export-oriented. Key exports in the Republic of Ireland include pharma, ICT and food – the best sectors you could wish for during a pandemic. It is more accurate to say that the Republic of Ireland had a level of off-setting growth that Northern Ireland did not, rather than saying it was insulated. The domestic effects were very similar.

Perhaps surprisingly, the labour market data look weaker in the Republic of Ireland than Northern Ireland. The published COVID-19 adjusted unemployment rate in the Republic of Ireland peaked at 30.4% and stood at 20.4% in December 2020. No equivalent measures exist for Northern Ireland. This measure is likely to be an over-estimate (again, for complex statistical reasons), but the true rate may well be north of 10% in the Republic of Ireland. Today, an estimated 460,000 people are in receipt of the Pandemic Unemployment Payment (PUP), with 323,200 on wage subsidy as of 31 December in the Republic of Ireland. In Northern Ireland, more than 68,000 were on furlough as of 31 October. EY analysis shows that if we include self-employed support, the level of disrupted jobs (jobs lost or falling under full or partial government support) has been very similar, peaking at close to 40%.

Government support has protected incomes to a large extent, and limited spending choice has created a considerable build-up in savings. Savings ratios for the UK and the Republic of Ireland (roughly speaking the amount of income available to save) rose to a historic high in the Republic of Ireland of 35.4% and 27.4% in the UK during 2020. Will this money flow back into the economy in 2021 when restrictions ease? The data from last year suggest that it will, but there may be a desire to save more and spend on imports like foreign holidays. However, the potential for a consumer boom is very real, a subject to which we will return.

A word for the busy

Much commentary in 2020 focused on those unable to work and the sectors most disadvantaged by the pandemic. It is important to also remember the sectors under colossal pressure, and for whom 2020 was one of the busiest ever – health workers, delivery drivers, agri-food workers and the pharma sector, for example. These workers are suffering different challenges, fatigue being the obvious one.

A boom coming?

There are many reasons to expect a very strong economic recovery in 2021. Government supports have protected incomes for many and there will be a surge back to eating out, sport, hairdressers and gyms when it is safe to do so. The evidence of last summer and autumn supports this hypothesis, which should be further bolstered by the vaccine rollout. The build-up of savings means there will be money to spend. The resilience of both stock markets and housing markets further support the consumer boom theory. Though both governments will need to address the escalating deficit, that will not be a major priority in 2021. There is plenty of global capital seeking good businesses to invest in, and many firms are looking to upgrade their systems and equipment – more positives for economic growth.

Residual Brexit-related problems are impacting the island economy. Although many are expected to ease over time, disruption to supply chains and increased paperwork also produce opportunity and demand that will spur a degree of growth in 2021. Projecting the level of growth is something of a fool's errand without knowing the length and depth of restrictions or the scale of fall in 2020. A growth rate of 5-7% is expected in Northern Ireland, which may well be higher than in the Republic of Ireland. However, that is simply a feature of the scale of 2020 contraction from which Northern Ireland must recover. Forecasters previously predicted unemployment rates settling at above 10%, but now the consensus appears to be moving closer to 8%. This is encouraging following disruption of such scale.

Does every cloud have a silver lining?

It is often joked that economists can find the cloud in every silver lining. Sadly, the prospect of a consumer boom does cause economic alarm bells to ring. My main worries for 2021 surround prices, debt, discipline, and inequality. A consumer boom, along with a fixed supply of products or services, could lead to price increases. In a high-debt environment, this is not necessarily bad if it does not become endemic (i.e. people start demanding pay rises to meet rising costs), but it does create inequality issues.

Rising prices can be very damaging for those outside the labour market, and could exacerbate the 'K' shaped recovery, widening the divide between the 'have' and 'have-nots'. There may be difficulties getting the same output for a given spend for both governments with ambitious plans for infrastructure spending and a clear need for health spending. Rising oil and commodity prices are further reasons to suggest that the end of very low inflation may be near.

The Republic of Ireland deficit is projected to be around €19 billion. This is much lower than expected, but will nevertheless act as a headwind for spending. In the UK, the deficit could rise to £400 billion, an eye-watering amount creating much stronger headwinds for UK spending decisions in the March budget. Emerging from the last recession was very difficult across the island; austerity took a severe toll on citizens, public services, and society. However, what it does bring is a sense of discipline and focus on budgets and spending.

The concern of the pandemic experience for longer-term prospects is the perception that money can be borrowed or, in the UK's case, printed in any quantum for any issue. The Republic of Ireland's fiscal council has already warned of several spending increases that are hard to trace back to 'emergency need'. A consumer boom leading to rising prices and governments' inability to switch quickly into countercyclical mode are the main risks for the second half of 2021.

What should the approach be?

There are counter views around policy plans – cut spending, raise taxes, or grow fast to balance the books? More radical solutions are being mooted about writing-off COVID-19-related debt, but this proposal faces reluctance given the precedent it sets for future challenges. Rapid cuts in spending would be unwise given the number of people either out of work or relying totally on government support to remain in employment. Cuts in public services would be counterproductive. That said, a serious national conversation is required in both economies regarding the cost and funding of public services. What can be done more efficiently? Who will pay? And who is best-placed to deliver the services?

OUR WORK, YOUR VOICE

An outline of the Institute's lobbying priorities as it seeks to support members through 2021.

2020 ended very differently to how it began. The COVID-19 pandemic has challenged many businesses and resulted in dramatic shifts in work practices across this island. The Institute spent much of 2020 responding to the needs of members during the COVID-19 pandemic. We aimed to provide timely, helpful and practical support on the operation of COVID-19 government business supports, particularly in relation to the wage subsidy schemes and associated tax and other compliance requirements. Our members have played a crucial role in helping the organisations they work in, and work with, access support schemes. Many have significantly increased workloads as a result.

For businesses facing the challenges of Brexit, Chartered Accountants Ireland has provided practical guidance for businesses on the island to help navigate the new trading environment. We have also engaged extensively with stakeholders and Irish and UK government officials on VAT, customs and other trading issues on behalf of our members.

Challenges will persist for our members in 2021 and we will continue to lobby government to make the COVID-19 support systems more effective and less administratively burdensome. We are engaging with the CRO regarding the newly launched CRO portal, and we are aware of members' concerns about the online system errors and new processes. While the Institute supports the move towards a fully online process, it is paramount that the system works efficiently to support users in being compliant.

The reality of Brexit is sinking in, and businesses are adapting to the new paperwork requirements and supply chain disruption. As processes and systems become embedded, the new reality will become much easier. This will take time and patience, however, as both businesses and government adapt. The Institute continues to engage with Irish and UK government officials on a range of matters, and we will be there to support our members through this change.

The importance of sustainable business practices, continuing the digital journey, and OECD tax proposals will be among the important policy areas for the Institute this year.

Amid the uncertainty, one thing is sure: with a Brexit agreement and a COVID-19 vaccine, the outlook for 2021 is less disruptive than 2020.

Encouraging consumer spending is unlikely to be needed, so I would not advocate any further cuts to rates or VAT reductions except, perhaps, for focused and time-specific local spending incentives. Investment will be required in re-training and re-skilling to ensure that the digital revolution creates more than it destroys, particularly for retail and other negatively impacted workers. As such, unemployment levels will still require policy attention.

Supporting fast, tax-generating growth would be the most sensible approach. However, careful attention will be required for signs of escalating prices. To paraphrase a famous US economist: "Don't worry about inflation until you can see the whites of its eyes".

Resetting, refreshing and refocusing

In an era of bad news, it seems churlish to focus on problems in a boom that has not yet happened, so let us end on a more upbeat note. The experience of being shocked by the outcome of votes and elections should be a lesson that citizens (voters) do not view the world through the same lens as economists. P&L to a citizen means something very different from what it means to a corporate. It is as much planet and lives as profit and loss.

The last year further focused the mind on what really matters: family, health, safety, and an understanding of what can be done. Rapidly developing vaccines, pivoting to new ways of working and living, lowering emissions and congestion – these are trends we will likely want to keep.

There will be a reset in how we think about governments and the choices they must make. Perhaps now, the conversations about affordable childcare or healthcare reform and funding can happen in a less adversarial way. We must all realise that, although the saying is that the best things in life are free, the sad truth is that some are not. We may have to pay more or consume less, but we can now better understand what is at stake. The plan for both the UK and the Republic of Ireland will be to grow rapidly to solve budget problems, rather than revert to tax rises or spending cuts, so getting out and spending may be both a public duty and fun.

We accelerated digital progress by a decade in certain organisations, and we can see its potential for ways of working. Equally, we have felt the importance of human contact as the period of isolation for many has been extended. A digital and personal future is in store, a hybrid model that will see many office workers adapt how and where they work.

The outlook is for a strong rebound. As Brexit frictions settle and COVID-19 hopefully becomes less disruptive, 2021 will feel very different from the terrible year we have just endured. There will be fresh challenges to face – there always are – but somehow, dealing with fast growth and excess spending seems rather more pleasant.

Neil Gibson is Chief Economist at EY Ireland.


ACTIVELY, PRACTICALLY, WE'LL HELP YOU THRIVE AGAIN
Close Brothers
Commercial Finance

Managing counterparty **CREDIT RISK**

Corporates face significant uncertainty in 2021, not least due to the fallout from Brexit and COVID-19. While many risks remain unknown, counterparty credit risk can – and should – be managed on a proactive basis, now more than ever.

On 1 January, the Central Bank advised Irish companies to ensure that all UK institutions they currently deal with have the necessary authorisation to provide financial services to Irish clients post-Brexit.

To ensure regulatory compliance, several institutions established new European entities to conduct their business. Invariably, these new entities are smaller than the original entities and, as with regulatory advice, it is also prudent for corporates to determine the financial standing of any new counterparty to ensure that they are adequately capitalised to support the business being transacted.

This article outlines the potential credit risk corporates absorb in dealing in derivative transactions, including everyday foreign exchange forward transactions.

What is counterparty credit risk?

Counterparty credit risk (CCR) emerges when banks trade in derivatives and transactions where securities are used to borrow or lend cash, such as repurchase agreements.

The CCR in a transaction between two counterparties can be either unilateral or bilateral. A loan from a bank to a corporate is unilateral CCR exposure as if the corporate defaults, only the bank is exposed to the loss. This type of transaction does not expose the corporate to a loss or credit exposure if the bank defaults. A corporate that transacts a derivative instrument with a bank or financial counterparty experiences bilateral CCR, as both counterparties are exposed to each other throughout the life of the derivative. This credit exposure is a variable of the underlying market value of the derivative.

CCR is often spoken about in the context of a financial counterparty giving a loan to a borrower. Today, there are rigorous lending rules in place to protect the lender if the borrower defaults. A corporate entering into a derivative with a financial counterparty will have to undergo a credit assessment before transacting a derivative. Given that the CCR associated with a derivative is typically bilateral, it is imperative that corporates also conduct a credit assessment of the derivative provider. In some circumstances, there may be a two-way collateral agreement in place. However, this is usually for financial counterparties dealing with other financial counterparties.

The 2008 financial crisis demonstrated the systemic effects a major financial counterparty default event can have on the global economy. Lehman Brothers is arguably the most high-profile financial bankruptcy in recent decades and the largest in US history. The collapse was monumental because of its global footprint: the bankruptcy led to an additional 75 bankruptcy proceedings and, at the time of its demise, Lehman Brothers is said to have been party to roughly one million derivative contracts.

Risk assessment

How can corporates assess the credit strength of a financial counterparty? The first thing is to ensure that they are regulated by the Central Bank of Ireland or an equivalent regulatory body. Corporates should know what specific legal entity they are dealing with, and who owns and controls it. If dealing with a publicly listed entity, the annual report, share price and credit rating can allow for a quick assessment of the counterparty's strength.

Certain non-bank providers are not obliged to publicly report their financial accounts and do not have a public share price or credit rating. However, you can instead review the institution's filings with the Companies Registration Office (CRO). On foot of Brexit, many financial institutions have been forced to restructure to continue to offer their services in the EU post-transition period. Corporates should, therefore, ensure that they understand any resultant changes to their counterparty's credit strength.

"The regulator and other authorised bodies have tried to increase transparency and protections for corporates, which has added to the financial reporting burden."

Corporates should also ascertain the degree to which their provider can withstand unexpected losses associated with an extreme, unprecedented market event. The impact of COVID-19 on the global economy was certainly unprecedented at the outset of 2020, and we must assume that the months ahead will be far from stable from an economic perspective. Corporates should, therefore, view CCR as a risk to be proactively managed now more than ever.

Conclusion

Corporates will undoubtedly continue to use derivative instruments to manage their foreign currency exposure for many years to come. The market was disrupted in the last decade by new providers and geopolitical events, which impacted the external environment and increased corporates' need to know their counterparty. Meanwhile, the regulator and other authorised bodies have tried to increase transparency and protections for corporates, which has added to the financial reporting burden for finance managers.

Corporates should ensure that they proactively manage these risks to ensure that derivatives remain risk management tools, and do not instead threaten the bottom line.

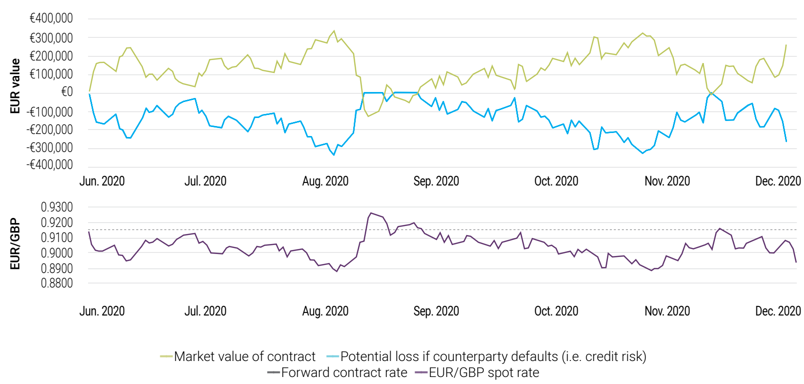
For more information, visit www.investec.ie

A theoretical example

To illustrate the counterparty credit risk concept, let's take the example of a company that entered into a forward contract at the end of June 2020 to purchase £10 million at the end of December 2020 (i.e. six months later) at a EUR/GBP rate of 0.9150.

As currency markets (EUR/GBP) fluctuate over the life of the hedge, the market value of the hedge rises and falls. The green line in Figure 1 shows the market value in euro of the forward contract. This is the difference between the euro cost of £10 million at the contract rate versus the cost at the prevailing market rate at any given time. As the chart shows, for most of the hedging period, this particular contract had a positive value for the company as the contract rate was better than the prevailing market rate. The blue line, which mirrors the green line when the value of the contract is positive, represents the risk to the company of their hedge counterparty defaulting on their contract. Such an event would force the company to book a new contract at the prevailing market rate and, therefore, lose the positive market value on the original contract. This is the mark to market risk or potential loss in the event of a counterparty default.

Figure 1: Credit risk to a corporate's balance sheet



Source: Investec.

Bringing the future into focus

Alan Johnson, President of the International Federation of Accountants, shares his thoughts on the challenges and opportunities facing the profession, and the priorities for his presidential term.

1 When you joined the IFAC Board in 2015, did you envisage at that time becoming President?

Absolutely not. In fact, I didn't know much about IFAC until 2011 when I was approached to consider joining the Professional Accountants in Business Committee, which I served on for five years. In 2015, ACCA, my member body, asked me whether I would consider putting myself forward for the board and quite honestly, I had never thought about that – partly because I wasn't sure I would know what to do given that I didn't have much knowledge of IFAC beyond my Professional Accountants in Business work. But then, having thought about it, I realised that I probably knew enough. I also realised the value of being a volunteer and giving back to the profession, a profession that had given me a good life and a good career internationally, so I decided to go for it. I knew it would be competitive, and I didn't honestly expect to get it, but I was selected to my pleasant surprise.

Then, when the call came out for board members to put their names forward in January 2018 for the Deputy President position, I didn't put myself forward because I genuinely believed that other members of the board deserved to become President and would do a better job than me. But things developed by mid-2018 and I was again asked to consider putting myself forward. It was quite late in the process, but I put my hat in the ring. As they say, the rest is history. I was appointed Deputy President and the more I learnt about the role, the more I felt confident in the role so that, by the time the election for the presidency came around, I felt I was ready.

So, that's what happened. It wasn't planned or envisaged. I never expected to get on the board of IFAC, let alone become Deputy President or President, but sometimes things work out.

2 And how has the work of IFAC changed over the five years of your involvement?

The profession faces many challenges, as do all professions today. Number one, we have the scrutiny of the regulators concerning the quality of audit. Sadly, corporate failures will always bring the spotlight onto the audit profession, whether we like it or not. Failures – and I would not necessarily call them audit failures because it is not as if the audit itself failed – arise for various reason, including for example when management deliberately keeps information away from auditors. Now, that is not a good enough excuse to the public because every corporate failure leads to significant loss of jobs, loss of livelihoods, loss of value to investors, and damage to the society in which businesses operate. So, I don't want to minimise corporate failure; it's quite serious, and we have an important role in helping prevent it as part of a broader ecosystem.

We also have to demonstrate that we operate ethically, that we act independently, and we do our best to provide independent, high-quality assurance on financial statements. We therefore spend a lot of time reinforcing the importance of ethical behaviour, independence and judgement. There's a firm commitment to operate with sound and robust independence in what we do.

The other thing I would say is that we talk about the auditors when it comes to corporate failure, but we should also think about the professional accountants in the business who are responsible for performance, oversight, risk and governance. We must look at ourselves from within the corporate entities and ask: where are we as professional accountants, and is this a situation where we should blow the whistle? That's where the profession plays a vital role and that's why the *Code of Ethics for Professional Accountants*, which covers not just accountants in practice but also accountants in business and the public sector, are essential as we support our professionals and encourage them to speak out when that is needed and necessary.

You know, we talk a lot about the public interest, but if you asked me 30 years ago, when I was CFO of one of Unilever's subsidiaries, if my job was a public interest role, I probably would have said no. We have a big role to play in explaining what public interest really means. I think the auditors get it, but I'm not sure whether professional accountants in organisations understand that they have a critical role in protecting the public interest. Yes, they are employees of an

organisation. Yes, they are paid by the organisation. And yes, their careers are often dependent on those organisations. But since I got involved with IFAC, I have become aware that I've always had a "public interest" role. I always acted in the public interest, but I would not have defined that part of my role as it needs to be clearly defined, especially today in a world of multi-stakeholder capitalism.

So, we have a significant role to play through our member bodies to ensure that our professional accountants understand their unique roles in protecting the public interest. And part of that is making sure that private enterprises operate correctly, ethically, within the law, and do everything that is right for society – not just what is right for shareholders.

3 For many professional accounting organisations, volunteers tend to come from public practice. Given your extensive background in industry, what does the perspective of an accountant in business bring to IFAC's standard-setting and industry-convening roles?

It's an interesting question because that was precisely what I had in mind when I had concerns about whether I would be of any use on the IFAC board. Having said that, in all the roles I have had in business, I have always interacted with the profession. I was on the other side of discussions with auditors for many years. I was on selection panels to select auditors. I was the Chief Audit Executive at Unilever for six years and in that time, I engaged regularly with our external auditors. Even though I don't come from that part of the profession, I understand what they do, what they need, how they operate, their challenges, and their critical role in society. And that's why I have been able to contribute to the discussions in the Monitoring Group – because I understand the role standard-setting boards play as part of building trust and confidence in financial markets.

IF I LOOK BACK AT MY MEMORIES OF THE PROFESSION, I THINK OF LONG HOURS, HARD WORK, NO WORK/LIFE BALANCE, TRAVELLING A LOT IF YOU'RE IN AUDIT AND ASSURANCE, TERRIBLE FOR FAMILIES, TERRIBLE FOR WORKING MOTHERS.

When I joined the IFAC board, many colleagues came from the audit and assurance side of the profession. Today, we have a much better balance of people from business and the public sector while retaining expertise from the audit and assurance profession and improving the level of representation for small- and medium-sized practices (SMPs) on the standard-setting boards and IFAC's advisory groups. If there is one thing we should feel proud of, it is how much more diverse the board is today. I thrive in working with diversity. As a person, you learn a lot more; you become a better leader; you become a better person. By the way, diversity of thought, views, expressions and debate around the table will, more often than not, improve outcomes.

4 A feature of Chartered Accountants Ireland's membership is the relatively high proportion of our members working overseas. What supports should professional accounting organisations offer to their overseas members to encourage loyalty to their qualification while maintaining standards?

I worked extensively in Europe, Africa and Latin America during my career, but I always had a strong affinity with Ireland through my early career in Unilever when I visited Dublin and other cities frequently. It's a unique country that has always been a top talent provider around the world and Chartered Accountants Ireland is no exception. The Chartered Accountants Ireland qualification is highly sought-after, so it's no surprise that there are so many Irish Chartered Accountants working worldwide, either because their companies have moved them or they sought opportunities abroad.

When I look at where we are today, the three things that stand out for me are ethics, leadership and governance. Professional accountancy organisations need to equip their members with these skills wherever they are in the world because reputation takes years to build but can be lost in a flash. We need to protect the profession's reputation, which boils down to ethics, leadership and governance. It's also about courage and confidence. So, when I look at what our member bodies need to do, they not only need to support their existing members, they also need to attract the brightest, best and most committed people into the profession because we are a profession of people. Robots and machines might help us be more efficient in some areas, but most of what we do is people-centred and requires good judgement. It's essential, therefore, that we remain an attractive profession for the next generation.

If I look back at my memories of the profession, I think of long hours, hard work, no work/life balance, travelling a lot if you're in audit and assurance, terrible for families, terrible for working mothers. Your career might pause if you're a working mother and you take maternity leave or time away to look after young kids – that role that is still more typically assumed by women, although that is changing. As a result, the accountancy profession is not a natural first port of call for the next generation who want better work/life balance. So we must find new ways of doing what we do – not only more efficiently, but doing different things and often in different ways to make our profession attractive. I think accountancy remains very attractive and when I look at the statistics, we are a growing profession. Many young people in many countries are coming through the professional qualification so we can attract them, and that's great – but we also have to retain them.

WHO IS ALAN JOHNSON?

Alan Johnson became IFAC President in November 2020, having previously served as Deputy President from 2018-2020 and as a board member since November 2015. He was nominated to the IFAC board by the Association of Chartered Certified Accountants (ACCA).

Alan is a former non-executive director of Jerónimo Martins SGPS, SA, a food retailer with operations in Portugal, Poland, and Colombia, having completed his board mandate in 2016. He is currently the independent chair of the company's Internal Control Committee. Previously, Alan was Chief Financial Officer of Jerónimo Martins from 2012 to 2014. Between 2005 and 2011 he served as Chief Audit Executive for the Unilever Group. Alan also served as Chief Financial Officer of Unilever's Global Foods businesses and worked for Unilever for 35 years in various finance positions in Africa, Europe and Latin America.

Alan was a member of the IFAC Professional Accountants in Business Committee between 2011 and 2015, a member of the ACCA's Market Oversight Committee between 2006 and 2012 and chair of the Accountants for Business Global Forum until 2018. He was a member of the board of Gildat Strauss Israel between 2003 and 2004. Alan is the chair of the board of governors of St. Julian's School in Portugal and chairs its Finance and Bursaries Committees. In October 2016, he was appointed to the Board of Trustees of the International Valuation Standards Council and chairs its audit committee. Between July 2018 and September 2020, he was a non-executive director of the UK Department for International Development (DFID) and chaired its Audit and Risk Assurance Committee. In January 2021, he joined the board of Imperial Brands plc as a non-executive director.

Source: The International Federation of Accountants.

Purpose is a critical element in achieving that. Young Chartered Accountants want to work for an ethical company, as we all do. It's is not just about rapid career advancement; they want to see the purpose and the impact their organisation – and by extension, they themselves – can have on society. Young people are thinking about purpose much more than I did 40 years ago. It means much more to them, and they will form their views about whom they want to work with, where they want to work, and what work they want to do based on the ethos and the purpose of organisations. And to go back to the point about the public interest, if we can make it clear why our profession is truly a public interest profession, we will remain a very attractive profession in the future.

5 Your predecessor, Professor In-Ki Joo, described the Monitoring Group's challenges as "among the most difficult circumstances" in his memory. What opportunities do you see for IFAC as the Monitoring Group's work takes effect?

As you know, the Monitoring Group is a group of international institutions and regulatory bodies that are working to advance the public interest in areas related to international audit standard-setting, audit quality and ethics. The initial Monitoring Group discussions started in May 2015, before I joined the IFAC board, and it remains a feature today. Today we're in a much better place, and I can see the light at the end of the tunnel.

There will be some changes to the structure of the standard-setting boards and the process to select standard-setting board members. But whatever the outcome is, I think there is a clear recognition that the profession has developed high-quality standards for auditors, professional accountants and the public sector. The question is how we move forward in a changing environment with more agility, more speed, and more diversity – that's what we're discussing now.

IFAC and its member bodies will continue to play an important role in the standard-setting process. Why do I say that? First of all, we have the knowledge and expertise. We are either the preparers, users or assurers, so we must have a role because we understand what good standards look like. That's accepted by the Monitoring Group and the other players, including the PIOB (Public Interest Oversight Board) and the standard-setting board chairs.

We also have to play a critical role in adopting and implementing international standards. A standard-setting board can write excellent standards, go through the due process, get them developed and get them approved – but indeed international standard-setters have no force of law. Standards need to be adopted and implemented by national standard-setters. That is where our profession comes in and why the profession has to stay connected to the standard-setting process, provide good quality resources to the standard-setting board and the technical teams that do the work, and – an even bigger job – facilitate adoption and implementation in jurisdictions around the world.

IFAC will clearly have a very important role in standard-setting and an even more important role in making sure that the standards get used. A standard is worth very little if it's never implemented; sometimes we forget that.

I am much more confident today that we have the right framework in place to have proper and fruitful discussions. There is also the right understanding of each player's relevant and relative roles, and there is an acceptance that we all have important roles to play in delivering high-quality international standards that are adopted across the world. That's the objective of all of us, and there is no argument or disagreement about that.

6 IFAC is actively promoting the development of coherent standards for ESG. Are there pitfalls as well as opportunities for accountants as these standards are developed?

First of all, we need a truly international approach to ESG standards. At the moment, we have fragmentation with five or six bodies working on different elements of ESG standards. It isn't joined up, and there's no mandate to deliver. Like audit and assurance standards or accounting standards, we need a framework and structure to develop international ESG standards.

Some time ago, we concluded that the IFRS Foundation had a role to play because it has credibility, capacity, resources, and a proven track record in delivering internationally accepted standards. IFAC put out a call to action in September, which outlined the importance of one body taking responsibility for setting standards. It cannot continue to remain in the hands of five or six independent bodies without the capacity, resources, funding, and authority to deliver. The paper called for a new sustainable standards-setting board under the umbrella of the IFRS to take responsibility for developing credible, international sustainability standards that can be adopted widely across the world. Why? Because there's an increasing demand for all organisations to report against a consistent set of high-quality standards. The demand from society, investors, stakeholders, suppliers, customers and employees is that companies deliver against a set of high, internationally comparable standards.

It goes back to the point of purpose. Whether in our profession or other professions, the next generation will want to work for companies that take this seriously. It's one thing to say that we will deliver against the UN Sustainable Development Goals (SDGs), but the hard truth is: how do we know we're getting there? Where's the measurement, and against what measures? Are they consistent measures? How do we know that what a company is reporting is authentic, is accurate? That's where our profession has an important role to play on both sides, both as preparers who help organisations implement the necessary processes and as accountants in practice who provide independent assurance over, and audit, what is reported to give credibility.

As a profession, the pitfall will be if we aren't up to the mark in helping organisations implement the reporting regimes to meet the new standards. If we don't do that, somebody else will. That might be a pitfall, but I see it more as an opportunity – not necessarily a commercial opportunity, more an opportunity for our profession to play our rightful role in ensuring that organisations become more sustainable and helping society in general become more sustainable.

This all links back very strongly to the concept of the public interest, which I have mentioned several times. Wherever you go, you will find a link to our role in the public interest – and this is a critical public interest role we must fulfil. That's why I see it as an opportunity, but a pitfall if we fail. And if we fail, we have not fulfilled our public interest mandate and therefore don't have a right to speak out on issues.

7 What other areas of focus would you like to bring to bear during your tenure as IFAC president?

Beyond the important points I've already discussed, I have canvassed intensely for increased professionalism in the public sector. I was on the board of the UK Department for International Development for just over two years and during that time, I chaired the Audit and Risk Assurance Committee. That period really shaped my awareness of how higher levels of professionalism, particularly in terms of the accountancy profession, could make a massive difference to the public sector. It was an 'aha' moment for me, and I want to drive that agenda much harder during my presidency. And we are starting from a position of strength, as we now have great public sector representation on the IFAC board. When I joined I think there was one public sector member; we now have four out of 22 and many more on our advisory groups.

Another area of focus is what I call 'Save the SMEs'. Small- and medium-sized enterprises (SMEs) are critical to every economy, large or small. Big corporates get lots of attention, but we often forget that big corporates not only rely on SMEs, but a significant part of their supply chain is also made up of SMEs. The largest employer worldwide is the SME sector, so we need to save the SMEs by ensuring that they have access to high-quality professional accountants. We can do that by advocating to ensure that they employ professional accountants, and ensuring that the SMPs that support them have a high profile on our agenda.

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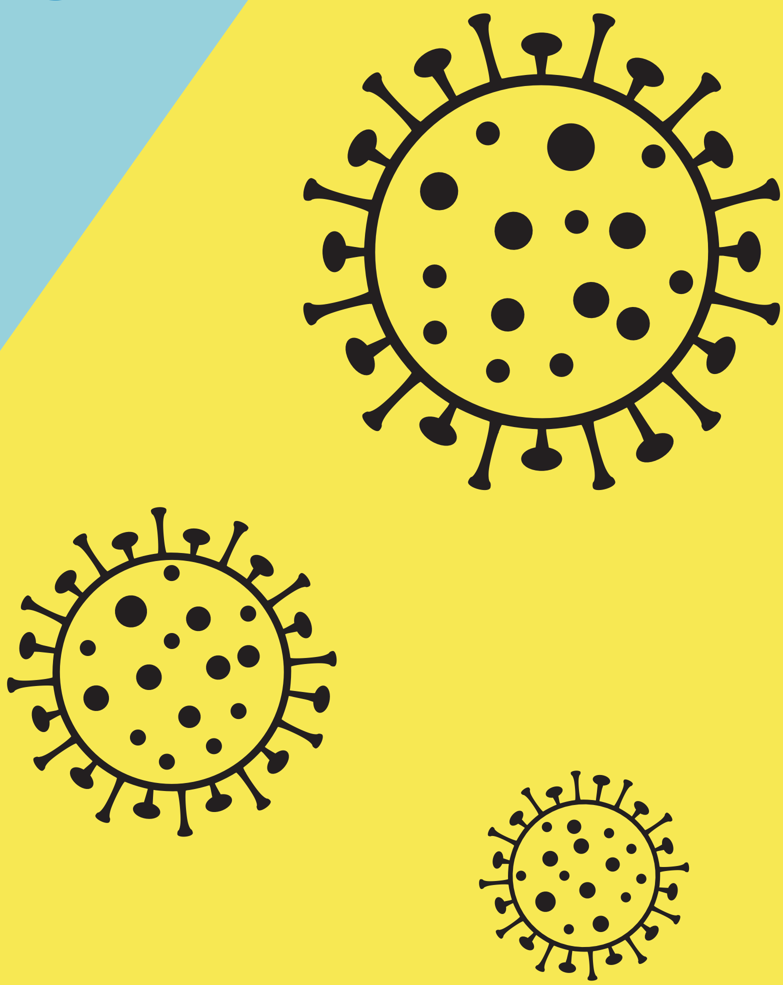

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ACTION PLAN FOR JOBS

The employability contract

'Employability' refers to the skills, knowledge, experience and personal qualities needed to gain and maintain fulfilling work during an individual's career. In this article, **Dr Mary E. Collins** discusses the importance of employability from an employer's perspective and provides practical strategies to help organisations focus on the issue, whatever their size.

Over the past year, the employment market has experienced extreme volatility. Certain sectors have been hit particularly hard, with tens of thousands of jobs in the hospitality and tourism sector the first to feel the full impact of the COVID-19 restrictions. In other sectors, there has been a spike in job openings and, indeed, an employment boom due to the global pandemic. Research from Glassdoor has shown that coronavirus-related job postings have increased in recent months: government, pharma, healthcare and non-profit sectors in the US have all tripled their hiring efforts in response to the coronavirus outbreak. The trend is similar internationally. In Ireland, we have seen increased job vacancies in health, IT and communications, logistics, procurement and insurance. Professional services employment trends remain stable.

One certainty in this dynamic, volatile employment market is that talented people always have choices. In fact, the war for talent heated up in the past year with the explosion in remote working. Many roles that were once limited by geographical location can now be fulfilled from anywhere with decent broadband connectivity.

FIGURE 1: Generic skills

Attention to detail
Ability to work under pressure
Teamwork
Planning, coordinating and organising ability
Good oral communication
Adaptability/flexibility
Communication in writing for varied purposes/audiences
Time management
Ability to use new technologies
Assumption of responsibility and for making decisions
Imagination/creativity
Numeracy
Ability to manage others

What is 'employability'?

The Institute of Employment Studies in the UK defines employability as the "capacity to move self-sufficiently within the labour market to realise potential through sustainable employment… for the individual, it depends on the knowledge, skills and attributes they possess, the way they use those assets and present them to employers."

Employability is the ability to be employed from three perspectives:

- **Gaining initial employment:** the ability to get started in a career, leveraging education, careers advice and so on to ensure one has core, marketable skills.
- **Maintaining employment:** the ability to keep a job and make transitions between new roles within the same organisation, adapting to new job requirements.
- **Obtaining new employment:** the ability to succeed in the labour market and manage employment transitions between and within different organisations.

The business case

There is now a strong business case for employers to make explicit commitments to employees about supporting them in becoming, and remaining, employable; that working with the organisation will make them more employable for future roles.

We have seen a cultural shift whereby younger generations look to their employers for purpose and meaning in an increasingly unpredictable world. Employers who care about their people's future employment opportunities demonstrate a commitment to the broader 'covenant' between employer and employee.

The younger generations in the workplace are generally known as Millennials or Gen Y, who were born between 1980 and 1998, and Centennials or Gen Z, who were born from 1999 onwards. These generations hold the balance of power in recruitment, so employers must be aware of their expectations. A new approach is required to attract, engage, and retain them. This includes the provision of:

- Good work/life balance;
- Work arrangements with flexible locations and hours;
- Clear personal development routes;
- Clear promotion opportunities;
- Meaning and purpose in work (making a meaningful contribution to society);
- Support around personal wellbeing; and
- Commitment to their employability.

Some commentators on the future of work predict that Gen Z will change jobs 15 to 20 times in their careers. Regardless of age, the concept of 'a job for life' is practically redundant and most people will hold positions with a variety of employers over the course of their working lives. Increased flexibility in working patterns means people need to be prepared to change jobs. It also means better opportunities. Emerging technologies such as artificial intelligence (AI) will replace many roles, while new roles are emerging that never existed before.

Employability should be a core element of your employer brand, defined by CIPD as "a set of attributes and qualities – often intangible – that makes an organisation distinctive, promises a particular kind of employment experience, and appeals to those people who will thrive and perform best in its culture."

The CareerEDGE Framework of Employability

Developed by Lorraine Dacre Pool and Peter Sewell in their 2007 article, *The Key to Employability: Developing a Practical Model of Graduate Employability*, the CareerEDGE Framework of Employability suggests that once individuals develop the essential EDGE components (experience, degree subject knowledge, generic skills, and emotional intelligence), this paves the way for the development of the "higher-order" areas of self-efficacy, self-confidence, and self-esteem that are critical in developing employability.

Investing in people's employability

The challenge is for employers to focus on investing in the employability of individuals rather than maintaining roles that could eventually become redundant, thereby prioritising an inclusive and lifelong approach to skills development. Using the CareerEDGE Framework, here are some practical steps for employers to consider.

Career development

- Provide access to mentors in the organisation, as this is an excellent way to support development at all stages of employees' careers.
- Have career development conversations at least once a year as part of the performance management process.
- Seek external opportunities for coaching and mentoring from relevant government agencies, professional bodies, and initiatives (for example, the 30% Club Mentoring Programme to improve the female talent pipeline).

Experience

- A core part of supporting employability is providing appropriate work experience to support personal and career development.
- Every role should include some 'stretch' assignments, which are work projects that provide growth opportunities and challenge in a supportive way.
- Where possible, allow employees to work in different parts of the business to gain new and diverse work experience.

Degree subject knowledge, understanding and skills

- In the CareerEDGE Framework, this refers to the knowledge and technical skills a graduate gains from their degree course(s) relevant to their career trajectory, and upon which they can continue to build their employability.
- Employers must support their staff in their continuous professional development and ensure progression to higher levels of attainment.
- Opportunities to sponsor and co-fund educational activities should be encouraged as a core element of supporting employability.

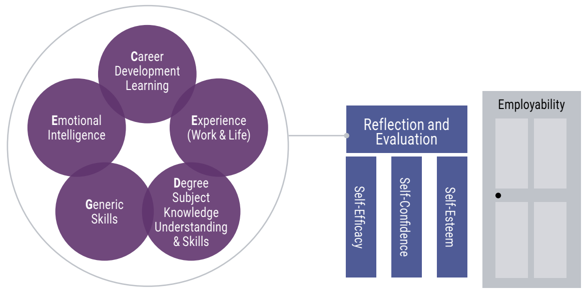
Generic skills

Dacre Pool and Sewell present a set of generic skills that employers expect to have been developed in graduates (see Figure 1). Employers should seek ways for employees to develop in all of these generic skills. It is important to note and record skills development as part of the performance planning process.

Emotional intelligence

Emotional intelligence (EQ) continues to grow in impact and importance. Daniel Goleman defines it as "the capacity for recognising our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships".

FIGURE 2: Career Edge – The key to employability



Career development learning
Experience (work and life)
Degree subject knowledge, understanding and skills
Generic skills
Emotional intelligence

Source: The Key to Employability: Developing a Practical Model of Graduate Employability (2007) by Lorraine Dacre Pool and Peter Sewell.

Employers can support EQ development in the workplace by ensuring that leaders are role models in terms of self-awareness, managing their emotions, showing empathy, flexibility, and – crucial in these times – demonstrating resilience and optimism. Most leadership development programmes incorporate some element of EQ skills development. Self-assessment profiles, such as the Emotional Capital Report (see www.rochemartin.com), can be useful when working with a coach or mentor to develop these core skills from an early career stage.

Dr David Foster, Director of Career Development and Skills at University College Dublin and Director of the UCD Careers Network, takes a holistic view of employability. "We've used the CareerEDGE Framework at Careers Network as a model for about five years now, and it's been great as we aim to enhance students' self-confidence and self-efficacy in all we do. We feel self-confident people can better unlock their mental energies and abilities to negotiate their personal and professional development, which we think leads to employability."

In conclusion, employability is core to the contemporary covenant between employers and employees and has become an important facet in attracting, developing and retaining talent. Even in recessionary times, talented graduates and professionals have choices, especially in a world that has embraced remote working. Focusing on supporting the employability of employees at all stages of the career lifecycle will greatly add to a positive culture where people want to give their best and stay longer, even if it isn't a job for life.

Dr Mary E. Collins is Senior Executive Development Specialist at the RCSI Institute of Leadership.

Rewriting the digital rulebook

Dr Brian Keegan explains why one of Donald J. Trump's lasting legacies could be tighter regulation for Europe's digital sector.

GOVERNMENTS BECOME IRRITATED WHEN THE PRIVATE SECTOR WIELDS POWER THAT THEY THEMSELVES DO NOT POSSESS, AND THE EXCLUSION OF TRUMP WAS AN EXTREME EXAMPLE.

The early weeks of January were dominated by attempts to handle emergent Brexit problems, resurgent COVID-19 problems, and the Trump presidency's last days.

No sooner does one issue get resolved than another pops up to take its place. In times past, wealth was defined in terms of real assets. The defining asset of the 21st century is data.

In late 2020, the EU Commission fired a dual salvo of legislative proposals almost lost amid the Brexit and COVID-19 noise. The proposed new Digital Market Act will deal with cartels, and the proposed new Digital Services Act will deal with content. Along with the Digital Tax Proposals, they complete a triad of initiatives to deal with information industries.

The EU's messaging for the Digital Market and Digital Services acts is a simple one. The idea is that what is illegal offline should also be illegal online. That sounds compelling in theory, but the practice could be very different. The Digital Markets Act addresses the businesses that the EU call "gatekeepers" – perhaps including social media platforms like Facebook and LinkedIn, search engines such as Google, Bing and Yahoo, and business intermediary platforms, including Amazon, eBay and Alibaba.

The Digital Market Act's likely targets are not European, but rather headquartered in the US or Asia. Europe is already finding that when it attempts to tax digital enterprises by reference to market presence, the home country jibs at the prospect of losing tax revenue. Regulation, however, is a different matter. If the Digital Market Act is successful in outlawing anti-competitive practices and is applied consistently, a properly regulated environment can attract reputable business while enhancing choice for businesses and consumers alike. The Digital Services Act, on the other hand, is aimed at consumer protection. It contains rules that would enforce the removal of illegal goods, services or content being promoted or sold online. What is considered "illegal" is anything that may be illegal in any EU member country. This is an unusually broad definition, which appears to work on the assumption that legal, cultural and consumption norms are the same right across Europe. As such, the proposals are a multi-bladed weapon directed at a Hydra-headed creature and have a particular focus on platforms that reach more than 10% of the European consumer base.

In early January, the world saw just how powerful such a weapon might be when Twitter permanently suspended the account of the then President of the US, Donald Trump. From the point of view of the major social media platforms, that may have unforeseen consequences. Governments become irritated when the private sector wields power that they themselves do not possess, and the exclusion of Trump was an extreme example. Thierry Breton, one of the EU Commissioners sponsoring the proposed digital legislation, commented that "it is not only confirmation of the power of these platforms, but it also displays deep weaknesses in the way our society is organised in the digital space". Twitter's action also prompted critical comment from MEPs and German and French leaders.

This political reaction could well ensure that the Digital Market Act and the Digital Services Act move more speedily through the EU's often labyrinthine acceptance and ratification processes. The proposals were drowned out by Brexit and COVID-19, but will endure long after both crises have passed.

The ultimate result of a US president's actions and the well-intentioned response of Twitter could be earlier and tighter regulation of the digital space in Europe.

Dr Brian Keegan is Director of Advocacy & Voice at Chartered Accountants Ireland.

Critical watchpoints for audit and risk committees

Patricia Barker outlines red flags for audit and risk committees as they continue to navigate the coronavirus pandemic and the fallout from Brexit.

It's hard to imagine audit and risk committee members as frontline workers in the face of the COVID-19 pandemic. However, time will undoubtedly show that the guidance of a good, active audit and risk committee was a pivotal oxygen tank for companies as they stumbled through these difficult times.

In providing effective oversight, the audit and risk committee's contribution must be responsive to the additional risks and uncertainties arising from COVID-19 and Brexit. The radar is picking up new bleeps, which include the following.

ALL AUDIT AND RISK COMMITTEES WILL HAVE TO CONDUCT A DEEP DIVE INTO THE APPROPRIATENESS OF USING THE GOING CONCERN CONCEPT FOR THE 2020 FINANCIAL STATEMENTS.

New risks on the risk register

It is vital to identify new risks, the appetite for those risks, and mitigations that can be put in place. These risks include, but are not limited to, failure of suppliers or customers due to economic pressures; invocation of force majeure clauses to avoid performance of contracts; reputational damage caused by a failure of staff to comply with Government guidance; a cluster outbreak of COVID-19 among staff; insufficient funding; and health and safety failure on the premises.

Going concern

All audit and risk committees will have to conduct a deep dive into the appropriateness of using the going concern concept for the 2020 financial statements. This work must be completed in advance of the arrival of the external auditors.

Business continuity plan

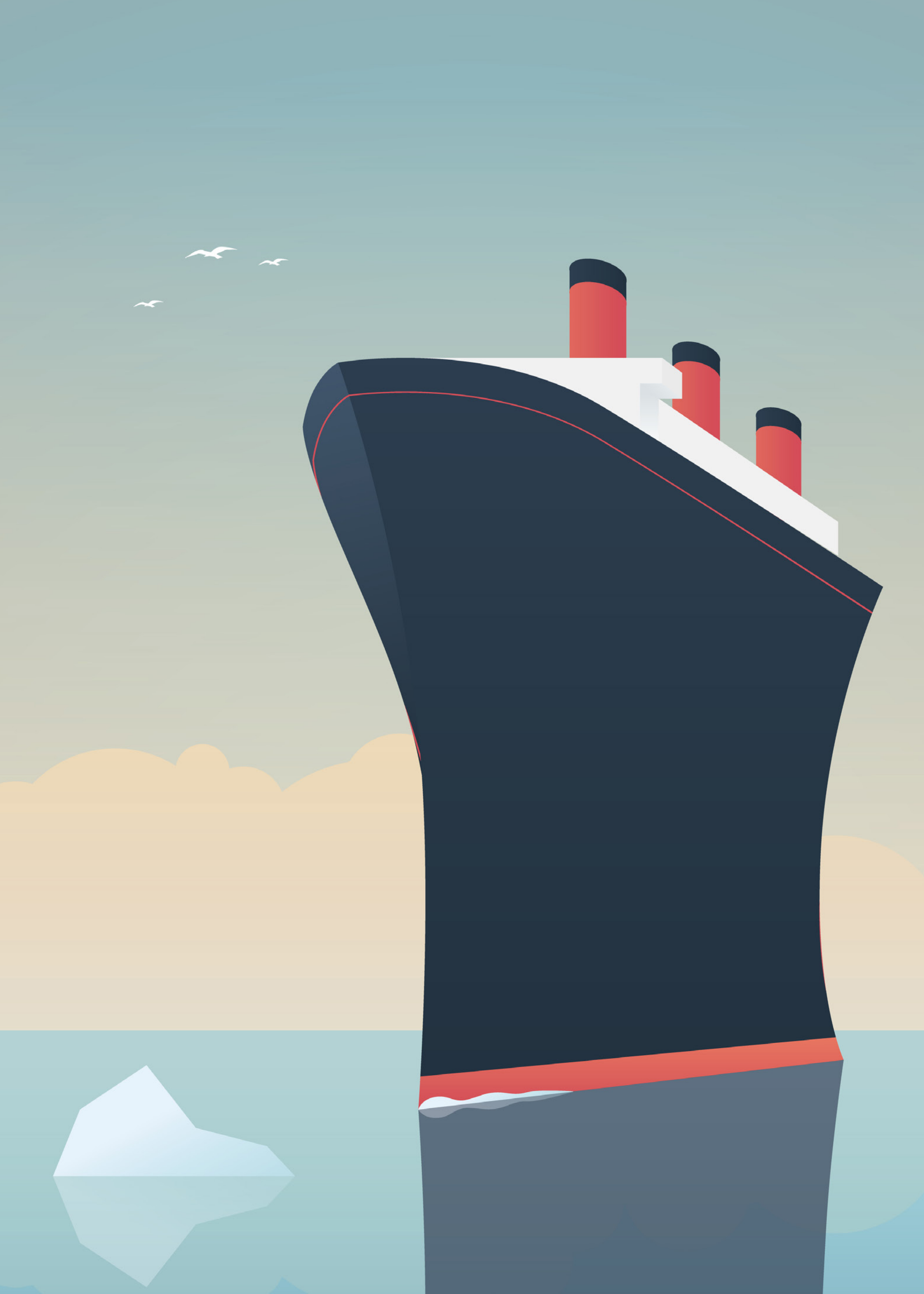
Audit committees should be very familiar with the robustness of the business continuity plan. They should also be satisfied that it has been rigorously tested to cope with the potential crashes that may result from the black swan event that is the COVID-19 pandemic.

Procurement

There are high risks associated with rushed procurement practices, which were necessary due to the emergency nature of the pandemic. Audit and risk committees should create a schedule of any instances where management had to speed up or bypass procurement practices due to the need to procure for the pandemic. They will need to be satisfied that all material exemptions from procurement regulations have been appropriately applied and authorised. The exemptions provided for in legislation include situations of extreme urgency, where there is a genuine emergency due to events that could not have been foreseen in situations that were not controlled by the company. It would seem that the pandemic (although not Brexit) complies with these conditions, which would permit the procurement of goods or services in a fast-tracked way outside the standard procurement policy. However, the current question for audit and risk committees is how long it can reasonably be assumed that COVID-19 is an emergency that could not have been foreseen.

Control of government supports

There are high risks associated with the very rapid deployment of government resources to a vast range of beneficiaries. To the extent that such resources have been claimed by the company or on behalf of staff, the audit and risk committee should be happy that appropriate controls were put in place to ensure that the claim was made in accordance with the terms of issue, that the funding was



applied as stipulated, and that anti-fraud measures were appropriately applied. The external auditors will likely examine the transparency and governance associated with benefits drawn down, such as:

- Grants;
- Subsidies;
- Liquidity loans;
- Credit guarantees;
- Short-term compensations;
- Payroll support;
- Tax alleviation;
- Additional human resources deployed; and
- Tax losses carried back.

Economic fraud and cybersecurity robustness

There have been significant incidences of cybersecurity and IT failures due to opportunistic frauds arising from COVID-19 such as email compromise, investment scams, and phishing scams. In an Economic Crimes Survey conducted by PwC in 2020, 18% of organisations surveyed reported that they had incurred losses due to fraud in excess of €800,000 and 13% said they had incurred losses in excess of €5 million. These costs do not account for the losses arising from remediation, fines, brand damage and reputational damage. Economic crime dealt with by the European Commission Crime Bureau includes the following:

- Cybercrime;
- Customer fraud;
- Asset misappropriation;
- Money laundering;
- HR/employee fraud;
- Deceptive business practice;
- Intellectual property theft; and
- Accounting fraud.

Audit and risk committees must seek evidence that economic risks were explicitly addressed and closed off by the company, including assurance that such risks are adequately insured.

Third-party risks

Focusing on internal risks is only part of the challenge; the risks associated with outsourced goods and services also need attention. These risks are elevated as our direct controls change due to virtual working. The risk attack field related to external service providers is as varied as stationery, security, catering and HR, resulting in additional risks of fraud and cyberattack. According to PwC's *Global Economic Crime and Fraud Survey 2020*, one in five respondents identified vendors and suppliers as the source of their most disruptive external fraud. Half of the respondents lacked a mature third-party risk management programme, and 21% had none at all. Audit and risk committees should address this issue with the leadership team to ascertain the extent of the vulnerability and the potential need to seek professional assistance.

Remote working

Audit and risk committees must be proactive in implementing robust health and safety and human resource protection policies to safeguard employees working from home and safeguard the company's assets. Issues raised should include health and safety mechanisms to ensure that staff have suitable stress management supports; good ergonomic working conditions; and reasonable boundary control over working hours. Furthermore, where company assets such as docking stations, laptops and other equipment have been taken home, mechanisms should be in place to control those assets and to appraise valuations and impairments. Appropriate protocols should also be in place to ensure that employees are fulfilling their contracts. GDPR policies will need to be stress-tested to assure the audit and risk committee that there have been no breaches of the regulations.

18%

OF ORGANISATIONS SURVEYED REPORTED THAT THEY HAD INCURRED LOSSES DUE TO FRAUD IN EXCESS OF €800,000.

The audit and risk committee will also need to confirm that the company's insurance policies cover the changed working theatre.

Risk of redundancies

If it seems likely that squeezed resources will lead to redundancies, the audit and risk committee will want to see an assessment of this risk, the mitigations in terms of spreading the load, the policy on the redundancy payment matrix, and budgetary planning.

Provision of ad hoc board support

During the emergency, the audit and risk committee should be willing to convene to conduct deep dives, specific investigations, or advisory analysis as may arise due to unforeseen issues relating to the COVID-19 pandemic or Brexit.

All in all, this is a busy time for audit and risk committees, and we will likely look back on this period and determine that committee members provided a highly professional, emotionally intelligent, and effective service to boards. It is unlikely that citizens will stand on their doorsteps and applaud them, but at least they will know that they did a good job.

Patricia Barker chairs the audit committees of the Marine Institute and Tallaght Hospital and is a member of the Ethics and Governance Committee at Chartered Accountants Ireland.

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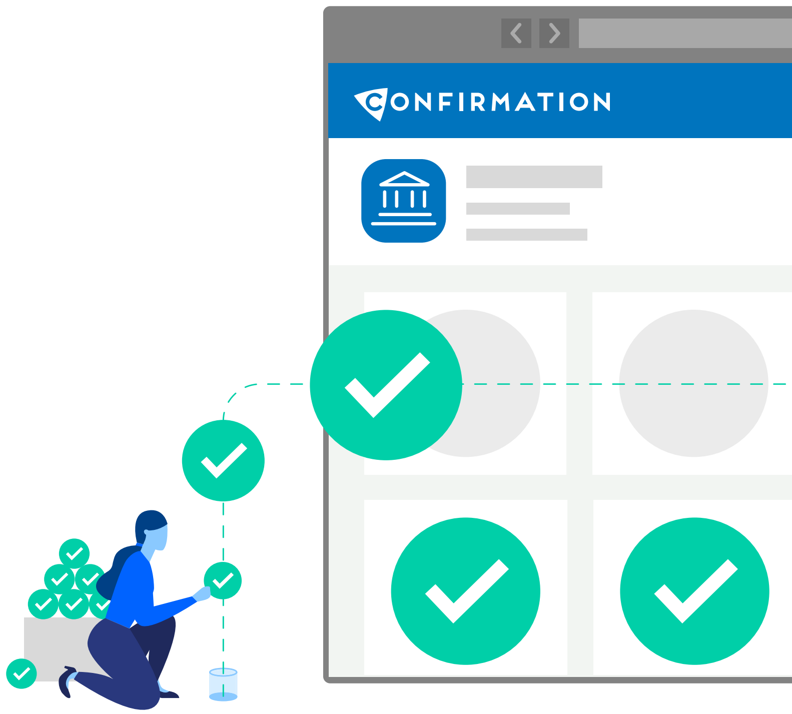

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2021 INVESTMENT OUTLOOK

Ian Slattery, Investment Consultant at Zurich Life, explains why a turbulent year for investment markets does not necessarily mean a negative outcome for pension investors.

With 2020 now firmly in the rear-view mirror, it is an opportune time to take stock of investment markets in a year that was truly remarkable in every sense. 2020 began ominously, with geopolitical tensions between the US and Iran at an all-time high. Simultaneously, a watching world was gripped by images of devastating bushfires in Australia. What was to follow cemented the year's reputation in modern history and is near impossible to summarise in just a paragraph. In the US alone, we had a presidential impeachment, a raging pandemic, the largest protests in history, a disputed presidential election, and a global stock market up nearly 7% for the year after a historic collapse in the spring. With that in mind, it is worth reviewing the year just gone and looking to the year ahead to better understand how global events may not have impacted your company pension in the way you expected.

Equities enjoyed a strong start to 2020 and were up over 7% for the first seven weeks. However, what followed was the fastest bear market in history as stocks took just 16 trading days to fall 20%. Ultimately, it ended down 34% over a four-week period driven predominately by concerns relating to the COVID-19 pandemic. Subsequently, stocks enjoyed a stellar second quarter in 2020 with the US market seeing its best 50 days in history. Over the summer, returns were more muted as investors reflected on and digested the large moves seen in the first half of the year. A strengthening euro currency, which reduces returns in overseas assets, also proved to be a headwind as markets fell in September and October. However, November proved to be a stellar month for equities as optimism was stoked by the US election results and the emergence of several viable vaccines. The optimism continued through December, and global markets finished the year with a positive return of 7%.

Eurozone bonds performed well throughout the period, particularly as the COVID-19 pandemic unfolded. Unprecedented monetary stimulus kept eurozone yields at rock bottom levels.

In 2020, markets were led by the influential US stock market, which is the largest in the world. Sector divergence has been a key theme in markets this year with the likes of technology (+32%) and consumer discretionary (+26%) massively outperforming sectors such as real estate (-12%) and energy (-36%).

In terms of monetary policy, the Federal Reserve cut its policy rate by 1.5% in March to the 0%-0.25% range and has recently announced a change in its inflation targeting, which is likely to keep rates unchanged for the foreseeable future. The focus within the US economy has turned toward fiscal or government spending. The European Central Bank cut interest rates at its September 2019 meeting to -0.5% and has not moved since. However, in response to the pandemic, it announced a Pandemic Emergency Purchase Programme, which is helping to contain peripheral sovereign bond spreads. This programme was expanded by a further €600 billion initially and extended into 2022 at the December meeting. Eurozone bonds performed well throughout the period, particularly as the COVID-19 pandemic unfolded. Unprecedented monetary stimulus kept eurozone yields at rock bottom levels.

Commodities and currencies endured a rollercoaster ride as gold and several 'safe-haven' currencies saw significant price appreciation at the height of the crisis. However, this trend reversed as investor confidence returned. The price of oil collapsed in the early months of the year on fears of drastically reduced demand due to the COVID-19 outbreak, combined with a spat between Russia and Saudi Arabia over supply. Within a very unusual trading environment, oil futures moved to a deeply negative value at one point.

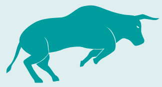
Policymaker support, including lower interest rates and rapid fiscal response, have contributed to the swift economic recovery.

However, it is worth noting that GDP figures have yet to recapture previous highs, and there has been much volatility and divergence in performance across asset classes.

Looking to the year ahead, equities and corporate bonds continue to be our preferred asset classes versus government bonds and cash. The policy of the major global central banks remains loose, both in terms of interest rates and asset purchase programmes. The fiscal response in the eurozone, via the COVID-19 recovery package, is impressive in terms of its scope and further fiscal stimulus from the US has emerged. Overall, the policy backdrop for investment markets remains supportive.

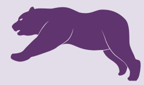
FIGURE 1: Bulls vs bears

For the bulls



- Vaccine rollout and virus suppression exceeds expectations.
- Global growth rebounds to, and surpasses, pre-COVID-19 levels.
- The new US administration leads to closer cooperation between the US and key trading partners.
- Pent-up consumer savings/ demand and cheap credit drive economic growth.

For the bears



- COVID-19 resurgence or mutation.
- US fiscal or monetary policy misstep.
- China tightens monetary policy.
- Eurozone growth and inflation remain depressed and become stagnant.
- Expensive equity markets make investors periodically nervous.

Despite the rollercoaster ride in 2020, there are no guarantees that 2021 will be benign for markets.

Global growth appears to have bottomed out in the second quarter of 2020 and has recovered since then. However, the full effect of winter lockdowns, particularly in Europe, are not yet clear. Business activity, as measured by PMI (Purchasing Managers' Index) data, has recovered but not entirely. Similarly, the initial recovery in the jobs market has stalled somewhat. It may be some time until the full effects of COVID-19 (and the associated evolution of the economy) are clear. While lockdowns in the developed world have hit some sectors harder than others, consumers are generally well-positioned. That sentiment is supported by elevated savings rates, some evidence of pent-up demand, and a buoyant US housing market fuelled by cheaper credit. The transition to a full reopening of the economy and the subsequent positive impact on economic growth is somewhat dependent on the timelines and logistics of a vaccine rollout.

Equity valuations do look expensive versus history. However, the relative valuation thesis versus other asset classes remains compelling. At this point in the economic cycle, equities continue to offer the best opportunity for positive returns, irrespective of absolute valuation levels. Growth is returning, the backdrop is positive, and the lower interest rate environment profoundly affects valuations across investment markets.

Conversely, we remain cautious in our outlook on eurozone sovereign debt. The low level of rates continues to make long-term return prospects unattractive. Inflation expectations remain muted and are not at the desired level for global central bankers. Therefore, policy is to remain loose. With this in mind, a large spike in interest rates and subsequently bond yields is not envisaged. However, the growing government debt levels may well be a cause for concern later in the cycle.

In terms of other risks, the suppression of the COVID-19 virus still needs to be implemented. A further resurgence in cases, or missteps in the logistical rollouts of vaccines, have the potential to derail the recovery. The new US administration faces numerous challenges, both domestically and abroad. Strained relationships with China and the EU are still very evident. Finally, given the scale of policy intervention seen in 2020, a misstep or premature withdrawal in supports could hit sentiment and ultimately affect the performance of risk assets. With this in mind, we maintain a flexible approach to asset allocation as volatility (as measured by the Volatility Index) and somewhat conversely, investor sentiment, both remain elevated.

In conclusion, 2020 was a volatile year – but not a negative one for pension investors. Despite the rollercoaster ride in 2020, there are no guarantees that 2021 will be benign for markets. Already we see increased COVID-19 case numbers, issues with vaccine rollouts, and enduring political strife over the US election. However, for those saving for retirement through their company pension, sticking to your long-term goals, continuing your pension contributions, and having an investment manager that can outperform are investment principles that will stand the test of time.

Source: Zurich Life, January 2021. For more information, visit www.zurich.ie. Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

Reasons for optimism

Although significant challenges remain, the north-west region can look forward to better days ahead, writes **Dawn McLaughlin**.

ALONG WITH THE FULL ROLLOUT OF THE CITY DEAL PROJECT, THE SHARED ISLAND INITIATIVE CAN UNLOCK OUR CITY REGION'S FULL POTENTIAL AND DRIVE THE POST-PANDEMIC RECOVERY.

After one of the most challenging years in business, 2021 provides some cause for optimism in the north-west city region. The vaccination rollout across the globe gives us the best chance to get back to normal and truly get our recovery efforts underway.

As a Chartered Accountant in practice and in my new role as President of the Londonderry Chamber of Commerce, I have seen first-hand the extreme pressures on businesses. Cash reserves are depleted, cash flow is becoming a major concern, and confidence is gone. After a year of COVID-19, the strains on entrepreneurs and businesses of all shapes and sizes are only increasing. The need for a government-led recovery strategy, developed in collaboration with business, is greater than ever.

However, I also see reasons for positivity on the horizon. While the double blow of the pandemic and Brexit seriously affected local businesses, I believe we can recover and rebuild better in 2021 and beyond, given the opportunity and support to do so.

One of the rare highlights of 2020 was the announcement of the Graduate Entry Medical School at Ulster University's Magee Campus in Derry. Representing the culmination of years of hard work and campaigning, the new medical school, which will welcome its first students in September 2021, illustrates the strength of the north-west's higher education offerings.

In the new post-Brexit world, cross-border cooperation and collaboration will be as important as ever. In collaborating with our neighbours in Donegal and beyond, we are working to make the north-west city region a more robust economy and the best place on the island to set-up a business.

An Taoiseach's new Shared Island Initiative provides the opportunity to maximise the tangible benefits of all-island cooperation. Committing €500 million over five years for cross-border projects, we are making a strong case for investment to fund infrastructure projects like the A5 Western Transport Corridor, funding to expand Ulster University's Magee Campus and other cross-border research projects.

Along with the full rollout of the City Deal project, the Shared Island Initiative can unlock our city region's full potential and drive the post-pandemic recovery. By giving our leaders and businesses the tools to rebuild and create a more thriving and bustling regional economy, we can attract new investment and create new, secure jobs. But, in the short- and medium-term, this will require serious commitment and courage from the Northern Ireland Executive, the UK Government, and the Irish Government to get our struggling businesses on the whole island through this rocky period and ensure that they survive and thrive.

With institutions like Ulster University Business School, North-West Regional College and Letterkenny Institute of Technology, the north-west is fertile ground for world-leading research and development, attracting more students to our region. Chartered Accountants in the north-west should prepare for this regional growth, and look to our local further and higher education institutions to provide a stream of high-calibre students who might well be the next generation of Chartered Accountants.

Dawn McLaughlin is Founder of Dawn McLaughlin & Co. Chartered Accountants and President of Londonderry Chamber of Commerce.

Frictionless free trade? Not yet, anyway...

Having read the 1,246-page Trade and Cooperation Agreement, which was agreed to "in principle" by the EU and UK on Christmas Eve, **Cróna Clohisey** shares her thoughts on the critical elements causing concern and highlights areas that warrant further work.

In recent weeks, there has been as much discussion about what the Trade and Cooperation Agreement (TCA) reached between the EU and UK on Christmas Eve doesn't cover as what it does. The deal, spanning some 1,246 pages, threw up some surprises and certainly left a lot for discussion between the two sides in the months ahead.

The main areas covered in the document include trade in goods and certain services, energy, aviation and road transport, fisheries, social security coordination, law enforcement, digital trade and intellectual property. Certain big-ticket items, including decisions relating to equivalence for financial services, the adequacy of the UK's data protection regime, or an assessment of the UK's sanitary and phytosanitary regime were excluded, however. These three areas, in particular, are unilateral decisions of the EU and were never subject to negotiation. The TCA does not govern trade in goods between Northern Ireland and the EU where the Protocol on Ireland and Northern Ireland will apply, bringing a whole other set of rules – not least in customs and VAT.

Implementing, applying, and interpreting the TCA falls to the newly created Partnership Council. This political body will be co-chaired by a European Commission member and a UK government minister, and decisions will be made by mutual consent. Several specialised committees, including a trade partnership committee, will assist the Partnership Council. Therefore, it seems that negotiations between the EU and the UK on their future relationship are set to continue long into the future.

In this article, I will look at the TCA elements that are causing concern or require further work.

Trade in goods and customs

The real test for cross-border trade between the UK and EU is really just beginning, given that traffic at ports and borders is generally quieter in the weeks after Christmas. Still, problems with paperwork (which could never be removed by a free-trade agreement), health checks and systems were reported by many companies in the first few weeks of the year. We have heard reports of large retailers reporting shortages on their shelves with retailers in Northern Ireland significantly affected given the customs declarations required for goods brought into Northern Ireland from Great Britain – a requirement that seems to have taken some by surprise.

The TCA's chapter on rules of origin is particularly cumbersome and has already hampered, and is expected to continue to hamper, existing supply chains. The 'zero tariffs, zero quotas' headline celebrating free trade is not all it seems, particularly when only eligible goods qualify for this approach.

Rules of origin determine a product's economic nationality and where products 'originate' is the fundamental basis for determining if tariffs apply. The TCA says that for products to benefit from zero tariffs and zero quotas, goods must be wholly obtained from, or manufactured, in the EU or UK or be substantially transformed or processed in the EU or UK in line with the specific origin rules that apply to the product being exported. Minor handling, unpacking and repacking won't qualify as sufficiently processed. There could be issues for goods not wholly grown, farmed, fished or mined in either the UK or EU.

The amount of non-originating materials (i.e. materials not originating in either the EU or UK) that a product can have in order to still benefit from the TCA differs depending on the product. The annexes to the TCA set out the product-specific rules, and you will need to identify the commodity code as a starting point. Some products allow a maximum level of non-originating content (e.g. 50% of the ex-works selling price), but again this varies from product to product.

If, for example, products are processed in the UK, the TCA states that EU origin materials and processing can be counted when considering whether UK exports to the EU meet rules of origin requirements. There is a qualifying production level, for example, called 'cumulation'.

Another nuance is that some rules of origin require that non-originating inputs used in the production of a good must have a different tariff heading, while some rules require a specific operation to take place in the UK for the goods to be classed as being of UK origin. For certain chemicals, for example, a chemical reaction must occur in the UK.

It's also important to remember that when goods are exported from a customs territory, origin status is lost (preferential origin status can only apply once). Take leather shoes originating in Spain as an example. When the shoes move from Spain to Great Britain and are then shipped to Ireland, they lose their EU preferential origin status when they leave Great Britain. Because they haven't been processed or altered in Great Britain, they don't have UK origin. Therefore, unless the goods move under a special and complicated customs procedure, duties arise on the goods entering Ireland. The now infamous case of Marks & Spencer's Percy Pig confectionery is an example of this issue.

These issues add to supply chain headaches and give rise to hidden costs. The rules are undoubtedly complex and don't suit the UK's significant role as a distribution hub.

Business travel

Free movement of people between the EU and UK ended on 1 January 2021. Of course, Irish and UK citizens are still free to live, travel and work in either country under the rules of the Common Travel Area (CTA). Beyond this category of people, immigration requirements – including securing permission to work and restrictions on the activities that can be performed as business travellers – are now a key consideration for UK nationals moving throughout the rest of the EU, including UK citizens residing in Ireland. Similar policies are in place for EU nationals seeking to travel to, and work in, the UK.

The CTA allows short-term business visitors to enter either jurisdiction visa-free for 90 days in any given six-month period, but there are restrictions on the activities that can be performed. Activities such as meetings, conferences, trade exhibitions, and consultations are allowed. However, anything that involves selling goods or services directly to the public requires a work visa. The specific business situations where a visa is required are set out in the annexes to the TCA.

The environment

In a first for the EU, the fight against climate change has been included as an "essential element" in a bilateral agreement with a third country. This effectively means that if the EU or the UK were to withdraw from the Paris Agreement or take measures defeating its purpose, the other side would have the right to suspend or even terminate all or part of the TCA.

The TCA paves the way for a joint framework for cooperation on renewable energy and other sustainable practices, as well as the creation of a new model for energy trading. However, it allows both sides to set their own climate and environmental policies in areas such as carbon emissions/carbon pricing, air quality, and biodiversity conservation. Divergence from respective environmental and climate laws will be monitored, but this area is not subject to the TCA's main dispute resolution mechanism. It will instead be governed by a 'Panel of Experts' procedure. Time will tell how effective this will be.

Data transfers

Many businesses rely on the ability to transfer personal data about their customers or employees to offer goods and services across borders. A company based in Belfast, for example, might outsource its payroll processing to a company based in Galway. In this case, any restriction on this data's ability to flow freely would act as a trade barrier.

The EU and UK haven't concluded a deal yet to allow data to continue to flow freely across borders, but the EU has committed to a decision on the adequacy of the UK's system (UK GDPR) by 30 June 2021. Until then, the UK will be treated as if it is still part of the EU on data protection grounds, and data can continue to flow freely between jurisdictions. If the EU doesn't reach an adequacy agreement (although reports suggest that a deal is close), provisions such as standard contractual clauses may be needed in future transfers of data between the UK and EU.

Financial services

Currently, the UK has identical rules to the EU in terms of the regulation of financial services. Supplementary documentation published with the TCA states that the UK Treasury and European Commission aim to sign a cooperation agreement covering financial services regulation by March 2021. The EU has already deemed the UK equivalent for a time-limited basis in clearing and transaction settlement, while the UK has provided the EU with specific findings that would enable EU member states to conduct such business in the UK.

Many other areas of the TCA will be digested and interpreted in the weeks and months ahead. Trade deals are predominantly about trade. Only time will tell if they go far enough in other areas such as environment, security and intelligence, or healthcare, for example. Let's hope that in the long run, a deal is better than no-deal.

09Cróna Clohisey **is Public Policy Lead at Chartered Accountants Ireland.**

POINT OF VIEW:
Barry Cullen, Silver Hill Duck

Silver Hill Duck is a perfect example of a cross-border business and the various challenges posed by the new trading relationship between the EU and the UK.

Silver Hill Duck is a duck manufacturing company based in Emyvale, Co. Monaghan, with operations in Northern Ireland and the Republic of Ireland. The company controls all aspects of the breeding, farming, production and packaging of its famous Silver Hill Duck breed. Established in 1962, it has supplied the best Chinese restaurants in the UK for the past 40 years. During this time, the company has expanded its customer base to include retail and foodservice, including a range of raw and cooked products.

Barry Cullen, Head of Sales at Silver Hill Duck and President of the Irish Exporters Association, shares the background to his company's commercial decisions.

"The UK was historically our largest market, and we took some steps before 1 January 2021 to avoid the expected delays that were predicted at the ports. This involved setting up a Northern Ireland company with the appropriate VAT and EORI numbers, and a customs clearance agent to handle the paperwork. Silver Hill also had to source a warehousing partner in the UK that could hold frozen stock for our UK customers.

Trading with our fresh retail customers was suspended for the first few weeks in January due to the uncertainty around delays at ports and the documentation required. The first few weeks of 2021 has shown that this was a prudent decision, as it has become apparent that the UK is nowhere near ready for the new trading requirements. There are major delays at Holyhead with hauliers unable to access the Irish market due to incorrect paperwork and a COVID-19 testing regime that has exacerbated the problem.

It's a case of learning on the job as our sales team feels its way through the many documentation requirements to send a pallet of product to the UK. For example, despite having done due diligence for over three years, we were not aware of the REX system and the need to be registered to self-certify our goods.

Even though there are no actual tariffs, the customs clearance costs are high at approximately €120 per order, regardless of size, if you act as exporter and importer for the UK customer. This will make much retail business commercially unviable and will have a significant knock-on effect on small- and medium-sized enterprises in the coming months.

There will undoubtedly be a settling-in period for the new trading requirements, but the cost for traders, hauliers and suppliers is as yet uncertain."

Making 2021 work for you

Three Chartered Accountants talk to *Accountancy Ireland* about what worked and what didn't in 2020, and the changes they have made to ensure success in both their work and personal lives in 2021.

As we moved into 2021, so did the pandemic, lockdowns and working from home. Three members of Chartered Accountants Ireland – Larissa Feeney, CEO of Accountants Online; Maeve Hunt, Associate Director at Grant Thornton; and Kevin Nyhan, Credit Manager at AIB – describe what made their 2020 difficult, how they overcame those challenges, and what they hope to change this year.

Goal-setting and disconnecting

Larissa Feeney, founder and CEO of Accountant Online, has found that making realistic goals and not loading up her task list has kept her going during the pandemic.

I HAVE THREE CHILDREN AT HOME, SO HOMESCHOOLING MEANS THAT YOU CAN'T GIVE BOTH HOME OR WORK LIFE 100%, BUT WE ARE ALL DOING OUR BEST. WE HAVE TO GO EASY ON OURSELVES AND KNOW THAT WE CANNOT OPERATE AT THE SAME LEVEL AS BEFORE THE PANDEMIC, BUT WE WILL GET BACK TO THOSE LEVELS ONE DAY.

As a company, we were lucky when the pandemic hit as we were accustomed to remote working and automation, but adapting to working from home during a lockdown is challenging for everyone. I put a routine in place from early on: get up at 6.30am to do some reading, yoga and meditation before going for a walk. I am ready for work at 9am. If I keep to that routine consistently, it keeps me focused for the day and on an even keel.

Every Sunday evening, when I am relaxed, I set out all my weekly goals – both work and personal – and there is a great satisfaction to ticking those off during the week. At the start, I tried to motivate myself by putting lots of things on the list but that only served to make me feel stressed, overwhelmed and anxious, so I ensure the list is realistic and follows SMART (specific, measurable, achievable, realistic, and timely) principles. All my weekly goals contribute towards my monthly goals, my annual goals and my five-year goals. I know that I have higher energy in the early part of the week, so I take on the harder tasks during those days.

I have three children at home, so homeschooling means that you can't give both home or work life 100%, but we are all doing our best. We have to go easy on ourselves and know that we cannot operate at the same level as before the pandemic, but we will get back to those levels one day.

To disconnect, I read in the evenings – but books that are good for the soul, rather than the business and leadership books I read in the mornings. Walking and getting out in the fresh air always helps. At home, a different person makes the lunch and the dinner every day and we take turns to pick a family movie to watch together.

Apart from 'getting back to normal', what I would like to change this year is the further evolution and development of the team and further investment in automation and innovation. Personally, I will continue to work on the home/business divide, which can always do with improvement.

Stick with a routine in 2021

Maeve Hunt, Director of Audit and Assurance at Grant Thornton, first thought the same day-to-day routine would get her down, but it has proved to be a winning habit.

THERE ARE MANY THINGS I WOULD CHANGE ABOUT THE LAST YEAR, BUT I THINK I'VE LEARNED A LOT ABOUT THE IMPORTANCE OF STICKING TO A ROUTINE THAT OFFERS A BIT OF VARIETY.

When the pandemic hit last March, we scrambled to leave our offices and head home with monitors under the arm (quite literally) to enter this new way of working.

For many, it was a balancing act of working at home in shifts and looking after children. For others, it was an isolating moment in time with no one sharing their working environment. What we needed was a new 'routine' of working.

Is there a word that is more uninspiring and dull than 'routine'?

It is a word we want to escape from. We want to travel the world and hide from routine, and seek exciting new opportunities. Can we be creative if we are in a routine?

If we have learned anything from the last year, it's that routine may be dull, but it is familiar and dependable. A good routine has been key in order to live a somewhat enjoyable and productive working and personal life through the pandemic.

What worked for me was starting my working day earlier, taking an extended break in the middle of the day to ensure I homeschool my five-year-old and play with my two-year-old.

Inevitably, this meant working at night but I found that the shorter, focused periods of work I was completing actually made me more productive. That became a good motivator for me.

What I found most challenging in that first lockdown period was how easy it was to go from day to day without talking to another member of my team. I quickly realised that the part I loved most about my job, and missed most during the health crisis, was collaboration.

Scheduling a daily chat with a member of the team has really helped with this. These social calls have helped me disconnect and give me energy for the rest of the working day.

So where do we go from here? There are many things I would change about the last year, but I think I've learned a lot about the importance of sticking to a routine that offers a bit of variety. It may not be the traditional working day in the office, but it is all about balance.

It is ensuring you disconnect in the day and take extended breaks. The beauty of working at home is the ability to get back time, cutting out commutes, inevitable down time and unproductive moments in the office. Use this time! Use it to clear your head, go for a walk, read a book, play with the kids. You will be all the more productive for it.

A few tweaks to that dreaded routine, which we believe kills all imagination, might end up providing us with enthusiasm and energy for our daily life.

The importance of connections and disconnection

Kevin Nyhan, Credit Manager at AIB, has gone into 2021 wanting to reconnect with his colleagues and knowing the importance of leaving work behind at the end of the day.

THE COMMUTE BETWEEN THE OFFICE AND HOME WAS USEFUL TO DISCONNECT FROM WORK-MODE AND I DO MISS THAT BREAK BETWEEN HOME AND WORK. I NOW TAKE A SHORT WALK IN THE EVENING AFTER I FINISH WORK.

I was fortunate in that I had been able to work from home a few days each month before the COVID-19 crisis, so it wasn't a completely new experience to me. However, there's a big difference between doing it occasionally and working remotely on a permanent basis.

From the start, I've made sure to form and try to keep a daily routine, similar to what I did when I was in the office. I get up at the same time each day, try to start and finish at the same time, as well as taking breaks and lunch around the same as I would have done in the office. I have found that really helps to maintain some sort of difference between work and home.

Working on my own all day, I do miss the social interaction of work. At the start of the pandemic, like most, I tried group zoom calls and quizzes but, as we all know, it's hard to have group discussions via video call. Instead, I now make the point of scheduling a short video call each week with a colleague or friend to have a coffee and a chat and that does help keep in touch with people.

I'm fortunate to have a spare room to work from so I can close the door in the evening and try to leave work behind. However, it can be difficult to switch off when you're just walking from one room to another at the end of the day. The commute between the office and home was useful to disconnect from work-mode and I do miss that break between home and work. I now take a short walk in the evening after I finish work. That 20 minutes really helps me to disconnect. Plus, my dog is delighted with all the walks he is getting these days.

Can the boom get boomier?

Do ultra-low interest rates justify ultra-high stock market values? **Cormac Lucey** shares his thoughts as US tech stocks continue their astonishing rise.

WHEN INTEREST RATES FALL, THE DISCOUNT RATE USED IN THESE MODELS DECREASES AND THE PRICE OF THE EQUITY ASSET SHOULD APPRECIATE, ASSUMING ALL OTHER THINGS REMAIN EQUAL.

Are we experiencing a stock market bubble? The question arises because of the startling rebound in global stock market indices since last March and, in particular, because of the astonishing rise in value experienced by US tech companies. Since their March lows, the Nasdaq has nearly doubled, the NYSE FANG+ Index has risen by 150%, and Tesla has risen to an astounding 12.2 times its starting position. The other factor that suggests we are in the middle of an equity bubble is valuations.

The best measure of underlying long-term valuation is the Cyclically Adjusted Price Earnings (CAPE) ratio. It overcomes the weakness of the traditional Price Earnings (PE) ratio, that cyclically inflated earnings can make a cyclically inflated price look reasonable, by replacing one year's earnings with average earnings over the previous 10 years, adjusted for inflation. The US CAPE is currently 35. That level has only ever been seen before as the Nasdaq bubble peaked in 2000. After that, the US tech index fell by three quarters before eventually bottoming in early 2002.

On one hand, Jeremy Grantham, founder of the GMO fund management group in Boston, reckons that US stock markets are in the final stages of a speculative bubble worthy of comparison with the dot-com bubble, the Great Crash of 1929, and the South Sea Bubble. On the other, Martin Wolf, a *Financial Times* columnist, doesn't believe that we are currently experiencing a stock market bubble. He contends that equity prospects depend on the future course of corporate earnings and interest rates. He concludes that, provided the former are strong and the latter ultra-low, stock prices look reasonable. There's the rub. Do ultra-low interest rates justify ultra-high stock market values? And how long will interest rates remain ultra-low?

On the face of it, the value of equity assets should rise as interest rates fall. Interest rates are a vital component of valuation models in general, and the Capital Asset Pricing Model in particular. When interest rates fall, the discount rate used in these models decreases and the price of the equity asset should appreciate, assuming all other things remain equal. Today's interest rate cuts by central banks may therefore be used to justify higher equity prices and CAPE ratios. But John Hussman, a fund manager and former professor of finance, argues that when people say extreme stock market valuations are "justified" by interest rates, they're actually saying that it's "reasonable" for investors to price the stock market for long-term returns of nearly zero because bonds are also priced for long-term returns of nearly zero. "What's actually happening today," he argues, "is that investors are so uncomfortable with near-zero bond market valuations that they've priced nearly every other asset class at levels that can be expected to produce near-zero, or negative, 10-12 year returns as well."

I agree with Hussman: US stocks are in a bubble. While equities may appear reasonably valued relative to bonds, in absolute terms their ultra-high valuations today suggest ultra-low investment returns over the coming 10-12 years for those who buy them now and hold onto them for several years. However, just because stocks are in a bubble doesn't mean that they are about to fall. As the then-Taoiseach, Bertie Ahern, said in 2006: the boom can get boomier.

What should investors do? First, expect significant growth in short-term stock market volatility. The recent one-day 25% drop in the price of Bitcoin may be a straw in the wind. Second, the final market top may coincide with central banks allowing long-term interest rates to rise in the face of rising inflation expectations, perhaps in 2022. Until then, enjoy the boom getting boomier.

Cormac Lucey is an economic commentator and lecturer at Chartered Accountants Ireland.

Creating long-term value through ESG

Dr Rodney Irwin explains how Chartered Accountants can fulfil their professional duties by strengthening company value through environmental, social and governance criteria.

The COVID-19 pandemic has its origins in nature, and through poor biosecurity, it made its way into the human population. Everyone has been impacted to some degree, but how many have considered the pandemic an issue of sustainable development and, perhaps, only the tip of an iceberg?

Sustainability is sometimes seen as a cost, but this is not the case. A report by the Business & Sustainable Development Commission estimates that at least $12 trillion in business opportunities would come with the realisation of the United Nations' Sustainable Development Goals (UN SDGs) by 2030. So, it is not hard to understand why many companies are setting ambitious strategies and targets to reap the benefits. Examples include PepsiCo pledging net-zero emissions by 2040, Stora Enso issuing a €500 million green bond, and Unilever building its successful strategy around making sustainable living commonplace. Companies are increasingly shifting towards more sustainable strategies and stakeholder capitalism by moving away from short-term shareholder primacy.

Financial and accounting systems influence decision-making, the assessment of corporate performance, and the value attributed to it. Therefore, financial and accounting systems play an important role in helping management and others evaluate a company's ability to identify and manage environmental, social and governance (ESG) risks and create sustainable value over time.

As accountants, we are expert in financial capital, management information, and accounting standards. But I would strongly argue that the stocks and flows, impacts and dependencies of other forms of capital are equally – if not even more – important in the 21st century to understanding value creation.

I argue that we are not accounting for sustainability, value, equity and, ultimately, survival. Sure, we might be compliant with the letter of the existing rules as professionals, but we have a duty to act in the public interest, and I feel that today, we are failing in this fundamental duty.

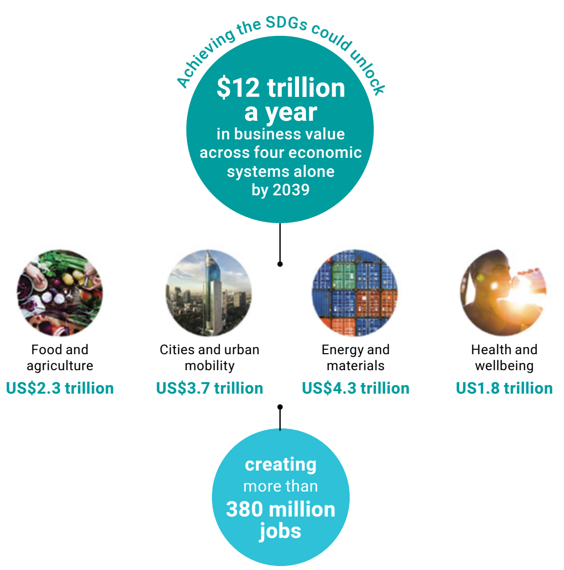
With that in mind, what can we do in our day-to-day lives to fulfil our professional duties?

Keep abreast of the ever-changing landscape

2020 marked the five-year anniversary of the Paris Agreement and UN SDGs, and the three-year anniversary of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These are fuelling many governments to set out expectations for companies to adopt accounting, financial and reporting approaches designed to support the transition to a more sustainable future. For example, the EU's non-financial reporting directive (NFRD) update is planned to be adopted by the European Commission in Q1 2021. In a significant move, Canada, New Zealand and the UK are looking to make climate disclosure mandatory for large companies and financial institutions.

Work is also underway to harmonise the so-called non-financial reporting landscape: the big voluntary standard makers announced their intention to work together; the World Economic Forum launched streamlined ESG indicators; and the IFRS and IOSCO expressed strong interest in taking a role in sustainability. Chartered Accountants must stay ahead of the curve to ensure that compliance does not create a burden, but unlocks insights into the company's ability to create value for all stakeholders.

FIGURE 1: The monetary potential of the UN Sustainable Development Goals



Source: CEO Guide to the Sustainable Development Goals, published by the World Business Council for Sustainable Development (2017).

ENSURING SUSTAINABILITY INFORMATION IS DECISION-USEFUL: NEW GUIDANCE COMING ON ASSURANCE

Investors are increasingly looking for third-party assurance of sustainability information. The problem is that, unlike auditing financial statements, the market for sustainability assurance is unregulated and practice is inconsistent – even though standards do exist. To strengthen practice, the International Auditing and Assurance Standards Board (IAASB) is developing guidance to assist practitioners with the critical challenges in assuring sustainability information. A primary focus is on report users' needs to ensure that they can use the information with confidence. The IAASB expects to issue its final guidance in March after an extensive consultation process. Once launched, the guidance will be promoted through the global network of over 170 professional accounting bodies, which are required through the International Federation of Accountants' membership criteria to follow international standards.

The World Business Council on Sustainable Development (WBCSD) has been instrumental in driving greater credibility in sustainability through its assurance project. In addition to working with the IAASB, WBCSD has produced the freely available Buyers' Guide to help companies procuring external assurance, guidance on internal controls over sustainability information, and a study of investors' needs when reviewing sustainability assurance. These tools aim to help practitioners, companies and investors have greater confidence in sustainability reporting so that the information, regardless of what report it appears in, can be relied upon for decision-making.

Identifying risks, opportunities and strategies

Companies need to understand and manage ESG-related risks. As well as maximising the potential for $12 trillion in business opportunities, we have seen companies issue profit warnings and file for bankruptcy due to ESG-related events. BASF issued profit warnings due to low water levels in the Rhine river, which affected transportation and production in 2018 impacting Solvay, Shell and many other companies as well. Said to be the first known climate change bankruptcy, PG&E filed for bankruptcy in 2019 following California's drought and forest fires.

However, 44% of companies show some alignment between what they say is material in their sustainability report and what they disclose in their legal risk filings. In practice, this means relevant risks are not being properly disclosed or considered in strategic decision-making.

PRACTICAL STEPS TO INTEGRATE ESG TO ENSURE LONG-TERM VALUE CREATION

As the prominence of environmental, social, and governance (ESG) is growing, companies need to meaningfully integrate ESG into mainstream business processes to ensure long-term profitability and resilience. To do this, the World Business Council for Sustainable Development (WBCSD), a global and CEO-led organisation of over 200 leading businesses working together to accelerate the transition to a sustainable world, has created strategic and practical steps to understand and manage relevant ESG matters:

Step 1: Understand key risks, opportunities, impacts and dependencies by assessing the broader range of your impacts and dependencies by using the Capitals Coalition's Natural Capital Protocol and the Social & Human Capital Protocol. Also, build your company's resilience with the COSO-WBCSD guidance on applying enterprise risk management (ERM) to ESG-related risks in conjunction with our diagnostic tool to understand your level of ESG integration.
Step 2: Report strategically by building effective disclosure with the help of our ESG Disclosure Handbook, and uncover good practice and sustainability reporting trends through Reporting Matters.
Step 3: Give investors decision-useful information by exploring the Task Force on Climate-related Financial Disclosures (TCFD) Preparer Forum's good disclosure practices. Strengthen your understanding of investor perspectives and dialogues and improve your data quality and credibility through the Buyer's Guide to Assurance on Non-Financial Information.
Step 4: Prepare for change by modernising corporate governance by understanding the relationship between sustainability and governance and ensuring robust internal controls, using the latest guidance on improving ESG information quality for decision-making.

For the full list of steps and access to the resources referenced above, visit www.wbcsd.org

As trusted advisors, Chartered Accountants must provide decision-useful information for both management and investors to make the right resource and financial allocations.

Focusing on materiality

The misalignment in reporting mentioned above is just one indication of the dilemmas companies and others face in determining which ESG matters represent sufficiently serious impacts and dependencies, and over which time-scales, to threaten corporate performance.

The concept of materiality is developing. The EU has introduced its double-materiality that takes account of the significance of ESG issues affecting the company's development, performance and position (sometimes known as "outside-in" materiality) and the significance of the impact of the company's activities on the environment and society (sometimes known as "inside-out" materiality). We are in a crucial position to ensure that both types of material information get captured, managed, and demonstrated to our key stakeholders.

Providing robust information

The number of signatories to the UN Principles for Responsible Investment (PRI) grew to over 3,000 globally in 2020. Strengthening the investment case, several studies have shown no negative impact of including ESG considerations in the investment selection criteria. Furthermore, companies are likely to generate better returns when they manage ESG issues well. With these trends, we must ensure that the ESG information produced is of high-level, decision-useful quality for internal and external decision-making and that our companies can profit from a lower cost of capital due to more robust management of risks like ESG.

44%
OF COMPANIES SHOW SOME ALIGNMENT BETWEEN WHAT THEY SAY IS MATERIAL IN THEIR SUSTAINABILITY REPORT AND WHAT THEY DISCLOSE IN THEIR LEGAL RISK FILINGS.

Accounting for ESG matters is not a rejection of traditional accounting. It builds on concepts such as accounting for externalities, which have been in circulation for a century. Many studies in the public domain criticise accounting (at a corporate and national level) for mismeasurement, using deficient metrics that ignore ecological and social depreciation and amortisation. However, the IASB has made it clear that we have existing tools in our armoury of standards to account for ESG risks.

This is a new chapter for Chartered Accountants. We need to embrace the ESG agenda, skill ourselves sufficiently to be competent and honour our profession's call to act in the public interest. We can be architects of the future, building on our heritage and developing a new accounting language so that new knowledge will emerge to secure both reward and survival. We should, and we must, enhance and share our unique and important skills to help decision-makers understand and act on this new reality.

Dr Rodney Irwin FCA is CFO/COO of the World Business Council for Sustainable Development (WBCSD).

Building a sustainable future for credit unions in Northern Ireland

Despite the challenging business environment, **Prof. Anne Marie Ward** and **Nadine O'Kane** have identified several competitive advantages that credit unions in Northern Ireland could and should promote as they seek to bolster the sustainability of their business models.

There are 146 credit unions (CUs) in Northern Ireland, with 592,171 adult member accounts and 104,906 juvenile deposit accounts, according to the Bank of England's Q2 2019 Credit Union Quarterly Statistics. In some communities, CUs are large, are open six days a week, and provide a range of sophisticated products and services. In others, CUs are small and offer simple products and services to a small number of members, sometimes opening for only a few hours each week. Irrespective of their size or sophistication, CUs have become increasingly important over the past decade, which has seen the flight of bank branches from small towns, for nurturing sustainable, healthy societies. Financial exclusion is a continuing problem and CUs are a solution.

In January 2020, Grant Thornton Northern Ireland and Ulster University hosted a workshop in Grant Thornton's Belfast office to facilitate the exchange of knowledge between various stakeholders in the CU sector in Northern Ireland. The day focused on the themes of sustainability, corporate governance, diversity and regulation. The first of these themes, the sustainability of the credit union movement, is the focus of this article.

The workshop included short presentations by experts, round-table discussions, and question and answer sessions. The experts were: Patrick Darcy and Sinead O'Neill, Grant Thornton; Gordon Smyth, Ulster Federation of Credit Unions; Matthew Howse and Damien McElholm, Eversheds; Martin Fisher and Marianne Cushley, Irish League of Credit Unions (ILCU); and Nadine O'Kane and Prof. Anne Marie Ward, Ulster University.

Marianne Cushley from the ILCU's Communications Department (Northern Ireland) began the workshop with a presentation on sustainability. Marianne works with individual CUs to develop marketing strategies and campaigns to help with their sustainability and growth. She explained how CUs are concerned about ageing memberships, a highly competitive lending market, reduced loan demand, high savings levels but with restricted investment opportunities, increased regulation and compliance, lack of electronic services, low returns on investments, and difficulties in attracting volunteers. In concluding her presentation, Marianne asked attendees to focus on challenges in three areas: accessibility, relevance, and competition. It was clear from the discussions that the challenges were not homogeneous across CUs.

Accessibility challenges

Loan application processes and policies

A major concern of attendees was that their loan application processes and policies needed to be quicker to meet the demands of today's networked society. While representatives from the larger CUs explained that they have automated lending software systems enabling same-day and next-day lending, several of the smaller CUs do not. Their loan application processes need to be streamlined and made available and easily accessible online.

Another stumbling block noted by some CU representatives was the prerequisite 13-week saving period that some smaller CUs still enforce before allowing a new member to borrow. It was generally agreed that loans should be provided based on ability to repay, and not savings records.

CREDIT UNIONS IN NORTHERN IRELAND ENJOY STRONG MEMBER LOYALTY AND ARE SEEN AS TRUSTWORTHY. THEY HAVE A SKILLED WORKFORCE AND, DUE TO HIGH LEVELS OF SAVINGS, HAVE READILY AVAILABLE FUNDS FOR LENDING.

Finally, some CUs noted that staff were reluctant to authorise loans. Therefore, loan requests had to go to the credit committee, which increased the time between a member making a loan inquiry and receiving the funds. It was advised that loan officers be appointed, trained, and delegated powers to lend money up to a certain threshold. This would allow the credit committee to focus on larger loans and problem accounts.

Opening hours and location

Most participants in the workshop concurred that the location of CU premises can be a challenge; the ideal scenario is where the CU is located within its community and where footfall is plentiful. In addition, free on-site car parking would improve access and be popular with members. Finally, all agreed that accessibility is improved with flexible opening hours, including Saturdays and evenings, though this may not be possible due to resource implications.

Digitalisation

It was generally felt that online services are important to each CU's future sustainability, though cost is an issue. The larger CUs have sophisticated IT support systems and are more concerned with keeping up-to-date with the latest digital technology and applications. The smaller CUs, on the other hand, are concerned about their inability to provide even basic digital services. It was advised that CUs should work with their trade associations, IT providers, or with a neighbouring CU to obtain cost-effective solutions.

Several representatives from larger CUs flagged big data and data analytics as a challenge. In particular, they focused on how to use member information and publicly available data to drive strategy, operational activity, and marketing.

Readers should note that this workshop took place a few months before the onset of the COVID-19 pandemic, which accentuated the importance of online services and systems to cater for members' needs when physical access is not possible. Most CUs provided phone support when premises closed due to pandemic restrictions.

Relevance challenges

Attracting new members

As well as increasing accessibility, it was agreed that engaging with online services and providing new services, such as debit cards, will increase the relevance of CUs. However, participants also felt that emphasising the unique characteristics of CUs was the best means of attracting new members. In that context, CUs:

- Specialise in non-business customers, although some are beginning to explore business lending to corporate members;
- Have a presence in many towns;
- Are community-based and provide social benefits for their communities; and
- Focus on member wellbeing.

The promotion of these attributes will differentiate CUs from other financial services providers.

Engaging with current members

In general, participants agreed that a formally structured survey of members every two or three years would enable the board of the CU to prioritise the development of certain products or services, knowing they are responding to members' needs. Several CUs had undertaken surveys and argued that it demonstrates a willingness to engage with members, provides evidence for the regulators that the board is responding to members' needs, and can also inform the business plan. However, it was noted that a survey should only ask about services that the CU can realistically deliver and that it is important to report to members on survey findings as it shows that the CU is listening.

Competitive challenges

CUs operate in a fiercely competitive lending market where they must compete with high street banks, challenger and online banks, doorstep lenders, and alternative lenders such as supermarkets, as well as each other. Two competitive challenges were discussed at the workshop: reaching non-members with their message, and differentiation from other lenders.

Reaching non-members

Participants shared their experience of the challenges in communicating the CU message to potential members and the comparative competitive advantage of other lenders with large marketing budgets. Suggestions for extending the reach to non-members included widening the 'common

Pictured (from left) are: Gordon Smyth, Ulster Federation of Credit Unions; Damien McElholm and Matthew Howse, Eversheds Sutherland; Prof. Anne Marie Ward, Ulster University; Patrick Darcy, Grant Thornton; Marianne Cushley, Irish League of Credit Unions; Sinead O'Neill, Grant Thornton; and Nadine O'Kane, Ulster University.

bond' (i.e. the range of people eligible for membership) and building on current relationships with primary schools to attract younger members. CUs should also engage with local groups and organisations, communicating the benefits of CUs and what they can do for people. In doing so, they could use several promotional activities and channels. Options include direct marketing, targeted outdoor advertising, social media and digital marketing, visits to local secondary schools and colleges, running personal financial management classes, raising funds for community events, and sponsorship of local initiatives, which would meet social objectives while gaining publicity.

Differentiation

It was noted that competitors can provide a wider range of products and services. Updating the specific legislation governing CUs would allow them to better compete in the marketplace. Examples of new services suggested to attract members and potential members include:

- An overdraft with a revolving credit facility; and
- Increasing loan interest rates to 3% per annum so that CUs can provide differentiated higher-risk, higher-return loans to people with poor credit ratings – for example, students with mobile phone debt (though this suggestion was controversial).

Conclusion

CUs face many challenges. It was generally agreed that trade associations and the wider CU family should focus more on CUs' comparative advantages over other financial institutions and not try to label themselves as banks. They should focus on and communicate their unique attributes and offerings.

CUs in Northern Ireland currently enjoy strong member loyalty and are seen as trustworthy. They have a skilled workforce and, due to high levels of savings, have readily available funds for lending. CUs focus on the welfare and sustainability of their members and respective communities. For example, capital retentions are used to improve a CU and ensure that it has strong capital and solvency ratios; office supplies and maintenance technicians are sourced locally; and excess surpluses are returned to members. This is a competitive advantage that should be exploited when promoting CU products and services.

Prof. Anne Marie Ward is Professor of Accounting at Ulster University, and Nadine O'Kane is a PhD Researcher at the Department of Accountancy, Finance and Economics at Ulster University.

A new take on a proven competitive advantage

Jimmy Sheehan, Managing Director at Teams PLUS, discusses the not-so-secret weapon used to drive efficiency and profitability in accountancy practices and finance functions.

According to Teams PLUS Managing Director Jimmy Sheehan, there is a word which every accountant, whether working in practice or as part of a finance team in industry, knows. "It's a word that divides opinion as cleanly as Moses divided the Red Sea. It is a word that held many negative connotations until recent years when it became more acceptable as it became more understood. I'll come back to that word shortly."

Anyone currently recruiting will agree that the war for talent in the professional accountancy arena continues, and competition for both trainee and qualified accountants has never been more intense. This is a natural consequence of a growing economy and a real shortage of professionals in the market.

"In 2007, the number of students taking accountancy exams peaked," notes Sheehan. "That fell off quite dramatically during the financial crisis and has never fully recovered."

Established in 2019 as part of the Contracting PLUS group, Teams PLUS offers a solution to accountancy practices and organisations seeking to expand their finance teams but encountering difficulties finding the right candidates in Ireland.

"Not only is there a shortage of qualified and trainee accountants, but employers also have to deal with heightened career expectations," Sheehan explains. "Today's trainee accountants want to move up the career ladder quite quickly. They don't want to spend all day doing menial, repetitive tasks but want to spend more time involved in higher-level work instead. The recently qualified accountant wants to be right in the thick of client meetings, managing relationships and improving their business skills and acumen. This is great for the companies they work for, but it leaves the obvious question: who will do the actual accounting work? Our service allows employers to meet those expectations while finding the people they need to do that very important accounting work."

Extended Teams is a core offering of Teams PLUS. The basis of the offering is providing clients with dedicated accounting professionals based on their work requirements. "We find the best people to do this work," says Sheehan. "We hire them as our employees, looking after all the legal and HR requirements, but they are dedicated to the client. They take direction from the client, do whatever work the client needs them to do, and work the hours that suit the client. There are no recruitment costs, no need to purchase laptops or phones, no hidden extras. The client pays an affordable monthly fee for a dedicated worker, which is substantially cheaper and easier than finding and hiring their own employee."

Sheehan, who successfully sold his own practice to a Top 10 firm, says: "I tried outsourcing when I had my own practice – there's that word I said I'd come back to. It didn't work for me, but the fault lay with me. I look back today and see why it didn't work. I also spoke to dozens of accountants I know and tried to understand their views, good and bad, on outsourcing. Armed with that information, we have developed a perfect service for accountancy practices and finance teams in Ireland."

Teams PLUS grew out of the Contracting PLUS umbrella company provider, which has operated in India for 12 years. "Contracting PLUS was founded in 2002 by Michael Dineen," says Sheehan. "It is a specialist accountancy and tax service provider operating in a very narrow but very deep niche. The company provides invoicing, payroll, bookkeeping, accounting and tax services for independent professionals and contractors across various sectors, including IT, pharma, engineering, and project management. Companies or recruiters typically hire these individuals on a project basis for six or 12 months. We offer a full suite service for them."

The Indian connection came about by chance. "Back in 2010, one of our IT team members was getting married back home in India. Our founder, Michael Dineen, went to the wedding and was very impressed by what he saw in terms of accountancy talent. That was the start of the Indian operation. I visited the office in January 2019 when we had about 100 people in the office, which is located in the Kerala region on the south-west coast. I was blown away by the whole operation. State-of-the-art offices, high-tech security – but most importantly, the quality of talent."

On his return from India, Sheehan used his experience of outsourcing to restructure the Contracting PLUS business and built Extended Teams behind the client-facing staff in Ireland. More focus was put on building client relationships and acting as an advocate for clients.

"This is time-consuming for the person at the front, but the Extended Team model allows the repetitive but important work to be done in the background so the value of the client relationship can be enhanced out front. The model is so simple, yet so effective. I wished such a model existed when I was in practice, so we decided that's what we'd do."

Teams PLUS is growing slowly – but that's deliberate. "We won't work with everyone who approaches us," Sheehan explains. "There are enough outsourcing firms in the market offering a quick fix. Tread cautiously! I consider our approach to be

With so much regulation now, we need to be more than just cautious. We need to be bullet-proof… We've built the perfect solution for accountants, and it's working.

better than outsourcing. I prefer the term 'outsharing'. By sharing the workload, you can dedicate more time to your clients, create more space to expand, and ultimately have more success. The work may be done by people in a different country and time zone, but they are part of the same team. Work is not being outsourced; the team is being extended."

He emphasises the point that Teams PLUS is not displacing Irish jobs. "Our service does not replace local accountants; it complements them. It allows them to climb the ladder faster. They are less likely to leave as they are doing higher-value work and supervising the extended team in India. That's how Teams PLUS works."

Naturally, security was one of the biggest concerns when developing the Teams PLUS offering. "As accountants, we're naturally cautious," says Sheehan. "But with so much regulation now, we need to be more than just cautious. We need to be bullet-proof. We have ISO 27001 (Information Security Management), ISO 9001 (Quality Management System in Financial Management). We're fully GDPR compliant. We don't need or ask for access to client servers. We've built the perfect solution for accountants, and it's working. We're up to almost 150 people in our India office now, and I'm excited about 2021 based on current conversations I'm having."

The pandemic and the resulting restrictions slowed things down somewhat, but the company has ramped up operations again of late to a very positive reception in the market. "COVID-19 has shown that it is as easy to work with colleagues located at a distance from the office, as it is with people in the same building or at the next desk. We offer clients substantial cost savings, guaranteed security, and the comfort of having a single point of contact here in Ireland to ensure the extended team performs to expectations. If you need accounting work to be done but have difficulty in finding people to do it, we have people who can get that work done for you."

Jimmy Sheehan is Managing Director at Teams PLUS. He can be contacted by email at jimmy.sheehan@teams.plus

The power of positive leadership

Joanne Hession explains the concept of positive leadership and shares five strategies to help you develop this increasingly vital skill.

I remember the financial crisis of 2008. I remember scrambling to try to keep my two businesses afloat. I remember thinking, to paraphrase Seamus Heaney, if I can get through this, I can cope with anything.

Across the world, businesses were faced with incredible challenges. It was difficult for everyone. Employees took wage cuts, worked long hours, found new markets, and sought innovative solutions to keep their businesses going until things picked up. Some businesses did not make it while others did. Thankfully, we weathered the storm.

Why did some businesses survive while others did not? There are many reasons, but a couple of years ago, I came across research conducted by Dr Fred Kiel in *Harvard Business Review* (as well as in Dr Kiel's book, *Return on Character*).

In 2015, Dr Kiel looked at whether business performance has any relationship with the CEO's character. He asked employees in over 100 organisations to rate their chief executive on integrity, compassion, forgiveness and responsibility. Based on respondents' feedback, he gave the CEOs an overall score, which he called their 'character score'.

Then, he looked at the return on assets (ROA) of the companies they led to see whether there was any relationship between character scores and business performance. The categorical answer was: yes, there was.

The CEOs rated highest for their character score invariably led the companies with the best performance. The five highest-ranked leaders led companies with a ROA of close to 10% over the period. The companies of CEOs with a medium character score had an average ROA of about 5%. Interestingly, the leaders with the lowest character scores had ROA rates of around 2%.

For me, this finding echoes the work of psychologist, Prof. Chris Peterson of the University of Michigan. Prof. Peterson carried out an analysis of the common factors among US soldiers who returned from difficult tours of duty with higher resilience levels than others.

As he analysed the data he noted that, aside from resilience, soldiers who progressed to leadership positions in the military also had the highest scores on 'strength of character' indicators such as honesty, hope, bravery, industry, and teamwork. These traits seemed to be most important in progressing to positions of leadership in the military.

This research resonated with me deeply. I have always believed that the most important aspect of leadership lies in character, and both Dr Kiel and Prof. Peterson confirmed this. But more importantly, Dr Kiel's research demonstrated that positive character attributes directly correlate with better leadership, all the way down to the bottom line.

The central point is this: when things are really difficult, as they were in 2008, character is central to how people respond. Little did I know back then just how much more challenging the world would become 12 years later, and just how vital positive leadership would be.

POSITIVE LEADERSHIP IS INFLUENCE THAT EMERGES BECAUSE SOMEONE CARES, EMPOWERS AND SUPPORTS OTHERS AND BECAUSE THEIR BEHAVIOUR OR CHARACTER PROVIDES AN EXAMPLE THAT OTHERS USE TO FORGE THEIR FUTURES.

The role of influence

Leadership is an interesting concept. Ask most people to name a leader and they will invariably choose a CEO, politician or perhaps a team captain. Whatever the context, it will almost always be the person at the top.

Bottom-line results are often why one person is chosen over another: X was in charge when Rabona United won the league; or Y was the CEO when Tech Co. Inc. increased its share price three years in a row, for example.

There are undoubtedly great leaders among these positional leaders. Yet I cannot help thinking that this notion of leaders as those at the top of their environments misses the point about what leadership is and where we can find it.

Leadership is influence. If you influence others, you are leading them. Positive leadership is therefore about positive influence. Whether it is termed 'authentic', 'transformational', 'charismatic' or 'servant' leadership, positive leadership is influence that emerges because someone cares, empowers and supports others and because their behaviour or character provides an example that others use to forge their futures.

I have been in the privileged position of running several businesses for over 20 years now. As founder and CEO, I have, in a literal sense, led those businesses. But just as importantly throughout those 20 years, numerous others have led me.

When one of my staff saw a potential niche market, offering and explaining his findings, I was influenced to change our business direction slightly. When one of our technical experts saw a more efficient way to allow our teams to collaborate, I followed her lead to progress the overall business vision.

In purely business terms, I may be founder and CEO, but I am well aware that there are times when my role is to lead, and there are times when my role is to take my lead from others.

This is a liberating and empowering idea. It doesn't matter what our role is, and it doesn't matter whether we are running a business or are the newest recruit through the door. Every one of us leads at certain times and follows at others. We all encounter moments every day when our actions, words, or behaviour might influence others. When this happens, others are effectively taking their lead from us, and we are leading them. Equally, we are all influenced by others and, regardless of our seniority, we need to maintain the humility to recognise that leadership is a shared endeavour.

When everyone within a business understands that how they act will potentially influence and lead others, and when they are given the space and permission to exercise this leadership role, the benefits are immeasurable. Employee satisfaction increases as strict hierarchical structures gain flexibility; individual ownership and responsibility for behaviour and performance rise; and the sense of mutual collaboration within teams and across departments and functions grows exponentially.

Beyond the professional realm, we can be leaders in all walks of life. In our families, we might have children, siblings, or parents who are influenced by us. Among our friends, we are constantly influencing and being influenced. This places a responsibility very squarely on our shoulders – if we are continually being asked to lead, how can we ensure that we are leading well? We all need an understanding of what good leadership should look like.

THE 2021 LIFT IRELAND LEADERSHIP INDEX

The LIFT Index was first published in 2018 by LIFT Ireland Foundation. It is an annual survey of attitudes to leadership based on an independently conducted poll of 1,000 people across Ireland.

The index asks two main questions:

1 What are the most important attributes we need to develop if we want to raise the standard of leadership in Ireland?

Out of 24 leadership attributes, respondents chose the four that they perceived to be most in need of development in Ireland. The top eight attributes collectively identified by respondents are:

- Honesty;
- Accountability;
- Respect;
- Empathy and understanding;
- Competence;
- Integrity;
- Listening; and
- Valuing other people.

The fact that people selected honesty as the leadership characteristic most in need of development certainly makes you ask why. It may well support other surveys that have found a lack of trust in leadership in Ireland among ordinary people. It is also interesting that attributes like accountability, respect, and empathy are perceived as needing improvement.

2 What sectors of Irish society are currently showing the best leadership?

The index also looks at the areas of Irish society currently perceived as demonstrating the best leadership. Out of a list of eight societal areas, here are the results:

- Health sector;
- Community and charitable organisations;
- Business sector;
- Sports organisations;
- Media;
- Sectoral representative bodies (e.g. trade unions);
- Politics; and
- Faith-based organisations.

It is probably no surprise to see health professionals ranked as the sector with the strongest levels of leadership in Ireland. It may reflect the respect that people have for the honesty and leadership that that sector has shown in a challenging time. It also may be no coincidence that the leadership within that sector has been so visible and seemingly open with its communication, both when things have been going well and when things have gone less well in what has been a crisis year.

LEADING IRELAND'S FUTURE TOGETHER

I MAY BE FOUNDER AND CEO, BUT I AM WELL AWARE THAT THERE ARE TIMES WHEN MY ROLE IS TO LEAD, AND THERE ARE TIMES WHEN MY ROLE IS TO TAKE MY LEAD FROM OTHERS.

What 'good' leadership looks like

Good leadership has nothing to do with control or power. We can say that we are leading well only when we have exerted positive influence, whether we are aware of it or not. Even if we are not in a leadership position, we should aim to provide a positive example in how we lead ourselves and potentially influence others in a positive direction also.

We cannot force others to follow us; we can only try to behave in a way that others will choose to follow. This means focusing on building our character in order to develop our leadership capacity.

As a good starting point in building positive leadership, it is worthwhile to consider five main areas:

1 **Reflect on your values.** Positive leaders are clear about what they stand for. To develop your positive leadership capacity, you must understand your values. Make this a written exercise. Dig deep. What is it that matters to you? What are the boundaries that you will not cross, regardless of the pressures you might be under? What do you want to contribute to your business, community and family? Take time to reflect on your values because they are the yardstick by which others will measure you, and you will measure yourself.

2 **Reflect on your behaviour.** Few things are as powerful as seeing someone with deep integrity, who has the courage to be accountable and is willing to stand up for what they believe in. Unfortunately, few of us are as consistent as we would like to be. We all fall below the standards we expect of ourselves occasionally. Allow yourself to reflect regularly on your behaviour in light of your values. Be honest with yourself. Do you have higher expectations of others than you do of yourself? Have you judged others by their actions, but judged yourself by your intentions? Review your actions and behaviour over the previous days or weeks. How do you feel you have lived up to your values? Have you led as positively as you intended? How has your behaviour impacted on your team, colleagues, and those around you?

3 **Reflect on your relationships.** To influence another, for them to choose to take their lead from us, we must create a real and meaningful connection. People respond to genuine connection. If we want to build our positive leadership, we have to focus on the most basic (but frequently, the most difficult) things: to truly listen to what others are saying; to genuinely understand their perspectives or concerns; to treat everyone with respect and fairness. Assess how you have performed here. What could you do better?

4 **Decide how you can improve.** One of the most inspiring leadership characteristics is seeing someone who makes the most of what they have and works to maximise their abilities. Unless we learn to give our best and work to improve continually, we have little authority to influence or lead others. When you reflect on your behaviour and identify where you have fallen below your own standards, set yourself a finite and measurable action that will force you to address that shortcoming, even if it is only in a small way. Hold yourself accountable.

5 **Repeat.** Building positive leadership character is like going to the gym. It needs to become a part of your life to have a meaningful and lasting impact. Don't try to change overnight. Instead, focus on making the steps above part of the fabric of your routine. Just like 'peace', in Yeats' poem, change "comes dropping slow", but small actions done consistently can create great change.

Joanne Hession is Founder and CEO of LIFT Ireland, a not-for-profit initiative to increase the level of positive leadership in Ireland.

CHARTERED ACCOUNTANTS SUPPORT

CA Support

You can count on us

Who we are

–

Life can throw us all kinds of challenges. We don't always know what's around the corner. Redundancy, bereavement, depression, illness and family crisis can happen to any one of us, when we least expect it. Should you find yourself in a difficult situation, CA Support is here for you.

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Services we offer

–

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- Wellness coaching
- Career service and coaching
- Mentoring Programme
- Wellbeing and mental health workshops and events
- CA Support website
- Short-term financial support

How do I get in touch?

–

Contact our confidential service below:

Chartered Accountants Support
47/49 Pearse Street, Dublin 2

Manager: Dee France

T (+353) 1 637 7342
M (+353) 86 024 3294
E casupport@charteredaccountants.ie
W www.charteredaccountants.ie/casupport

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CHY 8941 (Republic of Ireland)
101453 (Northern Ireland)

Regulation

Admissions into practice

NAME	STATUS	LOCATION
Brendan Mullaly	ACA	Guernsey
Robert Masterson	ACA	Co Wicklow
Patrick McKenna	ACA	Co Louth
Stephen McGivern	FCA	Co Louth
Conor Lambert	FCA	London
Robert Lacey	FCA	Dublin 1
Eoin Tippins	FCA	Dublin 1
Michael McGivern	FCA	Dublin 18
Anthony McAleenan	ACA	Belfast
David Campbell	ACA	Co Tyrone
Mary Blyth	FCA	Co Cork
Anne Rodden	FCA	Co Dublin
Emer Keaveny	FCA	Co Dublin
Damien Nyhan	ACA	Co Dublin
Louis O'Neill	FCA	Dublin 15
Caoimhe McLoughlin	FCA	Dublin 2
Gavin Sheehan	FCA	Dublin 2
Una Curtis	FCA	Dublin 2
Amanda McHugh	FCA	Dublin 2
Jacinta A Shinnick	FCA	Dublin 6
Terence Coveney	ACA	Dublin 4
James Black	FCA	Dublin 4
Owen Smithers	FCA	Co Cork
Aisling McGarrigle	FCA	Dublin 14
James Loughrey	ACA	Co Cork
Emma Gallagher	FCA	Co Tyrone
Paul Cormican	FCA	Co Galway
Conor Buckley	ACA	Dublin 6W
Orlagh Gillespie	FCA	Co Tyrone
Michael Hogan	ACA	Dublin
Conor Stanley	ACA	Dublin 8
David Bennett	ACA	Co Kerry
Ailbhe MacManus	FCA	Co Dublin
Elaine Doyle	FCA	Co Kildare
Maurice Minogue	FCA	Co Cork

Cessations from practice

NAME	STATUS	LOCATION
Kevin Higgins	FCA	Co Antrim
Brian Solan	FCA	Co Waterford
Fiachra Kirwan	FCA	Co Kildare
Martin Kelly	FCA	Dublin 3
Gary Gibson	FCA	Co Antrim
Donal O'Brien	FCA	Co Dublin
George Nixon	FCA	Londonderry
John Lambe	FCA	Co Tipperary
Sharon Burke	FCA	Dublin 6
Harry Kelly	FCA	Co Antrim
Tim Quigley	FCA	Dublin 14
Aine Farrelly	FCA	Co Meath
John Cotter	FCA	Dublin 6w
Joseph Fortune	FCA	Co Kildare
Margaret McCune	FCA	Co Armagh
Aisling Cawley	FCA	Sligo
David Johnston	FCA	Co Meath
William Stinson	FCA	Co Tyrone
Arnold Courtney	FCA	Co Tyrone
David Buggy	FCA	Dublin 2
Anthony Tobin	FCA	Co Cork
Brendan O'Sullivan	FCA	Co Cork
Brian McMahon	FCA	Dublin 3

Consent orders

The Conduct Committee found that Mr Trevor Keenan, a member of the Institute, practising in Co. Monaghan, did act in breach of:

(1) The Institute's Public Practice Regulations: 7.9 by failing to obtain and provide evidence of professional indemnity insurance run-off cover in respect of a former practice; and

(2) The Institute's Disciplinary Bye-Law 7 by failing to cooperate with the Institute's disciplinary process.

The Conduct Committee determined that in relation to the formal allegation, a sanction of exclusion with no fine or costs was appropriate.

The Conduct Committee found that Conor MacGowan, a member in public practice, and sole shareholder in Amergin Consulting Limited, a member firm, with an address in Co. Wicklow, did act in breach of the Code of Ethics for Members (2014-2016): Fundamental Principles: (c) Professional Competence and Due Care and (e) Professional Behaviour, in relation to a company in which he was a director and of which the member firm was the company's accountant and company secretary, in circumstances where:

(1) Financial statements of the company did not appear consistent with the Companies Acts and/or compliant with a specific reporting accounting framework;
(2) Inappropriate action was undertaken in relation to the conversion of the company to a new type of company, including the making of false submissions to the Companies Registrations Office;
(3) Insufficient notice was given in relation to an AGM of the company subsequently reconvened;
(4) Financial statements and a directors' report of the company were not circulated prior to the company's AGM in accordance with company legislation;
(5) Abridged financial statements of the company were submitted to the Companies Registrations Office without first laying the company's financial statements before an AGM; and
(6) A transfer of shares in the company disclosed in the company's annual return to the Companies Registrations Office was backdated and impacted or raised a question as regards the validity surrounding the administration and holding of an AGM of the company.

The Conduct Committee determined that in relation to the formal allegation, a sanction of severe reprimand, a fine of €6,000 and costs in the amount of €3,000 were appropriate.

Regulatory penalties

In accordance with the Institute's Publication Policy (effective from 1 January 2020), regulatory penalties must be published in *Accountancy Ireland* and on the Register of Regulatory Findings and Orders on the Professional Standards section of the Institute's website.

At a recent meeting, the Quality Assurance Committee offered the following regulatory penalties which have been accepted by the members/firms:

Regulatory penalty	Reason for regulatory action
€2,000	A firm failed to fully adhere to undertakings given at a previous monitoring inspection resulting in repeat breaches of Audit Regulations 3.17 and 3.19.
€1,000	A firm failed to fully adhere to undertakings given at a previous monitoring inspection resulting in a repeat breach of Audit Regulation 3.10.
£2,000	A firm failed to fully adhere to undertakings given at a previous monitoring inspection resulting in repeat breaches of Audit Regulations 3.10, 3.19 and 3.20.

The Quality Assurance Committee exercised its discretion in accordance with the Principles Governing the Timing and Manner of Disclosure of Penalties and Sanctions not to publish the identity of the firms.

Restrictions on audit registration

In accordance with the Institute's Publication Policy (effective from 1 January 2020), orders for the imposition of restrictions on a firm's audit registration are to be published and will include the nature of the restriction imposed.

At a recent meeting, the Quality Assurance Committee imposed the following restrictions on audit registration:

Nature of restriction	Number of firms
Firms not permitted to carry out audit-related compliance reviews/file reviews for other firms.	**2**
Firms required to obtain external hot file reviews, submit a report to the Committee and seek permission to sign an auditor's report.	**10**
Firms not permitted to accept any new audit appointments without the permission of the Committee.	**9**

The Quality Assurance Committee exercised its discretion in accordance with the Principles Governing the Timing and Manner of Disclosure of Penalties and Sanctions not to publish the identity of the firms. The Quality Assurance Committee directed that the information to be published could be aggregated for a number of firms subject to the same restriction.

Membership updates

Admissions

Andriani, Vania
Atkinson, Aaron
Barrett, Aoife
Barrett, Sabina
Bassett, Hannah
Bayliss, Thomas
Beckinsale, Andrew
Bednarz, Agnieszka
Beggs, Thomas
Behan, Tom
Bird, Shirley
Bofin, Andrew
Booth, Hayley
Bourke, Sean
Boyd, Darren
Boylan, Dale
Boyne, Erika
Bradley, Sarah
Brady, Ciaran
Brady, Sean
Breen, Caroline
Brennan, Catherine
Brennan, Sarah
Bright, Natalie
Buckley, Eoin
Butler, Alina
Butler, Darragh
Byrne, Laura
Byrne, Megan
Caldwell, Sebastian
Callaghan, Aaron
Carmody, Hazel
Carrigy, Peter
Carroll, Alex
Carroll, Patricia
Casey, Niamh
Cawley, Rachel
Cherubini, Paul
Cierpisz, Justyna
Commins, James
Connolly, Sean
Cormican, Kevin
Craven, Ruth
Croke, Kevin
Crowley, Matthew
Cullinane, Cillian
Curran, Sophie
Curtis, Sam
Cusack, Oisin
Daly, Jack
de Maria Fernandez Albalat, Belen
Delaney, Leanne
Deloughery, Niall
Derwin, Tracey
Devine, Catherine
Dilworth, Danielle
Dinan, Steven
Dobiliene, Vyginta
Doggett, Sam
Donovan, Tom
Drummond, Jake
Duffield, Alison
Duffy, Adrian
Duffy, Conor
Duggan, Michael
Dunne, Colin
Eagers, Caroline
Edgar, Pamela
Egan, Paul
Egan-Logue, Michael
Epstein, Benjamin
Faherty, Ciaran
Fahy, Paul
Fanning, Jack
Fee, Celine
Fitzgerald, Conor
Fitzpatrick, Cliona
Flanagan, Darina Mary
Flanagan, Erin
Flanagan, Matthew
Flynn, Chloe
Flynn, Kevin William
Fogarty, Ciara
Fogarty, Peter
Foley, Niamh
Forde, Martha
Forde, Michelle
Foster, Mark
Fox, Richard
French, Marguerite
Gannon, Barbara
Geraghty, Jim
Ghebrezgiabiher, Sem
Gillen, David
Gillen, Ryan
Gleeson, Kevin
Glendon, Jack
Godley, Michael
Gogarty, Michael
Greene, Amy
Griffin, Thomas
Guilfoyle, Sean
Hagan, Dearbhla
Halligan, Orla
Halpin, Shane
Hampsey, Chris
Han, Pu
Hanly, Andrew
Hartley, Conor
Hata, Yurie
Hayes, Brian
Hayes, James
Healy, Síonna
Heavey, Patrick
Hegarty, Aisling
Hennessy, Cormac
Henning, Lauren
Henry, Ciara
Henry, Elizabeth
Hickey, Christopher
Hopfan, Anna
Hughes, Steven
Humphrey, Leanne
Hurley, Karl
Hussain, Kashif
Hutchinson, Jean
Hutton, Christopher
Ibadlit, Angelica
Igbinovia, Michael
Iglesias, Andrea Danielle
Jeffers, Sara
Johnson, Robert
Kaur, Navdeep
Keane, Robyn
Keating, Alice
Keenan, Paul
Keenan, Robert
Kelly, Laura
Kelly, Robert
Kelly, Ruairi
Kennedy, James
Kennedy, Paul
Kennedy, Rachel
Kenny, Caron
Kenny, Donna
Kerins, Cathal
Kerr, Jack
Kilgallen, Fionnuala
Kiniry, Damien
Lawn, Ashlene
Lee, Hyeong Kun
Lenihan, Daniel
Lenihan, Daniel William
Lennon, Shane
Leslie, Amy
Li, Yuying
Linnane, Barry
Lynch, Niamh
MacDonnell, Lydia
Madden, Daniel
Maguire, Ian
Maharjan, Suman
Mahmud, Ali Shawn
Mahomed, Mohammed
Mahon, Emily
Mahon, Laura
Malone, Jennifer
Mangan, Ailbhe
Mangan, Lewis

Marsh, Brian
Mathers, Ryan
McAndrew, Leanne
McArdle, Claire
McCabe, Cormac
McCague, Peter
McCarthy, Brendan
McCarthy, Conor
McCullough, James
McCune, Jordan
McDermott, Michael
McDonnell, Cian
McDonnell, Joanna
McEntee, Aoife
McEvoy, Eimhín
McGann, Niall
McGettigan, Antoinette
McGivern, Colm
McGoldrick, Thomas
McGonigle, Harry
McGovern, Karen
McGowan, Ross
McGrath, Elaine
McGrath, Sean
McGuinness, Anita
McHugh, Louise
McHugh, Megan
McManus, Conor
McMunn, Ciara
McNamara, Gillian
McNamee, Lisa
McQuaid, Michael
McShane, Kerry
McShane, Mark
Meenan, Ben
Messitt, Eoin
Mitchell, Sarah
Mooney, Christina
Moore, Daniel
Moran, Ruth
Moran, Tyrone
Morrissey, Brendan
Morrissey, Diarmuid
Mulcahy, Evan
Muldowney, Adam
Mullane, Peter
Mulvihill, Cormac
Murphy, Damian
Murphy, Jessica
Murphy, Niamh
Murphy, Stephen
Murphy, Stephen
Murray Burke, Dillon
Murray, Mairead
Murray, Patrick
Murray, Vanessa
Nally, James
Naughton, Jack
Newman, Shane
Ng, Hiutung
Ní Fhlatharta, Róisín
Ó Caoimh, Tadhg
O'Brien, Cathal
O'Brien, David
O'Brien, Katie
O'Connell, David
O'Connor, Aisling
O'Connor, Fionn
O'Connor, Mary
O'Connor, Sinead
O'Dea, Mark
O'Doherty, Alison
O'Dwyer, Robert
O'Hara, Siobhán
O'Keefe, Thomas
O'Keeffe, Sean
O'Neill, Joseph
O'Regan, Seán
O'Reilly, Emily
O'Reilly, Seán
O'Riordan, Sinéad
O'Shea, Robert
O'Sullivan, Karen
O'Sullivan, Tim
O'Toole, Michael
Palmer, Jamie
Pancer, Izabela
Parle, Shauna
Pauce, Renate
Phelan, Ronan
Pilcic, Katelynne
Porter, Andrew
Quaid, Emma
Quinn, Thomas
Quirke, Andrew
Quirke, Patrick
Rahill, Caoimhe
Rainsford, Lisa
Ralph, Jamie
Randles, Grace
Reape, Aidan
Redmond, Eamonn
Reid, Edward
Reidy, John Jack
Reilly, Michael
Reynolds, Jack
Robinson, Alan
Rooney, Colleen
Rooney, Jack
Ross, Daniel
Ross, Lynzie
Rowan, Keith
Ruane, Susan
Ryan, Rachel
Samuel, Aniekeme
Sands, Danielle
Sanjay, Manjusha
Seymour, Jonathan
Sherwood, Dylan
Shevlin, Antoinette
Skelly, Sam
Small, Katherine
Sommerville, Sarah-Louise
Spelman, Diarmuid
Stone, Philip
Storan, Niamh
Stracar, Petra
Sung, Haiwai
Sweeney, Sean
Taggart, Emma
Thornbury, Darren
To, Lai-Sze Alice
Tolson, Anna
Torpey, Niamh
Trundle, Adam
Wade, Marcus
Waldron, Bruce
Wallace, John
Walsh, Ian
Walsh, Peter
Ward, Gavin
Watchorne, Alda
Watson, David
Watson, Michaela
Whitmore, Rebecca
Whitnell, Aisling
Wilson, William
Younge, Lorraine
Zhao, Jie
Zhu, Qingying
Zuo, Qinyi

Readmissions
Hannigan, Niall

Bye-Law 34(a)
Chhokar, Harpal Singh
Farooq, Imran
Mudge, Dominic
O'Neill, Jennifer
Radzali, Nabilah
Stubley, Richard (Rick)
Welsh, Vered

Bye-Law 34(b)
Csikos, Gregory Peter
Ngan, Yu Loong
Potgieter, Manda Marie
Sidhu, David Satwant

Deaths
Browne, James Valentine
Crowe, Kenneth William
De Groot, Edward Joseph
Delves, Colm L
Doyle, Brian
Hutcheson, John Barnett
Kerr, James Wright
Lally, Brian
Lalor, Edward
Lowe, Harold Francis
Martin, Stephen
McGahon, Niall Patrick
Murphy, David Ignatius
Neill, Guy Beresford Campbell
O'Beirne, Dermot Joseph

The coach's corner

Julia Rowan answers your management, leadership and team development questions.

Q I do my best to bring my team together on calls, but it's a one-way street with me doing all the talking. In general, we all get on well enough together. How can I get everyone to contribute?

First of all, congratulations on noticing this (not all leaders do) and wanting to change it. Team meetings are often the only time the whole team is together, and they are a vital tool for building the team you want. There are many reasons for silence and non-participation at meetings, but you say that team members get on well. So, I wonder if you and the team have fallen into a pattern where you call and run the meeting, share information, get through business – and they sit and listen.

Explaining and justifying sends a clear message that we're not really listening.

Think about how you want your team to develop. Do you want colleagues to be more proactive? More collegiate? More strategic? Then, reflect on how you use the team meeting to achieve that. Changing established patterns takes time and discipline. Prepare great questions to ask your team – a great question leads to a great discussion and doesn't necessarily have a 'right' answer. It would help if you also let go of the pressure to talk. This is a tough habit to break, especially when there's silence.

Invite the team to share their experience of the team meeting – what they find more and less valuable or how the team meeting could be more useful. Working from home provides you with a great reason to do that, so give the team some notice and invite them to share what they like and what they don't. Listen to the feedback without responding, other than to say "thank you". Explaining and justifying sends a clear message that we're not really listening. Then, act on the feedback and check-in after a few meetings. Ask about what has improved and what still needs work. This reaffirms the idea that talking about how we work together is good.

Q One member of my team is outstanding at most of his job, but poor in one aspect. I've given him lots of feedback – positive feedback about what he does well and honest feedback about where he needs to improve. He always listens and agrees, but nothing changes.

This is common, and it sounds like you've fallen into a comfortable pattern: you give feedback, he listens, nothing changes, you give more feedback, and so on. Patterns can take on a life of their own, but they need to be broken if they're not working. You must change the pattern. Instead of (yet again) giving your team member feedback on the one aspect of their job they are poor at, say: "John, I've given you feedback about (aspect), and I notice that (aspect) is continuing. Can we talk about why that's happening?" This leads you to quite a different discussion.

When giving feedback, it's useful to describe (e.g. "your report was two days late") rather than judge (e.g. "you don't care about this project"). This is difficult as our brain automatically interprets (judges) behaviour and concludes what it means! So "you don't care about this project" may appear to be the truth, but it's not – it's your story. The truth is that the reports are late. Paring back from judgement to description takes preparation.

Julia Rowan is Principal Consultant at Performance Matters, a leadership and team development consultancy. If you have a question, email julia@performancematters.ie

IF YOU READ ONE THING…

Brené Brown is well worth reading – or catch her TED Talks. She writes about vulnerability, shame, fear, courage and being whole-hearted. Her most recent book, *Dare to Lead*, is packed with insightful ideas and questions for leaders.

We have significant new opportunities for Accounting and Finance professionals from Newly Qualified to Executive level currently available.
Please visit our website www.Lincoln.ie for a full list of opportunities available.

FINANCIAL ACCOUNTANT - Healthcare / Dublin — €55-60K

Our client, a well-known healthcare provider, is in the process of growing its finance team and seeking to hire a Financial Accountant. Reporting to the Financial Controller this role will suit a recently Qualified Accountant with circa one years' experience. Duties will include:
The timely and accurate production of monthly management accounts and preparation of the monthly reporting pack. Additionally, you will be involved in the annual statutory audit and interacting across various departments to produce monthly departmental financial reports.
For now, this role will be fully remote.

COMMERCIAL FINANCE MANAGER - FMCG / Dublin — €65-75K

We are actively seeking a commercial finance manager with circa 4-6 years PQE for an FMCG business in Dublin.
This role will suit someone that is comfortable with owning a large P&L and reporting and presenting on divisional business performance to the CFO and Senior Management team. A background in implementing new processes and supporting key decision-making processes will be advantageous alongside leading pricing, ROI analysis and net revenue management reporting. This role will appeal to a commercially minded finance professional, wishing to make a move into a fast-paced business where no day is the same and where you are constantly analysing, influencing, and driving business performance.
Due to the nature of the client's business, once restrictions are lifted the role will be office based.

GROUP ACCOUNTANT - PLC / Dublin — €57K

Seeking a newly qualified Accountant, that is ambitious, hardworking and personable for a group reporting accountant role. This role is best suited to Big 4 trained accountant with a strong knowledge of IFRS and ideally group consolidation experience. The ideal candidate should also have strong excel and systems experience and possess an ability to work alongside senior management at all levels, both within the business and externally.
For now, this role will be based remotely.

If you wish to discuss any of the above roles in confidence, please contact the team at Lincoln Recruitment:

Concepta Cadogan | Accountancy & Finance | ccadogan@lincoln.ie
Emma Morrissey | Temporary & Contract | emorrissey@lincoln.ie

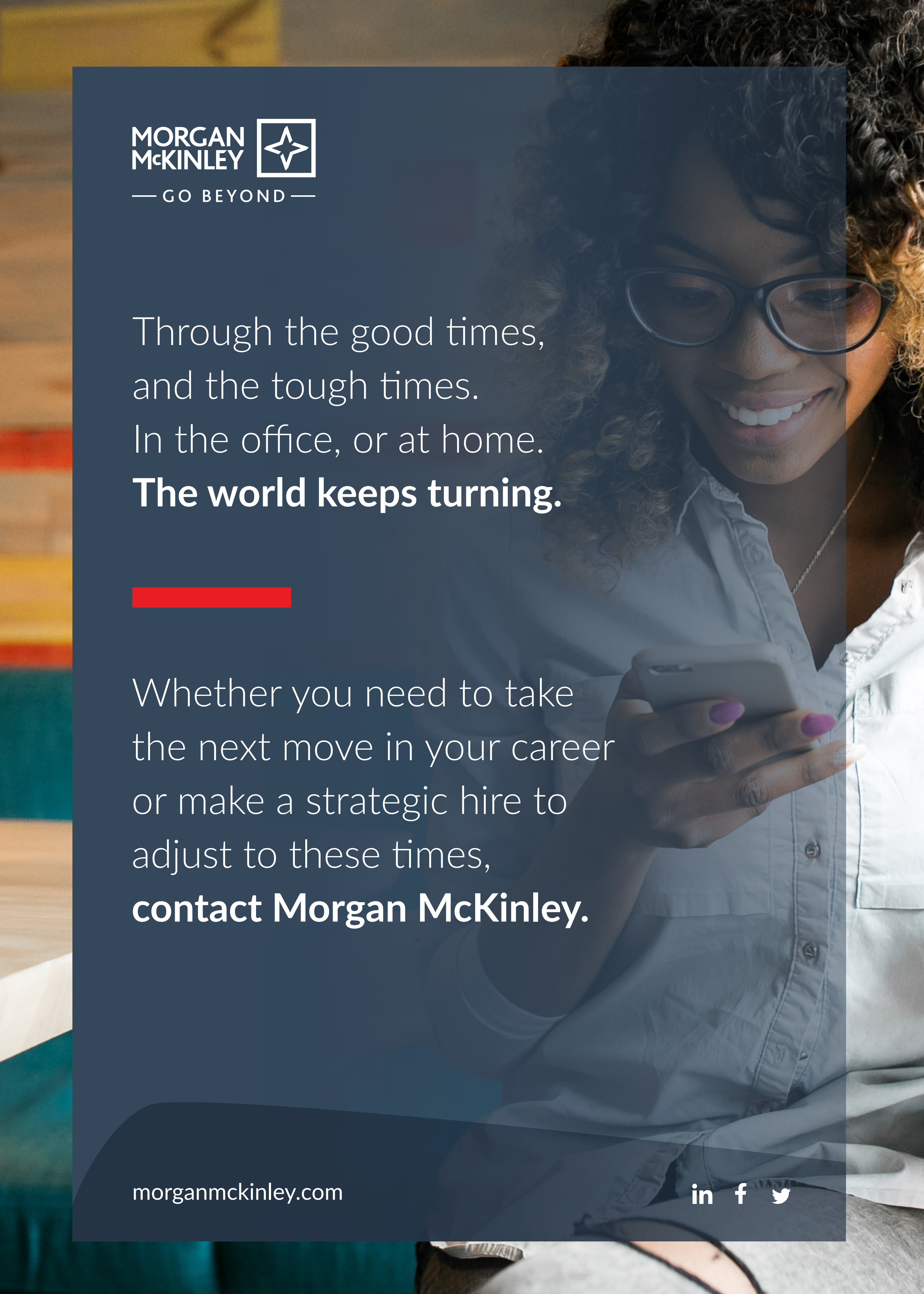
Like us,
You are ambitious.

You know exactly where you want to go, and we can help you get there.

Like you,
We are driven.

Our motivation is helping you find your next challenge.

Lincoln Recruitment Specialists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