Accountancy Futures

Critical issues for tomorrow's profession

Edition 16 | 2018

Leaders in the hotseat

As traditional leadership skills are challenged by an uncharted digital age, what are the qualities needed in this brave new world?

Plus: World Congress of Accountants | Bermuda politician's fight for fairness | Audit | Risk management | UN sustainability goals | CFOs and innovation | Social mobility | Entrepreneurs | Directors' duties | Initial coin offerings | Volunteering | Business of sport

ACCA Think Ahead

CHARTERED ACCOUNTANTS™ AUSTRALIA + NEW ZEALAND

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.
ACCA supports its 200,000 members and 486,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 101 offices and centres and more than 7,200 Approved Employers worldwide, who provide high standards of employee learning and development.

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About CA ANZ

CA ANZ (Chartered Accountants Australia and New Zealand) is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over. Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations. We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that influence the economy and domestic and international markets.

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Welcome

Explore the critical issues facing the accountancy profession in the latest jointly produced magazine from Chartered Accountants ANZ and ACCA

When the strategic alliance between ACCA (the Association of Chartered Certified Accountants) and Chartered Accountants Australia and New Zealand (CA ANZ) started two years ago, one of our main aims was to shape and lead the future of our profession together. It's satisfying to see the progress that we've made. Together, we've undertaken and published research that has made an impact on the world stage on such high-profile issues as public trust in tax, and made joint submissions to the world's regulators and standard-setters on a variety of key issues affecting the profession's future. We are influencing global debates, and bringing our members together to network and discuss key issues at hundreds of events across Australia, New Zealand, Asia and the UK.

But what does leadership mean in the digital age? Our cover feature for this second edition of our jointly produced magazine explores this crucial issue, looking in particular at the differences and similarities between traditional leadership qualities and those needed in the digital age. As the article (see page 6) points out, this is an age of huge opportunity, but it is also messy, risky and unpredictable. New and existing businesses alike are entering uncharted territory, and being forced – along with governments, tax authorities and regulators around the world – to think in fundamentally different ways.

Both of our professional bodies are focusing on the leadership challenges ahead. ACCA is introducing innovations to its qualification, including a new Strategic Business Leader case study, designed to recognise these new demands. Meanwhile, CA ANZ is preparing for the World Congress of Accountants, which it co-hosts in Sydney this year (see page 12). WCOA's theme this year is 'Global Challenges, Global Leaders', and exploring how professional accountants can harness the opportunities created by disruptive technologies is a key part of the agenda.

All of the articles in this magazine are designed to help you look ahead. We hope you enjoy the pages that follow, and perhaps get some ideas for future-proofing your own leadership skills.

You can find out more about CA ANZ's *future*[inc] research at charteredaccountantsanz.com/futureinc

You can find out more about ACCA's research and insights activities at accaglobal.com/insights

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This publication is also available in a range of digital formats, including as an app for Apple, Android and Kindle devices.
charteredaccountantsanz.com/alliance; accaglobal.com/alliance

Jane Stanton, CA ANZ president; Leo Lee, ACCA president.

The ACCA and CA ANZ alliance

A strategic alliance was founded in June 2016 by ACCA and CA ANZ to shape and lead the future of the accountancy profession. Our combined voice represents the views of 800,000 current and future finance professionals in 180 countries, offering unique range and scale. The two professional bodies work together to advance public value, to promote and represent members, to provide greater support and resources to members and other stakeholders, and on research projects and events. Together, the two bodies have more than 100 offices and centres around the world.
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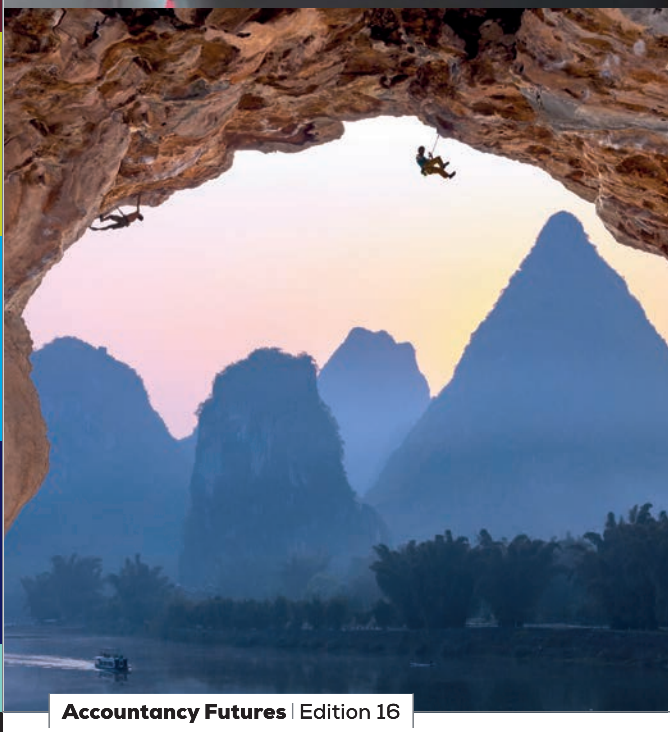
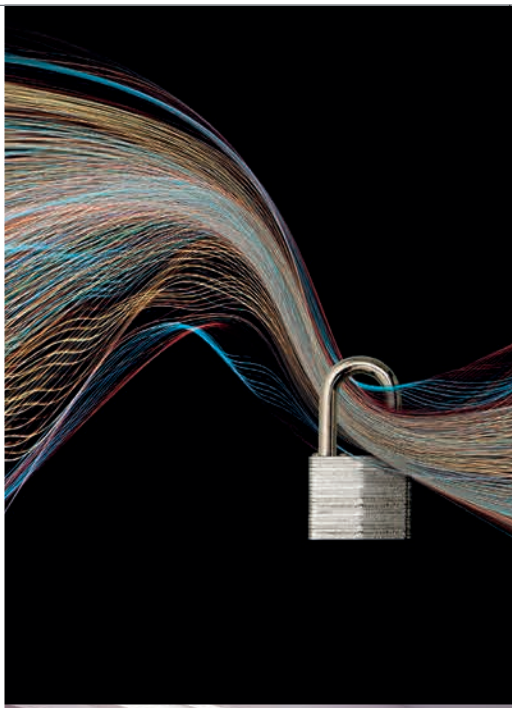
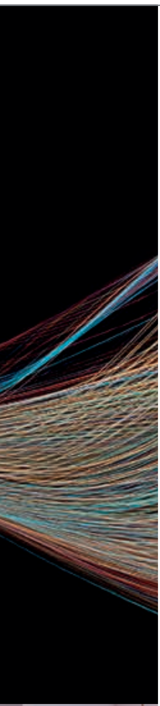
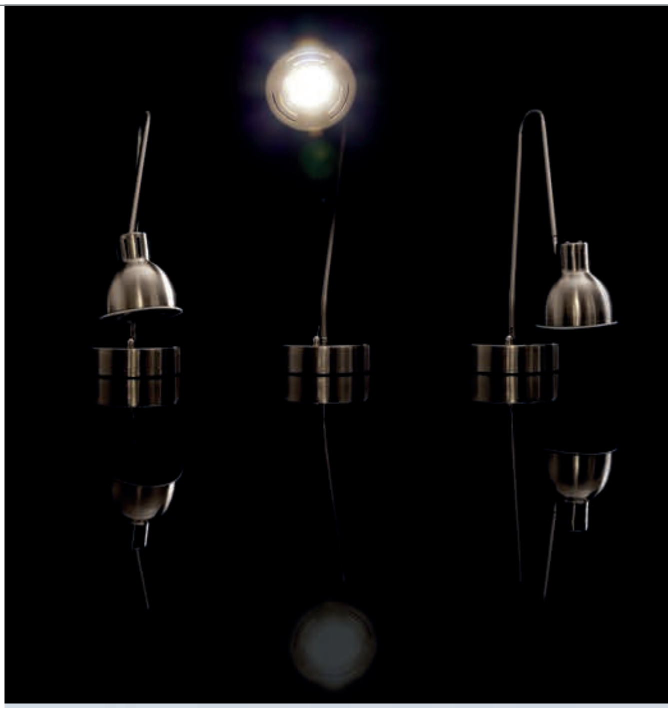


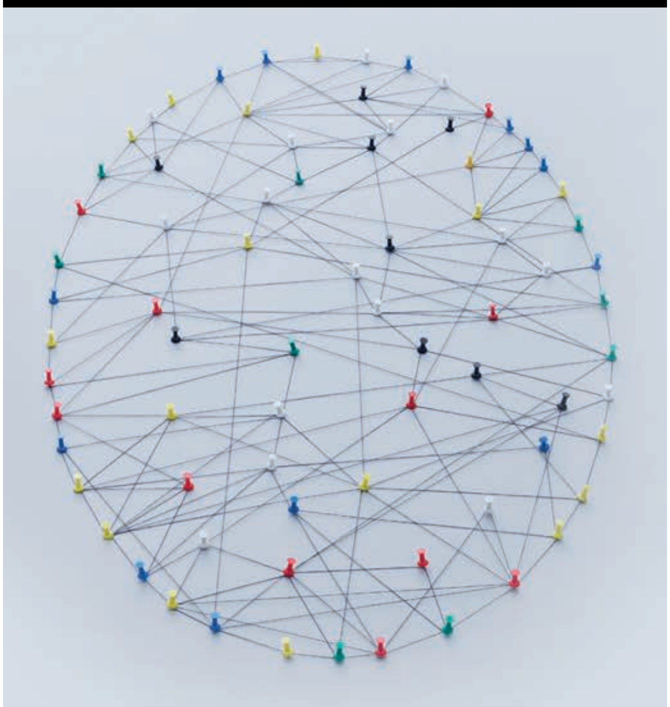




Audit

Corporate reporting





Trust and ethics

Public value

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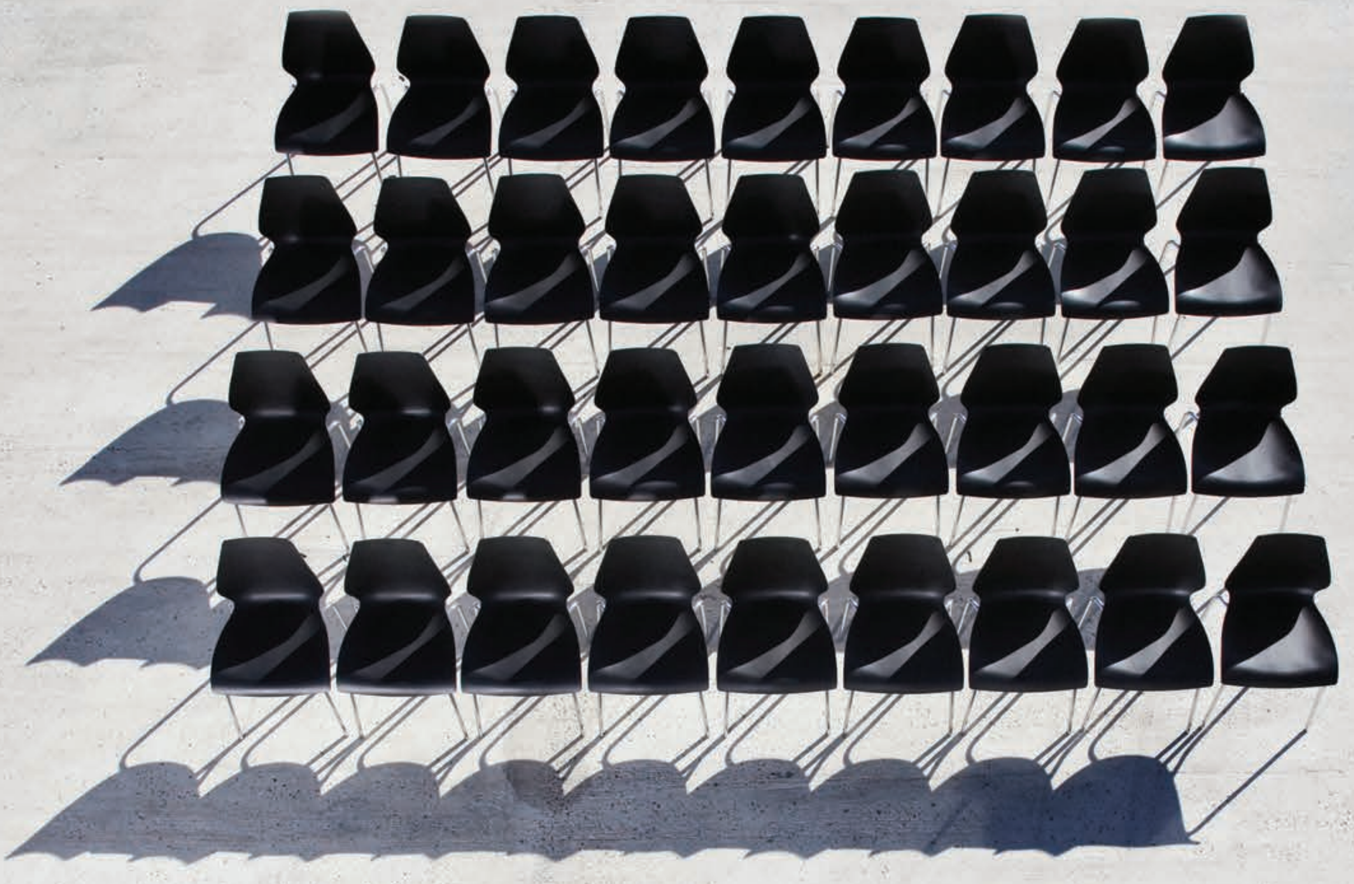
Leading in the digital age

The modern age is a game changer for business and promises to transform the role of leaders and the qualities demanded of them



One of the remarkable things about leadership is how little the underlying theory of it has changed for centuries. In around 580 BC, the Chinese philosopher Lao Tse wrote: 'A leader is best when people barely know he exists. When his work is done, his aim fulfilled, they will say: we did it ourselves.' Just over two millennia later, Napoleon Bonaparte said that 'a leader is a dealer in hope'. And just a few years ago this, from leadership guru Warren Bennis: 'Leadership is the capacity to translate vision into reality.'

There have always been, of course, individual styles of leadership. There have been (usually, mercifully brief) fashions – around the time of the First World War, for example, one definition of leadership read that it was 'the ability to impress the will of the leader on those led and to induce obedience, respect, loyalty and cooperation'. In spite of this, the ability of a leader to persuade and influence, rather than command and rule, has always been present and has become even more prevalent over the past 50 years or so.

The modern age, though, is a game changer for businesses and their leaders. The combination of globalisation, rapid technological development and the emergence of data and knowledge as the ultimate currency is changing everything. Entirely new business models are emerging and organisations becoming less hierarchical. Innovation and ideas can be born anywhere – the most important point is that organisations have the ability to encourage their development and recognise the best of them.

Arguably, competent leadership is the most important skill of all in the digital age. It is important because this is a rapidly evolving, messy, risky, unpredictable time and none of us can be sure where technological development will take us. In such an environment, outstanding leaders are the most important currency there is.

The vital importance of this role can already be seen in organisations on the front line of digital disruption. Australia Post, for example, has seen its business – revenues of A$6.8bn – ravaged by the disruptive impact of the internet and set about a new vision to become an e-commerce company. Change of this magnitude requires a transformation of culture and behaviour in every function, particularly critical functions such as finance.

Silvio Giorgio, appointed by the group's CFO to a new role of general manager, data science and strategy, was given the task of preparing Australia Post's finance function. His fundamental view was that it was not possible for any finance function to support an organisation embarking on change of this scale if it did not embark on change itself. 'If we don't prepare our people, our finance function will not be relevant to the business and our people will not be relevant to the market,' he explained in an interview with CA ANZ.

Essential qualities

So what are the qualities that leaders need in the digital age? Are they so different from the qualities we have seen in leaders until now?

The list of attributes that theorists believe are essential in a good leader inevitably shift over time but a few core qualities are consistently at the top. A leader's personality has always been and will always be predominant; meta-analysis of academic studies (see *Intelligence and Leadership: A Quantitative Review and Test of Theoretical Propositions* by Timothy Judge, Amy Colbert and Remus Ilies) carried out over the past 50 years has suggested that specific personality traits, including emotional stability and curiosity, are twice as important as IQ when it comes to predicting the effectiveness of a leader. Then there are the behavioural traits that help leaders to deliver results: motivational skills, team building and emotional intelligence, as well as that elusive and hard-to-define quality, charisma.

> 'Emerging technology will take over complex technical tasks... the capacity of leaders to innovate is coming to the fore'

But in addition to these core requirements, new qualities are increasingly in demand. The *Global Leadership Forecast 2018*, jointly published by DDI, The Conference Board and EY, which integrates data from more than 28,000 leaders and HR professionals across the world, found that digital leadership skills are becoming critical; companies with the most digitally capable leaders financially outperform the average by 50%.

'No matter what business function you work in,' it states, 'leaders today need to understand the impact of technology on their business. You don't have to be a technical expert, but you do need to be able to predict both opportunities and potential negative effects of technology.'

It is already clear that some of the must-have attributes for leaders are being amplified by the digital age. The driving force is the impact of automation, artificial intelligence (AI) and machine learning in the workplace – partly because machines are already taking over the task-based elements of leadership. In an article in *Harvard Business Review*, Tomas Chamorro-Premuzic, professor of business psychology at University College London and Columbia University, Michael Wade, professor of innovation and strategy at the International Institute for Management Development (IMD), and Jennifer Jordan, professor of leadership and organisational behaviour at IMD, argue that AI 'will supplant many aspects of the "hard" elements of leadership – that is, the parts responsible for the raw cognitive processing of facts and information'.

At the same time, they add, AI will put a greater emphasis on the soft elements of leadership: 'the personality traits, attitudes and behaviours that allow individuals to help others achieve a common goal or shared purpose'. The authors conclude that 'in an AI age characterised by intense disruption and rapid, ambiguous change, we need to rethink the essence of effective leadership. Certain qualities, such as deep domain expertise, decisiveness, authority and short-term task focus, are losing their cachet, while others… are likely to play a key role in more agile types of leadership.'

This view was confirmed by a recent joint report from CA ANZ and PwC, *The Future of Talent: Opportunities Unlimited*. 'The report highlights an increasing need for soft skills rather than technical skills,' explains Lee Whitney, chief transformation officer at CA ANZ. 'Business leaders identified communication and problem-solving skills, collaboration, adaptability and agility, creativity and resilience as crucial to success in the coming decade.

'Leaders have realised that emerging technology will increasingly take over complex technical tasks and, as a result, the capacity of leaders to innovate, inspire and engage is coming to the fore. Preparing for the future is not just about learning new technologies but about adopting an attitude to change and innovation that allows for rolling technology and process changes.'

The critical leadership skills identified as vital for the future include:

Adaptability. On an individual level, adaptability means having an openness to new ideas and a willingness to change your mind even when doing so might threaten the ego of a leader. 'In an AI age, changing one's mind, which can often be regarded as a sign of weakness or lack of conviction, should be perceived as a strength when it comes to improved decision-making,' say Chamorro-Premuzic, Wade and Jordan. 'Adaptable leaders are not afraid to commit to a new course of action when the situation warrants.'

Vision. A clear vision for the organisation becomes even more important in the digital world when business models are constantly disrupted and short-term uncertainty is high. The huge digital multinationals of the age all have vision (or mission) statements that are reasonably specific, while leaving wiggle room for future initiatives. Elon Musk's mission statement for Tesla, for example, is 'to accelerate the world's transition to sustainable energy', while the company's vision is 'to create the most compelling car company of the 21st century by driving the world's transition to electric vehicles'. Google's mission statement is 'to organise the world's information and make it universally accessible and useful', although its chief executive Larry Page said in 2014, reported in the UK's *Guardian* newspaper, that the company was beginning to outgrow its original vision and could be due for a change.

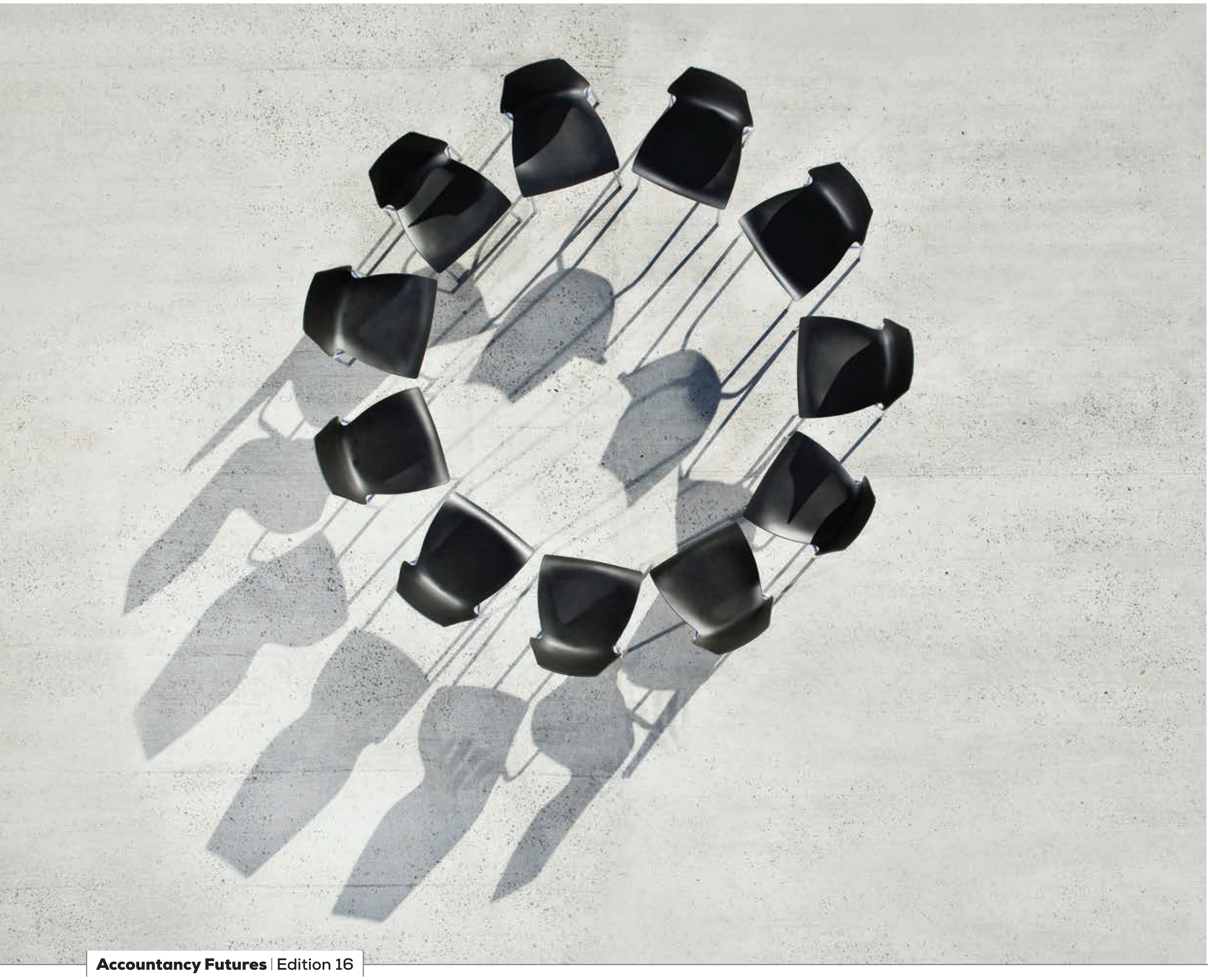
Humility. Recognising what you don't know as a leader is as valuable as knowing what you do in a time of rapid change. Humility is an evolution of a leader's need to keep learning; in the digital age, knowledge can come from anywhere – and often from someone 20 years younger than the leader or three levels down the organisational hierarchy – and so leaders need to be humble about the contributions of others and open to seeking input from everyone and everywhere, inside and outside the organisation.

'Accountants will need to think and behave more strategically and become more involved in decision-making'

Importance of trust

The automation of the workplace is having wider implications for leadership as employees – and wider society in general – are increasingly looking to business leaders for guidance and reassurance about the future of the workplace and of their jobs. According to research by PwC, 30% of jobs could be lost to automation by 2030 – so who owns responsibility for the people who will be displaced? PwC's latest survey of the opinions of CEOs worldwide, *21st Annual CEO Survey: The Anxious Optimist in the Corner Office*, found that 67% agreed that they have a responsibility to retrain employees whose jobs are automated out of existence.

Trust between company and customer has reached new levels of importance. According to the *Edelman*



Trust Barometer, 69% of respondents believe that the most important role of a CEO is to build trust in their company. 'The employer is the safe house in global governance, with 72% of respondents saying that they trust their employer to do what is right,' says Richard Edelman in his introduction to this year's barometer report. 'By nearly a two-to-one margin, a company is trusted to take specific actions that both increase profits and improve economic and social conditions. Nearly two-thirds say they want CEOs to take the lead on policy change instead of waiting for government, which now ranks significantly below business in trust in most markets.'

But trust in leaders can be damaged easily. At this year's World Economic Forum in Davos, the internet entrepreneur Marc Benioff, CEO of the cloud company Salesforce, criticised the autocratic style displayed by the leaders of some new technology companies. Benioff named Uber as one company that, under its previous CEO, had forgotten to value trust among its customers. 'What is the most important to you?' Benioff asked. 'Is it trust or is it growth? Because if anything trumps trust, then you are in trouble.'

Leadership in finance

So what does all this mean for finance leaders? Certainly the demands placed on finance leaders both in business and the public sector are already on a pathway to change – and this begins with the way in which the role of accountants generally is shifting. ACCA's *Drivers of Change and Future Skills* report – part of its *Professional Accountants: The Future* series – points out that 'all professional accountants will be expected to look beyond the numbers' in the future. 'They will need to collaborate and partner with people in other parts of the business and outside the business; interpret and explain the numbers; provide insight and information; help organisations to achieve short-term goals and longer-term objectives; think and behave more strategically and become more involved in decision-making than before.'

The need for more collaboration, communication, insight and strategic thinking is equally true of public sector accountants. 'Although the corporate sector is more focused on improving customer experience and improving efficiency in order to gain competitive advantage, the result is the same,' says CA ANZ's Whitney. 'Business and accounting leaders need the skills to apply rapidly emerging technologies to their challenges in ways that simultaneously improve experience and productivity. There is also pressure on government departments and agencies to streamline processes while improving customer experience.'

The importance of applying rapidly new technology is underscored in a recent ACCA report, *The race for relevance: technology opportunities for the finance function*. Finance leaders have an unprecedented opportunity as core contributors to the adoption of new technologies to drive business growth. If they don't embrace this opportunity, says the report, they risk losing competitiveness and relevance.

ACCA students to be tested on leadership

A new Strategic Business Leader case study is part of a range of innovations to the ACCA Qualification designed to make it more relevant than ever to employers.

The new paper will test students on challenging real-world scenarios, requiring them to blend technical, professional and ethical skills in the evaluation and presentation of their responses.

ACCA director of professional qualifications Judith Bennett says: 'Our changes integrate deep, broad and relevant technical expertise with ethics and professional skills, giving students the forward-thinking strategic abilities and advanced skillset that modern professional accountants need to shape the future of global business.'

The paper will be available from September; registration is already open.

Other changes include the introduction of an enhanced corporate reporting exam that provides ACCA students with a holistic view of reporting, and a new Ethics and Professional Skills module introduced into the ACCA Qualification last year. There is also an increased focus on technology-based testing.

Find out more at accaglobal.com/thefuture

'In this corporate race for future relevance, recognising the opportunity is essential,' says Maggie McGhee, ACCA's director of professional insights. 'The revolution has started and adaptation is critical.'

The fundamental finance skills required of CFOs will not change, which is why qualifications such as ACCA's will always be relevant. What is changing – and rapidly – is the context in which these skills are being applied. Changes to the ACCA Qualification – notably the Strategic Business Leader case study (see panel) – are designed to recognise the new demands

CA ANZ recently undertook a review of its organisational strategy in order to identify what it needs to do to provide its members with the skills, connections and insight they need to carry their organisations into the future. 'As a result, we are conducting a transformation process, which will result in a reform of our CA Programme to attract the best talent and to support the needs of employers,' says Whitney. 'We'll also be developing and enhancing our online learning support for members and building an online community hub to connect members and support collaboration, and we will engage more actively with the start-up community.'

In other words, the leadership handbook for professional accountants across the world is being updated, but not entirely rewritten, to make sure finance professionals have the leadership skills to guide their organisations forward in the digital age.

Liz Fisher, journalist

Read the joint report from CA ANZ and PwC, *The Future of Talent: Opportunities Unlimited*, at bit.ly/CAANZ-OppsUnlimited

Read ACCA's report, *Drivers of Change and Future Skills*, at bit.ly/ACCA-drivers

Read ACCA's report, *The race for relevance: technology opportunities for the finance function*, at bit.ly/ACCA-TechOpps

A global influence

As the strategic alliance between ACCA and CA ANZ reaches its second anniversary, the chief executives of the two bodies reflect on its progress

June 2018 marks two years since ACCA and CA ANZ launched the strategic alliance, a partnership that is already providing many benefits for members of the two organisations and making a positive impact on the global stage.

By sharing expertise across geographies and sectors, the alliance has created a stronger voice for its 800,000-plus current and next generation of professional accountants. That's 315,000 members and 486,000 students across 181 countries.

At ground level, the move has seen the organisations come together physically, with staff co-locating in a number of cities around the world, including Singapore, Hong Kong and Malaysia, as well as in headquarters in London and Sydney.

Both chief executives say one of the most satisfying results of the alliance is seeing members come together at events in these locations. These have ranged from networking events to CPD sessions, including discussions, debates and presentations focusing on new developments affecting the profession and career opportunities. Some are joint events; others are hosted by one body to which members of the other are invited.

Rick Ellis, CA ANZ's chief executive – who joined the organisation in August 2017, a year after the alliance was agreed – says that even in this short period of time, he has seen significant progress. 'The aligning of the ACCA and CA ANZ brands is having a positive impact on the standing of the profession, particularly in Asia, and this is consistent with our governments' focus on strengthening trade and ties in this region,' he says.

ACCA's chief executive, Helen Brand, agrees. She highlights the two bodies' pooling of resources to work together on a number of policy and research initiatives, resulting in joint reports such as the *G20 Public trust in tax* and *Directors responsibilities for financial reporting: what you need to know*. 'There has been great mutual support at the leadership and staff level, where we've been able to share ways to develop, as well as giving members access to each other's events and networks,' she says.

And, Brand adds, the alliance has challenged old-order concepts about which professional accountancy bodies can work together, giving the combined voices of the two organisations a greater weight.

A global voice

Influencing global debates is a key aspect of this. The alliance's joint response to the Monitoring Group's proposals on strengthening the governance and oversight of the international audit-related standard-setting boards is one such example. This group, which was created by a number of international regulators – such as the International Organization of Securities Commissions, the Basel Committee on Banking Supervision and the European Commission – has worked with the International Federation of Accountants to ensure greater public accountability in the standard-setting process.

Alliance in action

ACCA and CA ANZ have achieved significant results since the alliance was formed in June 2016. For example:

- co-locating offices in London, Sydney, Hong Kong, Malaysia and Singapore
- launching two major joint research projects, with more in the pipeline, including research on the impact of robotics on the profession
- making joint submissions to global accountancy regulators and standard-setters
- making a global impact, increasing the brand strength of both qualifications
- hosting hundreds of events, which bring together members of ACCA and CA ANZ.

'We both issued our own responses, but then we submitted a joint response, which I think was very powerful,' Brand says.

'We have a number of strategic priorities, which are focused around how we lead the accounting and finance profession confidently, guiding and supporting it through disruptive change to a sustainable future,' observes Ellis. Both organisations are continuing to introduce innovations into their qualifications.

'There are some extraordinary parallels in the ambitions that we have,' Ellis says. 'ACCA can support us, we can learn from it, but equally we can help to inform developments for ACCA.'

Brand agrees, adding that the alliance is exploring more joint initiatives: 'We are both looking at the wider components of the profession, and the different areas of learning that people in the finance profession more widely might need. We need to ensure that everyone has the right qualifications and skills. A huge part of this is digital delivery.'

Digital delivery

Both chief executives acknowledge the massive influence technology is continuing to have within the profession. Indeed the next major piece of research the two bodies are collaborating on, along with KPMG, is a report that will investigate the role of robotics and artificial intelligence in the finance sector.

'The very strong feedback from our members is that we need to focus on accounting professionals, the services and communities of the future,' Ellis says.

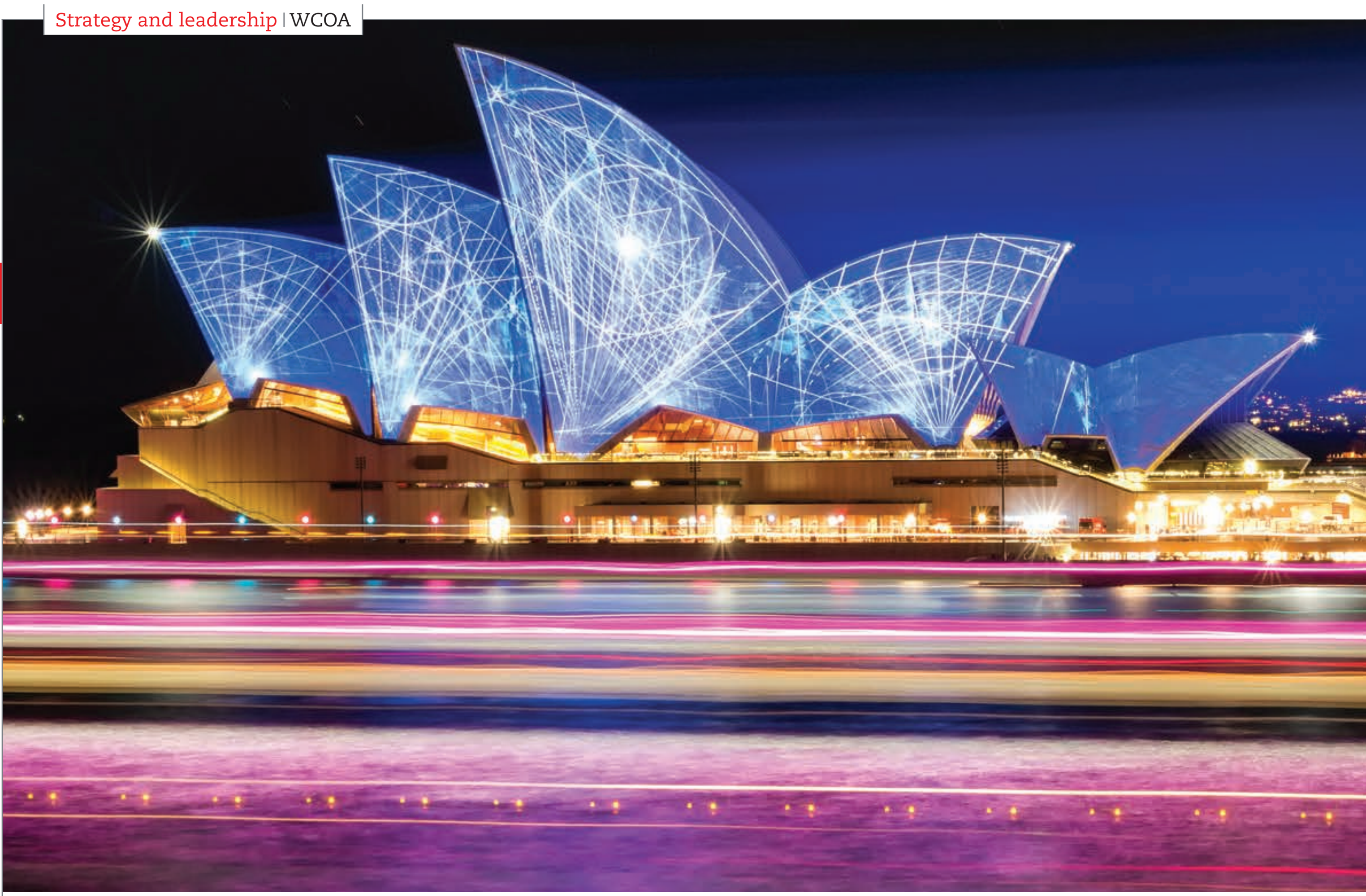
One of the key elements of the alliance is to allow members to use their qualifications in a number of different locations, improving their international mobility. Ellis highlights one programme that will enable overseas students to start their training in Australia or New Zealand before heading back home. 'The students can start the programme on a work permit in Australia and New Zealand, and then transition from our CA programme to an ACCA designation back in their home country once they have met the qualifying criteria,' Ellis explains.

'There has been great enthusiasm for the alliance, and we will continue to seek better ways to work together'

In terms of future events, there is the World Congress of Accountants, to be hosted by CA ANZ in Sydney in November (see page 12). This provides an opportunity for both organisations to demonstrate the alliance in action.

'There has been great enthusiasm for the alliance from our members,' says Brand. 'We will continue to seek out bigger and better ways to work together.'

Philip Smith, journalist



Blueprint for the future

The best minds in finance and business will gather at the World Congress of Accountants to take on the global challenges of change and disruption

When 6,000 accountants step through the doors of Sydney's International Convention Centre for the World Congress of Accountants (WCOA) in November, they will be part of a global mission to set the blueprint for the future of the accounting profession.

The WCOA comes at a time of extraordinary change within the global workforce, with technology disrupting jobs, careers and business models. That is driving demand for new skillsets, which accountants will need if they are to remain relevant.

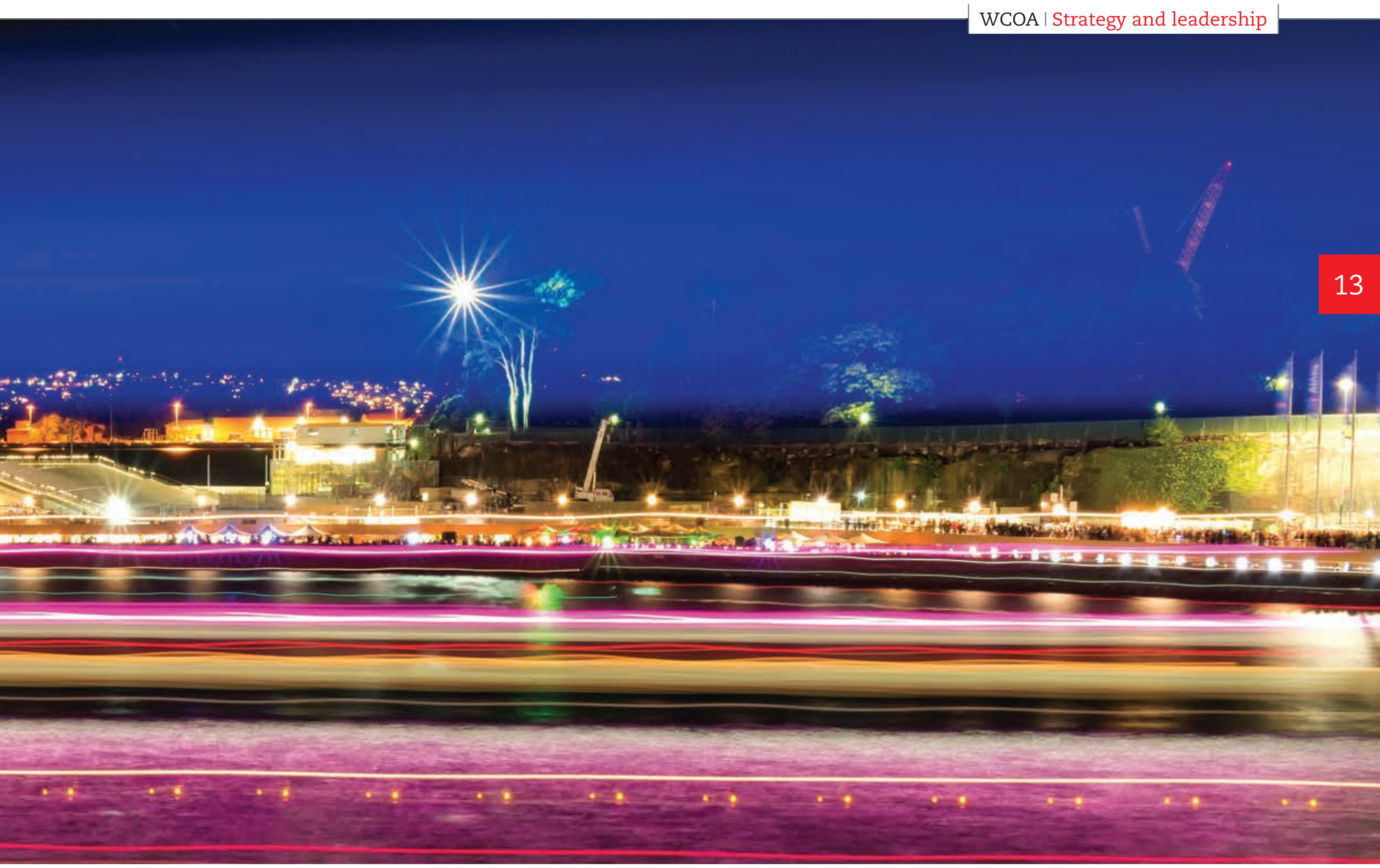
In a recent CA ANZ survey, more than 1,200 business leaders were asked to name the most valuable skills that accounting professionals would need in the future. 'Collaboration' and 'the ability to work with data and the latest technology and systems' both ranked near the top, but accounting leaders did not rate themselves highly at recruiting and retaining professionals with those skills.

'These results offer an insight for accountants as to the skills they need to develop to remain in demand with employers,' says Geraldine Magarey FCA, leader of policy and thought leadership at CA ANZ. 'Some accountants already operate at the cutting edge of technology, while others do have strong collaboration skills, but our survey suggests that accounting leaders struggle to find enough of them.'

> 'Accountants will remain invaluable to employers if they stay curious, learn new things and share their knowledge across the business'

Collaboration

The results of the survey informed a new CA ANZ thought-leadership paper, *The Future of Talent: Opportunities Unlimited.* At its launch in Canberra, futurist and researcher Mark Pesce told an audience of accountants and government leaders that collaboration skills will be vital in a fast-changing economy where organisations and professionals will constantly need to learn new things.



'Collaboration doesn't just happen in the office of the accountant,' says Pesce. 'It's also when you're with the client. The client is teaching you about their business, how you work in their business, how their processes work and, at the same time, you're teaching them.

'As an accountant, you're not just being dropped in to do a job: you're there to participate and learn and mentor, so collaboration comes down to how good you are at mentoring and being mentored.'

The same applies for in-house accountants, according to Magarey. 'Business leaders in our survey wanted to make their organisations more agile so that they could survive future economic, social and technology change. Accountants in finance departments are perfectly placed to help make that happen because they touch every part of the organisations they serve.

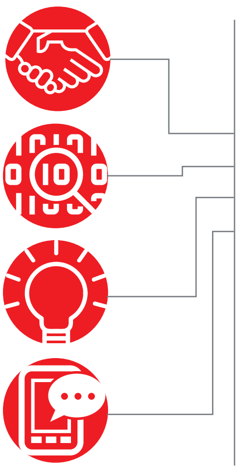
'As businesses flex and change, accountants must guide senior management on how alternative strategies affect the bottom line. They must also coach and consult with colleagues across the business. Accountants will remain invaluable to employers if they stay curious, learn new things and share their knowledge across the business.'

The rate of change in the marketplace is throwing up lots of opportunities for accountants to demonstrate their ability to collaborate, says Magarey. 'Business transformation projects are occurring everywhere nowadays and you'll typically find those being led by a project team combining specialists from different disciplines. Coming on board as the project accountant is a great way to hone and develop your collaborative skills.'

Technology

Embracing disruptive technologies will be discussed at length by accountants at the WCOA. That's no surprise given the findings of *The Future of Talent*, in which business leaders indicated that they needed more accountants who could harness data and technology systems.

At *The Future of Talent* launch, futurist Chris Riddell spoke about preparing for the future workforce. His advice for accountants is clear: 'Become a technology adviser.'



Four skills accountants need

According to employers, there are four core areas of expertise that accountants will need to offer in future:

- Collaboration
- Data and technology
- Problem solving
- Communication.

At present, employers do not rate themselves highly when it comes to finding and retaining accountants with collaboration skills or data and technology skills.

To read the full report and survey results, see *The Future of Talent: Opportunities Unlimited* at charteredaccountantsanz.com/futureinc

Calendar

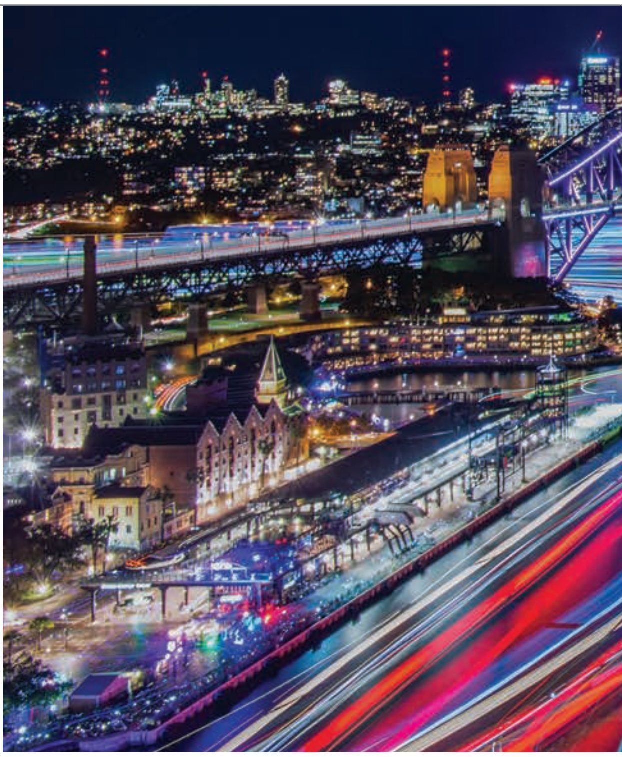
CA ANZ and CPA Australia present WCOA 2018: Global Challenges/ Global Leaders.

When: 5–8 November 2018

Where: International Convention Centre, Sydney

Who: More than 6,000 delegates from more than 130 countries.

For more details and to register for your place, visit wcoa2018.sydney



'Accountants will be some of the most valuable people when it comes to using the technology to help businesses grow. Having a trusted authority who is tech-savvy will be crucial'

Right: Geraldine Magarey FCA, leader of policy and thought leadership at CA ANZ, advises accountants to stay curious. Above: futurist Chris Riddell says: 'get on the front foot with technology'.

Big data for the next generation

As the business world grapples with the explosion of big data, employers are struggling to find professionals with the right skillsets. However, CA ANZ is collaborating with Macquarie University on a course to train accounting students in big data analysis. The new Accounting in Context (ACCG399) course includes a big data module and business simulation course to test and develop students' big data and analytics skills. Students learn the skills of big data accounting, including non-financial reporting.

For details visit handbook.mq.edu.au

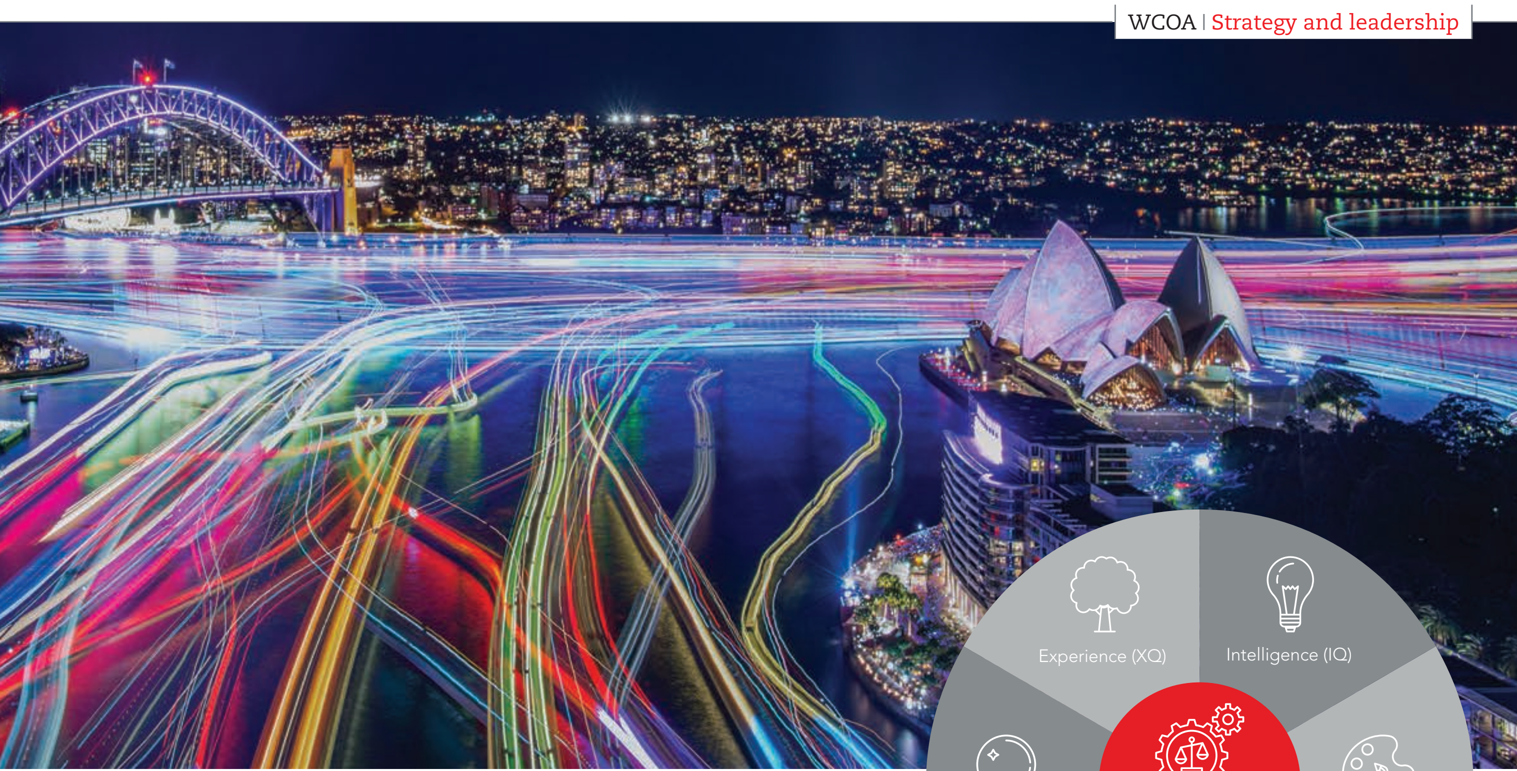
That makes sense when you consider that half the business leaders surveyed said their organisations were not sufficiently keeping up with technology. 'Clients are confused by technology and don't know which direction to take,' says Riddell, 'but they trust their accountants because they know their business better than anyone. Accountants need to get on the front foot with technology and guide their clients.'

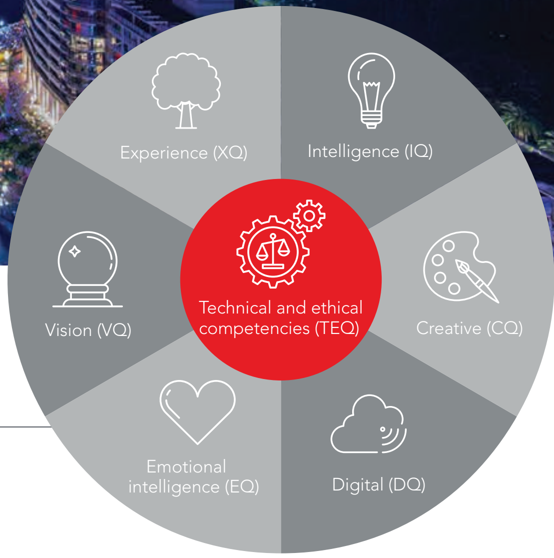
Riddell rejects suggestions that automation and artificial intelligence will cause mass unemployment for accountants: 'I remember when Xero came out a few years ago and everyone said it would be the death of the accountant because technology could take care of it. And I always swore it wouldn't because it was just another tool to help drive deeper insights into business in real time – and that's proven to be true.

'We're going to see more technology like that come onto the market and accountants will be some of the most valuable people when it comes to using the technology to help businesses grow. Having a trusted authority who is tech-savvy will be crucial.'

Pesce agrees: 'Some accountants will probably remember when spreadsheets first came along. A spreadsheet is not just a computer program; it can run programs and you can create formulas and cells. Accountants are already doing all sorts of programming but we don't think of it like that, we just think "I'm using this tool".'

He believes that accountants should seize every opportunity to work with emerging technologies. 'We





The magnificent seven

ACCA has developed a unique model showing the skills and qualities required by professional accountants to succeed. There are seven skills areas – or quotients – essential to the evolving profession.

To find out how you measure up, take a quick test at thefuture.accaglobal.com

just need to think: in the future, we are going to get new tools that will be important to our work. We'll master them. We'll use them for our clients.'

Collaborating with technology

Increasingly, the skillsets of collaboration and technology are going to overlap in the future, according to Pesce. He recommends opening up finance teams and accounting firms to collaborate better, not just among themselves and their colleagues, but also with technology itself.

'We already live in a world where every time we have a basic question we reach into our pocket, take out a smartphone and get the answer from Google, Wikipedia or Siri. That's become our normal way of living, so we are already creatures who are a combination of human intelligence and machine learning.

'The interesting thing is that we do this more in our day-to-day lives than we do in the office, but we're going to have to become more comfortable with this in our working lives too. It's all about combining our own human capacities with machine learning to make a good decision. We need to build systems that are flexible enough to share knowledge and experience across the organisation.'

Against this backdrop, the WCOA could not come at a better time, says Magarey. 'The event itself is a great opportunity for accountants to collaborate and learn from one another. One of the things I'm most looking forward to is hearing how global leaders in finance and accounting are reshaping their own careers and organisations to develop better collaboration and technology skills.' AF

Andy McLean, Sydney-based writer and editor
andymclean.net

Listen to Mark Pesce and Chris Riddell discuss the future of accounting careers with Andy McLean. See bit.ly/CAANZ-MasterTech

Changing the world

When the first World Congress of Accountants (WCOA) was held in 1904, the world was changing. In the same year, Henry Ford set a land speed record of 91mph, the US took over construction of the stalled Panama Canal project (completing it a decade later), the UK and France signed the Entente Cordiale and the International Federation of Association Football (FIFA) was founded – as was ACCA.

Subsequent conferences have been woven between major global events, including the Great Depression and two world wars. Today, WCOA is a large-scale international event that takes place every four years.

The 10th anniversary congress was held in Sydney in 1972. In attendance were members of the profession from all around the world, including Bermuda, Malta and Uganda, with the largest delegation coming from Japan. A ceremonial postage stamp was produced for the occasion. Calls were once again made for the establishment of a harmonising, global accounting body; the following year, the International Accounting Standards Committee was formed.

Winning ways

A product of Australia, India and New York, Sammy Kumar FCA was chosen to help guide the strategic evolution of PwC

PwC's new Melbourne office is a stylish mash-up of sci-fi movie set, upscale cafe and hipster co-working space. From the Flame Tree, a four-storey digital artwork that pulls weather data from the roof, to a 360-degree immersion room and the rooftop bar, it's the very model of a modern consultancy. And it has Sammy Kumar's fingerprints all over it.

As chief strategist for PwC and in charge of the firm's ASEANZ consulting business, Kumar's role is all about making sure the firm is leaning into the future. 'For us it's about relevance in the marketplace, problem solving, [making sure] we can authentically live our values while bringing our strategy off the page.'

An army of professionals

Since restarting its consultancy business in the early 2000s, PwC has added new revenue streams to the standard tax, audit and vanilla business advisory business fees. As well as a phalanx of accountants, lawyers and tech heads, the firm employs non-traditional business professionals such as doctors and nurses to consult to health clients.

'If you are going into a hospital telling people how to be more efficient, you'd better have medical staff, because they won't necessarily listen to a professional accountant,' Kumar notes. He adds that the firm is dipping its toes into engineering consultancy, as well as the contractor workforce space.

In fact, the major challenge for the firm is finding the right professionals to cater for the constantly changing market.

'We can't find the talent in areas such as data, cyber, strategy, change and design. Firms like ours have done well within certain [traditional] paradigms that have massively evolved over the last 100 years or so. We've had a lot of time to adapt to change but now the pace of change is different. It is so rapid.'

'Disruption' may be a term that is lavishly overused by consultants, but Kumar says businesses that overlook the implications of today's globalisation and technology-driven changes do so at their peril.

'I think it's very real, [but] I don't think Australian businesses know what to do with it yet. There are opportunities as much as there are threats; it's how you embrace it.

'Of course it's hard when you lean in to something that is less well-known. You'll make some mistakes.'

The Australian business environment is not forgiving of mistakes because, says Kumar, everything is about yield. 'The analysts love yield, the shareholders therefore love yield and management deliver yield to the best of their ability. So [business] is not geared towards making risk-taking mistakes, and that's true of the country as well.'

A thirst for change

Kumar has worked for the firm in Asia and then in the US, where he first made partner. He has long had a thirst for change, shaking things up and doing things differently, while bringing everyone along for the ride. His past might just have something to do with it.

Not long after the White Australia policy ended, Kumar's parents – both professors – arrived from Delhi for what was then supposed to be a few years when Kumar was a toddler. 'And it's the same old story, they loved it and didn't go home,' he says. His parents were keen on fitting into the Australian culture from the very beginning. 'We are Hindu and while my parents are vegetarian, my school lunch would have been ham sandwiches.' He admits that as he has become older he has come 'closer to appreciating what India is and my love for it'.

On his first day of prep his teacher decided his actual name, Sameer, would be too hard for the other kids to pronounce. 'There wouldn't have been another Indian kid in the school, so I became Sammy and 45 years later, it has sort of stuck,' he says.

The Kumars were the 'typical immigrant family' with both parents working. While Kumar's father took up a post teaching advanced mathematics at Melbourne's RMIT University, his mother left academia and first packed vegetables, and later ended up owning restaurants.

At university young Kumar also worked in restaurants, although rarely in the family business, 'because I always thought I'd get paid more at other places', he jokes. Kumar thrived in the pressure-cooker environment of running the waiting floor in a 100-seater restaurant catering to 250 people a night. 'The main thing I learned was the pure pacing, half running without showing the clients you were running.' It seems Kumar has been doing just that ever since.

At school he dabbled in drama to combat natural shyness. Then he opted for a bachelor of business at Chisholm Institute of Technology, now part of Monash University, before starting a graduate traineeship with Price Waterhouse. At the time the firm's natural recruiting ground was more likely to be Melbourne University. Kumar says his earlier education at Haileybury school may have made him more attractive to recruiters. But it was probably his ability to communicate why he loved the creative aspects of his business degree that clinched the deal.

His first year at the firm was like having to learn accounting all over again. 'The degree prepares you but the work trains you,' he notes, even though photocopying and running errands for partners was all part of the deal. 'We worked hard but we also got to have a lot of fun.'

Back to Australia

After six-month stints in Hong Kong and Japan, Kumar headed to the US for eight years, spending time in San Francisco during the early noughties' tech boom and bust, then in New York experiencing the fallout from the 9/11 attacks. 'It was hellishly shocking except for the amazing humanity that New York showed in the aftermath,' recounts Kumar. He had people sleeping on his Manhattan apartment floor because they couldn't get out of the city. 'Then a series of anthrax scares brought a sense of impending terror. We were evacuated from our building many times. You don't forget the sound of those alarms in a hurry.'

Kumar and his wife, a Canadian, had enjoyed New York as couple, but when their first child was born family life became a different game. 'The apartment was bursting at the seams just from baby stuff. My parents were back in Australia and I wanted our children growing up there.' In 2003 Kumar returned to Melbourne, close to his family and beloved Hawks AFL club.

Now he loves music, travel, skiing and football, but most of his non-work time is spent 'chasing my three kids around. There's a lot of sport to take them to'.

Despite being back on home turf, he found fitting back into the practice difficult. 'Leaving the amazing opportunity that is the US market and coming back here after eight years was hard. I had to reintegrate back into the firm. I was an unknown.'

This state of affairs was not to last long. In 2004 experienced management consultant Dennis Finn joined the firm to put pedal to the metal of PwC's consulting business. Kumar had been involved in the firm's embryonic consulting arm, and Finn chose him to take charge of the customer stream, working out the details of how their clients could best serve their customers.

'It became obvious to me that because of Sammy's passion for the customer and the clients... he would be the guy to lead the customer segment,' recounts Finn, who would go on to head Worley Parsons' global advisory business, Advisian. He calls Kumar 'a massive player' in the customer role and 'critical to its success'.

> 'In Australia business is not geared towards making risk-taking mistakes, and that's true of the country as well'

New to the ways of PwC but an old hand at consulting, Finn was quick to note how effective a bridge Kumar was between the firm's old guard and new emerging talent. 'He was a voice for the young and older firm members, particularly the young, and a big supporter of change. He helped me crack the story of the consulting practice. Probably one of his biggest strengths was that he always had new ideas and was very perceptive and intuitive. He was always a bit more creative and innovative than the average partner was at that time. He's always been a little edgier in pushing the partnership to be more dynamic and forward thinking.'

When Finn moved to New York to become PwC's global human capital leader, he kept his eye on Kumar, noting that he was a great asset to incoming CEO Luke Sayers FCA. He says Kumar's affinity with people has always been an important quality in consulting, but is particularly important now.

'PwC, as with other consulting firms, doesn't sell widgets or products. There's nothing physical you can put your hands on, so you just have to have creative environments filled with great leaders who build great cultures where people want to have fun and do great things. The leaders that can do that tend to win.' AF

Jacqueline Blondell, Melbourne-based writer

Leader with a cause

Whether fighting for fairness or seeing off would-be tax evaders, Bermuda politician Patricia Gordon-Pamplin FCCA has never taken no for an answer

In nearly three decades of public service in politics and accounting, Patricia Gordon-Pamplin FCCA has earned a reputation as a warrior for fairness and good governance. As the chair of Bermuda's public accounts committee and shadow minister of home affairs, she currently has her hands full playing a critical role in two of Bermuda's most controversial issues – public finances and immigration.

'I got actively involved in politics to fight a cause,' she says. 'My personal approach to life is if you have the ability to do something positive you have a responsibility to do it. I may be okay, but how can my circumstance and situation help somebody else who may not have the tenacity or the wherewithal to challenge a system?'

At her home in the Bermuda capital of Hamilton, a portrait of her late father, Dr EF Gordon, guards the entranceway. A pioneer of organised labour and a national hero, Gordon looks on sternly, exhibiting the same take-no-prisoners attitude that has characterised his daughter's political career.

At the time of our interview, numerous piles of papers were stacked neatly on the living room floor as Gordon-Pamplin prepared for her imminent retirement from Everest Re Bermuda group of companies, where she served as chief accountant and, later, vice-president; she wants, she says, to ensure a proper handover to her successor, who she wants to have more resources than she did in the role.

The Bermuda Monetary Authority imposes an ever increasing reporting burden on businesses in the autonomous British overseas territory's important financial services sector. Bermuda's implementation of controls to satisfy the European Union's Solvency II directive, which cleared the way for Bermuda-regulated companies to operate in the EU insurance market on an equivalent basis, has further intensified the workload.

Gordon-Pamplin's professional stature earned her a seat on Solvency II consultative committees, and she has helped shape the new regulatory landscape both as an accountant and as a lawmaker. She has also worked hard ito ensure ACCA's status was protected in Bermuda.

Her political career began as a branch officer of the United Bermuda Party (UBP). She was soon confronting the party over immigration law, which discriminated against Bermudian wives of foreign men.

She had a very personal interest in the issue. It was 1993 and she had just married an American, a divorcé who had been asked to leave the island after his previous marriage broke down. When the immigration minister at the time informed her that the decision stood despite his remarriage to her, a Bermudian, she recalls telling him: 'That's the wrong answer. You're not going to chase me out of my own country. You're not going to tell me my husband has to leave and I have to go with him. And you're not going to force me to break up my home. Because if he goes and I stay, then we're separated. And neither option is tenable for me.'

She wasted no time in bringing public attention to the dispute through the media and running for office as an independent candidate. After the government backed down and gave her husband a work permit, she continued to campaign for a change in the policy.

> 'Why should we be treated differently than any other jurisdiction? You make your registers public, we'll make ours'

'You can't have matters resolved on a one-off basis for one person and then not make that status available to somebody else in the same position,' she says.

The battle caused some friction within her family and close circle – her sister Pamela was a member of cabinet (and later became Bermuda's first woman premier), and one of her first employers was premier at the time. 'I was going to stand and fight irrespective of the personal and political circumstances,' she recalls.

Motherhood at 16 had forced her to go to work early. She showed an aptitude for accounting in high school, passing her bookkeeping exams two years earlier than normal. Then she found a job in the accounting department of a real estate business. Within just months, she had been poached by a competitor.

Five years later she took up a senior role in the accounting department of Moore Stephens and Butterfield (MS&B, which subsequently became KPMG). Impressed with her integrity, the firm fully funded her accounting education in the UK. By then she had been married, divorced and had an 11-year-old son.

Having gained her ACCA Qualification in the UK, she returned to Bermuda and worked in public accounting at MS&B before entering the insurance industry. 'The qualification enabled me to work in industry as opposed to staying in public accounting.'

It wasn't until 1999 that she took up her second career, winning a seat in parliament for the UBP, which was then in opposition. She has held her seat through four electoral cycles and served as shadow minister for a number of portfolios, joining the One Bermuda Alliance (OBA), along with most of her UBP colleagues, in 2011. From 2012 until 2017 she was a senior member of the OBA government's cabinet.

Gordon-Pamplin believes it is critical that Bermuda

Patricia Gordon-Pamplin FCCA

In 2017, Patricia Gordon-Pamplin FCCA, interim leader of the opposition, became chair of Bermuda's parliamentary public accounts committee. This followed her role as minister of various portfolios, including public works, health and seniors, community, culture and sport, and home affairs between 2012 and 2017. Her political career began in 1998, when she was appointed senator in Bermuda's parliament; she was elected to parliament in 1999. Before that, from 2005 to 2017, she was chief accountant, later vice-president, at Everest Re. She joined Belvedere Insurance in 1993, following a 10-year stint with Hudson Re (later Skandia). Pamplin-Gordon joined Moore Stephens and Butterfield (later KPMG) in 1972, and gained her ACCA Qualification in 1979 in the UK.

Bermuda's public accounts committee

Bermuda's public accounts committee is made up of seven members appointed by the speaker of the island's parliament. The committee's purpose is to examine and report on spending approved by parliament and on reports of the auditor general. Its chair must be a member of the opposition party in parliament.

The Home Affairs Ministry is responsible for government entities such as boards and committees in the areas of labour, immigration and copyright. Its primary purpose is to facilitate business development.

stays ahead of criminals and tax evaders. 'The key is to make sure that our jurisdiction is protected and people don't think they can come to Bermuda and set up shop for the purposes of avoiding payment of a fair tax,' she says. 'We have to share information so that other countries can know that their tax citizens are not using us as a vehicle to evade taxes. To make certain we are not tainted we have to have open books.' To that end, Bermuda has signed bilateral tax information exchange deals with 41 countries and others are pending.

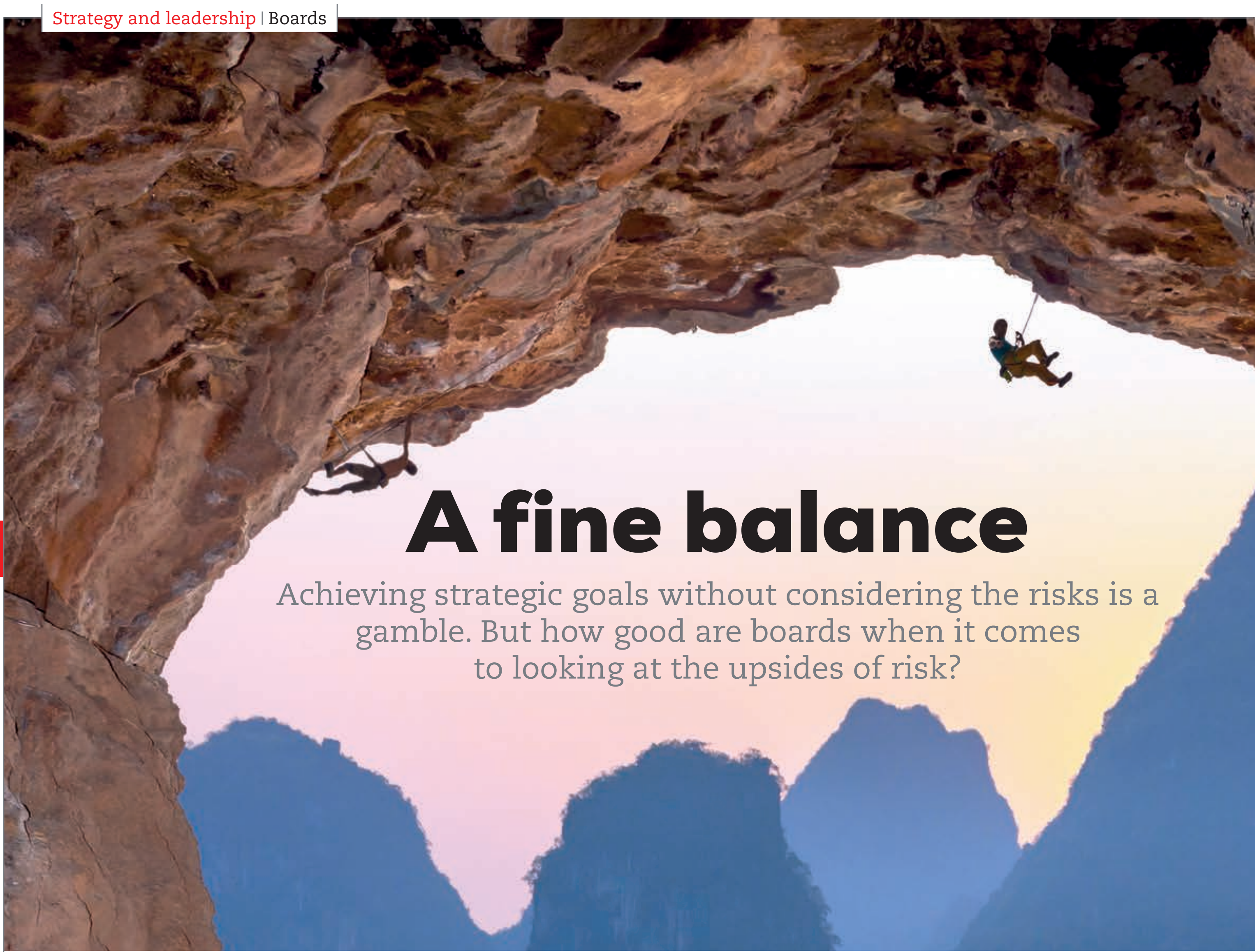
But Gordon-Pamplin adds that the island should resist pressure to establish a publicly accessible register of beneficial owners of companies unless and until all countries agree to do the same: 'Why should we be treated differently than any other jurisdiction? You make your registers public, we'll make ours public.'

No longer a government minister and with questionable chances of fighting another election, she has chosen to concentrate on representing her constituency and chairing the public accounts committee.

In recent years, the committee's role has changed from focusing on reviewing concerns raised by the auditor general's periodic financial reports, to adopting a more proactive stance, she says. 'Now we have an opportunity to look at things on a very current basis and to have matters brought before us. I see that as an opportunity to keep on top of those things the government is undertaking.'

And her legacy? 'I've always been fair and honest and I've always operated with integrity,' she says. 'That said, an organisation is only as good as its succession planning. As a 20-year veteran of parliament it is my responsibility to ensure we have a good succession plan for whoever is going to come behind me.'

Ayo Johnson, journalist in Bermuda



A fine balance

Achieving strategic goals without considering the risks is a gamble. But how good are boards when it comes to looking at the upsides of risk?

Corporate governance frameworks around the world typically have a strong focus on risk management, with the board of directors playing an important role in overseeing business risk. The challenge is to ensure that boards perform their risk management activities effectively and in a balanced manner: they need to help their organisations mitigate any downside risks, while taking the maximum advantage of opportunities that fit in with the core objectives of the business.

> Some organisations are increasingly aware of the strategic benefits that effective risk management can confer in helping exploit business opportunities

Regulation and compliance are significant key drivers for board-level involvement in risk management. However, some organisations are increasingly aware of the strategic benefits that effective risk management can confer in helping them to exploit business opportunities and so exceed their stated objectives.

This was one of the key findings of a recent ACCA research project into current board practice in relation to risk management. The research, led by a group of academics from the universities of Plymouth, Nottingham and Glasgow Caledonian, draws on interviews with executive and non-executive directors, focus groups with risk management professionals, and input from other experts.

As the report, *Risk and the strategic role of leadership*, explains, the discussions boards have about strategy and risk management vary considerably. These discussions lie along a spectrum, with many boards nearer to one end than the other.

Boards applying a 'principled' approach are likely to make more connections between strategy and risk, as they approach both in a holistic manner. But they often do so in an implicit and unstructured way, resulting in inconsistent decision-making and a greater focus on the exploitation of upside opportunities without proper consideration of downside outcomes.

Boards at the other end of the spectrum apply a more 'prescriptive' approach. For them, risk management activities are much more formalised and consistent. But organisations and boards that follow this approach often view risk as a static concept

What boards should ask themselves

- How often does the board review and enhance its risk management activities?
- Does the board consider, from the outset, the risk implications of different strategic options (ie, as a key component of strategy creation)? How are these options and their associated risks presented to the board?
- Where does the board lie on the 'principled' to 'prescriptive' spectrum? What are the strengths and weaknesses associated with the board's position, and does it need to consider becoming either more principled or more prescriptive?
- How does the board review the diversity of risk intelligence, skills, knowledge, experience, education and training ('Riskeet') across its membership? How does it address any gaps?
- How often does the board consider its composition and Riskeet? Does it review composition and Riskeet when changes or proposed changes to the strategic direction of the organisation are being considered?
- Does the board create a safe-zone atmosphere for the discussion of risk management issues? Are board members encouraged to challenge the status quo?
- Are board members – and non-executives in particular – encouraged to get out into the organisation and to understand its people and culture?
- Do non-executives act as critical friends to the executive and wider senior management team, helping them to exploit opportunities and avoid losses?
- How much time does the board devote to risk management at meetings? Are opportunities to discuss risk management also provided outside the formal board meetings?
- How effective are the board's subcommittees in enabling the board to focus on strategic risk management issues?

because they tend to rely on past data and focus on downside outcomes. These outcomes may be better controlled because risk management activity is more structured, but this approach can also make it harder to exploit opportunities.

Impediments and assets

When seeking to manage risks, boards still find it hard to understand and address the softer factors, such as culture and risk appetite. ACCA's research findings suggest they often lack clear information on these issues and have difficulty connecting them to their organisation's performance. Lengthy risk reports and insufficient time allocated to risk management at board meetings also challenge many boards.

However, higher-quality board discussion can be enabled by developing a safe-zone atmosphere so that board members feel free to discuss risk issues in an open and constructive way. Positive moves here could include encouraging board members to ask 'dumb' questions, challenging the status quo by playing devil's advocate, asking executives to leave the room for an 'in-camera' session, or considering extreme risk events and control failures. Discussing risk management issues away from formal board meetings, perhaps during awaydays, can also be a valuable practice for board members.

Non-executive directors are great assets when it comes to risk management. Their role does face challenges, in that non-executives walk a delicate line between participation (in the sense of ensuring that tasks are performed) and oversight (providing assurance that tasks have been performed within agreed parameters).

Non-executives also need to have a good understanding of the organisations they are involved with so that they can participate effectively in strategic decision-making. However, the nature of their role should enable them to step back and apply the experience they have gained from working in other organisations. In this way they can act as a 'critical friend' to help restrain overconfident executives or encourage the more cautious to take on a greater level of risk.

ACCA's research project also found that a high level of diversity in boards' risk intelligence, skills, knowledge, experience, education and training helps to develop a collective consciousness that enables the board to identify changes in risk exposures and respond appropriately. Taking stock of diversity at board level is therefore good for an organisation's risk management effectiveness. AF

Sarah Perrin, journalist

Read *Risk and the strategic role of leadership* at bit.ly/ACCA-strategicrisk

ICOs take off

As initial coin offerings rapidly gain traction as a way of raising capital, their regulatory future remains uncertain

In December 2017, a Swiss-based company called SingularityNET raised US$36m from investors in under 60 seconds. The company, which enables artificial intelligence (AI) as a service (with the intention of creating a decentralised marketplace for AI) holds the record for the fastest capital-raising exercise ever. But this wasn't an initial public offering; it was an initial coin offering, or ICO; SingularityNET's investors paid in cryptocurrency and received 'coins' (also known as tokens) rather than shares in return.

If you have never heard of ICOs, you will soon. Essentially crowdfunding through cryptocurrency, ICOs began as a niche funding route for tech entrepreneurs developing new blockchain-based cryptocurrencies and connected applications. Typically, investors put money into a new business using an existing cryptocurrency (generally bitcoins) and in return were given tokens in another, new cryptocurrency that was also based on blockchain. If the venture was successful, the tokens would become valuable – meaning that the ideas with the most potential would garner the most attention.

> ICOs promise to open up an avenue for funding that is quicker and less complex than traditional methods

The first ICO was in 2013, for mastercoin, a virtual currency, and was based on an idea for extending the capability of the bitcoin network; developers were invited to write bitcoin extensions in return for a share of ownership in mastercoin. More than 500 developers sent bitcoins – worth around US$500,000 at the time – to a dedicated bitcoin address, and received 100 times the number of mastercoin (which are still traded today under the name omni) in exchange for each.

More recently, though, the scope of offering has broadened considerably. The popularity of ICOs really took off in the second half of 2017 – the US$4bn of funds raised in those six months was 40 times the amount raised through ICOs during 2016. In 2017, 235 ICOs raised an estimated US$3.7bn, overtaking venture capital as the primary funding source for development in the blockchain sector.

ICOs are tempting, particularly for new tech businesses, as they promise to open up an avenue for funding that is quicker and less complex than traditional methods. As a result, ICOs are gaining more and more attention from investors, businesses and the media – but also from the world's regulators.

The sudden growth in ICOs, their reliance on volatile cryptocurrencies and the fact that they are largely unregulated has created an air of nervousness. A debate is already raging about whether, and how, ICOs should be controlled and regulated – and whether the attention of governments and regulators is stifling what could be an innovative new development. So what is the truth? A comprehensive report from ACCA, *ICOs: real deal or token gesture?*, unpicks the myths and realities around ICOs and sets out the important role that professional accountants can play.

It is easy to see why ICOs are so attractive. The mechanism is simple and the barriers to entry remarkably low; all that may be required is for businesses to publish a 'white paper' with details of the concept that the venture intends to build, and the tokens that will be issued in exchange for cryptocurrency. ACCA's report points out that the fact that most ICO websites also include instructions on buying bitcoins suggests that most investors don't already own cryptocurrency.

There are more than 1,200 active cryptocurrencies in the world. Their rapidly increasing (although hugely volatile) value has helped to drive the interest in ICOs – which has in turn encouraged the creation of more cryptocurrencies. Add into the mix the fact that ICOs are largely unregulated and you have a potentially toxic situation on your hands.

The problem is that because an ICO issues a token rather than shares, it is not normally considered to be a securities offering, and so securities regulation and controls do not apply. Most regulators have issued warnings, although the approach contrasts sharply across the world; in the most extreme case, China banned ICOs in 2017.

Broadly, regulators have two lines of response open to them: highlighting the risks to investors and the more technical question of whether ICOs should qualify as securities. The risks are discussed in detail in ACCA's report. By nature, the report points out, 'ICOs tend to be launched by organisations that have no track record; these are typically young, small, inexperienced startups. Failures are likely to be more common, and certainly more damaging to investors.'

Significant bubble

The biggest concern is that a bubble is forming; much of the return so far has been driven by rises in the value of the underlying cryptocurrencies (the value of bitcoin increased by 1,804% during 2017 and has dipped since). But there are other concerns. Ponzi schemes involving virtual currencies have been uncovered, and the anonymity of transactions makes ICOs a target for money launderers and terrorist financing. The secondary market is new and untested, and in extreme situations investors may find their tokens unsaleable – and, of course, cryptocurrencies are susceptible to hackers.

Even so, many see significant upsides to ICOs. They extend the finance raising options and allow new ideas to be quickly tested by the market. ACCA's report identifies an optimal use for ICOs – situations where blockchain encompasses an entire value chain, where the 'product' is intrinsic within the environment. It's a long and probably bumpy road to get to the stage where the ICO market is reasonably safe, though.

'It will be essential to ensure that misuse of the original ICO concept does not block investment for genuine technological innovation,' says the report. 'Time will tell as to whether within existing regulation or new distinct requirements a new class of investment vehicle may emerge for ICOs, separate from securities but with its own lighter-touch regulation.'

The report adds that professional accountants have a big role to play in developing the underlying technology and in advising entrepreneurs on how to drive technological ideas to commercial success.

'This is an area where accountants may find opportunities for involvement in shaping the future of blockchain,' says the report, adding that ICOs have the potential for accountants to bring new and enhanced service offerings to guide organisations seeking funding.

What is clear is that ICOs are here to stay; professional accountants who take the time to familiarise themselves with the process, and keep on top of the latest developments in blockchain, cryptocurrency and ICOs, will be ahead of the game. AF

Liz Fisher, journalist

Read ACCA's report, *ICOs: real deal or token gesture?* at bit.ly/ACCA-ICOs

All about blockchain

ACCA joined forces with UK regulator the Financial Reporting Council (FRC) in January, bringing together regulators, entrepreneurs, IT developers and experts from academia and audit to deliver a workshop on blockchain, the building block supporting cryptocurrencies and ICOs.

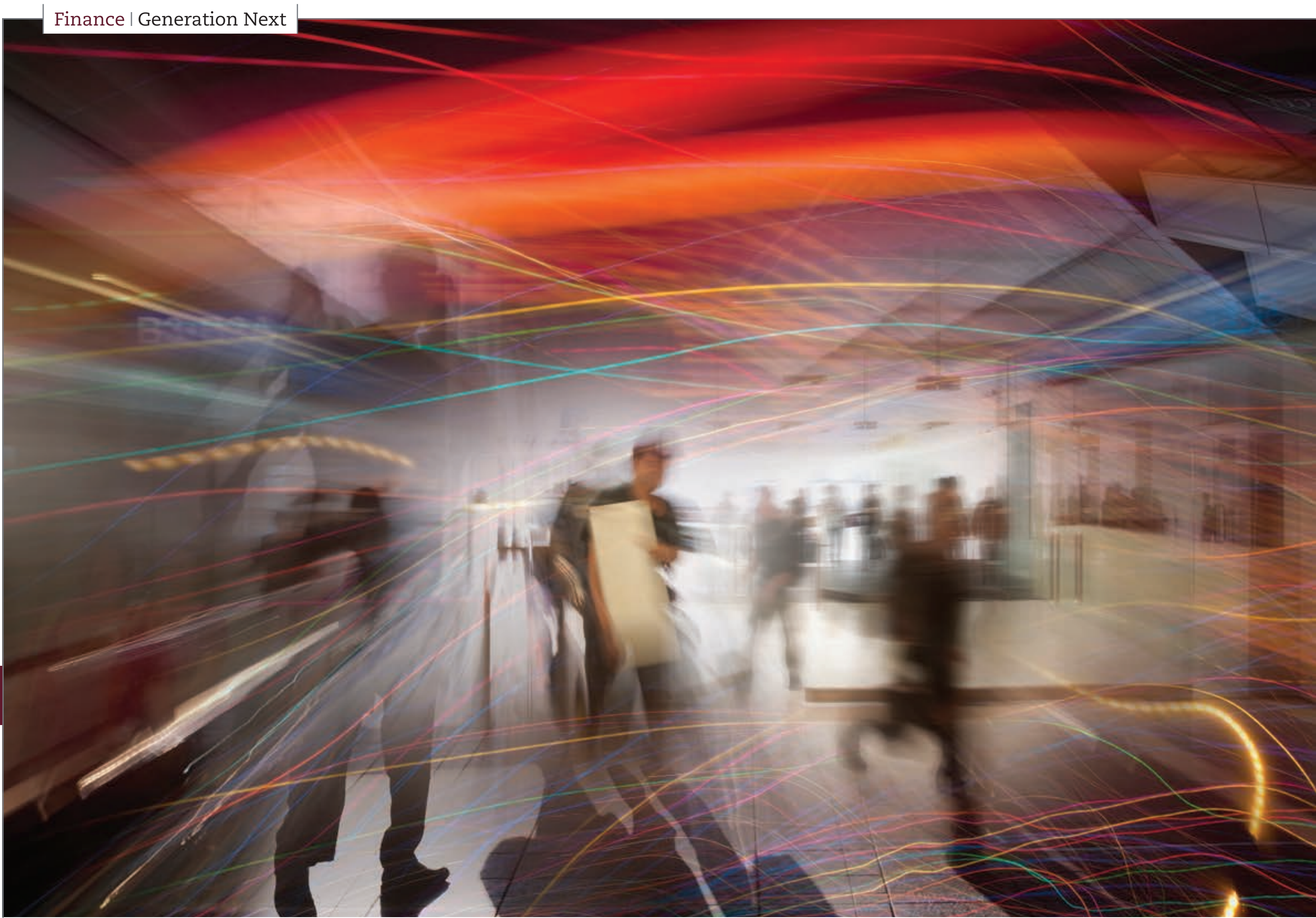
The event, hosted at the Adelphi, ACCA's headquarters in London, focused on two aspects relevant to bringing the technology into the mainstream – regulation and reporting.

In terms of regulatory scope, there are a number of factors to consider: consumer protection; systemic stability; hacking the encryption; and balancing the regulator's need to manage risk while supporting innovation.

From a reporting point of view, discussions centred on the possible relevance of distributed ledger technologies to the FRC's digital reporting framework (see bit.ly/FRC-Digi-Framework).

Another issue under discussion at the workshop was the cost-effectiveness of blockchain – for example, is it a solution to the problem of complex, messy, multi-system reporting, or do we just need better systems? Attendees agreed that there were some misconceptions around blockchain that needed to be addressed, such as its demanding energy requirements.

'What is clear from the event,' says Thomas Toomse-Smith, project director at the FRC's Financial Reporting Lab, 'is that blockchains will touch many aspects of corporate reporting in the future either as part of companies' underlying information systems or as a form of distribution.'



What millennials want

What do young aspiring accountants want and how does that affect employers? ACCA's Generation Next research found out

In preparing for the workplace of tomorrow two questions prevail: what do aspiring young financial professionals want and how do their desires affect their employers? Comprehensive and in-depth research from ACCA, *Professional Accountants – the future: Generation Next,* sets out to provide answers.

Millennials in the accountancy profession are well equipped to deal with change driven by digitisation and globalisation. They have a global outlook, often aspiring to work in another country in their next role or at some time in their careers. They appear technologically savvy and see technology as an opportunity. They are also prepared to switch jobs quickly to attain what they want from their careers.

The data also suggests they see themselves having careers in the profession and sometimes beyond, looking at entry into the profession as a pathway to a broad range of business opportunities.

The report's key findings were as follows:

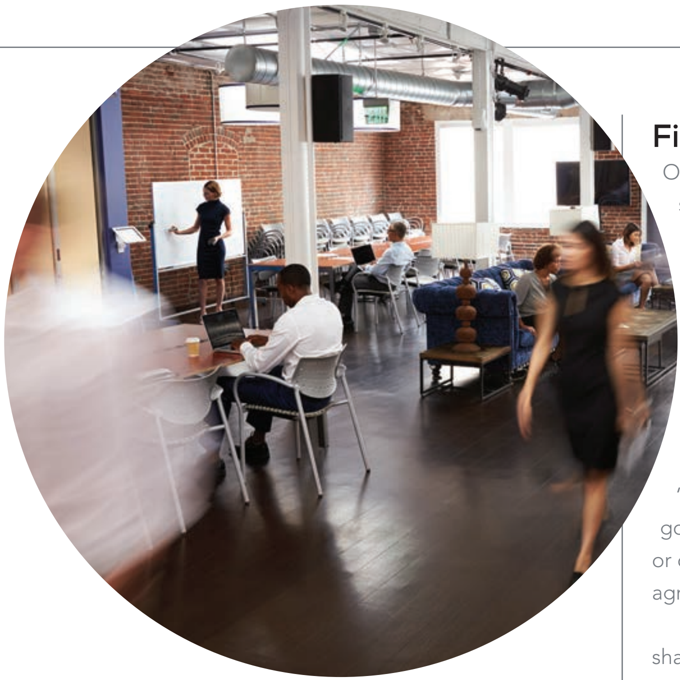
- experiential learning is front and centre
- the profession is seen as a valued platform on which to build a successful long-term career
- technology is an opportunity to add more value to finance and accounting roles
- mobility between sectors and employers is high
- key motivating factors are progression and development opportunities
- international roles are part of career strategies
- finance is not necessarily the end game.

Professional accountants – the future

Over 18,000 young ACCA members and students took the survey to share their ambitions for career development, how they like to learn and work, what attracts them to employers and what makes them stay. Total number of respondents: 18,646 of which 9,069 were female and 9,577 were male from 150 countries.

Responding age groups were as follows:

- 16–20 10%
- 21–25 30%
- 26–30 32%
- 31–36 28%.



Finance shared services

Overall, the survey findings suggest the views of those working in finance shared services are not dissimilar to the overall global results. This is a generation who believe they are well equipped to deal with change driven by technology and globalisation. But career opportunities appear to be limited. On average, 43% of the 707 respondents in the finance shared services sector thought opportunities for career progression were 'worse or much worse', with 29% thinking they were as expected and 28% saying that they were better or much better than expected.

Clear and structured pathways are lacking and opportunities are limited. While 26% either strongly disagreed or disagreed with the statement 'current organisation offers sufficient opportunities to achieve my career goals', 37% agreed or strongly agreed. Similarly, 35.6% strongly disagreed or disagreed that 'career paths are transparent in my organisation', while 31% agreed or strongly agreed.

Given that lack of a ringing endorsement, ACCA recommends action for shared service employers.

First they should attract young finance professionals by:

- building forward-thinking career paths
- creating an appealing brand
- using the technology they deploy as a recruitment opportunity
- looking at the skills that will be needed in the future.

They should then develop staff by:

- rotating between functions and locations
- implementing effective mentoring schemes
- providing quality learning opportunities.

Finally, they should seek to retain staff by:

- promoting internally
- encouraging 'intrapreneurship' – the idea of gaining entrepreneurial experience within the organisation by undertaking innovative or creative exercises
- creating a smart office environment.

Read the report at bit.ly/gennext-FSS

Small and medium-sized practices

Of the 18,000 professionals surveyed across the globe, nearly 1,300 worked for small and medium-sized practices (SMPs). They see working in SMPs as a platform towards building a successful long-term career. At 48%, their satisfaction with their current role is the same as the wider GenNext population. Long term, they are looking at the SMP sector as a springboard into other areas. But this sector has more stickiness at the outset of careers, with young professionals spending longer with SMP employers than the total GenNext population. Even so, lack of available roles and pay levels represent the largest barriers.

Given those perceptions and hurdles, SMP employers should first attract young finance professionals by:

- creating a compelling employee proposition
- reaching out to younger people
- becoming registered training practices.

They should then develop staff by:

- investing in formal development
- thinking about succession to build career paths
- pushing intraprenereurship
- focusing on creating the right behaviours
- introducing reverse mentoring (where older leaders are paired with young professionals to work on topics such as technology, social media and other work-related trends).

Finally, they should seek to retain staff by:

- building brilliant working environments
- embracing technology to aid future development.

Read the report at bit.ly/gennext-SMP

Long-term career prospects are the number one reason why young people join the profession (cited by 43%), followed by opportunity to develop a broad range of skills (40%). The ability to use skills in a broad range of roles both in and outside of finance was cited by 36%. Interest in the subject matter (33%) and prestige of the profession (29%) were less compelling reasons for young people to come on board.

Young professionals expect to move roles and change employers at a rapid pace as they seek to progress their careers. More than six out of 10 (61%) said their next role would be with a different employer and 100% expected to have changed roles in five years' time, with over a third (36%) predicting a move within a year. Young finance professionals see a working life without borders, with 80% saying they would look for a role in a different country or region. Starting their own business is a 'later on' ambition for many (approximately 81%), with other ambitions including 'a role outside finance/general business role' (53%); 'a role in a different area of finance' (just over 50%); and 'lead a finance team' (just over 40%).

For this generation, learning by doing is the predominant way they want to learn, with a whole raft of techniques cited. These include: on-the-job learning; mentoring; job rotations and secondments; professional qualifications and events/seminars.

Young professionals believe there are many tools they can use to navigate a successful career. In response to these, employers should come up with strategies to attract and retain these employees (see box, right).

The Generation Next research did not assume all sectors were the same and, by splitting out findings between finance shared services, small-and-medium-sized practices and large firms, and the public sector, unearthed some differences across the groups (see panels on page 27 and 29).

The Generation Next approach to career-building

	Navigating a successful career	Employers need to think about…
1	Own your own career	Revisit career paths
2	Future-proof skills	Redesign learning and career support
3	Create a personal brand	Engage the older generation in knowledge share
4	Make change from within the system	Allow new ways of working using technology
5	Never dismiss a lateral move	Rethink succession planning and talent pipeline
6	Become 'intrapreneurial'	Harness GenNext's digital savvy
7	Gain global experience	Think diverse global talent pools
8	Look for mentors and sponsors	Manage expectations, have career conversations
9	Lead the way with technology	Rethink engagement
10	Always build your network	Encouraging all to participate in networking

Lifelong learning

Continuous learning is the new norm. The challenge for professional educators is to ensure that, as far as possible, those who are taking their qualification are work-ready. Without that, the qualifications will cease to be relevant to employers and employees.

Workplaces, roles, commercial reality, technology, and skills will be continually changing and lifelong learning is the only way to keep up, to adapt and prosper. The big question is whether this continuous learning is the responsibility of the individual, the employer, the professional body or the state.

Generation Next is the first to really embrace continuous learning as the new norm. And this generation places a high premium on experiential learning. While many different learning interventions exist in organisations, respondents were clear that the most effective were on-the-job learning and other personalised training interventions such as mentoring (ranked second in effectiveness) and coaching (ranked sixth). Professional qualifications ranked fourth out of 17 learning interventions.

This suggests that professional qualifications that incorporate practical real-life scenarios could be particularly beneficial.

For decades, the 70:20:10 rule has been a commonly accepted model for learning and development. It holds that individuals gain 70% of their knowledge from job-related experiences, 20% from social learning with colleagues, and just 10% through formal learning such as classroom training or online. The research shows that Generation Next's preferences are broadly aligned with this rule.

Technology as opportunity

With increasing attention on the application of 'robotic' software across the profession as well as other emerging technologies, the research suggests that this is a generation which broadly expects to see more automation taking place. They expect some displacement of more junior-level roles across the profession but also recognise that technology will enable finance professionals to focus on much higher value-added activity.

This is in line with ACCA's previous report, *Professional accountants – the future: Drivers of change and future skills*, which suggests that, over the next decade, IT will be transformational for the profession, with smart software and systems replacing manual bookkeeping and accounting work (such as expenses processing), as well as greater automation of complex processes such as the financial close.

ACCA's recent report, *The race for relevance: technology opportunities for the finance function*, also suggests that technology could lead to a new age of efficiency.

Stay or go

The decision to stay or go is based around ambition. Factors to take into consideration are:

1 opportunity to learn and develop skills
2 career progression
3 financial remuneration
4 interesting work
5 job security.

What next?

The implications derived from the survey are clear: Generation Next professionals see few career boundaries, with entry into the profession as a pathway to a broad range of business opportunities. They are ambitious for quick progression, happy to switch sectors and aspire to work globally.

The survey results raise new questions – and offer some possible answers – as to how best to engage and nurture young professionals to future-proof the talent pipeline. How can finance provide more sustainable, fulfilling career development opportunities in the face of a rapidly changing business landscape? How can organisations equip the next generation with the skills and capabilities to thrive, and not just survive, in a challenging world? How can the profession adapt and innovate to ensure it remains attractive globally? AF

Peter Williams, journalist

Read ACCA's report *Professional Accountants – the future: Generation Next* at bit.ly/gennextfull

Large firms

Of the different groups, GenNext in large firms are most satisfied with their roles. The 2,200 survey respondents working for one of the top accountancy firms globally (either with a Big Four or mid-tier firm) delivered a very satisfied/satisfied rating of 59% compared with 48% in SMPs and 48% across all sectors. One factor driving this high level of satisfaction is the perception that learning and development opportunities are widely available in large firms.

The persistent downside for large firms is the poor work-life balance that their young professionals experience. In the Big Four, 48% think their workload is too heavy, compared with 35% in mid-tier firms and 30% in all sectors; while 43% in Big Four firms disagree with the statement 'the role provides good work-life balance', compared with 30% in mid-tier firms and 22% in all sectors.

Given those perceptions and hurdles, large firms should first attract young finance professionals by:

- selling careers
- emphasising internal opportunities.

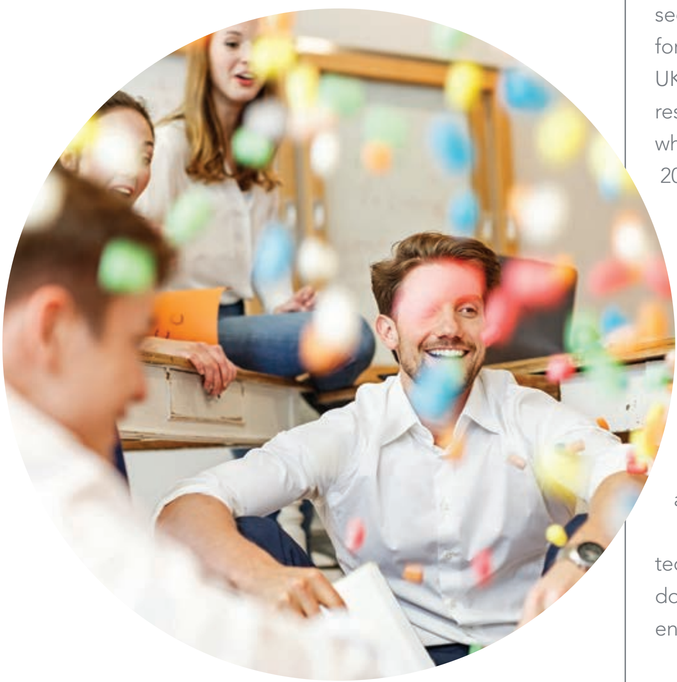
They should then develop staff by:

- involving them in the business
- thinking about future needs for skills.

Finally, they should seek to retain staff by:

- promoting transparency
- addressing work-life balance issues.

Retention seems to be the Achilles heel for the professional services sector as a whole where the figures don't vary; in essence, only a quarter plan to stay in the sector they are in now, while the other three-quarters are planning an exit.
Read the report at bit.ly/gennext-largefirms



Public sector

Public sector financial professionals outdo their private sector counterparts in their wish to eventually run their own business, with 84% of the 1,400 public sector respondents saying that it is part of their life plan (compared with 81% for all respondents). The 1,400 respondents came mainly from six countries (the UK, Nigeria, Malaysia, Trinidad and Tobago, Zambia and Zimbabwe) with the research followed up by roundtables in the UK, Nigeria, Malaysia and Singapore, where it was held in parallel with ACCA's International Public Sector Conference 2018. Nearly nine out of 10 (87%) of the sample see their financial experience as an excellent foundation for becoming a future leader.

Key factors for attracting and retaining talent in the public sector are a clear career path and experience at work, such as job security and interesting work. For career paths, professionals were looking for clear progression and skills development within their roles, as well as good remuneration. The disappointing news – and one clear red flag – is that only 26% in this sector agreed that 'my current organisation offers sufficient career opportunities to achieve my career goals'.

Public and private sector young professionals shared some goals – such as wanting to move within the next two years and looking for promotion.

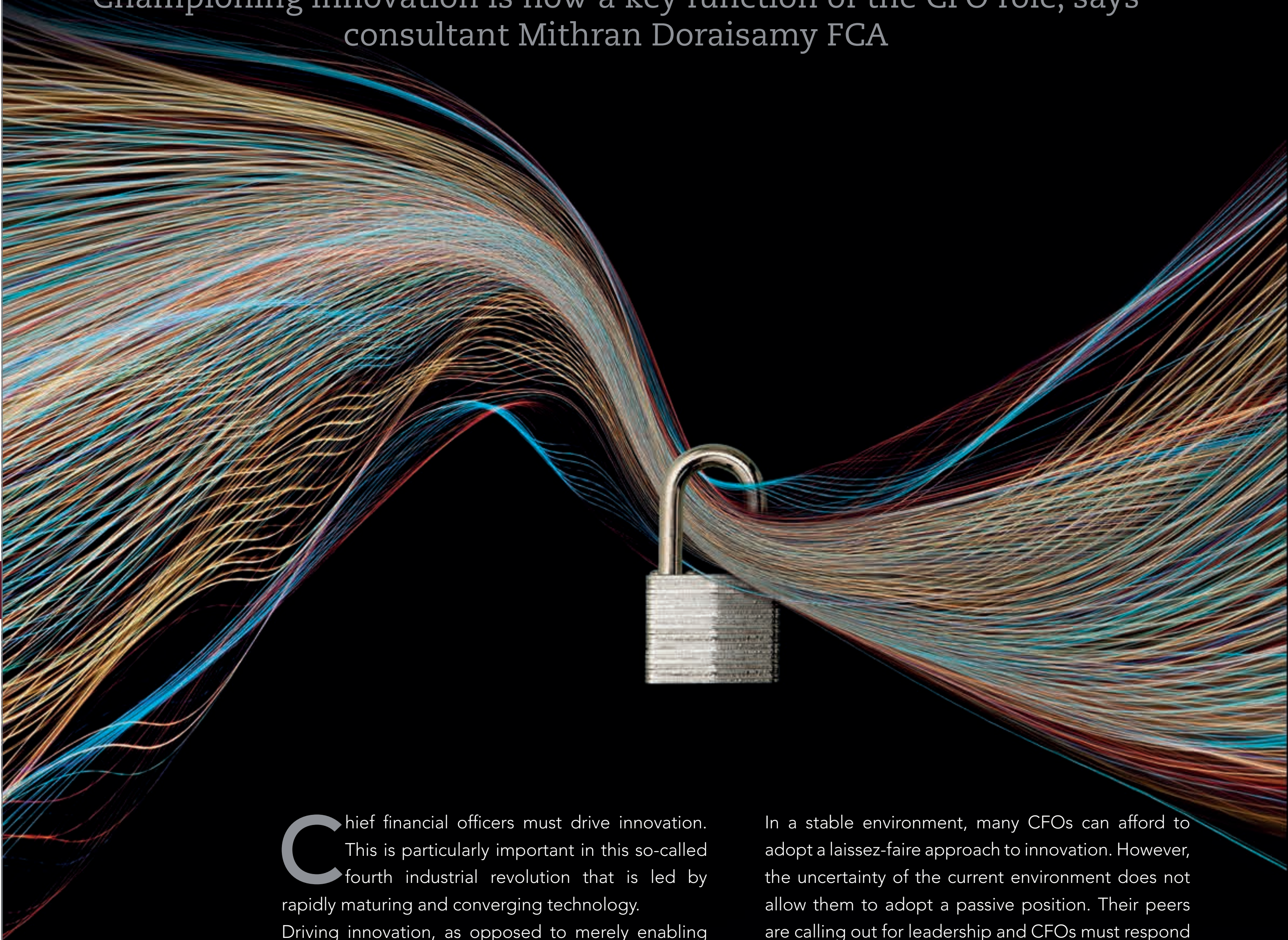
Respondents expressed both realism and optimism about the possibility of technological change: 60% said that technology would replace the tasks currently done by entry-level employees, but 87% were optimistic that technology would enable the finance profession to focus on value-added activities.

Employers in the public sector should take particular note of the desire among its professional finance workers for a clearer career path, especially as 39% said there were no transparent career paths in their organisation.

Employers should also consider brand development for the finance function, especially in markets where the public sector and government entities do not enjoy the best reputation. Examples of how this can be done were highlighted at the roundtable in Malaysia, where government organisations such as the central bank and the revenue authorities showed how they had developed a good reputation in the labour market.
Read the report at bit.ly/gennext-publicsector

Innovation is key

Championing innovation is now a key function of the CFO role, says consultant Mithran Doraisamy FCA



Chief financial officers must drive innovation. This is particularly important in this so-called fourth industrial revolution that is led by rapidly maturing and converging technology.

Driving innovation, as opposed to merely enabling or supporting it, means that CFOs should be held responsible, even though someone else in the business may be ultimately accountable for it.

CFOs must also fully immerse themselves in innovation. Boards and chief executives should judge them by the corporate innovation output as well as the CFO's own innovation outcomes.

Is this an odd assertion? Consider that CFOs are the stewards of profitable long-term growth and are the first of their peers to grasp the financial trends and implications across the company. They are also the first to understand key financial risks and opportunities, and they hold the purse strings for investment that could combat disruption and provide new opportunity.

In addition, CFOs are often closest to the market and understand market expectations and the boundaries that will guide trade-offs. They also run the planning and budgeting processes for both profit and loss budgeting and capital expenditure, which affect how innovation is encouraged and funded in corporations.

Further, they are often also in charge of corporate strategy and/or IT, both core drivers of innovation.

In a stable environment, many CFOs can afford to adopt a laissez-faire approach to innovation. However, the uncertainty of the current environment does not allow them to adopt a passive position. Their peers are calling out for leadership and CFOs must respond accordingly. Here are five ways of doing so.

1. A balanced and aligned portfolio of innovation initiatives. Innovation is often viewed as being disruptive and transformational, a high-reward activity that is typically high risk. There is a role for the CFO to ensure that the risk and rewards are balanced. This covers both the type and extent of innovation initiatives.

Innovation types cover all parts of the business model and value chain, from products, brands and online channels to new engagement models and revenue models. Collectively, these different types of innovation affect both revenue and cost.

Then there are different extents of innovation. Initiatives that feature just one or two types of innovation and are close to what the business is currently doing are generally seen as core or adjacent innovation, of an evolutionary nature, and offering lower risk and lower return.

Initiatives that stretch a business further away from its core capabilities typically feature multiple types of innovation. These are disruptive or revolutionary and can transform industries, but can be harder to execute. CFOs should ensure that the balance of such initiatives reflects the circumstances of the company, with appropriate focus on the areas of need, such as new customer engagement models. While the corporate strategy typically serves as a guardrail, CFOs often need to set targets at a more discrete level to ensure that the most important types of innovation for the company are pursued.

Initiatives aside, innovation also requires an approach and an ecosystem to support it. The approach could involve deploying a variety of methods such as agile design thinking, hackathons and accelerators, while the ecosystem may include ensuring that the collaboration platforms are in place.

While the innovation officer may be accountable for constructing the innovation ecosystem and portfolio, the CFO has a legitimate and important role in providing guidance and support. Setting targets for each category of innovation by business unit and function is one way a CFO can ensure that the right mix of initiatives are present and that new revenue, new business models and lower cost models are being pursued across the business.

2. Deploy nimble funding processes that support innovation. Funding is one of the biggest banes in the lives of innovators. Some of the issues arise from legitimate concerns, as innovation funding should not be a bottomless well. However, others present real challenges, particularly regarding the rigidity and annualised nature of funding.

CFOs need to ensure that funding processes are in sync with contemporary short-cycle approaches to innovation and development. This means setting funding stage gates that match the agile methods being used, and leaving sufficient funding for iterations once the minimum viable product is produced. New approaches to funding agile projects are being refined and CFOs should determine what works best for their organisations.

Transparent but nuanced funding rules are set for the different types and extents of innovation. For example, CFOs may choose to ask business units to self-fund all evolutionary innovation out of budgets on the basis that much of the innovation should generate same-year returns. But they may hold special funding aside for the bigger bets: the revolutionary innovation.

There are no set answers for funding innovation, but CFOs need to structure it carefully to promote innovation with the appropriate level of governance.

3. Focus on securing the portfolio benefits. Ultimately, innovation is expected to create real value. But this applies at the portfolio level and not on a per project basis, where there needs to be sufficient licence to fail fast on smaller projects. This fosters a culture of risk-taking and leverages learning for future successes.

The focus on securing benefits must therefore be nuanced appropriately to achieve both the financial and other objectives around risk-taking and culture. For early-stage innovation, the focus should be on the indicators of progress, while for later-stage innovation, when funding and resource levels rise, a focus on outcomes is key.

Again, there are no rules for CFOs to follow. However, financial returns fall squarely within the CFO's mandate and they are expected to pay particular attention to this.

4. Transform the finance function. As a function, finance has been widely disrupted over the past 20 years, particularly with the introduction of enterprise resource management systems and outsourcing and offshoring. Notwithstanding, the maturing and convergence of technology holds much promise for further improving the efficiency and value of the finance function. It is imperative that CFOs innovate their own function to maximise the value of their role as well as to show innovation leadership.

A technology such as robotic process automation can drive automation of manual processes in financial processing areas and, critically, can offer returns on investment. Blockchain also has the potential to streamline trust-based transactions and offer productivity benefits.

Non-technological innovation can yield significant improvements too. In large companies, simplifying the budgeting process (sometimes a bloated six-month process that sucks the energy out of the entire organisation) can both improve outcomes and release energy for more creative endeavours.

Mithran Doraisamy FCA is a strategy and transformation specialist. He is a consultant at Partners in Performance.

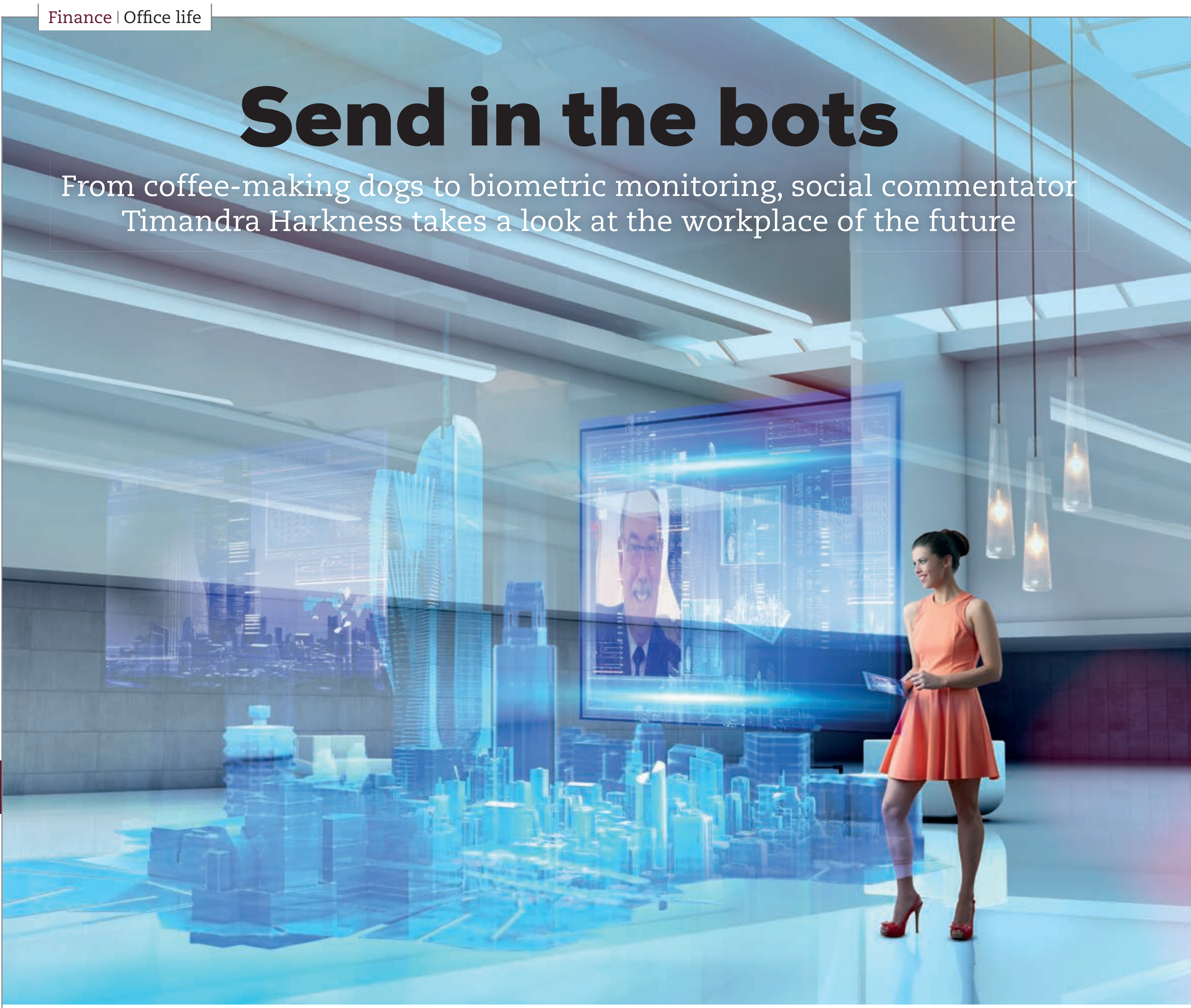
> With innovation being vital, it's time for all CFOs to make the leap from bean counters to bean sprouters

As for increasing value, analytics (typically cloud-based) and cognitive technologies (artificial intelligence) provide significant opportunities for finance to offer new insights into the business that were hitherto unavailable. This can extend from growth and cost trends to risk management.

5. Be hyper-aware and ask strategic questions. If one of the biggest issues for innovators is funding, then the other main problem is trying to convince uninitiated executives of future opportunities and getting them to focus beyond current issues. CFOs have been part of this challenge.

In this rapidly changing landscape of new business models and new-use cases for maturing technology, CFOs can add the most value by being hyper-aware of external environments and trends. This will allow CFOs to move beyond asking the tough financial questions. It will enable them to seek more holistic solutions and innovations and test whether the best innovation approaches are being deployed.

With innovation being so vital to future success, it's time for all CFOs to make the leap from being bean counters to bean sprouters. CEOs, board members and shareholders would be wise to insist on this transformation.



Send in the bots

From coffee-making dogs to biometric monitoring, social commentator Timandra Harkness takes a look at the workplace of the future

Timandra Harkness is a presenter, social commentator and comedian.
timandraharkness.com

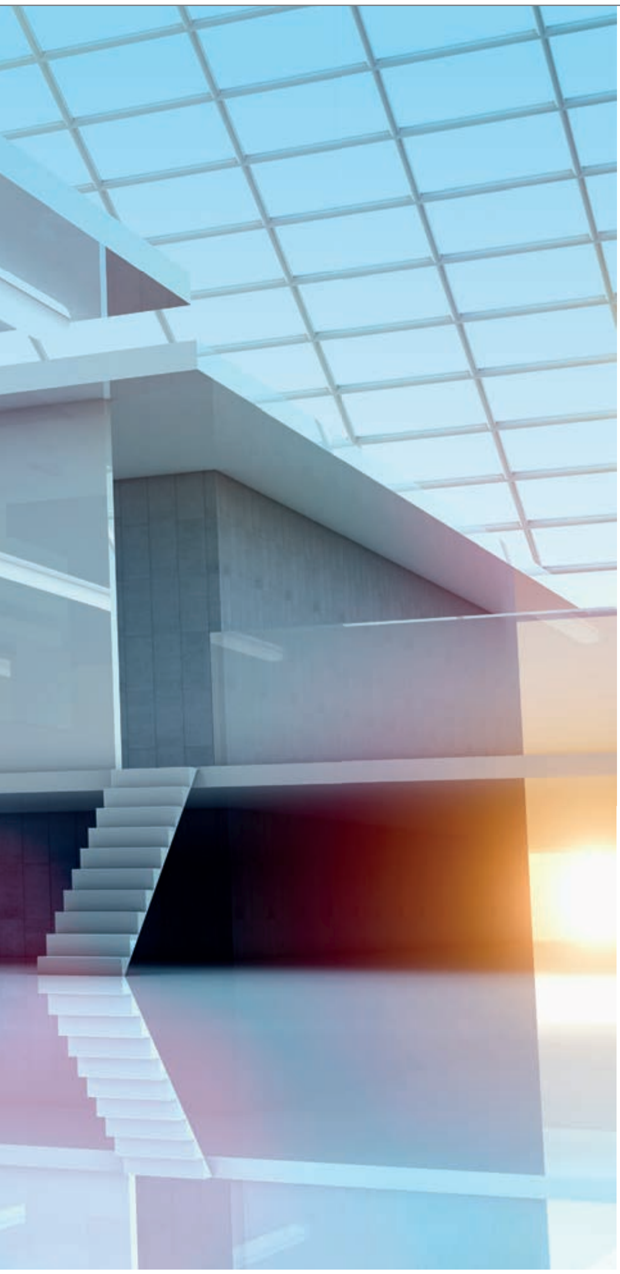
'Good morning, Timandra!' The lift always sounds so perky, glass doors parting automatically as they detect the chip embedded in my hand. I don't even need to tell it which floor I need. As I glide upwards, my virtual assistant Adam briefs me for the day ahead. I call him Adam because he's the invisible hand that organises my life. 'Your first appointment is at 09.13 hours in meeting room Loeb,' his soothing voice tells me. 'Your pulse is normal, and your weight is 5.16 kg above optimum.' The lift shudders to a halt at floor 713. 'We therefore recommend that you walk up the final three flights of stairs.'

Bother the workplace wellbeing programme and its biometric monitoring. Officially it is optional, but it comes with free health insurance and an extra week's leave so, really, who's going to turn that down? Apart from Dave in cybersecurity, obviously.

By the time I reach my floor I am too out of breath to say 'skinny camel-milk decaff latte with a Modafinil shot', so it's a good job Flynn knows my regular order and has it ready in his outstretched hand. Well, less a hand than a paw. 'Good boy, Flynn,' I say. Apparently dogs in the workplace are good for stress. But because Iris in the ethics department is allergic to real dogs, we got a robot dog that also makes coffee and remembers what everyone drinks. Apart from Dave in cybersecurity, who randomises his coffee drinking so Flynn can't detect a pattern.

I just have time before my 09.13 meeting to audit the annual accounts of Toyota General Ford. Or rather, to get RITA to audit them. Now that all financial records are kept on blockchain, it's a simple matter of randomly sampling the automated audits to check they haven't missed any anomalies – ideal for basic AI like RITA, the Random Interaction Trail Auditor.

I finish my coffee and head into Loeb for my meeting. As I don my augmented-reality headset I check that I've set my personal appearance settings to 'smart', and note with pleasure that the algorithm gives me a tie that subtly reflects the decor of the client's own office. It has also adjusted the background view to match her time zone, so I am apparently backlit by a full moon over the sea. These psychological details are important, because it's a difficult meeting.



we've been buying pregnancy data from healthcare-wearable companies. Since we know when birth rates are falling, even before the mothers-to-be know, we can hedge against the recession that always seems to follow.

But that's just one of millions of datasets we feed into our neural network. The algorithm also tracks bankers' heart rates, skyscraper dimensions and internet searches for vintage Ikea furniture (no, I have no idea why, but who cares? It works). The only problem is, all our competitors have access to the same datasets. We need some kind of input they don't have, a different window onto the future.

A virtual meeting with a colleague who is on four-year paternity leave gave me the idea. The chaos being inflicted on him by his toddler was just the kind of random variable we needed. After all, our models don't need to be more accurate than our competitors. Simply being unpredictably different will give us the edge often enough to impress our clients. So now a group of children convenes once a week and their outputs go into FINN, our Future Investment Neural Network.

Obviously that's not how I describe it to the client. For her, it's a 'focus group of deep-future investors, playfully scenario-building in a sandbox environment'. Nobody needs to know it's six infants playing Mars Colony or Pet Cloning Clinic in a real sandbox.

When I get back to my desk, RITA has the audit ready for me. I spend the afternoon checking anomalies

> Now that all financial records are kept on blockchain, it's a simple matter of randomly sampling the automated audits

The problem is that a year ago I recommended a clever AI-based system that pays bonuses in cryptocurrency, converting them into local money when the exchange rate is at its most tax-efficient. That was fine until the company's local tax office introduced its own AI, allocating taxation points dynamically without prior notice. And if you're wondering how a government can get away with that, you haven't been following the news. Since the Revenue Riots of 2024, financial ministries can't crack down hard enough on even the most innocent tax-minimising schemes. Anything else would be political self-destruction.

While our own software runs a million stochastic models to predict the best way our client can adapt to the new regime, my job is twofold. First, mollify the client by reminding her that being seen to pay more tax is the best way to build a loyal customer base. Second, distract her with a new economic forecasting model that's even better than the last one.

I am especially pleased with this, because it was my own idea. Ever since the link between conception rates and economic growth was discovered in 2018,

in carbon credits in the Asia-Pacific fuel cell sector. Probably an innocent case of mixing up their carbon-absorbing algae with their hydrogen-generating algae, but one can't be too careful – there are stiff fines for quota infringement.

As I pick up my jacket to go home, my virtual assistant Adam murmurs, 'You didn't seem very happy at work today. Want to talk about it?' That'll be the facial expression analysis program, or maybe my embedded chip is now measuring my cortisol levels. But I don't really want to talk about it, because I'm looking to move on from EYoitteKPWCMG to one of the other Big Four firms. Kothari Lodha or Ruihua BDO or, if I do really well, Zolfo Begbies Saffery Mazars.

Clearly I don't want to mention this here, not even to a virtual sympathy-bot. So I mutter something about stress and accept the 'optional' post-work mindfulness session in the Easterlin Wellbeing Spa.

I hope the software can't tell from my expression that I'd rather be having a cold beer with Dave from cybersecurity. I'll have to text him our code word to tell him I can't make it after all. AF

Out of this world

This year's World Cup has kept football in the spotlight. Austin Houlihan and Tim Bridge look at the key trends driving the value of sport globally

Austin Houlihan is a director in Deloitte's Sports Business Group, with over 10 years of experience working in the sector.

Tim Bridge is a senior consultant in Deloitte's Sports Business Group. He is a regular speaker at industry events and media commentator on sports business.

On Sunday 15 July more than three billion people across the globe will tune in to watch the Fifa World Cup final at Moscow's Luzhniki Stadium. And, while the majority of fans will be paying the closest attention to the on-pitch performance of their favourite players – whether that's Argentina's Lionel Messi, Brazil's Neymar or England's Harry Kane – the real drama in world football has been happening off the pitch.

The ever changing financial landscape of professional football over the past 25 years has been extraordinary and fascinating in equal measure. The phenomenal growth of the game in terms of audiences and financial revenue since the early 1990s is indicative of the benefits of globalisation in sport, and a model that other professional sports are seeking to replicate.

It is worth remembering that professional sports are global entertainment products that are designed to capture the attention of consumers for a combination of drama and athleticism that can take place on a pitch, a court or in a ring. Simply put, the more popular the sport is across the world, then the bigger the opportunity it offers to generate commercial revenue streams. But, the question remains: how can this enormous popularity be effectively monetised?

Live and kicking

Despite the widespread availability of televised sport and the proliferation of entertainment that is available online, live attendance at sports events is still a critical driver of financial revenue. Fans enjoy being part of the action so watching sports live remains a significant market, with total sports gate revenue likely to exceed £24bn globally this year.

In the UK alone, 74.5 million tickets for professional sporting events were sold in 2017, a 7% increase on the 2016 figure – partly because last year the UK hosted the ICC Champions Trophy, the ICC Women's World Cup, the IAAF World Athletics Championships and the Uefa Champions League Final. Indeed, 2017 was the UK's largest recorded total attendance at sporting events since London hosted the Olympic and Paralympic Games in 2012.

There are now 50 sports leagues and events around the world that have an aggregate annual attendance of over one million spectators. Football leads the pack, with 29 events globally, followed by rugby with seven and baseball with four. Seven of these leagues are in Asia and are among those growing the fastest.

Attendance at football matches in Europe (domestic and regional championship games) exceeded 170 million in the 2015/16 season and grew by 2.6 million year on year. Between them, German and English clubs attracted 55 million spectators to their matches over the course of the season.

Live sporting events continue to thrive in an online world. Sports fans enjoy being part of a conversation and sharing experiences: the social media era has created a 'fear of missing out' culture that has boosted the demand for attending must-see live events and performances. Not only does a packed stadium help with revenue from ticket, food and drink sales, but it is also attractive to commercial partners, while the atmosphere enhances the entertainment product for television audiences.

Switch on

Many sports fans cannot attend in person, which is why broadcast is also pivotal to the financial growth of modern sport.

In fact, increases in the value of broadcast rights enable a larger spend on talent, which itself can create a larger draw for match-day attendance. For instance, the English Premier League recently announced the results for its domestic broadcasting rights. It was able to sell rights for the majority of its packages for £4.4bn – around 87% of the value of the current deal, with two packages and a total of 40 games still to be sold by its innovative tender. The value of live domestic rights for the current cycle is already £1bn per season greater than five years ago, and has risen by 70% in each of the previous two auctions.

The continuing world-leading levels of broadcast revenue acts as a virtuous circle for Premier League clubs. Armed with revenue from broadcast distributions, they can acquire some of the world's best playing talent, while investing in capital expenditure, such as stadium improvements, and other long-term projects, which all contribute to driving audiences and overall revenue growth.

Larger, state-of-the-art stadium facilities and attractive playing talent enables the Premier League to keep on improving its broadcast offering, helping it to secure strong domestic and international broadcast values in the future. The Premier League already enjoys a revenue advantage of more than £1.5bn over rival European leagues such as Germany's Bundesliga and Spain's La Liga.

These staggering deals – amounting to £12bn since the 2013 season – confirm the Premier League's position as the world's most popular league in the world's most popular sport. The fact that the value of live domestic rights will remain at a very healthy premium to those for any other football league from

The phenomenal growth of football is indicative of the benefits of globalisation in sport

2019 to 2022 emphasises that the Premier League provides highly sought after premium content for media platforms and broadcasters.

Over the top

The World Cup final is the pinnacle event of the most popular sport in the world, and will probably break numerous records for viewing, whether in front of traditional TV sets or on mobile and tablet devices.

Consumers' desire for any time, anywhere access to sports content has led to 'over-the-top' (OTT) streaming platforms, social media networks and other technology companies competing with traditional pay-TV platforms in bidding for sports rights.

Fans increasingly turn to a wide range of social media platforms to engage with sports events. New media platform providers can meet and benefit from this demand (and therefore play a more influential role in delivering sport to consumers) by augmenting their live coverage with additional content, such as highlights clips and special features, or by providing match coverage where a traditional broadcast partner is not available or desirable.

Traditional broadcasters have responded to the threat by launching their own OTT platforms, supplementing their sports rights with self-created content and repurposing channel packages to offer sport-specific content at more competitive prices. These companies are also investing heavily in new developments such as 4K display resolution, high-dynamic-range imaging (HDRI) and virtual reality production. Augmented reality has been employed for years in the form of in-studio graphic overlays, and more inventive and in-depth uses are being trialled.

Technology will continue to play an important role in the sports industry, particularly the smartphone, which has perhaps had the most impact on the consumption of sport over the past decade. Over the next five years, smartphone adoption among UK adults will surpass 92%, and overall adoption in developed countries will hit 90%. Unit sales in 2023 are expected to be 1.85 billion a year, making it the most successful consumer device of all time. Around 280 million people watched matches during the 2014 World Cup on their mobile devices – expect this figure to increase significantly for this year's tournament.

Creative force

Julie Devonshire FCCA, director of entrepreneurship at King's College London, is helping to create the next generation of entrepreneurs

Entrepreneurship is a shining hope for economies. And King's College London is determined to turn that hope into a reality through its Entrepreneurship Institute. That's the vision of Julie Devonshire FCCA, director of entrepreneurship at King's College London and successful entrepreneur.

The institute was founded four years ago and Devonshire has been in the role for two. 'We're here to support the entrepreneurial mindset across all the university's 30,000 students, 7,000 staff and alumni,' she says. 'Some are born natural entrepreneurs but some skills and attributes – such as sales and marketing – can be taught.'

From that population, the institute first wants to seek out and equip careerist entrepreneurs. In 2017, it received 193 applications, from which it selected the 20 best ventures to host over a 12-month period. Among the support it offers are six experts in residence, who include coaches, an entrepreneur and an investor.

The institute's second objective is to support anyone from King's who recognises that in their career they may make use of entrepreneurs' tools.

'For instance, medics need to be innovative, agile and problem-solving, relishing overcoming the challenges that exist in healthcare,' Devonshire explains.

'We want to give our hundreds of medical students those skills.' While some identify as entrepreneurs, Devonshire says many don't realise they will need the attributes and skills associated with entrepreneurs.

50/50 accelerators

More female entrepreneurs are needed, says Devonshire. 'Look at any cohort at any accelerator and typically you will find more males than females. I aspire to 50/50 cohorts and we have to work on that.'

Why the imbalance? 'Sometimes the language, imagery and outreach of accelerators are male-orientated,' she says. 'Also, women sometimes have a slightly different attitude to risk-taking and investment.'

How to correct the imbalance? 'Through the role models we use and the stories we tell. For example, perfumer Jo Malone came to speak to 400 at King's and that helps to answer the questions that female entrepreneurs have as they seek role models.'

Patriotic entrepreneurship

Devonshire describes the work of the institute as patriotic. 'The entrepreneurship world is a shining light; it is the next generation pressing forward with ideas, some of which will eventually employ swathes of people,' she says.

At the end of their time in the institute, Devonshire wants those 20 ventures – which include groups – to be better entrepreneurial leaders. 'As well as a better skillset, we want to create new, sustainable, scalable businesses that will trade, take investment and provide employment and internships.'

> 'We want to create new, sustainable, scalable businesses that trade, take investment and provide employment'

That's because, Devonshire says, governments across the world are defining economic success through the filter of entrepreneurship. However, that will be realised only if entrepreneurs receive support. It is a belief that is central to Devonshire's approach.

She describes the institute's students as 'fanatical' about entrepreneurship – a trait she has never known before and a source of huge optimism. This is perhaps, she says, because of the role models they identify with – such as Facebook's Mark Zuckerberg – and the media attention on start-ups and those who run their own business.

This path involves failing, trying and hardship, as well as success. 'It's quite a rollercoaster,' Devonshire says. 'You need such resilience to take the knocks when introducing something that's never been seen before.'

It is a view that is informed by her own experience.

ACCA-qualified Devonshire says she was following a 'classic path' as a financial director but was always more interested in the making of the money, rather than the financial reporting of it. She joined a friend in a venture called One Water, where the idea was to use the profits from the mineral water brand One to build water pumps on behalf of clients – coffee shops, supermarkets – in sub-Sharan Africa. 'I was at the products and business development end of the business,' she says. 'It was a massive struggle. We learnt so much; we had tears and tantrums as well as success.'

After five years of trading, accumulated profits were £8.2m and the business had built hundreds of water pumps, as well as garnering a clutch of social and entrepreneurial awards.

Devonshire then joined Oxfam, with which she had worked while at One Water. The charity gave her the job of improving the revenues of its 700-plus shops as well as its three large sorting centres for donated clothing.

Moving on to UnLtd (a foundation supporting social entrepreneurs), she worked on investing an £8m lottery grant across different social enterprises. She was awarded an OBE for this and the effort she has put into communicating about entrepreneurship, especially mentoring female entrepreneurs.

Back at King's, she brings real-life experience and knowledge of entrepreneurship ecosystems, including, crucially, strong connections with early-stage investors. 'It's about bringing the outside in, helping students prepare to become more skilled,' she says.

Not all about tech

Even today, it is not all about tech, although most propositions are executed through digital technology. A King's example is C the Signs: a tool that lets GPs identify cancer early. Developed by two medics, who combined artificial intelligence with the latest medical research, C the Signs reaches a conclusion in 30 seconds. It won a Tech4Good award in 2017.

King's has huge street-facing posters across its central London sites picturing such eminent alumni as the Duke of Wellington, Archbishop Desmond Tutu and Florence Nightingale. Devonshire says she'll know the institute is a success when one of its entrepreneurs joins this wall of fame.

Peter Williams, journalist

The brand girl

Karina McLauchlan CA talks about her entrepreneurial role as vice-president of finance for famed shoe firm Shoes of Prey in the US

For a woman who spends her life immersed in shoes, Karina McLauchlan CA is awfully fond of footy. Such a fan is she that on the day we meet, she is on a week-long trip back from the US to watch her beloved Adelaide Crows take on Richmond in the Australian Football League Grand Final.

The Crows might have suffered a 48-point mauling by the Tigers at the hallowed Melbourne Cricket Ground, but for down-to-earth McLauchlan, the painful loss is just another chapter in her lifelong fan journey. She thrives on the stories created by the Crows' wins, losses and near-misses.

And that loyalty typifies a choice she has made in her career. In her own words, she is 'a brand girl'. She loves the stories behind the products. 'I love getting behind a brand; wearing it, using it, talking to people about it.'

It wasn't always that way. McLauchlan started her career as a graduate accountant, walking straight out of university and into PwC. Nine years later, she stepped through the doors of iconic skincare brand Jurlique, set up in her Adelaide hometown by a German biochemist and a botanist.

She knew then she had found her driving passion.

> 'I started at Shoes of Prey, and six months later, I owned 26 pairs of shoes. I just totally got behind the brand'

Professional services, with its billable hours, had been a good career starter. But the tangibility of a physical product, one you can pick up and whose smell you can breathe in, offered McLauchlan the chance to feel a part of the action. She dived in head-first.

She still gets 'really excited' when her current firm, the famed shoe company Shoes of Prey, launches a new product. 'I think that's the coolest thing ever,' she says. 'I love to track: "How many did we sell yesterday? Where are we selling the most of them?" I used to love seeing the creative that would come out for a new skincare range.

'It was a nice little complement to the fact that my work can be quite dry. Let's be honest, numbers are numbers, and you're staring at a computer screen most of the day. So to be able to break it up with getting involved and engaged with the company's direction; like the creative work, I love that.'

McLauchlan moved to Shoes of Prey at the beginning of 2017. It's an online company that allows buyers to tweak their base shoe designs for a custom look and size. For someone who was previously more into clothes than shoes, she suddenly has a big collection. 'I started at the company, and six months later, I owned 26 pairs of Shoes of Prey shoes,' she laughs. 'I just totally got behind what the brand is doing; they actually joke all the time about how I've grown their sales. But Shoes of Prey is really all about the customer experience. They want to people to live and breathe what their product is doing.'

For a company with such a big reputation, the staff size is relatively small, with just 25 in the head office in Santa Monica. It's a tight-knit group: when a key investor required the Sydney startup to shift to the US, 22 of the 25 staff relocated with it.

Santa Monica, a coastal satellite of Los Angeles, was chosen for its climate and culture. 'It's got a bit of hustle and bustle, it's got almost like a little central business district area, and it's got a beach and suburban area, beautiful restaurants; it's a really nice place,' says McLauchlan.

With her experience on the executive team of a fast-growing startup, you might think McLauchlan's trajectory is pointing towards general management. But she's not so sure about that. A stint as an interim general manager at Jurlique 'definitely highlighted to me that my passion is with numbers', she says.

Likening management to a baseball game, she says: 'The general manager is the pitcher, I'm the catcher, and I'm there supporting her every move.'

Made in China

At Jurlique, the global production base was in Adelaide, but Shoes of Prey manufactures in a regional city in China. That throws up a new challenge for McLauchlan, who has a team of five based in Asia, including one direct report.

'It's a very unique manufacturing environment, because we're not making a thousand shoes in one run – we're making one individual pair of shoes, then the next shoe is completely different,' she points out. 'It's actually really hard for them to do the accounting for this non-traditional manufacturing process.'

The two countries are in completely opposite time zones – McLauchlan leaves her Santa Monica office just as her Chinese counterparts walk into theirs. And there are barriers beyond the language one, including culture, nuances of communicating and different accounting training.

'It's definitely been challenging,' says McLauchlan, who has visited China twice since taking on the role. 'I can't speak a lick of Chinese, so I have to remember that these guys are meeting me on my side of the table, and that if their communication is slightly confusing, I'm the one who has to bend. I'm the one who actually has to find ways to meet them halfway.

'I find a lot of it [comes down to] good writing; I have to be very careful how I set things out so that I'm making it easy for them to give me an answer in the language that is not the one they're comfortable speaking.'

The number one priority for McLauchlan is expanding her senior finance managers' understanding of the business world outside of China.

McLauchlan doesn't regret the nine years she spent in various accountancy firms at the beginning of her career, including PwC and Adelaide second-tier firm Edwards Marshall (now known as Nexia Edwards Marshall), where she was the company accountant.

'What I got from Edwards Marshall, out in the real world, that has just been so valuable,' she says. 'I probably went to them at a time where I was the most sponge-like, absorbing information. Doing four-and-a-half years there under 12 partners, I think that was probably the most technical education. It's been incredibly valuable. I can tell that some of the work that I produce has a very strong CA professional services kind of theme to it, and layout to it, and structure.'

McLauchlan loves to grab hold of an opportunity, which is how she ended up moving to the US seven years ago. It all started with a desire to enjoy Halloween US-style. 'It was really random,' she says. 'I had a brother and some cousins over and I'd always wanted to go to celebrate Halloween in the States,' she says. 'So I planned this three-week trip.'

At the time, Jurlique was moving its headquarters from New York to Sydney, and the US office was shifting from New York to LA, to be in a time-zone closer to Australia's.

'I happened to have my vacation over that exact period where they closed New York and opened LA, and my boss said: "Would you mind spending some time in both New York and LA? Go to New York first, help them close up, and then go to LA after and help them open." So while I was there, they were recruiting for the finance manager, and I went to the president and said: "Would you have me?"'

Initially McLauchlan gave America two years, which has now turned into seven. And while she has remained staunchly Australian on foreign soil, she has also embraced American culture. She plays softball and American touch football, along with Australian touch football.

And once again, that devotion has made an impact. 'That's been a big part of why I stayed in the States,' she says. 'Because I met people that way, and I had commitments.'

Carolyn Boyd, journalist

Going for growth

Embrace differences, develop a growth mindset and stick to your decisions – global finance leaders give their tips for success

Michael Boggs CA

'The thing that absolutely hit me immediately upon becoming the CEO was really two things. Firstly, I certainly get more people saying "I have got some new, great, innovative idea." People are much more likely to come and pitch to the CEO than the CFO. So the ability to engage in the future, the things that are going to take the business forward, present themselves much more easily. And then the other thing is you have got a team that you are leading, so assessing the cadence of the business, the tone of the business, the culture and the levels of engagement is something that I have certainly stepped up and taken much more seriously as the CEO. The buck stops with me now.'

Full interview at bit.ly/MichaelBoggs

Chief executive of New Zealand media conglomerate NZME

Phoebe Yu FCCA

'I have always been passionate about environmental protection. Facing the climate change crisis, it is everyone's responsibility to take action. It is also a sustainable approach for the company's business growth. We have a five-year plan, which highlights a two-pronged strategy of helping in the transformation to low-carbon energy suppliers. We are aiming to increase the company's ratio of clean energy production.'

Full interview at bit.ly/PhoebeYu

CFO of Shenzhen Energy Group and ACCA Council member

Anna Davis CA

'I've been lucky to work with a few awesome people, and that just continued to create opportunities for me and for the people I work with. Business problems are becoming so complex that it's impossible to solve them on your own. You have to network with [people who have] different skillsets even within the business and within the profession. I am always checking in with people I've met throughout my career who are doing similar work.'

Full interview at bit.ly/Annadavis

Director of finance at Rocket Lab USA

Tony Holmwood CA

On how mindfulness meditation helps leaders perform: 'Your reasoning skills and emotional intelligence will develop over time as will your strength of character, individuality and creativity. For managers, leaders and directors, the need to relinquish the detail holds strategic significance. Delegating and allowing staff to own and keep you abreast of the detail develops their self-confidence, enhances listening skills and builds trust. To know trust is to represent trust.'

Full interview at bit.ly/TonyHolmwood

Change consultant at Outper4m Advisory

Sinead Bryan FCCA

'In order to execute transformation you need a growth mindset, and to understand your customers and your market in order to shape and execute a successful strategy. This is the CFO's role as a leader and business partner to the CEO. To bring about change, you need to be flexible, and have strong people management skills – and even stronger technical skills. You need to prove that you can build a talented team of people and listen to them. It's no longer just enough to have an accounting qualification; you really need to focus on your soft skills.'

Full interview at bit.ly/SineadBryan

CFO of Vodafone Ireland

Chris Jordan FCA

On leading cultural change: 'I wanted to make some very clear statements of behaviour and expectations: Get out of your office. Get out from behind your desk. Go and talk to people. Pick up the phone; don't write long letters no one can understand. [Now, staff jobs] are more satisfactory; our engagement levels are the highest they've ever been since we've been measuring it. Our unplanned leave, which is a public service measure of engagement, is the lowest in 15 years since we've been keeping the records.'

Full interview at bit.ly/Chrisjordan

Tax commissioner at the Australian Tax Office

Kholeka Mzondeki FCCA

'Embrace your differences. Women bring an inherently distinct perspective to senior leadership. Don't be afraid to let your feminine insights and experiences inform your decisions and contributions in your job and at the board table. We are inclined to simply get the job done, so are less politically oriented in our approach to corporate life and our professional positions. Women are also key decision-makers in the home, so to know where consumer demand is going you've got to have a woman's perspective.'

Full interview at bit.ly/KholekaMzondeki

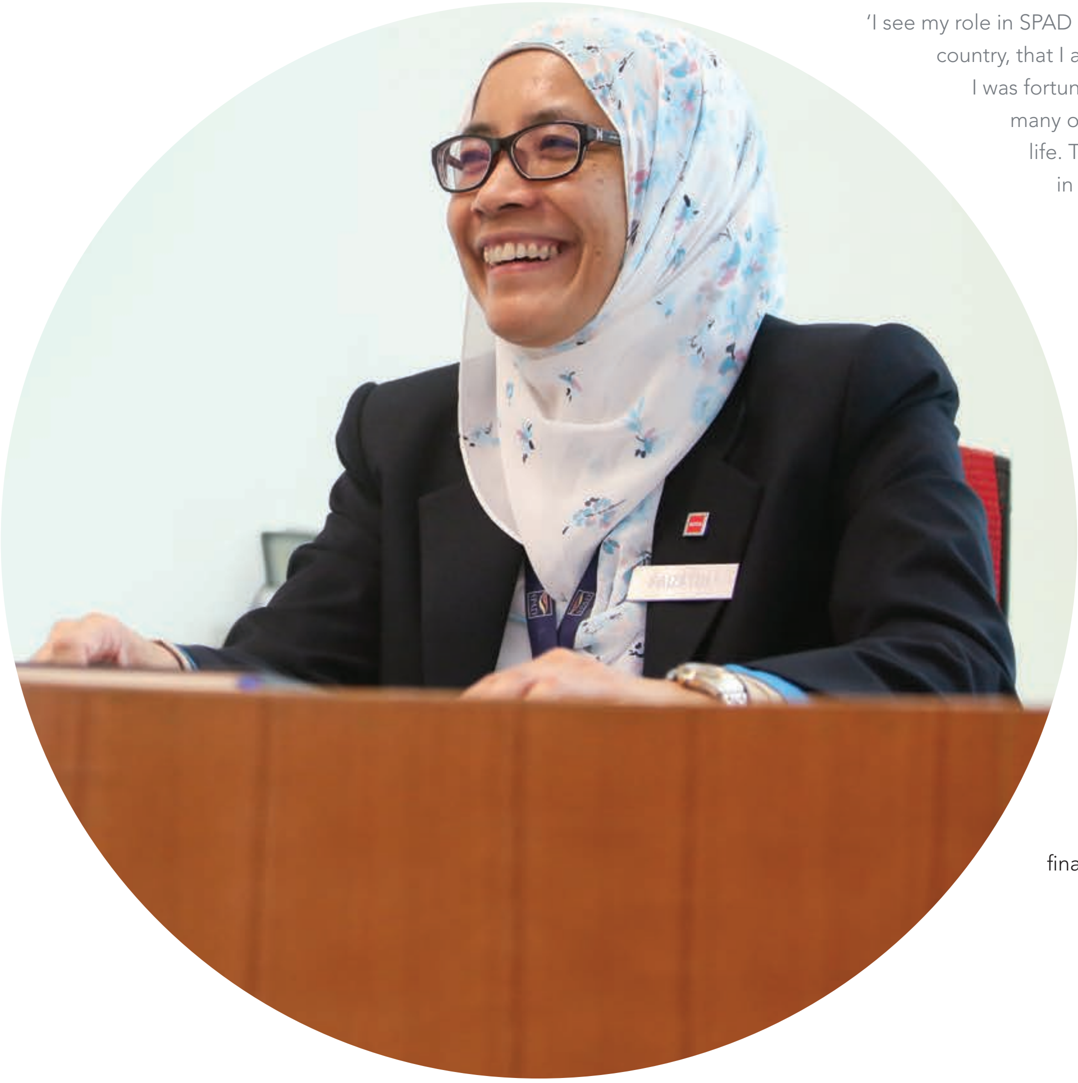
Independent non-executive director in South Africa

Steve Kavanagh FCCA

'As CEO my job is to make decisions that aren't universally liked. The worst thing you can do is ponder. Listen to those around you, make the decision quickly, and stick with it. If you've got it wrong, adapt. But doing nothing is far worse than doing something. The skills that accountancy gives you translate well into driving a football club. Having a financial background helps and then it moves on into broader strategies.'

Full interview at bit.ly/SteveKavanagh

CEO of Millwall Football Club



Faizatul Akmar Abu Bakar FCCA

'I see my role in SPAD as a contribution to the country, that I am giving back because I was fortunate to have been given many opportunities early on in life. There is also satisfaction in knowing that SPAD has an impact on current and future generations of Malaysians. As a government agency we must ensure that we comply with their policies and procedures. At all times we strive to exhibit SPAD values: service excellence, passion, integrity, respect, innovation and teamwork – or "spirit".'

Full interview at bit.ly/FaizatulBakar

General manager, finance and administration at SPAD (Land Public Transport Commission)

Sharon Warburton FCA

'I spend a lot of my spare time mentoring emerging leaders, especially emerging female leaders. I saw a trend for those women working in an industry dominated by males that, after a period in the workplace, their self-confidence was eroding. I created the website steelheels.com.au as I did not have enough time to mentor everyone who was reaching out to me. It's a platform for women to support each other.'

Full interview at bit.ly/SharonWarburton

Non-executive director in the mining industry. 2014 Telstra WA Business Woman of the Year and 2015 NAB Women's Agenda Mentor of the Year

All change in audit

External factors from technological change to increasing business complexity are hastening a raft of changes for auditors

By 2028, auditing will be dominated by communication, transparency and radical technological practices. A whole raft of changes should see audit in a significantly different place from where it is today, leading to an increase in quality, value and relevance. These potential outcomes are being driven by the external environment. Liz Stamford FCA, audit and insolvency leader at CA ANZ, says: 'In a world of increasing business complexity, rapid rate of technological change and evolving audit delivery models, it is a constant challenge to ensure that the auditing and assurance standards adapt to our changing environment.'

The most visible shift – which will be widely accepted and understood by 2028 – is auditors clearly communicating in the audit report, with the key shift being the establishment and acceptance of KAMs (key audit matters). The idea, according to the International Auditing and Assurance Standards Board (IAASB) is 'more intense communication with management' and a greater understanding by the public of companies and their audits.

Chun Wee Chiew, ACCA's regional head of policy for Asia Pacific and a recently appointed board member of the IAASB (see panel, page 48), is convinced that for auditors communication is key. He says: 'The idea that

‘The idea that auditors and accountants are great with numbers but can’t write has to be challenged’

auditors/accountants are great with numbers but can’t write has to be challenged. The audit report is a great opportunity to change that perception, to break the mould and demonstrate the value of audit – it might be a game changer. This is the start of the future.’

Audit report change is being rolled out across the globe across slightly different year ends so new-style reports are still in the bedding-in phase. Even so, Chiew says: ‘In the first years it is clearly not going to be perfect. We need to focus on the views of the users to gradually calibrate the content of KAMs and the manner in which they are communicated. But it is promising and there is more value that can be extracted from this.’

Relevance and value

The significance of KAMs for the future relevance and value of auditing should not be underestimated. CA ANZ notes: ‘Never before in the history of auditing have we seen such a revolutionary change that will significantly improve the value of audit. We encourage innovation so that audit reports are insightful and unique, and we challenge our markets and regulators to support and embrace these differences.’

And this difference, which will be taken as standard in the future, is already being felt, even in the trickiest of commercial and auditing situations. Jane Fuller, a fellow of CFA UK, who serves on the Audit and Assurance Council of the UK’s Financial Reporting Council, says: ‘Three years [in the UK] into auditors talking about key risks [or KAMs] in financial reports, typically we are seeing auditors point out five or six areas where the tyres need kicking the hardest.’

Examples of these audit reports spelling out the KAMs, she says, are Tesco and Capita, as well as Carillion, the British multinational that collapsed very publicly early in 2018, leaving debts of £1.5bn and questions for directors, internal and external auditors.

Change is not only to be found in the reports: behind the scenes firms are also changing behaviour. Fuller says that firms are putting in place better governance: ‘With the introduction of public oversight committees populated by independent non-executives, audit firms are thinking much more about public duties.’

Yet it is likely that by 2028 big firms will be required to do more. One indicator of the way ahead is Australia, where audit firms with more than 10 listed entities must produce a transparency report.

Stamford says: ‘They are a great opportunity to report the vast range and depth of activity undertaken by audit firms to support quality audit work but have not achieved this objective nor made much of an impact to date.’

Bodies such as the IAASB and IOSCO (the International Organisation of Securities Commissions), as well as individual audit regulators, have expressed desire to see this type of reporting by audit firms.

As well as the firms, regulators themselves look set to be in a radically different place by 2028. Measures

to strengthen the governance and oversight of the international audit-related standard-setting bodies in the public interest have been put to consultation by the Monitoring Group – a collaboration of international financial institutions and regulatory bodies.

The consultation, which ran until early 2018, set out options that are intended to make the setting of international auditing and ethical standards independent of the auditing profession.

In a joint response, ACCA and CA ANZ noted: 'The drivers for the proposals are stated to be a crisis in the confidence of auditing standards due to the perception that the accounting profession wields undue influence over the processes. Neither organisation has seen evidence to support this view, nor has it been a concern that has resonated with our members and stakeholders during consultation.'

In light of the Monitoring Group's work – which has a long way to go – Andrew Gambier, ACCA's head of audit and assurance, points out that all standard-setters have a challenging job. He says: 'Standards have to tell technical people what the standard-setters want them to do; at the same time the standards need to enjoy a certain level of public confidence. That is difficult when standards are technical and there is cynicism that they say what the profession wants them to say.'

That sort of dilemma informed ACCA's report, *Tenets of a quality audit,* written by Gambier, which explores some of the tensions that will continue to exist in audit. These include the desire for thorough audits versus timely ones; and the need for auditors who have knowledge about the business without being too close to it.

Stronger accounting standards will help audit to improve in the future. With revised accounting standards being worked through in revenue recognition, leasing and financial instruments, 2028 should see an even stronger, clearer framework for financial reporting. Fuller notes how accounts based on estimates, forecasts and judgments are particularly open to manipulation.

She says: 'The revised standards are designed to combat abuse. They should enable auditors to say "hang on a minute". The standards should all be hooks for auditors to demonstrate rigour.'

Related to those changes, says Fuller, is a revamp of International Standard on Auditing 540, setting out how to audit accounting estimates including fair value. She says: 'We need auditing standards to give backbone to the auditor's approach.'

Tide of technology

Whatever regulators and auditors have in place by 2028, they know that they will be swept along on a tide of technology, with little control over the direction. As Gambier says: 'It is a fair bet to say technology will have a part to play, but what that looks like nobody knows. We know lots of technologies are out there, we just don't know which

Chun Wee Chiew

Chun Wee Chiew, ACCA's regional head of policy for Asia Pacific, is one of 18 board members on the International Auditing and Assurance Standards Board (IAASB). He is in his first year of a three-year term. In 2018, the IAASB is celebrating its 40th anniversary. Chiew says the board has come a long way in terms of diversity – with regards to both gender and geographic representation.

Chiew is currently the only representative from ASEAN (Association of South East Nations). He says: 'My current focus is on bringing the ASEAN voice into the board. While an audit is an audit wherever it is conducted, there will be different challenges that practitioners will face in different parts of the world with different cultures and dealing with different businesses. The board has not ignored ASEAN but I aim to help bring the diversity of perspectives to a higher level.'

He is looking forward to ensuring that any specific challenges facing the ASEAN region are brought to the board's attention. One issue is that of small businesses, which are a big part of the region's economy. 'It is critically important that international auditing standards cater to these businesses.' He will also make sure that the IAASB's commitment to making its standards scalable continues.

He notes the concern from some practitioners that auditing standards are seen as Rolls-Royce standards – complex and detailed – which can seem like overkill if applied to small entities. 'If that is the perception, we have to make sure that we really demonstrate to practitioners how entities of all sizes can be audited in an effective manner.'

ones are going to transform audit first.'

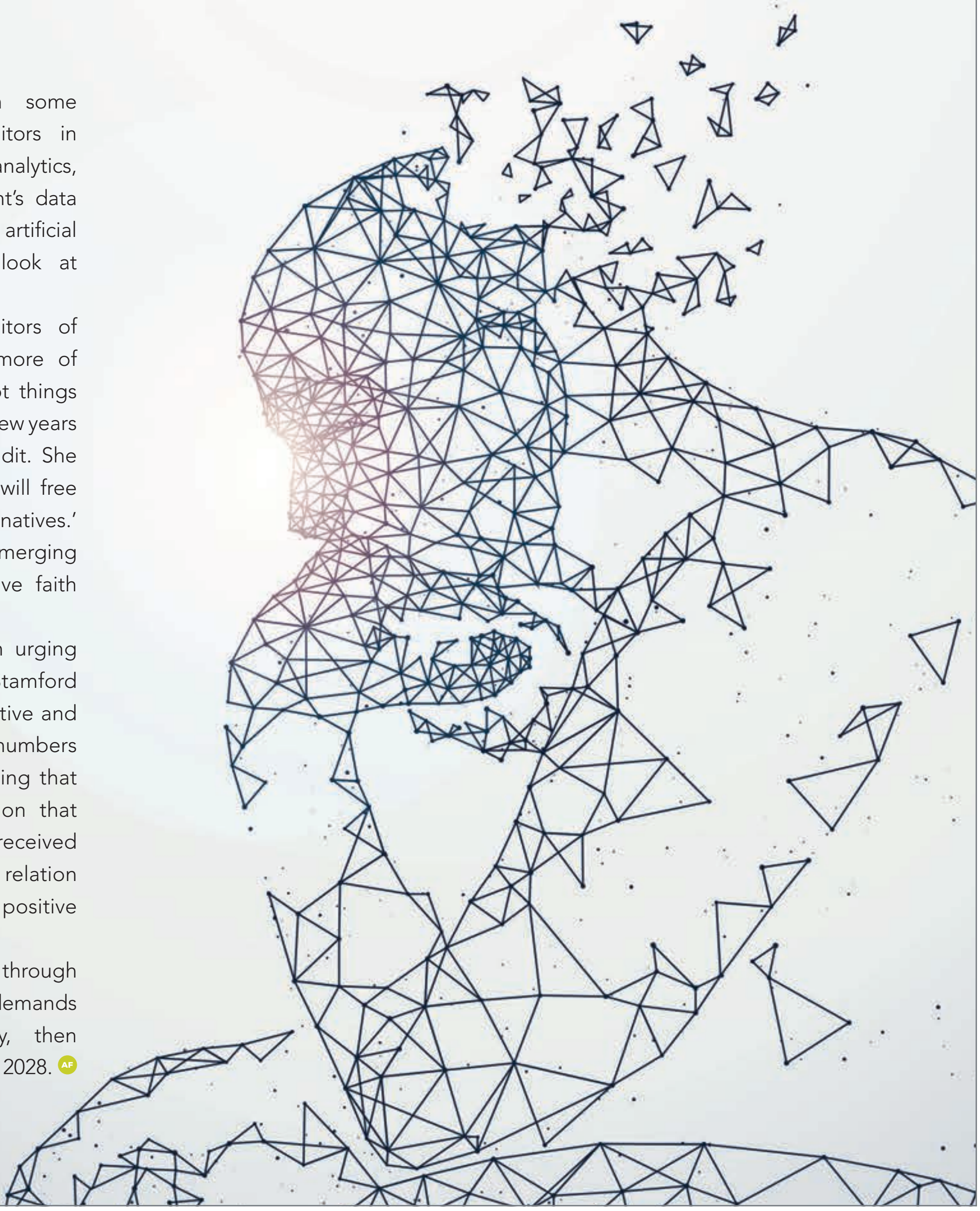
The options include blockchain, which some forecast will remove the need for auditors in certain circumstances altogether; data analytics, which allows auditors to look at all a client's data and is perhaps more realistic by 2028; and artificial intelligence, set to enable auditors to look at information in different ways.

Fuller agrees: 'Technology will help auditors of big complex companies to go through more of the company's assets, contracts and to spot things that don't quite fit, don't look right.' The next few years should see a reduction in grunt work in audit. She adds: 'Using and working with technology will free accountants to think, attracting bright digital natives.' Bright young auditors in 2018 will be emerging as leaders by 2028 and they need to have faith in auditing.

CA ANZ has been promoting a campaign urging auditors to take pride in their profession. Stamford says: '#AuditorProud has been a good initiative and around the world the involvement of vast numbers of auditors is proof of this. They enjoy seeing that they are part of an international profession that is passionate about audit work. I have received comments that audit is often only visible in relation to problems and it is nice for once to see positive publicity.' (See page 49.)

If audit can continue to communicate well through audit reports, respond well to the demands of regulators and embrace technology, then #AuditorProud should still be going strong in 2028.

Peter Williams, accountant and journalist



A future-proof career

In a rapidly changing world, auditors need to adapt. What does the future-ready skillset look like?

None of us knows for certain what the future holds. But in business, we can be pretty certain that economic forces will continue to shift, technology will evolve rapidly, and professionals will need to adapt to thrive and remain relevant.

In this dynamic landscape, auditors could be ideally placed to succeed if they anticipate change and plan their careers accordingly. *Accountancy Futures* spoke with three seasoned experts to find out what the must-have skills will be for auditors in the years ahead.

Liz Stamford FCA, head of policy – audit and insolvency, CA ANZ; Steve Hayes CA, audit partner at mid-tier firm RSM New Zealand; and Steven Watson CA, managing director of National Audits Group, were all upbeat about the career prospects for forward-thinking auditors.

The consensus from our experts is that many of today's auditors already possess some or all of the skills that auditors will need tomorrow. However, for anyone starting out, or uncertain about how to steer their career in the right direction, our panel highlighted several skills.

Shifting analytical skills

On the topic of future skills, Stamford is quick to point out that 'accounting and technical knowledge will remain vital' but 'the boundaries of what auditors need to know are extending'.

So besides technical knowhow, which other skills top the list? Not surprisingly perhaps, our panel of experts universally cited strong analytical skills as being essential for the future. Stamford describes these skills as 'the ability to analyse data and to articulate what it means'.

Hayes agrees, adding: 'Strong analytical skills will always be essential to interpret and to see through the "fog" that can hover over information.' And he notes that it is becoming more important to think outside the box and apply forward-thinking analysis to a client's business. 'This can involve some crystal ball gazing. It's not enough for auditors to simply focus on the rear vision mirror – an element of predictive assessment is essential.'

Changing technologies will play a role in the way auditors apply those analytical skills. Stamford believes auditors will need to adapt their analytical focus 'towards whether the right data is entering a system, the quality of controls over the output and how the end data is interpreted'.

For Watson, analytical and technology skills are increasingly intertwined. 'There are so many different accounting systems now,' he says. 'Auditors need to know how to extract and format data and how to use it in the most efficient and effective way possible.'

Adapting to technology

Among our experts, 'adaptability' was a common theme, and nowhere is readiness to adapt and being open to learning more pronounced than in the area of technology. Quite simply, auditors who fail to keep up with new technologies could find themselves falling behind.

Watson believes auditors need to be able to adapt to new technology to 'see a new way of doing things with the aid of IT, interpret the results and explain them to the client'. He adds: 'It's important to look for internal controls that clients can drive through technology,

and build on this year by year so that as an auditor, you are continually using higher skills and providing value to the client whilst relying on the controls that have been put in place.'

Stamford sees technology-related skills and a general understanding of what's happening in IT as critical from two perspectives: 'Firstly, auditors need to understand how technology is changing business and impacting the financial statements of entities.'

Secondly, she says: 'Being tech-savvy allows auditors to embrace the exciting opportunities offered by IT as part of the audit process. Distributed ledgers, blockchain and other IT advances will reshape the audit process, and auditors need to be able to understand how they work.'

Hayes recognises the need for auditors to be tech-savvy, but links this back to the goal of adding value to engagements and strengthening client relationships. 'It's important to be able to harness technology for the benefit of the client,' he says. 'If you can't achieve this, technology may impress the client in the short term but it won't sow the seeds of a long-term relationship.'

Telling a story

On the face of it, audit is a numbers game but it is still a people-facing profession, and the value of excellent communication skills will remain just as important as technology skills.

Hayes: 'It's not enough to simply focus on the rear vision mirror – an element of predictive assessment is essential'

Stamford: 'Being tech savvy allows auditors to embrace the exciting opportunities offered by IT'

Watson: 'It's important to look for internal controls that clients can drive through technology, and build on this'

Stamford notes: 'Auditors must be able to tell the story of what is going on to management, their own team and externally to report users.' She adds that as a nation of shareholders, Australians are becoming more interested in their involvement with entities, and this, coupled with the new requirement to formally report on key audit matters, has helped push communication skills to the fore.

Indeed, the introduction of ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, is something of a game-changer on the communication front. 'Good writing skills are important, especially with the requirement to report on key audit matters in public company audit reports. This information is in the public domain, and the auditor needs to be able to tailor commentary to individual clients,' says Watson.

In Hayes' view, good communication skills go beyond effective writing. 'Client contacts aren't always particularly financially savvy,' he explains. 'Too often I attend meetings where people are nodding knowingly but they don't really understand what's being said by the auditor. Our role is to interpret data and communicate what we see in a way that is meaningful to the client – there has to be a "what's in it for me" for the client.'

This involves more than just explaining technical terms to those with a non-technical background. In a crowded marketplace, every meeting is a potential marketing interaction and auditors can be judged on their communication skills. Hayes sums it up thus: 'It's about having the knowledge to speak on a particular topic and the self-assurance to know you can deliver.'

Talk to your team

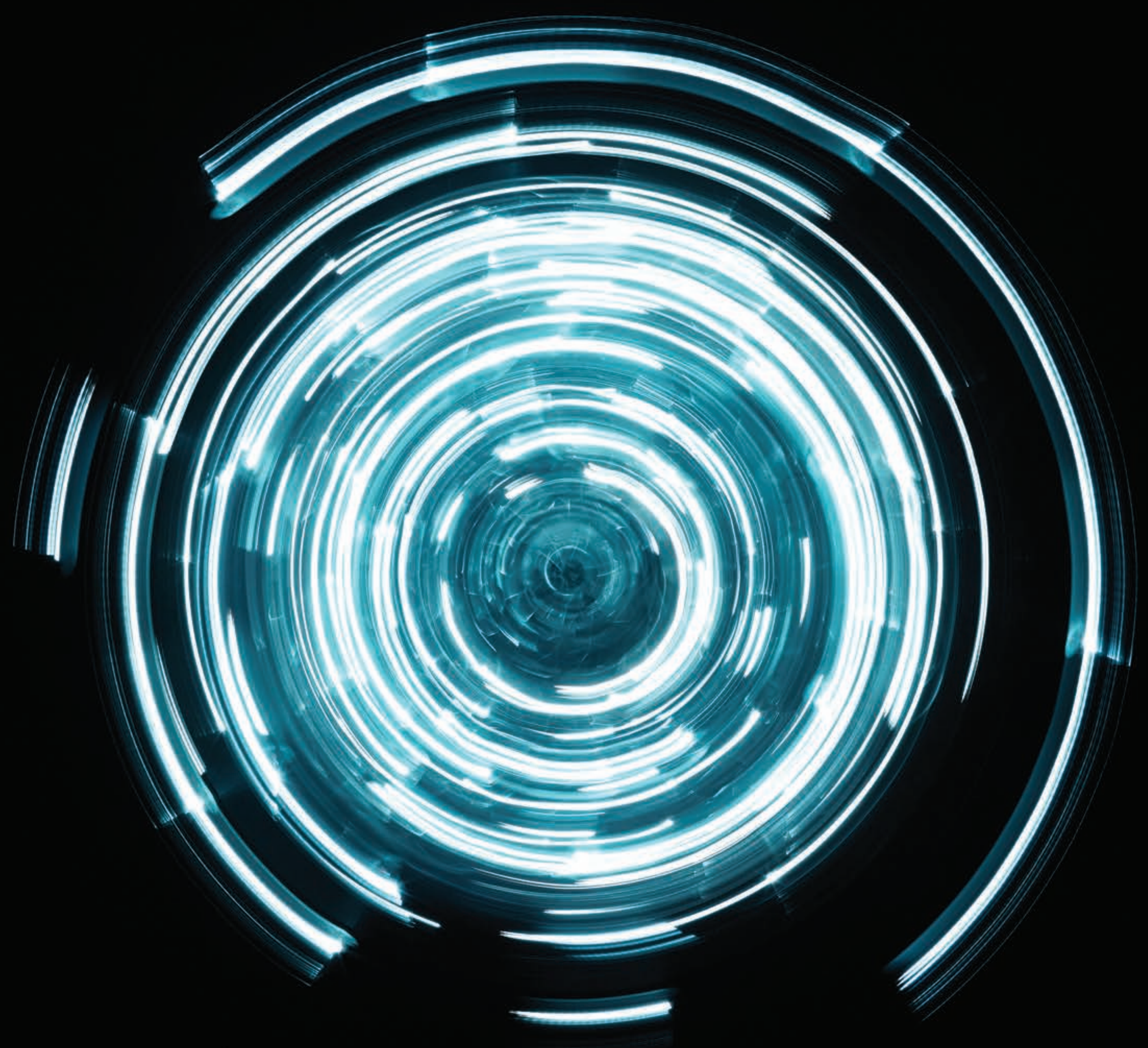
Client interactions are not the only forums where outstanding communication skills are becoming increasingly crucial for auditors.

Hayes emphasises that the ability to communicate extends to internal conversations within the audit team too. 'Discussions around what makes a client's business tick, and what could impact its profitability or market value, are vital,' he says. 'These discussions give each member of the audit team an understanding of why they are completing certain tasks rather than taking a "tick-a-box" approach. In our heavily standardised industry, this can lower the risk of people focusing on completing worksheets while completely missing the elephant in the room.'

Stamford agrees: 'Increasingly, we will see changing business models and younger members of the audit team in particular need to know how it all fits together.'

That said, technology is changing the way we communicate, and here too auditors need to adapt. 'Companies will have offices dispersed over a broad area,' notes Stamford. 'The audit team needs to be able to work with people digitally as well as face to face, while still being able to function together as a cohesive team.'

Having identified these essential skills, our panel emphasises that it may require a firm-wide approach



to foster and develop these skills, particularly when it comes to those who are new to the profession.

'Being curious is a key quality that encourages auditors to develop skills of the future,' says Stamford. 'Asking junior staff to research and present at staff meetings can teach both soft and technical skills.'

Hayes explains that his own firm, RSM New Zealand, goes further, encouraging junior staff to be actively involved and have their say in closing out meetings (albeit under careful guidance). He believes this 'fosters a deeper level of thinking about what the business does – and therefore the possible risks it faces'.

'I would certainly encourage auditors starting out in their careers to obtain a reasonably comprehensive understanding of the audit client at an early stage,' advises Hayes. 'Move away from a purely transactional approach, which can be part of the early years of an auditor's career. Raise your hand to be part of planning sessions or volunteer for research projects or to assist with writing papers. These are valuable steps that develop buy-in and foster a shift away from a "tick and bash" approach.'

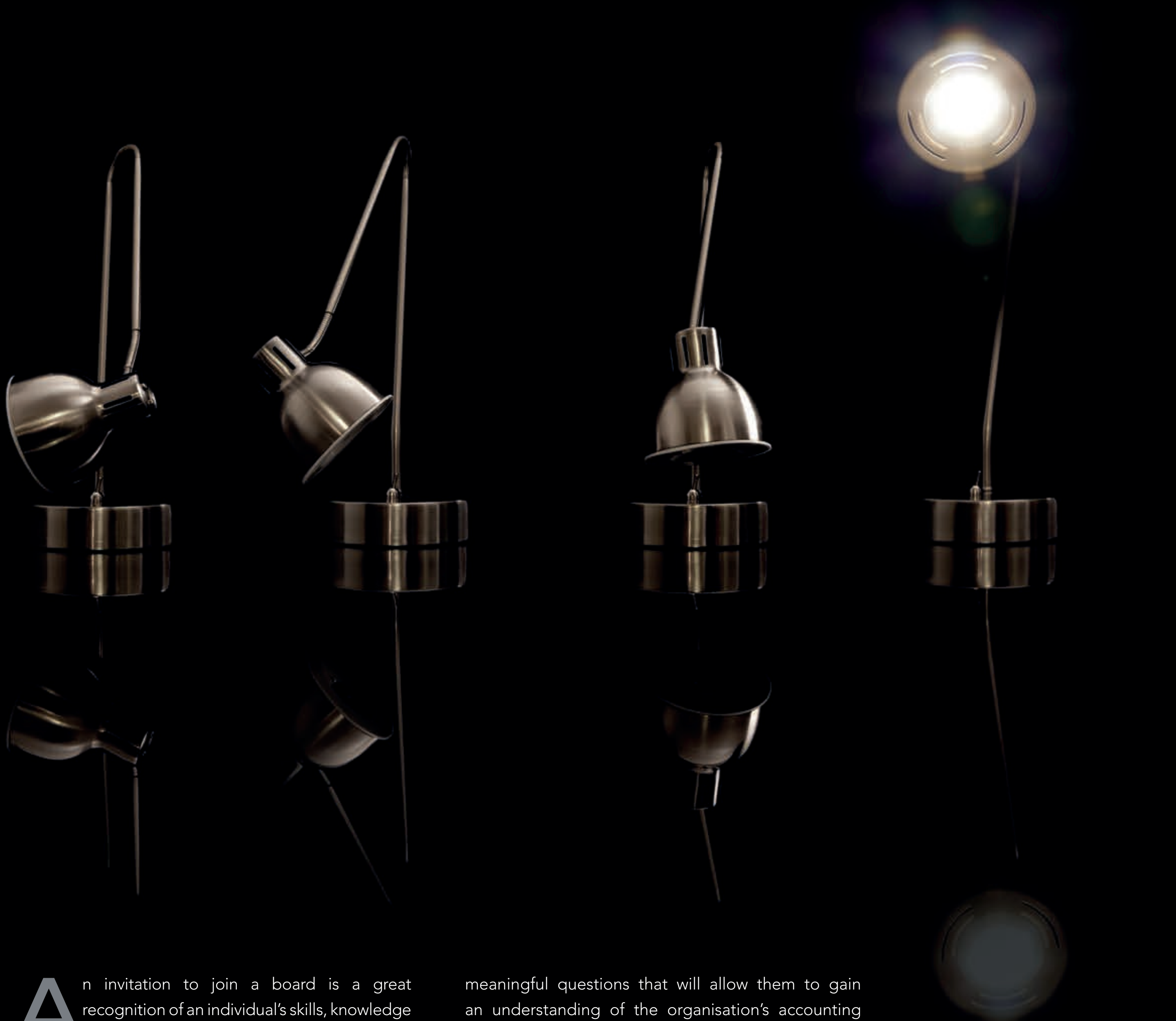
Networking with peers and mentoring are other valuable ways to develop skills. Stamford says there has been significant take-up of the mentoring programme offered by CA ANZ and she adds that the benefits of reverse mentoring can also be significant, noting: 'Younger audit staff are able to teach a great deal to their more senior counterparts, especially in the area of technology.'

Summing up, Stamford says auditors need to be resilient and open to growth: 'The world is changing, and with it, what you are opining on in the future. Regardless of level of seniority, auditors need to maintain a genuine knowledge of what is going on in the world to stay abreast of change.' AF

Anthony O'Brien and Nicola Field, journalists

In the know

How much do board members need to know about accounting? A new guide helps directors to meet their financial reporting obligations



An invitation to join a board is a great recognition of an individual's skills, knowledge and experience, and the value they can bring to the organisation. But board members may have to learn and apply new skills, a key one being accounting. A director's decisions will be instrumental in how well an organisation satisfies its financial reporting obligations. Directors have primary responsibility for the provision of useful and meaningful information for investors or other users of the financial statements.

This does not mean that directors have to be experts in all areas of accounting. But every director needs to know how to ask the right questions and understand the answers they receive.

It is important that directors have an understanding of the accounting basics so that they can ask the meaningful questions that will allow them to gain an understanding of the organisation's accounting policies, assumptions and decisions, and to challenge the relevance of those chosen for its financial statements. It is also important that directors know what it is that they don't know and to seek assistance. The quality of the reporting rests with the board.

To assist existing or potential directors understand and deliver what is required of them, CA ANZ and ACCA have combined to produce a new guide, *Directors' Responsibilities for Financial Reporting.*

The guide provides straightforward explanations and assistance to help directors meet their financial reporting obligations. It includes examples of legal requirements in a few jurisdictions to demonstrate where obligations stem from and how they unfold

in different sectors or countries. Potential pitfalls are highlighted where directors can be held personally liable for not meeting their obligations in relation to financial reporting.

The guide identifies five key areas that directors need to understand in order to comply with their reporting duties and provide quality financial statements.

Who's responsible?

Generally either an organisation's constitution or the legislative framework will identify the board and directors as primarily responsible for financial reporting, although for some types of entity it may be, for example, a member committee. There are others with roles to play in the financial reporting process too. Management, stakeholders, internal and external auditors, regulators and committees can all contribute to the process. While their responsibilities do not negate the directors' duties, they can be called on to help directors fulfil their obligations.

Why are directors responsible?

As a legal entity, an organisation cannot look after itself. This duty of care falls to directors, who are accountable on behalf of the organisation. As such, directors need to ensure the entity or organisation has the means to operate successfully, and within legal boundaries. Financial statements are one of the primary vehicles for directors to demonstrate their accountability to those who fund the organisation, whether the providers of those funds are shareholders, investors, financiers (in the private sector), funding agencies and donors (for charities), or taxpayers and ratepayers (in the case of public sector entities).

What are they responsible for?

Although directors don't need to be financial experts, they do need to have sufficient financial literacy to understand, monitor and direct the organisation. In practice, this means they need to be able to read and understand the financial statements and to form a view on the accuracy, credibility and clarity of the information presented. It's also important that they have insight into the processes in place for preparing and reviewing the financial statements.

Directors need to ensure that the financial statements have been prepared in accordance with the applicable financial reporting framework, and that the information contained in the statements is balanced, clear and not misleading.

In practice, this means that directors need to have an understanding of financial reporting systems and processes, and the key policies (commonly referred to as the 'internal control framework'). It also means directors need to play an active role in reviewing the assumptions and judgments that are put forward in the financial report.

> Directors need to have sufficient financial literacy to understand, monitor and direct the organisation

Discharging responsibilities

The real strength of directors' compliance with financial reporting responsibilities is how well directors discharge these responsibilities. A good director will challenge the information and ideas presented by management and other parties, and approach their role with an open mind.

They must be prepared to explore and challenge management views and apply significant judgment and estimates in areas where these are needed, and be fully cognisant of the duty of care they must personally apply to each decision.

Although there is a collective aspect to directors' responsibilities, it is not appropriate for directors to place complete reliance on the expertise of others. An audit committee, for example, may be set up to delve more deeply into accounting and financial elements, but its work does not replace individual directors' duties. It is reasonable and advisable for directors to call on each other's expertise for guidance and explanation, but individual directors must make their own decisions on the basis of a range of evidence.

Maintaining oversight

While financial statements are generally prepared on an annual basis, it is important that directors provide continuous oversight over the financial position of the organisation, rather than just considering it at the end of a reporting period.

Regular (ie monthly) financial reporting review processes can help identify issues and ensure they are resolved in a timely manner. As such, it is good practice for directors to review the financial reports prepared by management at each board meeting. This will help to support and inform the directors' review of the financial statements at the end of the financial year, and forms an important part of the internal control framework.

Deeper insight

This article offers some of the information shared in the *Directors' Responsibilities for Financial Reporting* guide, which covers these five key areas in more depth and provides explanations in plain English, with additional tips addressing commonly confused issues such as solvency versus going concern. The result is a user-friendly guide that encourages directors to be engaged and seek explanations. It also aims to give members of the board the confidence, where appropriate, to challenge the accounting decisions applied in a financial report. AF

Read *Directors' Responsibilities for Financial Reporting: what you need to know* at bit.ly/DirectorsDuties

Goal-getters

With their ethics, experience and expertise, accountants are the perfect go-to professionals for the UN's sustainable development programme

The world's population has never been more prosperous – the number of people living in extreme poverty fell by 1.1 billion between 1990 and 2013, according to the World Bank. Emerging economies are involved in more than half of global trade flows, and incomes have risen dramatically as a result, particularly in China. But the world's poorest still remain locked out of growth and incomes for the middle classes in advanced economies have declined steeply.

Megatrends such as changing demographics and urbanisation are fuelling inequality in many countries and the prospect of climate change threatens consequences for those who can least afford it. The human race has the potential to become even more prosperous – but how can that be achieved in a way that includes everyone and wreaks no more havoc on the planet?

This is the essence of the United Nations' ambition to create a framework to build prosperous countries that are not only economically productive, but socially inclusive and environmentally conscious, too. On 15 September 2015, the UN countries agreed 17 Sustainable Development Goals (SDGs), with specific targets set for each to be achieved over the following 15 years, with the intention of ending poverty, protecting the planet and ensuring prosperity for all. The project was born partly of frustration that, despite advances in technology, the building blocks of prosperity creation in many parts of the world are in a critical state.

The 17 SDGs (see illustration) cover a wide range of interconnected social, economic and environmental issues. Together, they provide a road map for government, business and society to tackle the most urgent challenges, engage with emerging risks and discover new opportunities for creating value. Critically, the SDGs recognise the essential role that business and finance will play in mobilising collective action; it has been estimated that US$2.5 trillion will be needed every year by developing countries alone to meet the goals by 2030.

Accountants on the front line

The scale of the challenge the UN has set itself to meet the SDGs by 2030 is immense. The 17 goals encompass 169 targets and 230 indicators – meeting them will take education and action, but also close assessment, monitoring and reporting of the progress of complex, interconnected targets. And this, argues a new report from ACCA, is the reason why professional accountants can and should be on the front line.

The comprehensive report, *The Sustainable Development Goals: redefining context, risk and opportunity*, sets out the challenges that the SDGs are intended to remedy, the ways in which professional accountants can help, the business case for the SDGs and the role of reporting frameworks in delivering the goals. The report draws from a

series of roundtable discussions held with ACCA members and other experts from Vietnam, Pakistan and Singapore.

It sets out clearly why professional accountants are well placed to make a significant contribution to the SDGs.

- Future business growth opportunities and new market preferences that are more socially and environmentally aware are strongly aligned to the SDGs and are more likely to arise in emerging and developing economies. Professional accountants have an understanding of operating in complex markets where sustainable development issues lie at the heart of value creation.
- The environmental and social risks linked to many of the SDGs are growing for businesses at an exponential rate. These demand precision when it comes to analysis and reporting and are rising up the boardroom agenda. Professional accountants are well placed to meet the growing demand for better, more inclusive risk assessment and for making explicit the connections between social, environmental and financial value creation and destruction through tools such as the integrated reporting framework.
- The increasing use of digital technology, data analytics and artificial intelligence within the profession will be invaluable for engaging with SDG issues, particularly when combined with the core professional competencies of ethics, judgment, reporting and audit.
- As investor preferences become more aligned to the SDGs, this will create demand for better SDG-related disclosures from companies. Investors and businesses will look to professional accountants for reliable, high-quality information.
- The need for governments to report their progress on the SDGs to the UN will mean a stronger emphasis on data collection and measurement and on collaboration between the private and public sector. 'The profession can take a leadership role in connecting the private sector, government and finance with the 2030 agenda,' says the report.

Vision made visible: the UN Climate Change Conference 2017 screened a series of immersive virtual reality films about the Sustainable Development Goals.

The report stresses that collaboration will be essential if the SDGs are to be delivered successfully. This means that, at a company level, professional accountants must engage their non-financial colleagues.

They must become more involved in wider understanding of the external environment and they must participate in much broader networks than the purely financial.

Professional accountants also have work to do to help business reappraise the metrics that, until now, have been used to define success. 'Using financial reporting skills to better understand and communicate on risks that are non-financial will become increasingly important,' says the report. Better data, too, will be a critical driver of the SDGs and professional accountants will be its custodians.

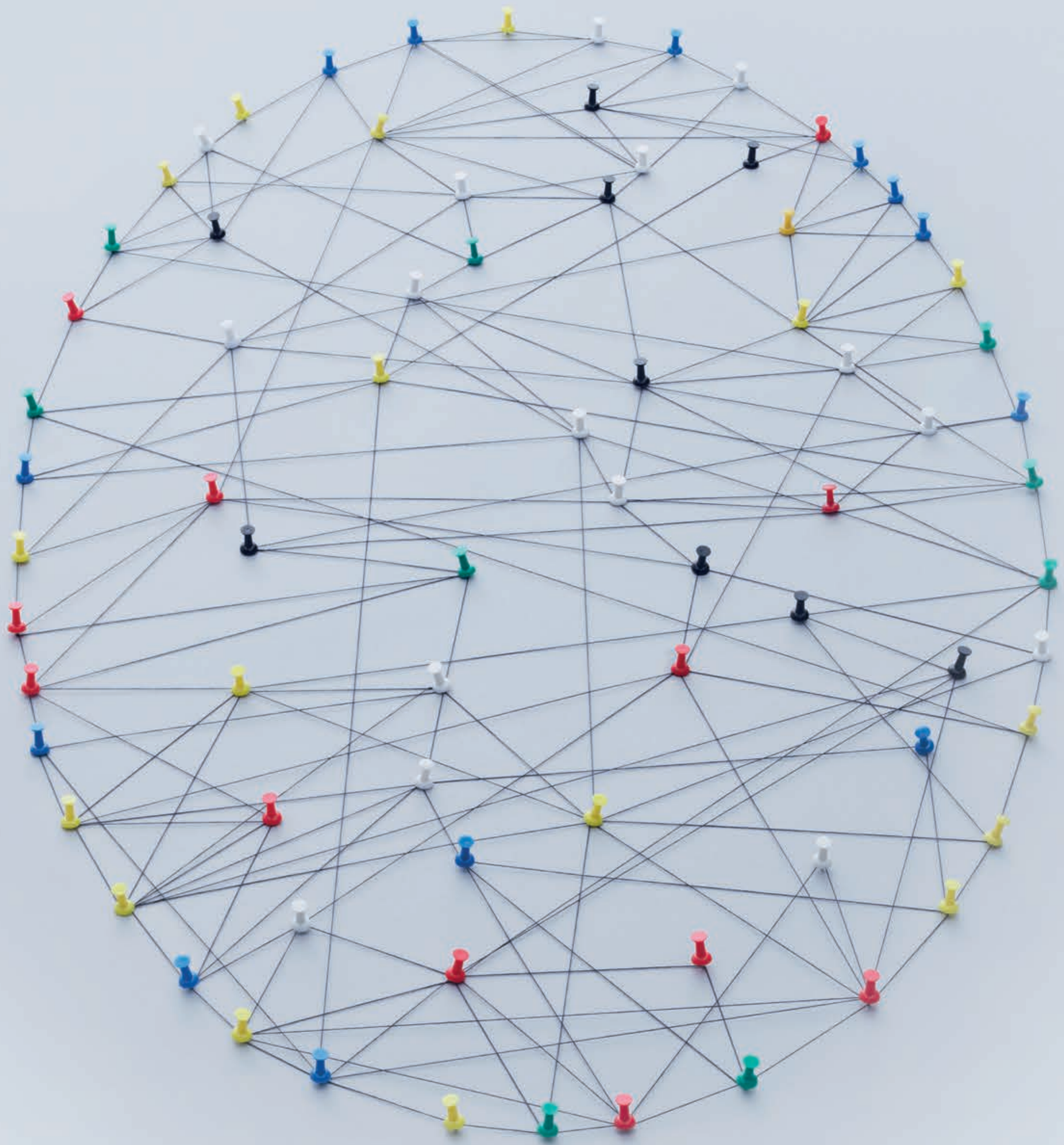
As ACCA chief executive Helen Brand says in her introduction to the report, implementing strategies to deliver the SDGs will engage the accountancy profession at many levels: 'Driving investment to build the physical and institutional infrastructure that will recalibrate business, finance and government activity around the SDGs will require both the robust technical skills and sound ethical judgment that the accountancy profession around the world is well placed to deliver.' AF

Liz Fisher, journalist

Read ACCA's report, *The Sustainable Development Goals: redefining context, risk and opportunity*, at bit.ly/ACCA-SDG

The next level

The adoption of integrated reporting is bringing about integrated thinking as it becomes embedded into companies' strategic planning processes



The integrated reporting (IR) approach of encouraging organisations to explain how they create value over the short, medium and long term is helping them to operate in a more joined-up way. It strengthens the connections between different departments and gives management teams a clearer understanding of their particular value-creation process. There is strong evidence of external benefits too, particularly improved engagement with stakeholders, including financial capital providers.

Implementing integrated reporting has its challenges, though. Adopters struggle with some of the concepts and requirements of the IR framework developed by the International Integrated Reporting Council (IIRC). Some of these challenges, along with suggestions for overcoming them and examples of good practice, are identified in the ACCA report *Insights into integrated reporting 2.0: walking the talk*.

The report draws on the experiences of participants in the IR Business Network, a forum for organisations committed to adopting the IR framework. For the second year running, ACCA has worked with the IIRC to review a sample of corporate reports produced by participants. They found these companies have made 'striking' progress over the past year. Data quality has improved and organisations are applying performance measures in a more consistent way, providing better bases for comparison with other entities.

Integrated reporters still face areas of difficulty, however, with some new challenges identified this year. For example, some participants in the IR Business Network struggle to link their strategy to the way they use and manage their resources (known as 'capitals' under the IR framework). Materiality also causes headaches. For example, organisations don't always explain their materiality determination process well and it is not always clear that their reporting focuses on matters that substantively affect the organisation's ability to create value in the short, medium and long term. Reporting on an organisation's 'outlook' – the challenges and uncertainties that could affect delivery of the strategy and future performance – could also be tricky, as boards worry about sensitive information and managing stakeholder expectations.

Fundamental change

What is clear is that adopting integrated reporting has a real impact on organisations. Interviewee Russ Houlden, CFO of United Utilities, believes the major change that integrated reporting can bring to organisations is around integrated thinking. 'That fundamentally changes the way we operate the business,' he says. 'In terms of the reporting, it gives all our stakeholders a little bit more of a broad understanding, so they can then engage with us on their specific topics. It gives them a broader feeling of the sort of responsible company we are and the way that we try to give the best service to customers by operating in a more integrated way.'

Yen-pei Chen, ACCA subject matter expert in integrated reporting, says: 'It's notable that integrated thinking is seen as an important aspect of integrated reporting. In some organisations, integrated thinking develops internally before integrated reporting is adopted. In others, it is encouraged and supported by the integrated reporting process. There's no right or wrong way.'

Chen is also encouraged by how integrated reporting is becoming embedded in some companies' strategic planning processes. For example, life insurance, pension and asset management company Aegon has brought forward the timing of its materiality assessment – an important aspect of internal reporting – so its outcomes can inform its other internal processes. Previously, the company did its materiality assessment towards the end of the year, and reflected the outcomes in that year's report, but there was too little time to formulate strategic or operational responses to the issues identified.

Aegon has now changed the cycle, performing the materiality assessment at the end of the prior year. 'We use that as an input for our strategy cycle, which kicks off in January,' says Marc van Weede, global head of strategy and sustainability at Aegon. 'Then we have a whole year in which we go through our strategy planning and action planning and responses. By the end of 2018, we will have a much better story about how we responded to those issues.'

The outcome of the materiality assessment now provides 'a core input' into Aegon's strategic risk assessments, which are becoming a standard element in the strategy review process at group and business-unit level. Van Weede regards this as constituting a 'more integrated approach'. He also believes conducting these strategic risk assessments in the right way should help with risk reporting.

Sarah Perrin, journalist

Read the ACCA report *Insights into integrated reporting 2.0: walking the talk* at bit.ly/ACCA-WalkingtheTalk

The road to good

To fully benefit from integrated reporting and thinking, members of the management team could use the following questions to start a wider conversation about their organisational culture, objectives and processes:

- What does value mean for me and my organisation?
- What differentiates my organisation?
- What is my organisation's mission?
- Where does my organisation want to go (its vision)?
- Who are the key stakeholders we rely on to deliver on our mission and vision?
- What key resources do we need to deliver on our mission and vision?
- How do we put our mission and vision into action? What is our strategy?
- What changes can I see coming in one, five, 10 and 20 years' time that could affect our strategy? What do we need to do differently to be able to respond effectively to those changes?
- How will I know whether my organisation is delivering on its mission and vision? How will our key stakeholders know?
- How can I talk to the board about these questions?

The moral maze

Corporations are legal, but it's harder to consider them moral. Tim Dean asks whether they could be described as psychopaths

Psychopaths – those extremely rare people like US serial killer Ted Bundy – are fascinating. On the one hand, they're typically intelligent, personable, disinhibited and have an aura of confidence that many find alluring. But they differ from the rest of the population in one key dimension: they lack feelings of empathy, guilt and remorse.

That seemingly minor emotional quirk has a surprisingly dramatic impact on the way they behave, often leading to anti-social behaviour and running them afoul of the law. In fact, psychopaths are around 25 times more likely to serve prison time than non-psychopaths.

This doesn't mean that psychopaths are entirely incapable of moral reasoning. Multiple studies have found that they are particularly adept at certain types of moral thinking, particularly those that balance the consequences of actions. So where we might experience revulsion at intentionally killing one person to save the lives of several others, psychopaths are far more likely to dispassionately favour the needs of the many over the needs of the few. It turns out psychopaths make the best utilitarians.

The other thing psychopaths are good at is 'pretending' to be good. Even without experiencing genuine empathy, they can behave in seemingly altruistic ways. However, on closer examination, they only do so when they believe they have something to gain. They might help someone only because they expect future reciprocation, or work to build trust so that they can exploit it down the track. It turns out that psychopaths also make great Machiavellians, often cleverly negotiating *Game of Thrones*-style political environments.

This is why we tend to think of psychopaths as being morally deficient. When judging someone's moral character, we look beyond their actions to determine their intentions and how they feel. If they're found to be cold and self-serving, we judge them harshly, even if the outcome of their actions appears to be good.

Corporate character

Now consider a corporation. While composed of many people, it's legally considered to be a person too. This is necessary to allow corporations to do things like own property, open bank accounts and buy and sell goods in their own right.

Yet we also relate to corporations as if they are singular entities, rather than agglomerations of workers. Sometimes we even anthropomorphise the corporation; you might catch yourself 'hating' your phone company, 'liking' your bank or wondering if your health insurer has your best interests at heart. But when we use that psychological machinery to judge a corporation's moral character, it can start looking a lot like a psychopath, as law professor Joel Bakan argued in his book and film *The Corporation*.

For a start, corporations feel no empathy, guilt or remorse. And many are explicitly established to generate a profit, so we know they primarily serve interests other than ours. One might suspect that many of the altruistic acts committed by corporations are primarily motivated by a desire to cultivate a positive image with their customers.

What, then, do we make of a corporation that does things that we consider bad, even if they're legal – like selling a product they know is both addictive and deadly, retrenching loyal staff and outsourcing to countries with far lower labour standards, or cutting costs by lowering safety rules? Why do we even believe that a corporation can be morally responsible? Right now energy companies and the corporations that finance them are being criticised for hastening

Lying isn't illegal. Neither is being rude, cheating on your partner or leaving the pub before it's your turn to buy a round

climate change that could impact millions of lives. And multinational corporations are being condemned for profit-shifting and dodging tax liabilities. So this is far from an armchair concern; it has real effects on how we expect corporations to behave.

Mr and Ms Corporate

One approach is to just swallow the corporations-as-people analogy whole and treat them as fully fledged moral persons. After all, if morality governs the actions of rational beings and if corporations effectively act as rational beings, then it seems like morality ought to govern the actions of corporations.

In the words of US philosopher Peter French, who championed this idea in the 1970s, 'corporations can be full-fledged moral persons and have whatever privileges, rights and duties as are, in the normal course of affairs, accorded to moral persons'. So when a corporation pollutes, it's a bad corporation and deserves to be punished, just as if an individual miscreant rolled a barrel of toxic waste into a waterway.

It's a tempting view, and one that has been embraced by many. But it does tend to creak a bit when put under pressure. After all, if corporations are to be judged in the same way as people, perhaps many of them really are psychopathic, and we'd be wise to cross the road when we pass one of their stores or branches.

The analogy with 'real' moral persons also breaks down pretty quickly. For one thing, we can write a corporation into existence by creating a charter, but we rarely see protesters call us monsters when we decide to 'kill' it by dissolving the corporation entirely. And while it makes some sense to say a corporation has interests, values and goals, it makes less sense to say it has thoughts, feelings or that it 'cares' about any of these interests, values or goals. As Australian philosopher RE Ewin has written: 'Corporations, unlike the people who run them, have no emotional life. Corporations operate at the level of reason and requirement, but they do not get angry at being mistreated, they are not sickened by tales of the squalor in which some people have to live, and, generally, they simply do not have the emotional life required of a being that is to care about things as things must be cared about if one is to possess a virtue.' This is why some people consider corporations to be moral actors only in a limited sense, with rights and duties that extend only as far as their legal obligations, but no further.

Tim Dean is a Sydney-based philosopher and writer. He has a PhD in ethics from the University of New South Wales and is an honorary associate at the University of Sydney.

Lying isn't illegal. Neither is being rude, cheating on your partner or leaving the pub before it's your turn to buy a round. There are many more acts that are legal yet immoral so you have to think about whether you're happy with the idea that corporations are bound in their behaviour only by the strictures of the law.

Some have been very happy with that arrangement. Milton Friedman famously wrote: 'There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game.' So it's a big no-no for executives to go off on ethical crusades that put a dent into profits.

That said, the weakness in this argument is the same one that exists in many of Friedman's arguments: it's predicated on the idea that ethics is about maximising our ability to satisfy our desires and that an open market is the optimal way to do so, thus free markets are inherently ethical. That's a fairly contestable claim.

Machiavelli Inc

Even if corporations don't have full moral agency, people do. And people work for corporations, write their charters, fill executive chairs and own their shares. They are moral agents and they can influence the corporation from within, such as by embracing the triple bottom line accounting framework.

People also interact with corporations, conduct business with them, buy their products and seek their services. Even if our psychology inclines us to view corporations as moral agents, and that view turns out to be problematic, it doesn't necessarily change how we should interact with them. We can still choose to reject one corporation and do business with a competitor if we prefer its values.

Corporations that care about their own profits are prudent to take these things into consideration and adjust their practices as necessary. We probably shouldn't fool ourselves into thinking that all corporations engaging in charity work or promoting environmental sustainability are doing it out of pure magnanimity. But it might be worth politely ignoring their intentions if the outcomes are to our liking.

So as long as corporations act rationally and in accordance with the law, and we can choose to interact with the ones that reflect our own values, maybe it doesn't matter if they are cold Machiavellians chasing their own self-interest. Corporations aren't people. So perhaps we should judge them for what they really are, rather than what our psychology tells us they are.

Why trust matters

An urgent need to share the benefits of reform shines through in economic reports from both Australia and New Zealand

If there's one thing economists and policymakers agree on, it's that rising living standards eventually depend on productivity growth. Since the 1980s, that meeting of minds has driven economic reforms, which have remade the Australian and New Zealand economies. And, until fairly recently, their populations have agreed to go along with the reform agenda.

But the consensus is now in tatters amid resentment over how the costs and benefits of reform are distributed. Around the world, claims that everyone is included in gains from free trade, labour market deregulation and globalisation of business are no longer trusted.

Collapse of trust

Thanks largely to Brexit and the election of US President Donald Trump, these issues of trust and inclusion are now widely recognised. They are a recurring theme in reports and speeches by business groups, thinktanks, public officials and politicians.

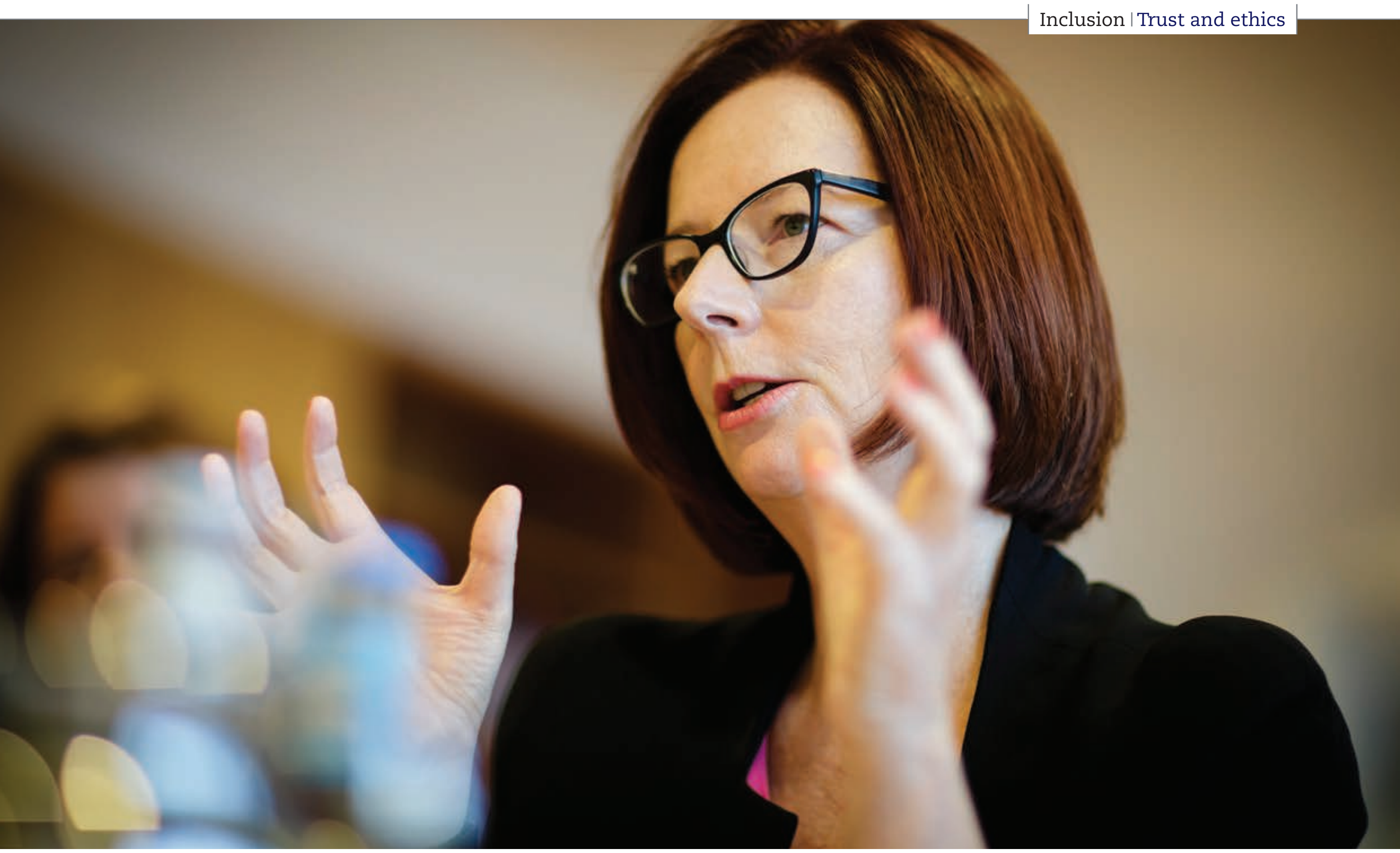
The pressure is now on proponents of reform to show how they plan to support those who miss out on its benefits and suffer its costs.

Australia and New Zealand face challenges that will need further reform, but they must regain the trust of ordinary people, who must rejoin the consensus before that happens. And trust is in desperately short supply these days.

It is easy to find evidence around the world of a backlash against reforms that expose people to economic uncertainty. Trump's election and the Brexit vote are just the high-profile examples. In Australia and New Zealand, the mood has been sullen for a while.

In Australia, the unpopular WorkChoices labour market reforms laid the groundwork for the Howard government's 2007 election defeat. The campaign against carbon pricing, a reform still championed by the Productivity Commission, tapped into the mood of wariness of change and paved the way for the Gillard government's defeat in 2013.

Figures from CA ANZ's *future*[inc] long-term prosperity project show the decline in trust in Australia has been among the steepest in the developed world. It was worsened by leadership squabbles and political scandals, according to Karen McWilliams, ethics and sustainability leader at CA ANZ.



In New Zealand, Prime Minister Jacinda Ardern distilled the mood in her first one-on-one television interview in October 2017. She queried the point of economic growth when wages are lagging behind inflation. 'People are not feeling the benefits of any form of prosperity,' she argued.

America at sea

The Edelman Trust Barometer shows the problem is worldwide but is particularly marked in the US. The 2018 report, released in late January this year, found no global recovery in trust in institutions. A 'world of seemingly stagnant distrust' prevails. 'People's trust in business, government, NGOs and media remained largely unchanged from 2017,' the report says.

Trust among the general population in the US fell nine points to 43, placing it in the lower quarter of the 28-market Trust Index. Trust among the informed public there imploded, plunging 23 points to 45.

'America at the moment is at sea,' the marketing and communication firm's CEO Richard Edelman says, pointing to huge drops in political confidence and in trust in media. 'The US is enduring an unprecedented crisis of trust,' he says, adding 'this is the first time that a massive drop in trust has not been linked to a pressing economic issue or catastrophe like the Fukushima nuclear disaster.'

CEO credibility, meanwhile, has risen sharply after a number of high-profile business leaders voiced their positions on the issues of the day. Nearly two-thirds of respondents say they want CEOs to take the lead on policy change instead of waiting for government, which now ranks significantly below business in trust in 20 markets.

The implications are not lost on business leaders and public officials. Their speeches and reports are now routinely peppered with calls to admit that some people have been left behind by reform and to say how they will be cared for.

New Zealand's Treasury secretary Gabriel Makhlouf addressed the 'mood of uncertainty' last August. Policymakers assumed it was obvious that everyone benefits from free trade and globalisation, he said, but that assumption was not supported by the evidence. That reality should be tackled head on, he argued.

Welfare of the population

Reserve Bank of Australia assistant governor Luci Ellis, in a mid-November speech last year, similarly acknowledged the problem, saying inequality and inclusion are becoming topics of conversation among policymakers around the world.

A rising star at the Reserve Bank, Ellis argued that the ultimate goal of reform has to be the welfare of the population. 'If a specific reform doesn't deliver that, it ought to be modified, whether through explicit safety nets or other means,' she said.

The same thought runs through the recent report by the Committee for the Economic Development of Australia (CEDA), *Australia's Place in the World*. CEDA's CEO Melinda Cilento says proponents of reform need to be more upfront about its costs and the uneven impact. The dislocation to individuals and even whole communities 'needs to be called out', she says.

Opposite: New Zealand Prime Minister Jacinda Ardern queried the point of economic growth when wages are lagging behind inflation. Above: In Australia, the campaign against carbon pricing led to the defeat of Julia Gillard's government.

At its core, the past three decades of reform were about lifting productivity – the quantity of goods and services produced with an hour's work. It's not about simply working harder but, as Ellis put it in her November speech, 'trying new things and gradually getting a bit better at what we do'.

Bodies charged with finding ways to do this on both sides of the Tasman have recently identified their new targets for higher productivity. In a benchmark paper last year, New Zealand's Productivity Commission identified five key areas that should be targeted for reform. They are international trade, innovation, competition, evidence-based policy and the labour market, especially in the areas of skills education, immigration and housing. The Australian Productivity Commission's wish list, in its 2017 five-year review, is just as wide and deep. Its 28 recommendations range across healthcare, better functioning cities, education, market efficiency and effective government.

Policymakers have lengthy to-do lists even if they just focus on this narrow measure of economic progress. But both commissions insist that productivity growth has wider social benefits – the wellbeing to which Ellis refers – so it should be no surprise that broader measures of wellbeing often lead to recommendations that look a lot like reforms aimed at lifting productivity.

> Improved access to education, better healthcare, more liveable cities and affordable housing can all lift productivity

A wider vision of prosperity

The Legatum Institute Prosperity Index is one such broad measure of wellbeing that captures more than just output per hour. It's published every year by the London-based thinktank and compiled from a diverse list of economic and social indicators. They range from unemployment and political freedom to how safe people feel walking alone.

CA ANZ produced two papers, digging deeper into the Legatum numbers for 2016 with the help of some additional data sources. The papers, part of the *future*[inc] programme, assess what Australia and New Zealand need to do to ensure prosperity.

Many of the Legatum recommendations have an economic focus and could easily have been produced by either of the productivity commissions.

For New Zealand, the *future*[inc] report says that barriers to exports should be lowered, local government rejigged to promote competition and innovation and a strategy developed for skilled immigration. Even a call to preserve the natural environment is aimed at maintaining the export sector's green credentials rather than conservation for its own sake. For Australia, the *future*[inc] report urges an embrace of trade, globalisation and competition.

The 2017 report from Legatum, released in late November, showed that, after four years in first place, New Zealand has now dropped to second, replaced by Norway, while Australia has dropped from sixth to ninth, a new low. The results add a sense of urgency to the reform agenda.

The way forward

The nature of the proposals from the Australian and New Zealand productivity commissions suggest that selling the benefits of reform may become easier in time. Improved access to education, better healthcare, more liveable cities and affordable housing can all lift productivity.

But they also offer desirable benefits for individuals. Consensus on their worth should be easier to achieve than agreement on harder-edge reforms that expose workers to job insecurity or lower wages.

Some other proposals in the *future*[inc] reports, while not directly aimed at productivity, could help to rebuild confidence in economic reform. Both the Australian and New Zealand reports urge an attack on educational disadvantage. The Australian report recommends greater transparency in government decision-making and support for agencies tackling corruption. The aim is to rebuild trust in governance. The New Zealand report argues for more affordable housing, not to increase labour mobility but to strengthen the bonds holding New Zealand society together.

These proposals offer some hope that trust in the economic reform process might be rebuilt and more difficult reforms tackled. They are only recommendations, though. Optimism over possible future reforms should be tempered by a reality check on reform currently under way.

The major reform currently on the table in Australia is a 5% cut in the company tax rate first proposed in the 2016/17 Budget. Its key selling point is that it will boost wage rates. But the Treasury's modelling shows the increase will be small, no more than about 1% allowing for inflation and tax, and will flow through only gradually over a period of decades. And the modelling assumes that any government spending cuts used to balance the budget will have no negative impacts.

Whether it's because of that devil in the detail or just the generalised distrust of reform, the public isn't buying it. The February Essential Research poll on the subject shows only 32% believe a cut would 'attract investment and create more jobs and higher wages'. This suggests the task of rebuilding consensus about the need for reform has some considerable way to go. AF

Garry Shilson-Josling is a business journalist. He was previously chief economist at both Australian Associated Press and MMS Standard and Poor's, and an economist at the Commonwealth Bank of Australia.

Read *The Quest for Prosperity – Shaping the Future of Our Regions* at charteredaccountantsanz.com/futureinc

Playing their part

How two professional accountants helped steer a theatre company towards financial prosperity

In terms of survival stories, it has much in common with William Shakespeare's own plays: inspiration, passion, jeopardy and celebration – Bell Shakespeare's 27-year history has got the lot.

The theatre company was built from nothing by Australian actor-director John Bell and philanthropist Tony Gilbert with a small band of corporate and private supporters. The company has since become synonymous with legendary theatre productions, education programmes and outreach work, touching the lives of millions of Australians – from school students and teachers to young people in juvenile detention centres, and from people in remote indigenous communities to actors and directors.

Yet survival in the arts is a precarious business. That Bell Shakespeare has overcome financial constraints and secured new funding is testament to the work of many people, including two professional accountants who have served on the board of directors.

Graham Froebel CA served on the Bell Shakespeare board from 1998 to 2016. Anne Loveridge FCA became actively involved with the theatre company in 2012, joined the board in 2014 and became chair in January 2017. Along with many others, they have volunteered to help the company through thick and thin.

The tempest

Bell Shakespeare's current financial stability is in stark contrast to its earlier days. Froebel says: 'When I first joined the board in 1998 we were surviving as a year-to-year proposition. To stay afloat, we had to take some very tough decisions, like cancelling a run of shows in Melbourne. We had to go cap in hand to the bank to continue trading. And we relied heavily on the generosity of Tony Gilbert and others.'

By 2008, the global financial crisis had begun to bite. A number of corporates withdrew financial support. Audiences reduced their discretionary spend so that even critically-acclaimed productions struggled to hit revenue targets. Then, in 2009, Gilbert passed away.

'The management and board directors had several deep and meaningful conversations around that time,' Froebel says. 'Tony left a generous financial legacy to Bell Shakespeare, but in the longer term we didn't know whether we would have to close the doors or not. Together, we questioned everything – from ticket prices to our ability to fund particular education programmes. It was an incredibly tough time.'

The company survived through a combination of rationalising operations and diversifying revenue streams. Froebel and fellow directors also worked with Bell Shakespeare's management to increase the organisation's financial rigour. This included establishing new ways to scope out future projects and calculate potential cost and revenue impacts.

Above: Board member Graham Froebel CA, left, with founding director, Australian actor John Bell. Below: Fellow accountant Anne Loveridge FCA is now board chair.

All's well that ends well

By the time Froebel stepped aside from board duties in 2016, Bell Shakespeare could call upon the talents of two more professional accountants: finance manager Jeanmaree Furtado and current board chair Loveridge.

'When you leave a board of directors, you want to be confident that the organisation is in better shape than when you found it,' says Froebel. 'I had that confidence, having witnessed the improvements within the organisation down the years – and knowing the future is in the hands of many capable people.'

Today, financial sustainability is a watchword, from senior management down. Several board directors bring financial expertise and commercial acumen, in addition to the specific skills of the accountants.

Together, they have ambitious plans, as Loveridge explains: 'For the first time we have the opportunity to establish a permanent headquarters. We're currently steering the organisation through a major capital raising project to help fund this.'

In 2019, Bell Shakespeare will move to Pier 2/3 in the Walsh Bay arts precinct in Sydney. 'This will give us added security, as well as the freedom to collaborate, experiment and take our work to more stages and schools,' says Loveridge.

The next act of the Bell Shakespeare story promises to be an exciting one and, once again, a professional accountant will be helping.

Andy McLean, journalist

Onwards and upwards

Promoting social mobility is not just the right thing to do, it also helps assemble a workforce better suited to today's complex global economy

Economic growth and development is providing opportunities for many individuals to realise their ability to live well and prosper in today's world. But despite economic progress, the world's least well-off citizens still lag significantly behind the more fortunate. What they need is access to opportunity, and that will happen only when economic development is fully inclusive.

Recent ACCA research says that social mobility is a business issue. The report, *Purpose and the profession: the global challenge of improving upward mobility*, credits social diversity with the ability to drive better decision-making – boosting profits as a result and, equally importantly, validating organisations' 'licence to operate'. If businesses are to navigate an era of volatility and complexity successfully, then they will need strategic leaders from a variety of socioeconomic backgrounds.

Economic growth means succeeding generations are better off than their parents: the proportion of the world's population living in extreme poverty is falling, while global literacy rates and income in many countries is increasing. But, says ACCA in its report, this progress should not blind us to entrenched inequalities between rich and poor. Inequality of access to opportunity is most starkly illustrated in the Great Gatsby curve (see graph below), which shows the relationship between inequality and intergenerational social mobility in developed countries. This clearly suggests talent and leadership potential is wasted.

Equality and the professions

Professions can play a central role in addressing issues around access to opportunities. Doctors, lawyers, financial advisers and accountants wield power and influence, create societal norms and confer trust. But access to working in a profession can be extremely limited. Securing a well-paid professional job often relies on personal connections, costly qualifications and strong support networks. This in turn determines the characteristics of those who create social norms.

Can professions function properly and ensure a quality of livelihood for citizens – particularly the less well off – if they do not reflect the society in which they operate? ACCA's report argues that the professions should recognise that they hold an influential position in society and make it their goal to improve mobility.

Leaders of professions are important in determining how well their countries respond to economic changes and societal demands on a range of overarching, interconnected issues that are exacerbated by poverty and inequality. These include climate change, migration, population growth, urbanisation, ageing populations and healthcare.

While the accountancy profession can help individual mobility by providing qualifications that are recognised across the world, it also has to be conscious of left-behind regions that may be deprived of the skills of qualified financial professionals. The accountancy profession can play its part in promoting retraining and infrastructure development, and enabling investment in these regions.

And by offering opportunities regardless of background, removing artificial barriers and advocating mobility to governments, the accountancy profession can make improving mobility part of its reason for existence.

For the profession, improving social mobility can go hand-in-hand with building dynamic and sustainable economies around the world. Actively engaging with the issue extends beyond lip service and piecemeal corporate responsibility, and covers forging leadership in this area and demonstrating how social mobility can enhance performance.

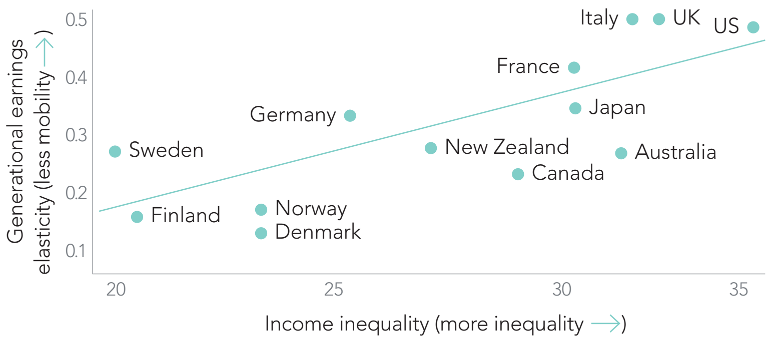
If the accountancy profession can broaden to cater for a diverse set of career opportunities – from environmental accounting, computational thinking and data analytics – it can become a more relevant career choice.

While understanding social mobility issues is important, so is collecting data. For businesses to tackle the issue, they require evidence. This means collecting more social diversity data from employees to inform decision-making and increase diversity within a business so that it becomes a measurable part of strategic performance.

Professional bodies and practice leadership teams have a key role to play in actively engaging and advocating social mobility with policymakers

The Great Gatsby curve

More inequality is associated with less mobility across the generations.



across spheres such as education, planning, digital, finance and data/statistics.

ACCA members' views

ACCA was founded in 1904 in response to the closed-shop nature of the profession at the time. Perceived as accessible, ACCA was committed to opening up previously unavailable routes into the profession. Today ACCA is still working to remove barriers and raise awareness of accountancy as a career choice and the routes into the profession.

An overwhelming 92% of ACCA members and students believe career opportunities should be open regardless of social background. Of the nearly 14,000 members and students who responded to the survey, 74% view ACCA as accessible compared to other accountancy qualifications.

Thinking of their own personal experience, 60% agreed that the ACCA Qualification has enabled them to access opportunities regardless of their background, while 29% said it was still too early to tell, or neither agreed or disagreed, suggesting there are still barriers to opportunities.

The survey did reveal a career advice gap: only 13% said they were influenced by a school teacher, university lecturer or career adviser in their choice of career; 56% said they decided for themselves.

Clearly, the education system is not promoting accountancy as a career. Although most started their ACCA studies when under 25, 15% began when they were over 30.

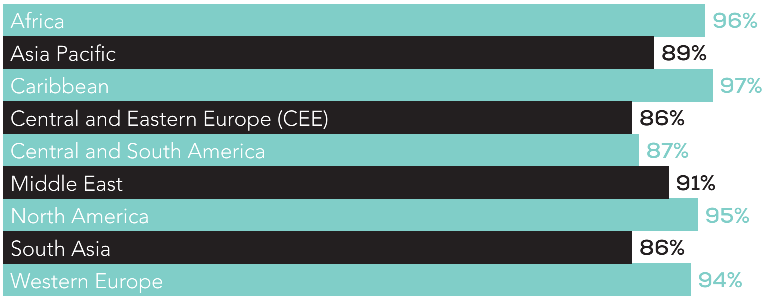
ACCA does appear to be enhancing social mobility. Some 52% of respondents' primary-income earning parents or guardians had, at most, completed secondary school or high school. When the ACCA member or student was aged between 11 and 16, 60% of the parents/guardians were in non-managerial or non-professional jobs.

The report suggests that the accountancy profession could play a leadership role by embedding an emphasis on social mobility into its own priorities. It says that addressing social mobility issues must not be an ineffective add-on but should be done in such a way that it is embedded in the profession's future. It can be strongly linked to the profession's unique distinguishing technical and ethical components, which remain important as global and technological developments create ongoing challenges.

Peter Williams, journalist

Open door

Respondents who said it is important that career opportunities are available to people regardless of their social background



Read ACCA's report, *Purpose and the profession: the global challenge of improving upward mobility* at bit.ly/ACCA-SocMob

BRI to reshape value chains

The Belt and Road Initiative (BRI) – China's scheme to link Asia and Europe via massive new infrastructure projects in Central Asia, the Middle East, Africa and the Balkans – brings big opportunities for the countries on its route, and could help bridge the infrastructure financing gap and link local markets to regional and global value chains. These were the conclusions of a recent multistakeholder debate, including ACCA, the EU-Asia Centre, the European Movement International (EMI) and UEAPME. Ada Leung, head of *ACCA China*, said: 'ACCA's recent research projects such as *The Belt and Road Initiative: reshaping the global value chain*, *The economic benefits of the modern silk road* and *Accounting infrastructure: a booster to the Belt and Road Initiative* say that for companies to maximise the opportunities offered by BRI they need to start preparing now.'

In Pakistan alone, BRI is financing US$60bn worth of infrastructure projects, helping link local markets to regional and global value chains.

Read the reports at: bit.ly/BRI-EconBen, bit.ly/BRI-GlobalValueChain and bit.ly/BRI-infrastructure

Fair taxation a world concern

The taxation of the EU's digital economy needs to be clear, comprehensive and consistent, and cannot be separated from global tax policy, ACCA has declared in its response to the European Commission's public consultation on taxing the digital economy. Jason Piper, ACCA senior manager for tax and business law, said: 'We agree with the commission's aims that the approach to the taxation of the digital economy must be fair and transparent, and one that supports public revenue. A level playing field is also a must – not just Europe but globally too.' ACCA says complications arise because of the legal definition of what constitutes a purely digital business for tax purposes.

For more on global taxation, read the joint ACCA/CA ANZ report *G20 public trust in tax* at bit.ly/G20-TrustandTax

NZ tax bill 'goes too far'

A law aimed at halting profit shifting by international corporations 'starts out very sensibly, but then goes too far', according to John Cuthbertson, New Zealand tax leader for CA ANZ. 'Government overreach is a theme across the Taxation (Neutralising Base Erosion and Profit Shifting) Bill,' he said. 'The drafters should have taken a deep breath before including sections that are an overreaction to the problem and potentially damaging to the New Zealand economy.'

Call for education shake-up

The education system more often than not fails to prepare employees and prospective employees for careers. This is the finding of a recent CA ANZ report *The Future of Talent: Opportunities Unlimited*, which surveyed nearly 800 Australian business leaders on desirable skills, career changes, skill shortages, and how to attract and retain staff. Only 42% of respondents said the education system did a good job. 'What's needed is broader learning, including encouraging skills like critical thinking, communication, collaboration and ethical understanding,' said Geraldine Magarey, leader of policy and thought leadership at CA ANZ.

Read the report on the future of talent at bit.ly/CAANZ-OppsUnlimited

CFOs risk losing relevance

Unless CFOs embrace an unprecedented opportunity to drive business growth through new technology adoption, they risk losing relevance, according to an ACCA report. *The race for relevance: technology opportunities for the finance function* surveyed executives on the technologies changing the finance function. Maggie McGhee, director of professional insights at ACCA, said: 'CFOs need to accept that with these technologies it is often better to fail fast and be able to move on, rather than not to try at all.' AF

Failure to grasp the technology opportunity could ultimately see CFOs stripped of business relevance.

Read the *The race for relevance* report at bit.ly/ACCA-TechOpps

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