The sky’s the limit
The career options for professional accountants are boundless, and their role in building a sustainable future post Covid-19 more important than ever

Plus: Covid-19 fallout | Bribery and SMEs | Economic crime | Ethical data management
Brydon audit review | Entrepreneurial mindset | Transfer pricing | Smart cities
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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 219,000 members and 527,000 students in 179 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 110 offices and centres and more than 7,571 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 ACCA and Chartered Accountants ANZ

Few human beings alive today can have faced any challenge as great as that posed by the Covid-19 pandemic. UN secretary-general António Guterres remarked: ‘Covid-19 is the greatest test that we have faced together since the formation of the United Nations.’ He suggested that the only way to tackle the virus was through global coordinated action. And that one outcome from this period of history may be the dawn of a new type of global and societal cooperation.

The accountancy profession across the globe is uniting to play its part in tackling the fallout from the virus, supporting and advising governments, policymakers and regulators, and crucially supporting finance professionals as they work with their organisations and clients to minimise the economic and business consequences.

The global alliance between CA ANZ and ACCA will have a pivotal role in shaping the profession and inputting to public policy as the world defeats the virus and then starts the long process of rebuilding. This alliance was always designed to shape and lead the future of the profession, and that purpose is set to be needed – and tested – more than ever.

This edition of Accountancy Futures – with some features and interviews commissioned before the full force of the pandemic struck – is starkly relevant, even prescient. To fully play their part in a post Covid-19 world, professional accountants need to build on strong historical foundations and quickly adapt to the new and emerging challenges.

Even as every effort is focused on combating the virus, it is critical to start to think ahead using the complete range of the finance professional’s skillset to join with others in the momentous task of daring to build better businesses and economies than existed before.

Finance professionals need the competencies and mindsets to help build and rebuild sustainable organisations that will emerge from today’s global health, economic and business disaster. They will need to be capable of finding innovative solutions and making difficult decisions as the profession underlines its role and purpose as a force for public good.

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 over 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.

You can find out more about CA ANZ’s research and insights at charteredaccountantsanz.com/news-and-analysis/research-and-insights

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

Peter Rupp, CA ANZ president; Jenny Gu, ACCA president.
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Professional accountants can play key roles in a future that requires skills in strategic thinking, addressing sustainability, supporting innovation and driving the digital agenda. The sky’s the limit.

Professional accountants take pride in their work, and a number of significant trends indicate that the future should continue to be bright for those whose careers are already in progress as well as for aspiring accountants who are just beginning their studies. These trends range from the rise of data and spread of automation, to the increasing acceptance of the importance of intangible assets and non-financial capital. They include growing recognition of the link between innovation and diverse, inclusive workforces, as well as the changing nature of the workforce itself.
True purpose

Scrutiny, integrity, rigour, ethics, accountability – the vital qualities of professional accountants are what make the world go around. Thinking about the purpose of the profession, there is one dominating concern for all at the moment that is highly relevant: never before have professional accountants’ unique skills been so needed to support business and the global economy. They are currently key advisers to businesses reacting to the effects of Covid-19 (coronavirus). Can you imagine a world without them?

Take our imaginary client. Mia has long wanted to start her own business and now has an idea that could make her fortune. She turns to her accountant for advice on setting up the company, finding investment, getting the right invoicing system in place, and making sure the books balance.

One year on and the business is going well, so Mia takes on staff. Her accountant advises on payroll, and ensures the right amounts are paid at the right time, including tax contributions. The business continues to grow into its third year, and Mia is developing more products and services. Her accountant advises on research and development tax reliefs. And as she is now also working internationally, the accountant helps ensure she complies with all import and export requirements.

A few years on with a now very successful business, Mia’s backers are looking to realise their investment. The accountant advises on the options: trade sale, flotation, sale to other investors. At the same time, Mia is concerned about the impact her business is having on the world around her. The accountant evaluates her non-financial position, advising on environmental, social and governance issues. When in time Mia looks to stand back from the business, her accountant will be there to advise on the best way forward.

Imagine capital markets without finance professionals. Mia’s investors rely on company accounts when assessing where to invest. These accounts need to be accurate, to give a true and fair view of the financial state of the company. Who else apart from accountants would be qualified to prepare these accounts, abiding by a set of principles and standards that ensure they provide a meaningful picture of financial health?

And, of course, ‘external accountants’, or auditors, further mitigate the reporting risk. Mia and her investors value an independent set of accountant eyes, which add to the checks and balances. Imagine a world without auditors, those specialist accountants professionally trained to provide that independent layer of financial scrutiny.

Without such scrutiny, the capital markets, vital for business investment, would cease to work in any meaningful way. They would become Wild West frontier towns where the only rule is that there are no rules. An investor might get lucky and strike gold, but they would more likely return home empty-handed.

But it is not just Mia’s business and her investors that benefit from accountants. Imagine how government spending would be controlled without accountants. Who would be able to say how taxes paid by Mia and her company were being spent? For that matter, who would be able to say how much the government has raised in the first place through tax or bonds?

This is as true at a local level as at a national one – without professional accountants, there would be no checks and balances to counter political whims. Whether providing funds for schools, repairing potholes or building the infrastructure that allows businesses like Mia’s to flourish, local government projects could run out of control without the financial discipline provided by the accountancy profession.

Tax collection itself relies on accountants, in finance ministries and revenue collection agencies. Tax policy requires input from tax accountants to ensure it will work and achieve the desired outcomes. And if the current tax code appears complicated at the moment, imagine what it would be like without accountants to interpret it.

And if the worst happens and Mia falls victim to a scam, what then? How can fraud be fought effectively without forensic accountants? Following the money is a key accounting skill – illegitimate bank transactions, money laundering and tax evasion can all be identified by accountants. (Continued on page 9)
Future careers | Trends

research suggests, seek meaning and purpose in their personal and professional lives. These and other trends shaping the environment in which professional accountants will be working in future are identified in a recent ACCA report, Future ready: accountancy careers in the 2020s. The report draws on desktop research, a member survey and in-depth interviews with senior finance leaders, HR professionals and recruitment specialists in key markets.

Taking stock of the various trends shaping the future of business and work, the report sets out a model to identify ways in which accountants can enjoy fulfilling careers. This model, according to Jamie Lyon, the report's author and head of business management, professional insights, at ACCA, rests on the central proposition that modern society is increasingly focused on building a sustainable future, and that organisations need to focus on developing sustainable and purposeful businesses. ‘That is driving the future of the profession,’ says Lyon. ‘This report is all about the opportunities that exist for professional accountants in creating and supporting this sustainable world.’

The model set out in the report envisages accountants finding important opportunities to support the sustainability imperative in five broad ways: as assurance advocates, business transformers, data navigators, digital playmakers and sustainability trailblazers (see panel, right). These aren’t specific roles or career paths, but areas where professional accountants can bring their expertise to bear for the benefit of their organisations and the wider community. Professional accountants could have an impact in more than one of these areas during their careers. (And since this report was published, of course, they will have a vital role in guiding businesses through the fallout from the Covid-19 pandemic.)

Lyon envisages a future world of career multiplicity, where individuals may have many different types of role during their working life, building lattice careers rather than climbing the traditional career ladder. ‘We will see more fluidity in terms of how people navigate across different types of activity,’ he says. ‘Roles are changing more quickly, and that is driving quicker turnover of skills. That in turn is driving the transformation of how we learn. The ways in which we learn need to change along with the skills we need to develop.’

For example, if new skills quickly become in demand and others become obsolete, individuals will need the capacity to keep learning. Scheduled traditional learning formats are likely to be increasingly replaced with new digitally enabled and workplace-based options that support ‘learning in the now’ – meeting the need for rapid access to new knowledge and skills. So although the concept of continuing professional development is already firmly established in the accountancy profession, it is going to become more important (see article, page 12).

In playing their part in building sustainable businesses, accountants will still need to apply the seven professional competencies – or quotients – identified by earlier ACCA research. These quotients include the more typical competencies (technical and ethical, intelligence, digital, and experience) as well as the softer skills (creative, vision and emotional intelligence). For example, the emotional intelligence quotient could become particularly important in future, through assisting in understanding the viewpoints of wider stakeholders or advocating ethical approaches to the adoption of new technologies.

‘These professional quotients are still very relevant in this emerging world,’ Lyon says. ‘Accountants will need to apply all their broad skills to have maximum impact in organisations seeking to build sustainable business strategies and operations.’

Sarah Perrin, journalist
True purpose

(Continued from page 7) Fraud’s bedfellow is corruption. Whether that involves bribing directors to secure a lucrative contract, government officials to influence public policy or customs officers to look the other way, at the forefront of the anti-corruption effort is the accountant. Imagine who else would investigate when something does not look like it adds up.

The skills needed to balance the books can also be put to good use elsewhere – anywhere there is the need for measurement and evaluation. Accountants have long been in the business of measuring environmental impact, and will continue to perform an essential role as governments and industry grapple with climate change.

If something cannot be measured, then it does not get changed. Professional accountants have the skills not only to measure the non-financial impact of economic activity, but also to guide individuals, businesses and governments towards making better decisions. They can advise on governance structures, social and environmental impact, assess risk and ensure that all stakeholder concerns are addressed.

In short, accountants underpin global sustainability. Mia’s world would be a very different place without you.

Philip Smith, journalist

ACCA webinar

Listen on demand to ACCA’s webinar ‘Future ready: accountancy careers in the 2020s’ with speaker Jamie Lyon, ACCA’s head of business management, professional insights. The discussion covers the trends impacting the careers that professional accountants will find in the future, outlined in ACCA’s future careers report.

The webinar discusses: the drivers of change impacting careers as we look forward; emerging areas of career opportunity in the profession; and how individuals can navigate their own careers in this evolving landscape.


Read the report Future ready: accountancy careers in the 2020s at bit.ly/ACCA-FutureReady
Dynamically digital
A shifting technological landscape requires finance professionals to continually adapt and extend their skills

The race is on. Digitalisation is reshaping the world and ‘the key to winning the race is not to compete against machines, but to compete with machines’, write Erik Brynjolfsson and Andrew McAfee in their book Race Against the Machine: How the Digital Revolution is Accelerating Innovation, Driving Productivity, and Irreversibly Transforming Employment and the Economy.

On the road to future job and value creation, the authors advocate a collaborative partnership between computers and humans. All accountancy and finance professionals are now some way through this transformative journey.

However, it will be a marathon not a sprint. Although digital technologies and trends are transforming the world so fast and fundamentally that it can feel dizzying, we are only just getting started. ‘The world we inhabit is already digital, and it will continue to become more digitalised,’ says Clive Webb, senior professional insights manager at ACCA. Data is growing exponentially in volume and value; business models are evolving and becoming more customer-centric; and organisations are investing significant resources in digital transformation. ‘Technology evolution will continue, but at a greater pace,’ he says. Adaptability, continuous learning and constant self-improvement will be vital if accountancy and finance professionals are to develop and maintain an optimal mix of digital, interpersonal and technical skills.

‘With our unique combination of accounting and ethical principles, business acumen and digital skills, the future of the profession is bright,’ says Webb.

But there is no room for ambivalence to workplace changes that digital transformation brings. The profession must stay on top of evolving technologies and business models, and ensure that its skillsets evolve appropriately.

‘We need to develop and maintain our digital quotient,’ says Webb, who authored the recent ACCA report The digital accountant: Digital skills in a transformed world. The digital quotient is one of seven professional quotients and competency areas where ACCA has identified behaviours and qualities that finance professionals must develop if they are to remain relevant and meet future needs and demands. ACCA defines the digital quotient as ‘the awareness and application of existing and emerging technologies, capabilities, practices and strategies’.

Developing this quotient is complicated by a shifting and expanding digital technology landscape and the thorny questions it throws up for accountancy and finance professionals, the organisations they work with, and professional bodies, training providers and others. How much do accountancy and finance professionals need to know about technology? How does this vary across industries and sectors, technical specialisms, responsibilities, roles and career stages? What digital skills do members of the profession have and which do they need to develop?

These matters are considered in The digital accountant, published pre-Covid-19, but all the more relevant in the light of the pandemic. It notes the need for accountancy and finance professionals to invest continually across a broad range of technology areas; explores their breadth and depth; and offers insights into how professionals can add value by combining their traditional accountancy and finance skills with their digital knowledge, business acumen and ethical lens to provide a powerful perspective. ‘It enables us to critically appraise the commercial potential of digital transformation,’ says Webb.

To do this successfully, all accountancy and finance professionals will need to make a transformative journey, and some may need to travel further than others. In a global survey for The digital accountant, responses from more than 4,200 ACCA members, affiliates and students indicate higher ability levels for traditional technologies than new and emerging ones. Respondents report expert ability levels in planning solutions (72%), with much lower levels, for example, for artificial intelligence (AI) and machine learning (20%) and blockchain (20%).

‘Don’t over-rely on your traditional skillsets,’ says Webb.

Explaining AI
AI can demonstrate the benefits of working with machines, not against them, and highlight the need for the finance profession to understand how doing this can create value for organisations. ‘The middle path of augmenting, rather than replacing a human, works best when the human understands what the AI is doing,’ says Narayanan Vaidyanathan, ACCA head of business insights.

Hence, explainable AI (XAI). This emphasises the role of the algorithm, not just for providing an output, but for also sharing with the user some information on how. ‘XAI approaches can shine a light on the algorithm’s inner workings and reveal some insights,’ says Vaidyanathan, ‘and rather than this information being hidden in code, it is made available in a human-readable way.’

The ACCA report, Explainable AI: Putting the user at the core, addresses ‘explainability’ from the perspective of the finance profession. ‘Explainability can improve the ability to assess vendor solutions in the market; enhance value capture from AI that’s already in use; boost return on investment (ROI) from AI investments; and augment audit and assurance capabilities, where data is managed using AI tools,’ says Vaidyanathan.

The report can be downloaded at bit.ly/ACCA_ExplainableAI.
Webb. Digital skills should go beyond knowledge of applications to encompass new technologies and the techniques needed to implement them. ‘Operationalisation of technologies such as 5G and the hyperautomation of AI and robotic process automation may rapidly eclipse the recent pace of change,’ says Webb, but he cautions against focusing too much on a particular technology. ‘If we overemphasise our appreciation initially, we may become cynical about its value before it becomes a reality in business,’ he says.

‘What’s needed are the digital skills to understand how technology is enabling or transforming the business model of your client or organisation,’ says Webb. Data is more important than ever, as is understanding its flow and influence on how the business is modelled. ‘Increasingly, within this model, financial and non-financial data converge, and all data is operational,’ says Webb. More and more the metrics driving performance measurement and management extend beyond financial data. He says: ‘Appreciating this aspect of the digital landscape is essential for the finance professional of the future.’

With so many technologies evolving so fast, keeping a broad, high-level watching brief may be the most effective way to stay on top of changes, helped by trusted sources of information, such as ACCA. Taking a few minutes each day to invest in continuous learning and focusing some of this on the digital landscape and language will be beneficial; likewise recent insights from ACCA, in articles such as ‘Digital leadership: Leading finance digital transformation’ (bit.ly/ACCA-DigLeadershipTransform) and the report Explainable AI: Putting the user at the core.

‘To ensure that we are effective, we need to broaden our knowledge base from the application focus that we may traditionally have had, to the understanding of how technology and data create value for organisations,’ says Helen Brand, ACCA chief executive. ‘We have a clear opportunity to play a significant role in achieving that success. Digitalisation of workplaces will continue apace. Either we are part of that journey or we run the risk of being left behind. We need to make sure that as individuals and as professionals, we seize the opportunity.’

Lesley Meall, journalist

The digital accountant: Digital skills in a transformed world can be found at bit.ly/ACCA-DigAccountant
Future proof your staff

Ongoing digital disruption is changing the skillset required by finance and accounting professionals. How can employers provide the right training?

The 2018 World Economic Forum report, The Future of Jobs, found that more than half of all employees around the world will need reskilling or upskilling in the next three years, as the world adapts to the ongoing changes brought on by the Fourth Industrial Revolution, otherwise known as Industry 4.0 or Globalisation 4.0. And indeed this has become even more relevant now in light of the Covid-19 pandemic.

In Australia, for example, employers want three million more people with digital literacy skills than are available, and by 2030 the average finance professional in Australia will be two to three critical skills short of what is required for their job.

In this context, it is very clear that technology will continue to drive the need for continuing professional development (CPD) in businesses of all shapes and sizes.

In a rapidly changing world, knowledge is a competitive advantage. Whether it’s technical knowledge areas such as fringe benefits tax, soft skills such as communication, or digital capabilities like algorithmic forecasting, accounting and finance professionals need to understand the latest developments and better meet client challenges, in order to become a ‘trusted adviser’.

Australian employers increasingly recognise the need to continually develop their staff, as failing
to have the right skills can impact on growth and profitability. CA ANZ’s 2017 paper, The future of talent: Opportunities unlimited, reported that globally, 77% of CEOs were concerned that key skills shortages could impair their company’s growth. Deloitte’s 2019 Global Human Capital Trends report found that 84% of executives, who said automation would require the reskilling of their staff, were increasing investment in staff training and development.

The need for ongoing professional development is endorsed by the International Federation of Accountants’ International Education Standard 7, Continuing Professional Development, which states that professional accountants operate in an environment of change, and need to actively engage in education and training to adapt to new standards, practices and technologies.

Professional accountants have the opportunity to future proof and add value to a business, and support its goals. The concept of business partnering has created the opportunity for finance teams of the future to lead the business in using relevant data to inform decision-making, and become trusted advisers.

Finding the right training

Australian vocational education and training provider TAFE NSW’s 2019 Skills and Australian Business Report found that 74% of employers were concerned that professional development and training would require employees to spend time away from work, and 57% found it difficult to find the right training. Understandably, employers want easy access to relevant and flexible training for their staff. Ranging from introductory courses to specialist\[\text{Future of financial advice}

In an environment of rapid demographic, technology and regulatory change, the future is positive for financial advisers, according to a new report from CA ANZ and Deloitte Access Economics. The future of advice report examines the complex trends that are driving the new world of advice and how they will affect the work of professional accountants.

When it comes to what that advice will look like, The future of advice report finds that technology use is at an early stage. In the survey conducted for this report, only 12% of people have heard of robo advice, and after it is explained, a significant percentage are not comfortable with the loss of face-to-face contact. However, advisers see technology as part of a blended offering that will help keep costs down by replacing repetitive impersonal tasks and assisting with compliance.

Read The future of advice: Overcoming challenges to deliver great consumer outcomes at bit.ly/CAANZ-FutureofAdvice.

CPD can improve employee retention and reduce costs associated with staff movement. The Australian HR Institute’s 2018 report on turnover and retention found that a major reason for staff movement was a lack of learning and development opportunities, and provision of these opportunities was an effective strategy to improve employee retention rates.

CPD could also help to improve your business’s reputation. In Comparably’s Best Company Culture Report 2018 that lists the top 50 companies to work for, professional development opportunities were a criterion.

Providing training opportunities can increase productivity and employee engagement. Increased productivity can come directly from new skills learned and then implemented in the workplace – including technical skills of the latest best practice, or highly transferable soft skills to improve client relationships.

Training can also indirectly improve productivity and employee engagement as employees feel more confident, valued and motivated after their employer has invested in their personal development. While CPD does require an investment of time, ultimately it can lead to improved business outcomes as engaged, confident and motivated employees are proven factors in driving business success.

Forward-thinking companies can invest in the ongoing personal development of their people by giving them the time to undertake professional development opportunities as well as access to structured workplace training programmes. CPD not only assists in maintaining company service and quality standards, but also enables organisations to enhance their reputation, and promote a healthy learning culture in which employees feel valued by their organisation.

CPD can result in improved employee retention rates, improved business reputation and increased productivity

face-to-face workshops, CA ANZ’s CPD courses offer a wide range of learning opportunities for employees at all levels of experience. Hundreds of online learning resources are also available, allowing professionals the flexibility to undertake learning and development when and where best suits their schedule. Recognising the importance of adapting to ongoing disruption, CA ANZ Education courses are designed to help finance and accounting professionals focus on the future, keep pace with global trends, foresee challenges, build prosperity and generate positive change.

Recent reports from the Australian Productivity Commission and Treasury outline a noticeable decline in Australia’s labour productivity growth. Supporting staff to pursue CPD can result in improved employee retention rates, improved business reputation, increased productivity and increased employee engagement.

Read CA ANZ’s 2017 report The future of talent: Opportunities unlimited at bit.ly/Opportunities-unlimited

Recent research shows an upsurge in concern among SMEs about the consequences of bribery and corruption, and what they can do about it.

Stop the rot

Bribery and corruption are challenges that affect businesses of all sizes. Yet the most significant efforts to address these problems tend to focus on public bodies and big corporations, which are those most likely to be involved in cases where large sums of money change hands. Historically, little research has focused on the risks posed to small and medium-sized enterprises (SMEs), despite SMEs accounting for 99% of all formally registered businesses in countries where accurate data is available.

Six years on from its 2013 global survey of the impact of bribery and corruption on the SME sector, ACCA has carried out another. The 2019 survey of ACCA members working in SMEs or providing them with professional services was conducted via a public weblink, and its findings have been published in the report Combating bribery in the SME sector.

‘SMEs are incredibly important,’ explains Jason Piper, ACCA’s policy lead for tax and business law, and the author of the report. ‘In quite a lot of countries, the majority of working people work in SMEs. Multinationals wouldn’t exist if they didn’t have SMEs in their supply chain, providing services, goods and small parts. They are fundamental to the economy in every part of the world. Anything acting as a drag on their productivity is something we should investigate and deal with.’

According to ACCA’s latest survey, nearly two-thirds (64%) of SMEs globally regard bribery and corruption as a concern. This is a significant increase on 2013, when the figure was just 43%. Survey respondents from sub-Saharan Africa, the Americas, Asia and the Middle East were most likely to be worried about bribery and corruption. Concern was noticeably lower in Europe, probably as a result of the legislation and enforcement mechanisms that exist in the region.

When asked why bribery and corruption are problematic, respondents compared them to a disease or rot that, if unchallenged, spreads through business, damaging enterprises and ultimately economies. Respondents compared corruption to a disease or rot that, if unchallenged, spreads through business, damaging enterprises and ultimately economies.
the business community, damaging individual enterprises and, ultimately, national economies. Globally, 64% of SMEs believe that bribery and corruption have a negative impact on the business environment. The research found that SMEs are most likely to encounter bribery when dealing with public sector officials.

In 2019, more than two-thirds of respondents (67%) thought that SMEs routinely consider the risk of bribery when contemplating doing business in some countries. This is in stark comparison with 2013, when only 38% thought the same. Similarly, in 2019, 62% of respondents thought that SMEs consider the risk of bribery when thinking about doing business in certain sectors – compared with 45% six years before. Another significant finding was the jump in respondents who thought that over the past 10 years businesses had become more willing to misrepresent their financial statements to cover up corrupt behaviour. In 2019, 45% believed this was the case, compared with 31% in 2013.

"There are some encouraging findings around growing awareness, and SMEs are readier to recognise when they might be at risk," Piper says. "But the statistics are still not as high as they should be. Some organisations don’t think about bribery when they’re doing business overseas. But if you’re doing business in particular regions, you are almost certainly going to encounter it, so you should be considering it."

Cry for help

While awareness is growing, a majority of SMEs (59%) do not believe sufficient guidance exists to help them identify and deal with instances of bribery and corruption. The survey report concludes that accountants could play a major role in helping SMEs protect themselves against bribery and corruption risk. Three-quarters of respondents (76%) thought that SMEs would welcome advice from their accountants on how to establish policies and practices to deal with possible cases of bribery and corruption.

Survey participants were asked about possible measures that could help SMEs to combat bribery and corruption. Almost two-thirds (65%) placed a high effectiveness rating on laws granting whistleblowing rights to employees and businesses where they encounter instances of bribery and corruption. Meanwhile, there has been a shift in perception of the usefulness of prosecution as a deterrent. In 2013, creating an environment where it was clear that illegal activity would not be tolerated (ie by means of high-profile prosecutions) was considered the most effective anti-corruption measure (listed by 40% of respondents). In 2019, the figure has fallen to just 23%.

"We are perhaps seeing a loss of faith in prosecution as a deterrent," Piper says. "Maybe there have not been as many high-profile prosecutions as people may have hoped. But even where there have been, there is still an atmosphere of bribery and corruption, and SMEs are encountering the same problems they have always encountered."

Nevertheless, Piper points out that helplines and protection for whistleblowers pose their own challenges in terms of deterrence. "Most of the existing guidance around the helplines and processes that enable people to blow the whistle if they see corrupt activity are built around public sector organisations or large multinationals," he says. "These are organisations with a fair bit of resource to throw at the problem and an internal hierarchy that facilitates the creation of a sensible escalation process. In a business with four or five employees, it’s not practicable. Even in businesses with 50 to 70 employees, say, if someone blows the whistle, then everyone knows who that person is."

Where next?

So what can SMEs take away from the latest ACCA research? The report argues that SMEs should be proactive about addressing and managing the risk posed by bribery and corruption, even if the steps they take are different in scale from those adopted by large corporates or public bodies.

Piper advises policymakers to produce ‘clear, short and simple guidance’ and to ‘coordinate and cooperate so that businesses know that they’re facing the same sort of environment wherever they are’. The bottom line, he says, is this: ’Policymakers should recognise the challenges that small businesses face, convey the strong message that bribery and corruption are not acceptable, and put effective reporting mechanisms in place.’

Sally Percy, journalist

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**The role of accountants**

Do you think SMEs would welcome advice from their accountant on the policies they need to have in place to deal with bribery and corruption?

- Yes 76%
- No 15%
- Don’t know 9%

**What would help?**

How do you rate the following in helping SMEs to fight corruption (on a scale of 1 to 5, where 5 is most effective)?

<table>
<thead>
<tr>
<th>Measure</th>
<th>1 (least effective)</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 (most effective)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-profile prosecutions</td>
<td>29%</td>
<td>19%</td>
<td>14%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Guidance from professional and trade associations</td>
<td>10%</td>
<td>22%</td>
<td>26%</td>
<td>22%</td>
<td>20%</td>
</tr>
<tr>
<td>Whistleblowing rights for employees and businesses</td>
<td>9%</td>
<td>16%</td>
<td>19%</td>
<td>29%</td>
<td>27%</td>
</tr>
<tr>
<td>An ethical code for businesses to publicly sign up to</td>
<td>16%</td>
<td>18%</td>
<td>22%</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>The appointment of an auditor</td>
<td>36%</td>
<td>25%</td>
<td>18%</td>
<td>12%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Read the ACCA report Combating bribery in the SME sector at [bit.ly/ACCA-CombatingBribery](bit.ly/ACCA-CombatingBribery)
Applying an ethical approach to personal data processing is a matter of good governance never mind regulatory compliance, says John Bowman

Data decency

Applying an ethical approach to personal data processing is a matter of good governance never mind regulatory compliance, says John Bowman.
behind any automated decision-making. Where the processing activity presents a high risk to individuals or society, then a data protection impact assessment should be carried out and appropriate measures put in place to help mitigate the risk.

As a rule of thumb, quite apart from any legislative requirements, data should be sourced and shared responsibly. If organisations are unaware of the provenance of data and unsure whether data is properly protected when shared with third parties, the risk of data breaches rises.

Global reverberations
In the wake of GDPR, the ethical use of data (or ‘digital ethics’ as it is known) has become a global public policy topic. Tim Cook, CEO of US tech company Apple, gave a keynote speech at an international conference of data protection regulators in Brussels in 2018 on the topic, during which he said: ‘At every stage of the creative process, then and now, we engage in an open, honest and robust ethical debate about the products we make and the impact they will have. That’s just a part of our culture. We don’t do it because we have to. We do it because we ought to.’

Cook’s speech was widely reported at the time and pointed to an aspect of ethical data use that has caught the attention of regulators: just because you have the freedom to process data in any way, that does not mean that you should.

Elizabeth Denham, the UK information commissioner, referred to this point in a speech in 2018: ‘Fairness is where we crash against the questions of should we do this, rather than can we do this. Fairness is a legal principle in the GDPR, and we cannot expect it to be silent against should-type questions.’ She added: ‘Every time we make a ruling on the fairness principle, we reduce the real estate available for those who operate in the ethically questionable but legally acceptable realm.’

If the way that data is processed is considered ethically questionable, results in unfair outcomes for individuals, or has an adverse effect on society, then it may infringe GDPR’s fairness principle. And while notions of fairness can be somewhat difficult to frame, guidance is emerging.

The European Commission issued a set of ethics guidelines for trustworthy artificial intelligence earlier last year. Key elements of the commission’s guidelines include transparency (processing decisions should be explainable), diversity and non-discrimination (unfair bias must be avoided), and accountability (design processes should be assessed and auditable).

The Council of Europe also published guidelines on artificial intelligence and data protection last year. These advise the adoption of a values-based approach when products and services are being designed, and recommend that applications give users meaningful control over data processing.

The approach to data management should reflect the values of the business, which could include customer outcomes and the wellbeing of society

So what steps can organisations across the world take to embed an ethical approach into data processing? Their activities should be reconciled with wider issues of corporate responsibility, and the approach taken should reflect the general values of the business, which could include customer outcomes and the wellbeing of society. Many organisations publish statements on human rights, environmental protection and ethical supply chains. Some may wish to consider whether ethical data use and supply chains fall into the same category.

Assess the risk
On a more practical level, those organisations operating under the requirements of GDPR should carry out a data protection impact assessment for high-risk data processing, which could include supplementary questions on outcomes for customers and society. The data protection officer (a mandatory appointment for public bodies and for certain types of data processing activity) could offer advice on ethical processing, as could a stakeholder group, which would provide direction on the approach to be taken by the organisation.

Finally, some measures of success should be in place to track the outcomes of the approach taken. For example, information could be held on the number of complaints relating to the fair use of data or whether the organisation has been subject to adverse regulatory or media attention related to its data use. There is no one-size-fits-all approach to embedding data ethics, but the steps outlined here should help to address the ethical issues that the data-driven world continues to raise.
Fighting crime’s evolution

Technology has brought huge benefits, but with it come criminal opportunists. However, as a new report shows, tech is fighting back.

Estimates of the annual global cost of financial crime vary enormously, but every number quoted is huge. Some estimate that financial crime costs US$3.5 trillion a year – more than the GDP of the UK. The true cost is hard to quantify, partly because financial crime is difficult to define, encompassing anything from bribery and fraud to cybercrime, slavery and human trafficking.

While crime is hardly a new problem, the digital age has brought new opportunities for criminals and many new risks for businesses. One of the biggest challenges for regulators in the fight against economic crime is that technology has allowed criminals to expand the geographical reach of their operations.
The cost of sending an email across a border is no greater than that of sending it next door. There are other advantages too – while a target might be wary of a letter with a foreign postmark or a phone call from someone with an unfamiliar accent, spoofing an email or web address can remove all of these warning signs from an online attack.

Technology has also opened up new vectors for crime. The development of cryptocurrencies and their ability to store or transmit value in an anonymous or pseudonymous fashion has transformed some aspects of economic crime. Cryptocurrency transactions are particularly difficult to track back to the beneficial owner. Financial crime has also become a more accessible activity – the barriers to entry have been lowered thanks to the proliferation of information available on the internet.

Financial criminals no longer meet a set stereotype – potentially, anyone with internet access can be a threat – and the element of gamification that is apparent in many cyberattacks adds a further unwelcome dimension. Hacking a system, for some, is simply a challenge with unintended consequences. While it has long been clear that technology has offered lucrative new avenues to criminals – experts are unanimous that digitalisation has led to an increase in the volume and velocity of economic crime attacks, as well as an expansion in scope – a new report from ACCA and EY argues that the benefits and legitimate uses of technology far outweigh the risks posed by its abuse. Even so, the digital age presents specific challenges for businesses, regulators and, in particular, the auditing profession.

The report, Economic crime in a digital age, notes that ‘trust, accountability and integrity are fundamental to the relationships that enable trade, build society and support economies across the globe’. For centuries, the accountancy profession has provided the building blocks for the trustworthy exchange of information. Investors and authorities alike place their trust in audited accounts, but a string of high-profile frauds and the global economic crisis have damaged public trust in business – and, fairly or unfairly, turned the spotlight on the auditing profession.

The report argues that the digital age is changing the information investors and other decision-makers rely on, and the way it is delivered. ‘The role of auditor, perhaps never properly understood, stands ripe for evolution in the increasingly complex environment of technologically enabled business,’ it says. The ‘integrity agenda’, as the report calls it, is a jigsaw of business, regulators and public opinion – and the auditing profession must find its place.

The report points out that while technology and innovation are developing rapidly, that has not changed the basic objective of regulation. There has always been a tension between innovation and regulation – the digital age is just the latest form of it. Laws cannot be created to cover every possible scenario, so there will always be a need to balance regulation with innovation. ‘The big challenge for regulators is that technology has allowed collaboration between criminals and it has also broken down borders,’ says the report’s author, Jason Piper, policy lead, tax and business law, in ACCA’s professional insights team. ‘Laws tend to operate on a country-by-country basis, but criminals don’t have to.’

Innovative technology is already playing its part in the fight against economic crime, both in terms of detection and prevention. The use of artificial intelligence to enhance risk assessment in the banking sector, for example, has already improved the effectiveness and efficiency of anti-money laundering and sanctions screening. Other tools are supporting due diligence and investigation, and identifying out-of-the-ordinary activity. As the report says: ‘Criminals are more likely to refrain from illegal activities if they judge that the risk of detection is too great.’

‘Technology cuts both ways – it is a vector for crime, but it is also a tool for creating tremendous value and protecting it from financial criminals’

These tools are increasingly finding a role in audit. It is possible that emerging technology could enhance the ability of audit to verify and enhance the internal control environments intended to detect fraud. Of course, detecting every economic crime will always be impossible in the face of determined criminals, but if the cost of hiding a crime outweighs the benefits of committing it, that could be deterrent enough for the rational criminal.

Irreplaceable auditors

However far technology takes us in combating economic crime, it will never fully replace the skilled and sceptical auditor. In his introduction to the report, Kevin Dancey, CEO of the International Federation of Accountants, says that ‘every financial crime is an abuse of trust. This is where professional accountants can make their mark. Technology cuts both ways – it is a vector for crime, but it is also a tool for creating tremendous value and protecting it from financial criminals.’ Tools alone, though, are not enough. ‘People will make the difference and professional accountants, as widely trusted actors, are at the centre of the action in every organisation.’

‘The profession has always stood out for its independence and scepticism. Our challenge is to adapt – and keep adapting – to a continuously changing economic and technological environment. We are up to the challenge and we embrace it.’

Liz Fisher, journalist

Read the ACCA/EY report Economic crime in a digital age at bit.ly/ACCA-EconCrime
Entrepreneurship is vital for a flourishing economy, so it’s important to have not only the right environment for encouraging innovation, but also one that helps develop the skills that entrepreneurs need.

As part of the ongoing work to support innovative thinking among the students, staff and alumni at King’s College London, a UK university, the King’s Entrepreneurship Institute has researched the skills essential for an entrepreneurial mindset.

These are important for innovators, but also for the finance professionals who support them. Adopting these values will also help us become more innovative in our careers.

Get in the zone

Rachel Stockey and Julie Devonshire FCCA explain how finance professionals can learn from and support innovators and entrepreneurs.
Compel
When you are compelling, you have a powerful and irresistible effect on others and can influence and negotiate. You are also able to pitch ideas clearly and concisely, and in a way that will spark a reaction from your audience.
One way to really engage them is to master the art of storytelling. This helps when pitching ideas, allowing people to buy into your journey and vision. When you compel, you enhance your leadership credibility, allowing you to gain the loyalty of others and change their behaviour. It’s an increasingly vital skill for finance professionals.

Disrupt
We disrupt when we question the way things are done – and when we are bold about proposing revolutionary or better ways of thinking and doing, being innovative and challenging the status quo. We must also embrace feedback, recognising it as an opportunity to learn at every stage of the innovation journey.
For finance professionals, this means supporting the creative teams to bring their ideas forward in a professional way.

Think lean
Start-ups are often dedicated to rapid, continual, iterative learning, adapting their products and services through testing. This approach is known as the lean start-up methodology.
When you think lean, you abandon the idea that a product should only be launched when it is as close to perfect as possible. Instead, you test early to validate your ideas and then apply your learning to develop iterative upgrades. As a result, you arrive at better solutions faster. Finance professionals need to support their teams in being agile and experimenting, and need to be careful not to stifle creativity.

Validate
By getting validation for your ideas, you will prove they are viable and likely to gain traction. Validation also helps eradicate bias and assumptions that you might bring to the innovation process.
Validation requires you to be problem-focused rather than solution-focused. This is because solutions will come more easily if you have done thorough research into the nature of the problem, based on objective questioning and testing of customer needs.
Finance professionals are particularly good at this, as it’s a fundamental part of our training, and you can help others learn validation methodologies and analyse risks in their projects.

Be resilient
There are three elements of resilience in an entrepreneurial context. The first is withstanding setbacks. Having a thick skin will enable you to step out of your comfort zone into your ‘stretch zone’, where you are more likely to achieve personal and professional growth.
The second element is being able to understand and apply a growth mindset. That means taking feedback on board and using it to improve, but having the capacity to objectively assess when it is time to stop pursuing a particular idea.
Finally, it is key to have the confidence and self-awareness to ask for support from your network. Entrepreneurs are often painted as ‘lone individuals battling against the world’. But in reality they tend to have extensive networks of family, friends, investors and peers operating in their co-working spaces.
Finance directors have a duty to support others in their organisation to be resilient. You can use tools to teach people to identify and manage risk and to be able to deal with ‘no’.

Build teams
To foster innovation and combat ‘group think’, you need to find, develop and grow effective, diverse teams. Entrepreneurs actively seek out diversity of thought and ideas, as well as team members who will challenge each other’s perspectives.
If you work with people who are different from you, you will probably encounter more conflict. But by handling this conflict objectively and professionally, you can make it a force for good that enables the whole team to advance. Cultivate a positive culture where everyone feels included, motivated and valued. Finance professionals who do this will discover that their output improves and that they have more impact.

Get it done
Talk alone does not achieve great results, so if you want to make real progress, you will need to take real action. That means prioritising execution above all else. Finance professionals and entrepreneurs alike should analyse possible actions and identify the most effective option for reaching their desired goal. Then implement the strategy, in a focused way and without delay. Work on overcoming the mental blocks that are stopping you from moving forward. How can you boost your productivity by minimising procrastination and maintaining your accountability, focus and motivation? Be fearless about tackling the tasks that stretch you the most, as these will enable you to make the greatest progress.

What next?
Start by reviewing each of the seven skills to see where your existing strengths lie and identify potential areas for development. Then ask yourself what an entrepreneurial version of you looks like. Then you can work on becoming that person and reaping all the professional benefits that transformation will bring.
Global finance leaders on supporting female talent, motivating staff and serving the wider community (interviewed before Covid-19)

**Cherise Ige FCCA**

‘There are some really talented women on boards in Ghana, but overall, women in both Ghana and across Africa need help. The Women in Africa organisation provides female entrepreneurs with support and encouragement, assists in finding funding, encourages cross-country dialogue and provides mentorship. I’m up for anything that helps women achieve what they can and need to achieve.’

Full interview at bit.ly/Cherise_Ige

CFO of Prudential Life
Insurance Ghana

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**Lara Ariell FCA**

‘We learn at university you need quality and relevant information to make timely decisions, and it’s very much about helping people forecast and plan. But I think as a profession we underrate the importance of influencing skills to get our ideas across in a non-technical, non-jargony way’

Full interview at bit.ly/LaraAriell

CFO of New Zealand Inland Revenue
Ken Allen FCCA

‘Motivated people deliver great service quality, which keeps all our customers loyal. Loyal customers are your best advertising, and your best route to profitability.

We started the passport [the Certified International Specialist programme introduced by Allen, to introduce all employees to the fundamentals of international shipping and company strategy] so everyone could have a record of what they were doing, but it’s morphed into something else. The passport gives employees a sense of community and shared experience.’

Full interview at bit.ly/Ken_Allen

CEO of DHL eCommerce Solutions

Victoria Hickey CA

‘I enjoy helping people, and that’s basically what you do as an accountant. You are there to help people solve their problems. Throughout my career, everyone has been so welcoming and open with their time and I wanted to give my time back to others. As soon as I had enough experience to start mentoring people, I took the opportunity.’

Full interview at bit.ly/VictoriaHickey

CFO of business and private banking and wealth at Commonwealth Bank
**Busisiwe Mavuso ACCA**

‘The crisis we are in as a country is mainly a financial one. There are a lot of things from an accounting perspective that can be done, such as balance sheet restructuring, debt restructuring, and trying to find innovative ways to deal with debt. We also need to help with the accounting affairs of SMMEs [small, micro and medium enterprises], many of which don’t survive beyond a year because they lack financial acumen. We can play a meaningful role there – change is needed not just at the national level, but also with companies’ financial basics.’

Full interview at bit.ly/BusisiweMavuso

CEO of Business Leadership South Africa

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**Todd Shand FCCA**

‘The beauty of finance is you get to see and work across all areas of the business and, in my case, to serve the wider community. For instance, through the Australian Cricket Reconciliation Action Plan, we help to build relationships, respect and trust between Aboriginal and Torres Strait Island peoples and non-Indigenous Australians. I also provide input into the organisation’s broader digital strategy and initiatives such as system development.’

Full interview at bit.ly/ToddShand

CFO of Cricket Australia

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**Accountancy Futures | Edition 20**
Matt Graham CA
‘In the past few years, we’ve raised upwards of A$40m (£19.8m) for scholarships with a specific focus on refugees, particularly from the Syrian crisis. If we can help people raise their eye line to a higher ambition, then we can make a huge difference.’
Full interview at acuitymag.com
Managing partner of PwC Australia’s assurance practice, and member of Western Sydney University Foundation Council

Nicki Nicol CA
‘What I’ve realised is the reach and influence of an organisation like New Zealand Rugby is hugely powerful. The All Blacks are the engine for us as an organisation, the commercial reality is that they generate a large percentage of the revenue that we invest in community programmes.’
Full interview at bit.ly/NickiNicol
CFO of New Zealand Rugby
Stefan Gamble FCCA

‘One of the hardest things to do in football – but one of the best ways to ensure stability – is to be able to say no. That is not always a popular decision, because the supporters want to see their team be successful and to have the best players, but sometimes there are players you can’t afford and you have to let them go. But at the same time, you have to have ambition, because that is what we all do it for.’

Full interview at bit.ly/StefanGamble

CEO at Walsall Football Club

Carol-Ann Boothe FCCA

‘I remember being surprised when I moved to London in 2005 at the ratio of men to women at senior levels in the profession. At KPMG in Jamaica we had seven partners in total, including two women, but in every other country I’ve worked in the ratio has been a lot lower – an 80/20 split is more usual. It hadn’t occurred to me until then that women might experience some difficulty in reaching the top levels of the profession. It’s the networks that are helping to change things. We need to get more women to the top of the profession.’

Full interview at bit.ly/CarolAnnBoothe

Director at KPMG US
Audit redefined

Sir Donald Brydon’s hard-hitting appraisal of audit’s quality and effectiveness will have a far-reaching impact on the profession worldwide.

With the future of the audit and accountancy profession under scrutiny just before the world’s attention turned to the Covid-19 pandemic, the Brydon review of the quality and effectiveness of audit set out a pathway to lasting changes that will make tomorrow’s audit fit for purpose. Sir Donald Brydon, chairman of the Sage Group and veteran of a number of FTSE 100 boardrooms, was asked in February 2019 to chair a review of audit by the UK government. The review’s
A hard-hitting appraisal of the current state of quality and effectiveness, the report contained some 64 recommendations, which taken together will have a far-reaching impact on the profession – not just in the UK, but worldwide.

The recommendations called for a redefinition of audit and its purpose alongside the creation of a new audit profession and qualification. They said that great suspicion, with added onus on the auditor to detect fraud, should be brought to the fore, together with a stronger framework for internal controls reporting, akin to those introduced under the Sarbanes Oxley Act in the US nearly two decades ago.

There is little doubt that the reforms will be echoed around the world – many jurisdictions outside the UK are having similar debates. However, the report acknowledges that these reforms should not be seen in isolation, as they sit alongside the work of the UK Competition and Markets Authority’s (CMA) report on the audit market, and the recommendations of Sir John Kingman, another City grandee, whose report called for the creation of a new audit regulator, with greater powers and sharper regulatory teeth.

Taken together, these three pillars are likely to create a wholesale shift in the role and purpose of the audit and of auditors themselves, assuming that the relevant legislation is introduced by the UK government.

‘The profession is positive about contributing to improvement in audit, but Sir Donald’s review cannot be taken in isolation,’ says Maggie McGhee, ACCA’s executive director for governance. ‘There is a huge amount of recommendations, and we are pleased to see that this is still a priority for the government to take forward.’

But she adds that ‘the devil is in the detail’, and as such is looking forward to the government’s own view on the review. That said, she believes that the establishment of the Audit, Reporting and Governance Authority (ARGA), the new regulator to replace the Financial Reporting Council (FRC), ‘is definitely key and needs to be established as quickly as possible, making sure it has the right capabilities within it’.

The creation of an ‘auditing profession’ could be a greater challenge. ‘We need more clarity,’ McGhee argues. ‘We need to understand what this means, as organisations like ACCA deliver against this because we have a separate audit certificate.’ However, she is more supportive of the proposals that will, to a certain extent, emulate the Sarbanes Oxley rules in the US. ‘Placing additional responsibility on directors is critical in making this work,’ she says. But she adds that the design of this particular aspect will be critical.

‘It should not clash with what is happening in the US.’

International impact

Indeed, the international impact of the proposals will be significant. Even if they remain a uniquely British affair, the fact that many UK businesses are global in nature and that many multinational companies have a listing on the UK stock exchanges will mean that the proposals, if implemented, will need to be adopted around the world.

‘The [Brydon] report will have wide-ranging impacts, not only due to it being an important UK government policy piece but the fact that it is also one of the most fundamental and comprehensively informed reviews into the scope of auditing completed in recent times,’ says Amir Ghandar, assurance and reporting lead at CA ANZ. “The report covers a very broad ground. Certainly some of the ideas will catch on more than others but in any event, I think this will be a landmark in the audit debate for the coming decade at least.”

Last year, CA ANZ developed a 15-point plan on audit and risk, during which it undertook a programme of extensive engagement with the audit profession as well as stakeholders, including investors, directors and business. ‘We can see an overlap in a few key areas with what Brydon has heard from these stakeholders in his consultation, namely when it comes to risk, control, business resilience and the public interest,’ Ghandar says.

In general, he adds, the response to an ‘open horizon view’ on the future of audit has been positive, and the profession is ready to take a fresh look at the role of auditing in a rapidly evolving market and economic context that if nothing else, ‘is crying out for greater integrity of information and risk management’.

And he believes that Brydon will have a greater impact than the other two reviews (Kingman and CMA). ‘It is clear that stakeholders and the profession have been able to see the Brydon review is quite different in terms of the scope and implications beyond the UK than earlier reports such as the CMA and Kingman that are by their nature and subject matter more UK-centric,’ he says.

‘We’ve reached a tipping point in terms of the demand from stakeholders, and the will within the profession for transformative change,’ Ghandar argues. ‘Our view is there are very solid fundamentals in terms of the ethics, methodology and unique level of global convergence in auditing. It’s time to build on this and set up for a continued and increasingly vital role in society in the coming decades.’

CA ANZ has mapped the Brydon recommendations against current practice in Australia. For instance, Australian auditors must be aware of the risk of fraud and design their audit procedures to address that risk. Directors must ensure that financial reports are true and fair, which includes not being misstated through fraud or error.

The Brydon review recommends that auditors should endeavour to detect material fraud in all reasonable ways and that auditors should receive more targeted
training on fraud detection. Similarly, directors would have to detail the actions they have taken to fulfill their obligations to prevent and detect material fraud. Likewise, the Brydon proposals on internal controls are a step up from Australia's current requirements. Auditors must understand the internal controls relevant to the financial report but they don't provide an opinion on their effectiveness. Any material weaknesses that are identified are communicated to the board and management.

Existing requirements in New Zealand and other jurisdictions are similar to Australia, so the debate on what Brydon means for audit will happen globally, according to CA ANZ.

Accounting firms’ reaction
Reaction from the international accounting firms has been positive, partly in the hope that the review will put to bed what the role of audit and auditors is in the wider context of financial reporting. Stephen Griggs, Deloitte’s managing partner for audit and assurance in the UK, says: ‘A consensus around what an audit does, and doesn’t, do and whose purpose it serves has been long overdue. These recommendations would settle that debate and go a long way to repairing trust in business, strengthening the audit profession and improving the overall quality of UK financial and corporate reporting.’

Bill Michael, KPMG’s UK senior partner, agrees. ‘This is an important moment for audit: we recognise that the expectations of audit, and of corporate reporting, have evolved over the years. Sir Donald’s review is an important milestone in setting out how audit might better meet stakeholder needs both now and in the future,’ he says.

And as Jonathan Riley, Grant Thornton’s UK head of quality and reputation, says, the international context cannot be underplayed: ‘The government must now consider these recommendations not just in context of earlier inquiries into the profession, but also against the backdrop of global trade and Britain’s future role as a pillar of global commerce.’

He adds: ‘The report places new obligations not only on auditors, but also on company directors. We need to ensure that these, taken with other regulations such as the revised ethical standard and wider corporate governance requirements, strike the right balance and do not dent our place on the world’s financial stage.’

McGhee shares Riley’s view. ‘Business now is global, so we need to make sure it is easy to do business in the UK. We want to protect the public interest, but we need to make sure the barriers do not make it difficult for businesses to work in the UK. But we also need to make sure reforms reflect the global economy.’

Australia’s parliament has been holding its own inquiry into audit quality, publishing an interim report in February. Its 10 recommendations included a requirement for the Australian Financial Reporting Council to review the effectiveness of Australian reporting standards related to fraud and company

Brydon in brief
Sir Donald Brydon’s review into the quality and effectiveness of audit set out 64 recommendations. Highlights include:

- The purpose of an audit is to help establish and maintain deserved confidence in a company, in its directors and in the information for which they have responsibility to report, including the financial statements. This should be enshrined in the Companies Act 2006.
- Auditing should provide information that is useful to current and potential investors, lenders, creditors and other users in making rational investment, credit and other decisions and assessments about the company.
- The Audit, Reporting and Governance Authority should act as the ‘midwife’ to create a new profession of corporate auditing, establishing the necessary professional body to encompass today’s auditors and others with appropriate education and authorisation, with ARGA as its statutory supervisory body.
- Principles of corporate auditing should be established to form an overarching framework governing the behaviour of corporate auditors, and standards and rules should sit within this framework.
- Directors should set out in a public interest statement (as part of the strategic report) how they view the company’s legal, financial, social and environmental responsibilities to the public interest.
- The government should give serious consideration to mandating a UK internal controls statement consisting of a signed attestation by the CEO and CFO to the board that an evaluation of the effectiveness of the company’s internal controls over financial reporting has been completed and whether or not they were effective, as in Sarbanes Oxley Act 302(c) and (d).
- ARGA should amend ISA (UK) 210 to make clear that it is the obligation of an auditor to endeavour to detect material fraud in all reasonable ways.
- Directors should report on the actions they have taken to fulfill their obligations to prevent and detect material fraud against the background of their fraud risk assessment.

managements’ assessment of going concern, as well as the requirement for companies to assess their financial reporting internal controls, and auditors to report on those assessments. The final report is expected in September this year.

Meanwhile, the UK profession is waiting on the result of further government consultation, the result of which is also expected later this year. This will not only inform the future direction of audit in the UK but will also echo around the world.

Philip Smith, journalist

Edition 20 | Accountancy Futures
Green machine

As the clock ticks on climate change, can the EU’s plan for identifying environmentally sustainable activities work? Barbara Davidson reports

Only 10 years remain to achieve the UN’s Sustainable Development Goals. The World Economic Forum has declared that ‘serious climate action’ is needed in order to avoid a dangerous level of global warming by limiting the planet’s average temperature to no more than 2°C higher than pre-industrial levels (in accordance with the Paris Agreement). It asked participants at its Davos 2020 summit to commit to net-zero carbon emissions by 2050. The European Union (EU) alone must invest an additional €175bn–€290bn (US$190bn–US$315bn) annually to meet its climate and emissions targets. But is the EU equipped to meet these objectives, especially in light of recent weather events?

Investing in environmentally sustainable activities is a key part of the solution. Despite this, there is currently no single, agreed way to identify such investments. Different governments and institutions use different identification criteria; this can lead to confusion, reduced confidence, higher costs and conflicting results. A reliable, consistent approach is needed. Enter the EU’s ‘unified classification system for sustainable activities’. Better known as the EU Taxonomy, it forms part of the European Commission’s (EC) 2018 Action Plan on Financing Sustainable Growth.

Although it can be a valuable reference for investors, an activity-based taxonomy may be of little use in some jurisdictions.

The Taxonomy provides a common language for identifying ‘environmentally sustainable’ economic activities and selling corresponding products. It can help increase access to financing, improve transparency and reduce opportunities for ‘greenwashing’ (providing misinformation about environmental performance). It is designed to meet current and future climate goals.

The Taxonomy is a product of political and technical processes. It will become law by means of a taxonomy regulation, the proposed text of which was agreed by the EC, the European Parliament and the EU Council in December 2019. The proposed regulation specifies that an economic activity will be considered environmentally sustainable only if it ‘substantially contributes’ to at least one of the following six environmental objectives, while doing no significant harm to the others:

- climate change mitigation
- climate change adaptation
- sustainable use and protection of water/marine resources
- transition to a circular economy
- pollution prevention and control
- protection and restoration of biodiversity and ecosystems.

The activity must also meet certain social safeguards and comply with technical screening criteria. The proposed regulation excludes power generated by solid fossil fuels, and is silent on nuclear and gas. It recognises that the Taxonomy must evolve with changes in science, technology and business, and so also requires:

- consideration of existing legislation/frameworks/ standards
- technological neutrality where possible
- lifecycle assessments
- periodic reviews and updates.

Disclosures include how and to what extent environmentally sustainable products, or products with environmental characteristics, comply with the Taxonomy criteria. The disclosure requirements will apply to any ‘financial market participant’ that sells products in the EU, and to entities covered by the EU Non-Financial Reporting Directive. In addition, eligible non-financial entities will have to disclose the percentage of revenues, and investments/expenditures, associated with ‘Taxonomy-eligible’ activities. Any other EU financial product must indicate if Taxonomy criteria were not taken into account.

The EC formed the independent Technical Expert Group on Sustainable Finance (TEG) to determine how an economic activity contributes to the first two objectives (climate change mitigation and adaptation) while assessing the need to do no significant harm across the four other objectives. In 2019 the TEG issued its draft taxonomy report (the final version is expected in the first half of 2020), which includes:

- science-based recommendations
- technical screening criteria, with suggested minimum thresholds, for assessing climate mitigation for 67 activities across various sectors
- a context-driven, process-based approach for deciding if activities meet the climate adaptation criterion
- guidance and case studies
- recommendations for the Platform on Sustainable Finance, which replaces the TEG later this year.

The stringency of the proposed technical screening
criteria provides a level of assurance that eligible activities will help meet ambitious emissions targets. International convergence on environmental sustainability is crucial to meeting worldwide climate targets. Consequently, there are concerns that the Taxonomy is not a global standard. Although it can be a valuable reference for investors, an activity-based taxonomy may be of little use in some jurisdictions. Canada, a resource-based economy, is developing its own taxonomy. And while a focus on economic activities rather than companies could help with transition, obtaining good-quality data, such as revenues or carbon emissions, by activity may be difficult.

This also re-opens the debate on making climate-related disclosures mandatory. Investors typically use GICS global classification to identify sectors, whereas the Taxonomy uses the European industry-based NACE system. Although the TEG recommends mapping between the two, there is concern that this is an unnecessary complication.

What next?
Meanwhile, Taxonomy-related disclosures will not be required until the Taxonomy regulation (and related technical screening criteria) comes into force (full implementation expected by 2022). Political concessions were needed to agree the proposed regulation in a timely manner, and the EC is required to consult with a member states expert group before adopting technical screening criteria into law. Political pressure, along with numerous actors, could delay the dates or dilute the Taxonomy content.

After the TEG hands its completed recommendations to the EC, the Platform on Sustainable Finance will go on to finalise the technical screening criteria, with staggered effective dates. It will also advise on future amendments, perform cost-benefit analyses, evaluate stakeholder input, monitor sustainable investment trends, and take on any other tasks that may arise.

In the interim, investment firms should familiarise themselves with the activities and technical screening criteria needed to identify or design environmentally sustainable products – the sustainability reporting commitments made at Davos, if implemented expeditiously, could help with this. In addition, corporates could direct their future spending towards environmentally sustainable activities, investors could refine their investment requirements and increase their engagement, and stakeholders can participate in public consultations.

By providing another weapon in the battle against climate change, the EU Taxonomy for sustainable economic activities may help this decade to kick off on a positive note – at least as far as the environment is concerned.

Listen to Barbara Davidson’s podcast for ACCA’s Student Accountant on how accountants can help tackle the climate crisis, at bit.ly/SA-climate.
New Zealand’s XRB chair Michele Embling FCA is on a mission to get that all-important, non-financial information into company reports

Telling the whole story

When Michele Embling FCA stepped up to the role of chair at New Zealand’s External Reporting Board (XRB) in May 2019, it was with a vision to build trust and confidence in financial reporting. ‘We must ensure our framework is sustainable and there is accountability in the information provided by organisations,’ she says.

Embling is particularly concerned about the growing scepticism and lack of trust in information that is put out by reporting entities. She observes that over the past decade or so the amount of information available has increased manifold, while social media has introduced another layer of discourse and misinformation into the market.

‘Many organisations are criticised for releasing information as a marketing exercise,’ she says.

The XRB is an independent Crown entity responsible for setting and overseeing New Zealand’s accounting, auditing and assurance standards. It is a natural home for Embling’s experience and expertise.

With a career specialising in financial services and the public sector – including extensive experience advising organisations on complex financial reporting matters – and more than 15 years focusing on international financial reporting standards, Embling brings a measured yet dynamic approach to the standard-setting body’s strategy.

She has served on its board since its inception in 2011, and before that was the inaugural chair of the New Zealand Accounting Standards Board. Embling’s days are packed – as well as overseeing governance at the standards body, she has been chair of PwC New Zealand since October 2016. Prior to being appointed chair, Embling held several leadership roles at the firm where she has been a partner in its Auckland office for 14 years. These included three years as PwC New Zealand’s national assurance leader, two years as managing partner of the Auckland office and a stint as head of people and culture.

One of Embling’s first critical tasks as XRB chair was to lead the recruitment process for a new chief executive officer to replace Warren Allen ahead of his planned retirement in December 2019. In November, it was announced that April Mackenzie – a former interim chief executive for the International Valuation Standards Council and head of governance for Grant Thornton International – would take on the role.

Another key priority in 2019 was the completion of a targeted review of the New Zealand Accounting Standards Framework. The review closed for submissions on Friday 15 November 2019 and is due to report back this year.

Lifting up the next generation

Embling is one of the most prominent advocates of gender equity in the New Zealand business world. She is a co-chair of Champions for Change, a former long-serving deputy chair of New Zealand Global Women, and the inaugural chair of the Global Women, Women in Leadership Programme. And she firmly believes any organisation that says it wants to improve its gender diversity must set clear targets. ‘Would you approve a project and a budget without a definition of success?’ she challenges the naysayers. For Embling, strong leadership comes down to being curious about change, welcoming different ways of solving problems and guiding a team to achieve great outcomes. ‘I am here because people believed in my ability to lead. I want to help the next generation of diverse leaders to drive New Zealand’s economy.’
But Embling says she is most focused on longer-term strategic priorities. A daily 6am walk provides ‘productive thinking’ time during which she maps out a path to achieving her goals – including what she hopes to achieve in her five-year term as XRB chair.

Today’s reporting landscape is vastly different to eight years ago when the XRB was formed to unite the functions of the New Zealand Accounting Standards Board and the New Zealand Auditing and Assurance Standards Board. ‘We have less focus on globalisation and more on nationalism in the standards arena today,’ according to Embling.

The XRB’s top strategic priorities include establishing the ‘extended external reporting regime’. Encouraging more organisations to include non-financial information in their financial reports is critical, says Embling.

Investors and other stakeholders are demanding broader information than is currently included in financial reports and are increasingly factoring it into their processes and decision-making.

‘Financial statements present only one side of an organisation’s story. The addition of non-financial information gives a much more holistic picture,’ Embling says.

Extended external reporting is an overarching term for the many corporate reporting frameworks that include information beyond what is typically included in an organisation’s financial statements. It includes environmental, social and governance (ESG) matters, corporate responsibility, and integrated reporting – as well as management analysis and commentary, plus analysis of long-term business sustainability.

According to an XRB survey undertaken in collaboration with Wellington-based thinktank the McGuinness Institute in 2017, more than 90% of users accessed some form of extended external reporting to understand a company.

‘Stakeholders and the community want to understand more about organisations, their business models, culture, governance and prospects, as well as their environmental and social impacts,’ Embling explains.

While many companies are now including more non-financial information, Embling is concerned that others are unsure where to start. As she points out: ‘If you put in everything, it can overwhelm users with too much irrelevant information.’

Question of relevance

To help organisations find the most relevant standards and frameworks, the XRB has pooled local and international resources into what it calls an Extended External Navigational Resource. ‘This is helping organisations to ascertain what they think is important and what standards they think they should adopt,’ Embling says.

She points to New Zealand’s first-ever Wellbeing Budget, delivered in May 2019, as an example of how goals and outcomes can be defined and measured in financial and non-financial terms.

‘It is not the first time New Zealand’s public sector led globally on reporting. New Zealand was among the first to do a full set of accounts. Some countries and large organisations still don’t,’ she says.

Embling believes it is inevitable that non-financial information will one day be subject to audit or other forms of assurance. According to the survey by the McGuinness Institute, about 76% of users support the view that non-financial information should be independently assured.

‘The audit product itself will evolve and expand in response to the needs of users,’ Embling explains.

It is not only investors but also company directors who are increasingly concerned about the rigour of non-financial information. ‘Directors are asking about the processes and controls around information they are putting their names to,’ she says.

With accounting standards, audit and assurance all under the same banner, the XRB has the right framework to best investigate all possibilities.

‘We see extended reporting as a joint project, and we are thinking about the standards an independent auditor could apply to give trust and confidence in the information that is being published.’

Assurance over extended external reporting is rapidly evolving. Greater rigour has already evolved around climate and environmental impacts, as well as gender and diversity targets. The greater challenge, for both organisations and the developers of standards, lies in the less tangible elements such as sustainability and assessments of a company’s longer-term prospects. Embling says the specific needs of different industries, for example, the resources sector and retail, also make it difficult to envisage what the assurance standards or products of the future could look like.

All this also comes at a time of heightened debate around the quality and independence of auditing (see also page 27). ‘We are doing work on what is meant by audit quality and people have different views on that,’ Embling says. ‘We need to think very carefully about the way forward. The profession, regulators, auditors, directors and management all have a role to play.’

Embling is keen to ensure the XRB remains active in contributing to international developments. ‘Ensuring consistency and the right balance between regulation, policy and guidance is important,’ she says. To this end, the XRB is participating in the International Integrated Reporting Council’s corporate reporting dialogue and better alignment project.

Marianna Papadaka, journalist

This interview was first published in CA ANZ’s Acuity magazine.

Stakeholders and the community want to understand more about organisations, and their prospects and culture
The drive towards multilateral tax reform with no clear destination is posing a challenge to multinationals’ transfer pricing practices.

According to a recent study by EY, 79% of global tax executives regard the international tax environment as ‘uncertain’ – including 42% who agreed wholeheartedly (‘very much so’ or ‘extremely so’). So what is driving this climate of anxiety? Although EY’s survey was looking at the global transfer pricing landscape, four letters can probably sum up the uncertainty: BEPS.

Base erosion and profit shifting is the Organisation for Economic Cooperation and Development’s (OECD) flagship tax reform programme. Launched in 2015, BEPS is a package of tax reforms designed to ensure that large multinational enterprises (MNEs) do not shift tax revenue away from countries where they are actively doing business to other jurisdictions with lower tax rates.

Last November, the OECD hosted debates over its latest plans to bring together a number of proposals over how the digital economy should be taxed. Its plan is to reallocate some profits and corresponding taxing rights to countries and jurisdictions where MNEs have their markets. It would ensure that MNEs with significant business in places where they do not have a physical presence are taxed in those jurisdictions, by creating new rules on where tax is paid (‘nexus’ rules) and on what portion of profits should be taxed (‘profit allocation’ rules).

‘We’re making real progress to address the tax challenges arising from the digitalisation of the economy, and to continue advancing toward a consensus-based solution to overhaul the rules-based international tax system by 2020,’ said OECD secretary-general Angel Gurría. ‘It brings us closer to our goal: ensuring all MNEs pay their fair share.’

However, Gurría warned that some jurisdictions may decide to go it alone. ‘Failure to reach agreement by 2020 would greatly increase the risk that countries will act unilaterally, with negative consequences on an already fragile global economy. We must not allow that to happen,’ he said.

The UK has already introduced its own diverted profits tax, which came into force in April 2015. The tax tackles the perceived continued diversion of profits away from the UK by MNEs through the use of

Age of uncertainty

The drive towards multilateral tax reform with no clear destination is posing a challenge to multinationals’ transfer pricing practices.
Protesters gather outside Twitter’s headquarters in San Francisco to voice their opposition to large tax breaks given to the social networking giant since it moved into the area.

The pace of tax reform makes it critical for businesses to think strategically to reflect the evolving landscape

of particular operational structures and aggressive transfer pricing policies.

HMRC has been implementing a compliance facility since January 2019. It aims to encourage companies to review both the design and implementation of their operational structures and transfer pricing policies, and to make appropriate changes. They are encouraged to use the facility to put forward a detailed tax report, including proposals to pay any additional tax, interest or penalties that may be due where adjustments to previously filed returns are required. The facility allows affected companies to bring their UK tax affairs up to date, reduce the risk of profit diversion in the future and limit the threat of further, more costly, HMRC interventions.

To encourage compliance, HMRC has issued a series of ‘nudge’ letters to organisations it believes will be affected by the new rules. ‘We understand from HMRC that the majority of businesses that received a nudge letter in the first and second tranches have registered under the facility,’ says RSM’s Suze McDonald, who heads up the firm’s southern region transfer pricing team. ‘HMRC has also opened enquiries into many of those that received such letters, but did not register.’

Returning to the EY survey, which focuses on transfer pricing, it is clear that it is not just in the UK where tax executives fear intervention from revenue collecting agencies. Peter Griffin, EY global transfer pricing leader, says: ‘The tax world is moving to an era of multilateral policy and administration, which is causing monumental shifts in the practice of transfer pricing. Executives believe there will be an upswell in the depth, breadth and frequency of challenges to transfer pricing. Specifically, executives surveyed anticipate significantly more instances of audits, fines and assessments, and they recognise the need to respond.’ Some 82% of respondents in the EY survey say they have experienced challenges to their transfer pricing over the past three years, with 40% of these saying the resulting adjustments led to double taxation. Griffin says: ‘Looking to the short, medium and long-term impacts of local and global reforms is the only way to implement an adaptive and effective tax strategy.’

High stakes

As the OECD admits, the stakes are very high. Its proposals need to address a broad range of issues, including the allocation of taxing rights between jurisdictions, fundamental features of the international tax system (such as the permanent establishment and the arm’s length principle), the future of multilateral tax cooperation, the prevention of aggressive unilateral measures, and the intense political pressure to tax highly digital MNEs.

The OECD has also proposed a global minimum corporate tax rate. The proposals would apply not only to tech giants such as Amazon, Twitter and Google, but also other multinationals that make significant sums from brands and other intangible assets. The OECD claims that a minimum tax rate on all income reduces the incentive for taxpayers to engage in profit shifting and establishes a floor for tax competition between jurisdictions. The specific levels of minimum tax rates have not yet been discussed, as the OECD wants to reach agreement on the principles first.

The reaction to its consultation has been mixed. The Information Technology Industry Council says the growing threat of a patchwork approach to international tax underscores why the significant questions and challenges raised by digitisation must be addressed in a multilateral setting.

Meanwhile, anti-poverty campaigners are concerned that the OECD’s rules are too feeble and will not give poor countries sufficient rights to raise revenues. Susana Ruiz, Oxfam’s tax policy lead, says the global minimum tax plan ‘opens up the possibility that big corporations will simply shift their headquarters to a tax haven to avoid paying tax’.

Either way, it will be interesting to see if the results of EY’s survey will have changed in a year’s time, or whether the outlook remains uncertain.

Philip Smith, journalist
The right response
Global businesses need to reward staff and customer loyalty to increase their ability to recover from the pandemic, says Jane Fuller

We all tend to look through the rear-view mirror in a crisis. Applying lessons of the great financial crisis (GFC) of 2007-09 to the current one induced by the spread of Covid-19, the narrative might go like this. In the run-up to the GFC, many European banks had upped their leverage (total assets:equity) to 30 times or more. This meant a fall in asset values – which duly came in property-related form – and rapidly threatened to wipe out that loss-absorbing capital. The lack of a safety net was exposed.

The current pandemic has done much the same for non-financial businesses. Like banks in the GFC, many are highly leveraged – as witnessed by the proliferation of BBB-rated bonds, sitting just above junk, and by soaring dividend yields that portend cash-conserving cuts.

The good news is that central banks and other banks were ready for this. The former have been quick to provide liquidity and to exercise forbearance, including in the application of IFRS 9, Financial Instruments, to expected credit losses. The latter have entered this downturn with more than three times as much equity as they had before the GFC.

The bad news is that this crisis is different because it is located in the non-financial engine of economic growth – in interrupted supply and fall in demand.

Companies should consider making activities more diverse, even if it’s not the cheapest option

Even with banks better equipped to keep lending than in the GFC, bankruptcies are likely to rise among the corporate ‘precariat’. More widely, remedial action will include cutting dividends, investment and pay, both per head and the number of heads.

Supply shock
Trouble first arose in supply chains. Just two months into the spread of the virus, data supplied by the US company Resilinc showed how dependent the world’s largest companies – particularly in the industrial and electronic sectors – were on suppliers in quarantined parts of China, South Korea and Italy. This has exposed the lack of logistical safety nets. Savings made on holding parts in stock are substantial until their absence stops production. And the deals driven with a single supplier look like bargains until that source is interrupted.

Many companies may not even be aware of their exposure. Peter Guarraia, a partner at Bain, and Lora Cecere, founder of Supply Chain Insights, told the Financial Times that up to two-thirds of executives lacked knowledge of items in the chain beyond the first tier of suppliers, or of the location of second or third-tier suppliers.

Coming on top of trade tensions, the supply shock is likely to accelerate managements’ re-assessment of the risks of managing far-flung activities. Apart from amplifying questions about globalisation, it may provide impetus to regionalisation – exemplified by last year’s enactment of the Africa Continental Free Trade Area.

The issue overlaps with concerns about companies’ environmental and social impact. It will not do for managements to say they don’t know what is happening in all the tentacles of their business. How can all the questions about carbon footprint be answered if they do not know where the footprint is? Social factors are even less well measured. S&P Global’s ESG Insider podcast, ‘The problem with social audits’ (25 November 2019), exposes the inadequacy of tick-box approaches to covering reputational risk.

But as governments have reacted to the pandemic by ordering businesses to close, the shock to demand has become the bigger threat. Bear in mind the importance of the service sector in many economies. According to an International Monetary Fund blog in March, activity in both manufacturing and services in China declined dramatically in February. But while the impact on the former was comparable to the start of the GFC, ‘the decline in services appears larger this time – reflecting the impact of social distancing’.

The trouble with lost service revenue is that it is less easy to catch up. Lost visits to restaurants and cinemas, or flights to holiday destinations, are not like a manufacturing backlog. They are gone. This makes a V-shaped recovery less likely.

Another risk is that people will get out of the habit of spending, as happened in the US during the 1930s Great Depression. The latest book by Robert J Shiller, Narrative Economics, chronicles how the public mood turned against conspicuous consumption and instead lauded frugality, which ‘inadvertently worsened the Depression’. It is possible to find some positive messages in all this, but they involve a different way of thinking about business and government’s role in it. An example of a company adapting quickly to conditions is LVMH, which turned a Dior perfume factory into the maker of face masks.
Global lockdown leaves tourist hotspots like St Mark’s Square in Venice with unrecoverable lost revenues.

of hand sanitisers – and donated the output to Paris hospitals. This will cost short-term but is a marketing coup that should help sales in the longer run. Innovative businesses serving public health are benefiting more directly. In South Korea, biotech companies quickly developed tests for Covid-19. Production was ramped up to enable up to 20,000 people a day to be screened, often via drive-ins, free of charge.

A long game
The lesson is that managements with the bandwidth to think about anything other than cost-cutting and bank covenants should focus on actions that reward staff and customer loyalty now, and this will stimulate sales to new customers later. But while prioritising sales makes the best sense, it will come at the expense of profit margins. This is a long game.

Another big change is in the relationship between business and government. No-one will be quoting former US president Ronald Reagan: ‘The most terrifying words in the English language are: “I’m from the government and I’m here to help”.’ Franklin D Roosevelt’s New Deal is more the model. Several governments have promised to subsidise up to 80% of workers’ wages. Others were considering universal donations to households, in addition to tax holidays. The quid pro quo is that just as banks became vehicles of public policy after the GFC, so will non-financial companies become more obliged. Whether it is in retaining workers, reducing carbon emissions or policing human rights, the purpose of business is becoming more diffuse. To cope, managements should consider making other activities – from supply chains to financing arrangements – more simple, even if this is not the cheapest option. And they will need to retrofit some slack in the system, at the expense of optimal efficiency. RIP Jack Welch.
Showing humanity

Against the backdrop of Covid-19, Dr Rob Yeung reflects on the techniques effective leaders use to promote wellbeing as well as performance

In recent decades, researchers have been able to observe leaders across the globe as they dealt with economic crises, nuclear disasters, oil spills, massive business failures and other large-scale calamities. Data collected by business schools, universities and employers suggest that the behaviour of leaders has a considerable impact on both employees’ wellbeing and their performance.

Leaders facing trying circumstances often focus heavily on demonstrating their competence. They focus on gathering the best financial and economic data and analysing it in order to create a plan of action. They communicate their aims and then drive employees and their organisations towards their goals.

Studies strongly suggest, however, that employees respond not just to displays of competence but also to demonstrations of benevolence from their leaders. In fact, research first conducted by scientists led by Susan Fiske at Princeton University in the US suggests that all humans – not just employees – respond universally to warmth, compassion and the sense that others genuinely care.

So, as a leader, do not focus only on the rational parts of the projects and challenges before you. Accept that your people are human beings who may be anxious, sad or scared. In your communications, aim to get away from the business jargon to communicate your concern for them. Be willing to show your human side – maybe even to share to a degree your worries and feelings.

Many leaders believe they must appear strong; in fact, research tells us that employees often respond more positively to leaders they see as vulnerable and authentic.

Effective leaders also deliberately seek out opposing viewpoints. It can be easy to surround yourself, perhaps inadvertently, with advisers who have similar backgrounds, sets of values and attitudes to you. But the key to putting together robust plans is to seek dissent – to look for the holes in your arguments and weak spots in your proposals.

Finally, effective leaders tend to ask others for feedback on their own effectiveness as leaders, so be sure to seek constructive criticism from people around you on how you are perceived. Yes, you may be doing a good job – but in what ways could you alter your style to do even better? Are you coming across as both competent and benevolent?

One trap that leaders may fall into is to seek feedback only from a limited pool of advisers who may offer mainly positive feedback. If you truly wish to improve your effectiveness in difficult times, ask for comments from those who are prepared to point out your flaws. Whether you manage others or not, make a conscious effort to look after your own mental health.

Psychologists distinguish between unproductive worry and productive worry. For example, simply worrying, speculating on what horrors could befall you would be considered unproductive worry. So would spending hours scrolling through social media reading posts and stories from sources of questionable reputation. Dwelling for too long on things you cannot influence is also considered unproductive.

In contrast, productive worry is more about analysing a situation, identifying problems and solving them. That might entail researching the parts of the situation that you can affect, having constructive conversations with others, writing down actions and then following through on them.

When you have worried productively and done all you can, it’s a good idea to immerse yourself in other activities: do something fun or find a small project to develop your skills and knowledge. Even better, help others: research shows that demonstrating kindness to others is one of the best ways to boost our own psychological wellbeing.
Urban smarts

As the world’s population grows and urbanises, the sustainability challenges for cities are mounting. Tech-based solutions are emerging, but reality lags behind the hype.
Carmaker Toyota chose the first week of the new decade to unveil its plan to build a smart city in Japan. Its Woven City project will span 700,000 square metres, ultimately house 2,000 people, and test all sorts of pioneering technologies – from robotics and intelligent devices in homes to driverless vehicles.

Impressive as the project sounds, Toyota’s ‘living laboratory’ embodies one of the main criticisms of the smart city movement. ‘Every week you can read about fascinating and innovative ways cities are using technology to become more efficient and liveable,’ says Richard Ezike, senior policy associate at the Urban Institute. ‘It’s less common to read about these pilots being scaled at a widespread level across cities.’ The application of tech to urban spaces is going to require far more investment over the coming decade, as well as steps to allay cybersecurity and privacy concerns.

The initial impetus for applying technology to urban spaces came from large tech companies around the time of the 2008 financial crisis. The timing was no coincidence, says Boyd Cohen, former dean of research at EADA Business School in Spain and chief executive of smart mobility start-up Iomob. ‘Big tech vendors like IBM and Cisco came up with the concept at a time when companies were cutting back on investment spending due to the recession and financial turmoil,’ he explains. ‘The pitch to mayors was that technology could boost efficiency, save money and make their cities better places to live.’ The idea took off and enthusiasm spread to progressive city officials and more recently to citizens themselves.

The IMD 2019 Smart City Index ranks the world’s 10 smartest cities as Singapore, Zurich, Oslo, Geneva, Copenhagen, Auckland, Taipei City, Helsinki, Bilbao and Dusseldorf. The index focuses on citizens’ perception of the scope and impact of efforts to make their cities smart, balancing ‘economic and technological aspects with ‘humane dimensions’.

The potential benefits of implementing smart technologies are wide ranging, and are summarised in six main areas in Cohen’s ‘smart city wheel’ framework:

1. **Smart mobility** can encompass technologies that make travel more efficient, often by using city data to integrate ride-sharing apps with public transport, or monitoring traffic flows to reduce waiting times for motorists at red lights.

2. **Smart tools can save time and reduce waste.** When cities function more efficiently, they also become more productive places to do business.

3. **Smart government** can harness technology to ensure more public services are accessible online and municipal information is available to businesses that can make cities better places to live. Technology can also create improved public policies by providing officials with more data.

4. **Smart environmental initiatives** could improve the energy efficiency of buildings and waste disposal.

5. **Smart people technology** can improve education opportunities and create a more inclusive society.

6. **Smart living** focuses on improvements to public health and safety. Wearable devices, for example, could spot health problems earlier to ensure better treatment at lower cost.

In each of these areas, the gains to citizens and taxpayers can be significant. A recent report by the McKinsey Global Institute found that they could improve some city quality-of-life indicators by 10%-30%. Most notably McKinsey calculated that smart tools could accelerate emergency response times by 20%-35%, shave the average commute by 15%-20%, lower the disease burden by 8%-15%, and cut greenhouse gas emissions by 10%-15%. ‘These tools can save lives and prevent crime,’ found the McKinsey team. ‘They can save time, reduce waste and even help boost social connectedness. When cities function more efficiently, they also become more productive places to do business.’

Harnessing such benefits is becoming more important as city populations swell. At present 55% of the world’s population lives in urban areas. This is expected to rise to 68% by 2050 – an extra 2.5 billion people. ‘That magnifies the challenges of transport, air quality, healthcare and other issues,’ says Hisham Elkadi, dean of architecture and the built environment at the University of Salford in the UK. ‘The ecological challenges are particularly pressing and mean that successful cities need to be flexible in adapting.’

The most obvious challenge is funding. ‘Implementing smart city technologies can be very costly,’ says the Urban Institute’s Ezike. ‘It can be a challenge for cities to get the resources to roll out big tech projects.’

One financial solution is to shift the implementation cost to the technology providers. For example, providers of smart building systems – which save energy and money by controlling the heating, lighting and ventilation – could bear the expense of installing their technology in return for a percentage of the resulting cost savings. ‘That way, the city doesn’t face a major upfront cost for technology and starts making the system more cost effective to run and maintain.’
cost savings right away,’ says Cohen. ‘Meanwhile the energy services companies get a reliable stream of revenue for years ahead.’

A similar model has been tried in cities with smart parking meters, letting drivers book parking spots in advance, with the price varying according to demand. In exchange for free installation, city governments can offer the providers a share of the revenue.

Three potential challenges

Beyond funding, smart city projects raise three main concerns: cybersecurity, inequality and privacy. First, as cities become more reliant on smart devices, the potential of hackers to cause chaos and even loss of life also increases. ‘Clearly, cybersecurity must be a priority at the inception of all projects,’ says Ezike. ‘Cities can’t risk having hackers snarl city traffic or harness self-driving vehicles as weapons.’

Second, cities will need to strike a balance between collecting information for the public benefit and infringing the privacy of citizens. ‘Big Brother concerns have been raised, especially where cities are deploying cameras, artificial intelligence and predictive policing to avert crime,’ says Cohen. It’s a worry that dates back to early smart city projects, such as Rio de Janeiro’s IBM-developed operations centre, which can monitor everything from weather, traffic, waste collection, electricity, water and gas to disease outbreaks and emergency situations. The use of facial recognition technology has also provoked criticism for its role in the surveillance of civil populations.

Third, Urban Institute scholars and others have expressed concern that the benefits of smart cities could be unequally distributed. Citizens with low incomes may struggle to afford the devices and data coverage that would enable them to take advantage of smart city services. The Argentine town of Tigre, just north of Buenos Aires, sought to address this issue by subsidising smartphones and giving them away free to citizens who couldn’t otherwise afford them.

Such challenges highlight the need for technology to be intelligently and prudently deployed, says Cohen. ‘If these drawbacks can be managed, smart city initiatives have the potential to significantly improve the quality of life in cities around the world,’ he argues. ‘Being a smart city, for me, involves a mindset of constant improvement, a journey that never ends. Cities can’t just rest on their previous achievements but need to keep evolving. They need to be constantly innovating.’

Dijana Suljovic, journalist

This article was written before the Covid-19 pandemic.

See also the December 2016 report Smarter cities, simpler cities: Accounting for the city of the future, published by ACCA jointly with the Institute of Cost Accounting India, at bit.ly/ACCA-SmartCities
By moving to accrual-based accounting, governments are improving value for money and positioning finance at the heart of decision-making.
Transitioning governments can anticipate enjoying the core benefits of implementing accruals-based accounting. Those advantages include delivering value for money, facilitating public scrutiny and putting finance at the heart of decision-making, and they are all derived from the provision of new, decision-useful information.

Information generated by accrual accounting can dispel fiscal illusions (i.e., accounting devices that give the illusion of change without any substance) and avoid perverse incentives. For example, governments using cash accounting can be tempted to postpone payments to suppliers or lenders in order to choose the financial year in which transactions appear. In doing this, not only is the financial position misstated, but deferring payments may result in government facing additional interest costs.

The benefits are compelling, but moving from cash to accrual accounting is likely to be a highly complex process. Transitioning governments may benefit from the experiences of those who have gone before. The report has 30 specific recommendations for public officials planning to introduce accrual accounting. These address how to maximise the benefits (see panel above) and cover key topics such as setting objectives and planning, engaging stakeholders, creating effective systems and developing skills.

On the subject of skills, finance staff are tasked with producing analysis based on accrual accounting information to help policymakers take a long-term view. Governments will therefore need to increase the number of qualified accountants they employ. They may also need to introduce a variety of training programmes (read about ACCA training that would help meet these needs, at bit.ly/cert-pfm and bit.ly/cert-ipsas).

Internal training will need to extend beyond the preparers of accounting information to include auditors, members of parliamentary committees and procurement officials, among others. If accrual-based accounts are to have maximum impact, a broad pool of stakeholders will need to be able to interpret the new information they receive.

Policymakers and public sector officials gearing up for the challenge of implementing accrual accounting should remain focused on the benefits awaiting them. Governments that use accruals-based accounts take a longer-term view of their finances than those that rely on a cash basis. Strong balance sheet management supports low borrowing costs, which in turn gives governments greater flexibility to respond to emerging pressures and absorb fiscal shocks. In what seems to be an increasingly volatile world, those advantages are well worth pursuing.

Sarah Perrin, journalist

As well as providing useful information on assets, accrual accounting shines a brighter light on liabilities
Corruption crusher
PAFA CEO Vickson Ncube FCCA doesn’t pull his punches: the battle against graft is one that professional accountants must not shirk

Vickson Ncube FCCA has a steely determination to spread his ethics message across Africa’s accountancy profession. Interviewed before the Covid-19 crisis overtook the world, the chief executive of the Pan African Federation of Accountants (PAFA) aims to convince accountants across the continent to play their part for the greater good. ‘To be ethical you have to suppress personal agendas to allow the bigger national and continental interest to prevail,’ he says.

It’s a way of thinking that he traces back to his parents and his childhood in Zambia, to a time when his village was gripped by famine and his family was reduced to eating just one meal a day because of the shortage of maize. ‘An old associate of my parents came to them and said he and his family had not eaten for a week. My mother took half of the little maize we had left ourselves and gave it to him,’ Ncube recalls. ‘It taught me a lesson about a greater good versus a narrow agenda. ‘Those lessons stay with you for the rest of your life, and you understand that ethics is not just something you read in a book. Therefore, you will not try to get a good thing for yourself and sacrifice what is good for the rest of society.’

Getting behind the blueprint
Ncube has drawn on this belief in his drive to get Africa’s finance professionals to buy into the African Union’s Agenda 2063 – the organisation’s masterplan for transforming the continent into a global powerhouse. Agenda 2063 prioritises social and economic development, the reintegration of the continent and its regions, democracy, good governance, and peace and security.

‘It is a very strong vision,’ he says. ‘What is lacking now is its implementation. At PAFA we have made a deliberate effort to engage with the African Union. We have taken it on ourselves to educate members of our profession and others that we must become relevant to Agenda 2063.’

Ncube is clear that professional accountants in Africa are critical to helping organisations make informed decisions in resource management and value creation, particularly in the public sector. He believes the profession must help to make the continent a better place for all its people and ensure its resources are enjoyed by all.

‘We can’t just blame the politicians when things go wrong,’ he says. ‘We as citizens have a role to play. Have you ever seen a payment made by an organisation without an accountant being involved?

That is why they call us the gatekeepers. So how come we are not keeping the gates? It’s not the politicians who write the cheques and sign them. They are signed by the professionals.

‘It is the bankers, the lawyers, the accountants – we are the people who are running the economies of African countries. For too long we have come to the party to party, and not to stop the wrong. If we can start playing our part to stop the wrong, corruption will be a story of the past.

‘We should also stop calling these things by fancy names such as money laundering, illicit financial outflows, embezzlement, even fraud and corruption. Let us just call it theft.’

Ncube doesn’t only blame the professionals, though, but points to a ‘society that tolerates greed’. He sees two major impediments to the realisation of Agenda 2063. The first is corruption which, he says, is everyone’s business. ‘I know when we talk of corruption we think of individual people, but the point is that for a president or a minister to be corrupt, there has to be a private sector person with the money to corrupt them. Corruption is a societal issue. If Africa is going to rise out of this problem and achieve the Africa we want, then we need to kill corruption.’

The second challenge is finding a way to make Africa’s resources work for Africa. This, he says, must involve the continent investing in the continent, developing local industries, and stemming capital flight.

African leaders, he says, need to be better negotiators, able to take this a step further and protect the resources of their countries and continent as well. He once urged a group of accountants in Ethiopia to practise ‘professionalism with patriotism. Too many people think that as long as their fees are paid, no one else matters.’

On Ncube’s reform agenda is an interrogation of corporate tax avoidance. ‘Finance professionals structure deals in such a way that their clients pay very little tax in the country they are in – and it’s legal. But is it moral? No. It can’t be.’

Vickson Ncube FCCA
Based in South Africa, Vickson Ncube has been CEO of PAFA since 2012. Between 2007 and 2011, he was CEO of the Eastern Central and Southern African Federation of Accountants, Kenya. Preceding this, he was CEO of the Zambia Institute of Chartered Accountants from 2002 to 2006. From 1996 to 2001, he was chief internal auditor, rising to director, Zambia State Insurance Corporation (ZSIC). In the years 1992 to 1996, he held the post of finance manager at Zambia State Financing Company. He was audit assistant, rising to senior internal auditor at ZSIC in the years before this, between 1984-92.

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Accountants who help their companies avoid tax make it impossible for governments to deliver services to the electorate, he points out. ‘And here is the problem with the economies of Africa. In America, when those companies save on tax, the money is invested in America. But in Africa there is capital flight. That money goes to another continent because apparently rich Africans don’t spend in Africa.
an organisation's functions work together to produce the results. I've never been the sort of accountant who just looks at financial statements." He is also grateful for ACCA's support for PAFA's work – it seconded an employee and has provided financial assistance.

PAFA has partnered with the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E), the Conseil Régional de Formation des Institutions Supérieures de Contrôle des Finances Publiques de l’Afrique Francophone sub-Saharienne (CREFIAF), and the Eastern and Southern African Association of Accountants-General (ESAAG) in the African Professionalisation Initiative to increase the number of accountancy professionals in the public sector. 'PAFA is a strong advocate of the concept of public value management as an alternative to public finance management,' he says.

Ncube says the only way PAFA can deliver on its mission is by cultivating 'strong and sustainable' professional accounting organisations across Africa. 'To achieve the strength and sustainability there is a need for capacity building so that they can become an influential voice in their countries. The only thing inhibiting PAFAs capacity building efforts is resources – both human and financial.

He admits, though, that bringing about positive changes in attitudes is no easy task. He explains: 'PAFA has no jurisdictional authority over anyone, only persuasive authority. We cannot tell the institutes what to do, we can only persuade them. But we have structured our message so that at every opportunity we bring forward these considerations. We have this grand agenda which we are pursuing vigorously. We do not have a big budget for an organisation that is running a continent. You can sit down in a corner and cry, and nothing will happen. But if, with whatever you have, you start to run, you will get somewhere.

'We will not see the results immediately. I believe in what I call "polluting the mind". If you tell someone something's wrong, then you've polluted their mind, and every time they do it they will think about it, even if they first dismiss it. And if you have a thousand, then a million, voices saying the same thing, the message becomes more powerful.'

Nicki Güles, journalist in Johannesburg

This interview was first published in ACCA's Accounting and Business magazine.

**Pan African Federation of Accountants**

The Pan African Federation of Accountants, the continental body representing Africa's professional accountants, was established in 2012. Headquartered in Johannesburg, South Africa, PAFA has a membership of 53 professional accountancy organisations from 43 countries. Its mission is to ‘accelerate and strengthen the voice and capacity of the accountancy profession to work in the public interest, facilitate trade, and enhance benefits and quality services to Africa’s citizens’. It also aims to promote good financial practice, accountability, transparency and good governance across Africa’s public and private sectors to enable economic growth and poverty reduction. It has seven employees and an annual budget of US$1m.
Belinda Hutchinson FCA is used to being a trailblazer. For the past seven years her business acumen has helped reshape the University of Sydney into a more relevant and adaptable organisation.

In February 2013, when Belinda Hutchinson FCA became the University of Sydney’s chancellor, she was told the role would take just a day and a half a week. As it turns out, overseeing the transformation of Australia’s oldest university to ensure it keeps leading on academic smarts and delivers an inclusive experience for more than 60,000 students requires a far bigger time commitment (about double). Not that this university chancellor is complaining.

Hutchinson – who succeeded former NSW governor Marie Bashir in the role – is busy, but inspired. In a position that, at most universities, leans to the ceremonial, she’s surprisingly hands-on in supporting the University of Sydney’s vice-chancellor, Michael Spence, in delivering a huge change programme.

‘It’s the most rewarding and challenging role I’ve ever done,’ says Hutchinson, who works her responsibilities as chancellor around a portfolio of significant roles, including chairing defence industry and aeronautical company Thales in Australia, and Future Generation Global, Australia’s largest impact investing fund with a focus on child and youth mental health.

She’s also on the Qantas board and, until recently, had a spot on the independent Australian Public Service Review panel led by former Telstra chief David Thodey. While there may be cultural differences between chairing a corporate board and overseeing a university, the strategic thinking about issues such as growth, agility and innovation are not dissimilar.

The University of Sydney’s 2016–2020 strategy has already seen the undergraduate curriculum get a cross-disciplinary makeover, zoomed in on multidisciplinary research and – due to cuts to government spending on research, science and innovation – continued the incessant quest to alleviate funding shortfalls.

With Hutchinson’s stellar business career heading divisions for Citibank and Macquarie, and directorships at Telstra, Energy Australia, Coles Myer, Sydney Water and many more, it might be said that she was the right FCA for the chancellor’s office at the right time.

As competitive pressures confront traditional educational institutions, Hutchinson brings the clarity of a successful, seasoned business thinker and philanthropist into play. For example, on diversity and inclusion, in both the student experience and organisational culture, she and the university’s executive are focused on how to support people from ‘non-mainstream’ backgrounds. This includes...
Indigenous Australians – for whom the steep costs of living in Sydney while gaining a tertiary education is just one stifling issue – as well as those who identify as LGBTQI+, and women.

As the former president of Chief Executive Women (in 2011 and 2012), a group that advocates for women in executive roles, Hutchinson has been active on gender equality. She also wrote the foreword for the local edition of Facebook COO Sheryl Sandberg’s salutary bestseller Lean In, which explores how women in the workforce get ahead (and what holds them back).

‘When I came to the university, 23% of professors were women. Now we’re over 30% and the trajectory is really positive,’ she reports. USyd, as it’s known, now runs an annual conference and a women leaders’ development programme to provide academic women with promotional opportunities, and researchers and students with fellowships, scholarships and mentoring. The chancellor is chuffed.

A recent staff engagement survey showed high scores for gender diversity: providing equal opportunity and flexible work – and vice-chancellor Spence is now a Male Champion of Change.

Values of respect and integrity are in keen focus. ‘One of the issues confronting us as a society is a lack of respect in terms of debate,’ she asserts. ‘We want to be an institution where there is true freedom of speech, where people can express themselves and not be shot down. People should listen and they should listen respectfully, even if they don’t agree.’

Hutchinson herself was a University of Sydney student in the 1970s, when crowds of protesters often streamed down the main Eastern Avenue thoroughfare. So she’s grappling to understand media reports of ‘violent protests’ on campus, including a September 2018 demonstration that only involved 30 students.

Collaboration is key for public service reform

There are some clear parallels in the strategic changes required at the University of Sydney and in the Australian Public Service (APS), says University of Sydney’s chancellor, Belinda Hutchinson FCA, who recently served on the independent Australian Public Service Review panel chaired by David Thodey. She believes, like universities, the Public Service needs to bring siloed departments to work together and with external stakeholders. ‘It’s about facing up to the fact that most societal problems can’t be solved by just one area, but are multifactorial,’ she says. ‘We suggested a lot around how we get strategic investment in solutions to complex societal problems. It has to be about getting the departments to work better together.’

Service NSW brought NSW government services into one citizen-facing agency, and the APS reviewers suggested this approach be implemented in the federal public service. The panel delivered its report to the government in September 2019. In December last year, Australian prime minister Scott Morrison announced plans to cut the number of APS departments from 18 to 14 to reduce red tape and improve services.

But to get departments working together, systems need updating. A lot of software used by the APS is out of licence, explains Hutchinson. Training budgets also need boosting, particularly for leadership skills.

But a heartening aspect for the review panel was the ‘passion, commitment and motivation’ of public servants. That is ‘a wonderful foundation on which to build reform’, says Hutchinson.

‘We haven’t actually had a violent protest on our campus for many years. Even most of the limited number of protests we’ve had have been quite respectful,’ she says.

Working the network

Hutchinson aims to help the university’s researchers and students tackle real-world problems via industry community partnerships. From her contact list of well-connected, high-profile business leaders, she has made introductions to major corporate influencers. Multidisciplinary teams are now finding fixes or innovating for organisations and government agencies, both in Australia and internationally.

The company she chairs, Thales, and AGL Energy where she was previously a director, are among 45 partners, along with big banks Westpac and the Commonwealth Bank of Australia, consulting firms PwC in China and KPMG in Hong Kong.

Teams have worked on waste issues for the City of Sydney, reimagined social housing for NSW Treasury and predicted the next massive health issue for insurer QBE, a company Hutchinson previously chaired.

Another business-boosting programme is INCUBATE, which lets students accelerate entrepreneurial concepts by giving them office space and mentors and opportunities to pitch to investors. Some 60 of the 107 start-ups that have been through this programme have been further funded.

Applying a private enterprise lens to help a public-facing, 160-plus-year-old educational institution become more relevant and adaptable is not simple. One challenge for Hutchinson was reforming the Senate, the university’s governing body. When she was first appointed, it had 22 members (or fellows, as they are known).

‘To be honest, that was a fairly unmanageable number,’ she says. ‘It was a nightmare because people all had different backgrounds and individual or group agendas.’

As she points out, when you’re overseeing a $2.6bn turnover institution with nearly 60,000 students and 14,000 staff – and a $3.3bn building programme that’s only halfway through – ‘you need people with the right mix of skills and experience’.

Senate numbers have since been reduced to 15, with eight members appointed based on skills and experience. There’s serious calibre at the table, including former Origin Energy CFO Karen Moses.

Hutchinson’s own career has never strayed far from finance. But had she taken the advice of her businessman father, she would never have gone to university. He had declared the ambition pointless because she’d ‘just get married’. But on realising she was serious about her studies, he insisted she ensure ‘there was a job at the end of it’.

Hutchinson graduated with a Bachelor of Economics, with majors in accounting and government, during the mid-1970s recession. She signed up for her professional year to qualify as a chartered accountant in tandem with a job in audit at Arthur Andersen.
‘The professional year was quite frankly hellish, because back then you had to do it all in one year,’ she admits. But that said: ‘I’m really pleased I did it because it’s stood me in really good stead. On boards, you have to be able to read balances, P&Ls and cashflow statements…and I have the ability to see trends and variances in numbers.’

Her career quickly hit fast-forward. After just six months in audit she’d moved to Andersen Consulting and then took a career-making opportunity to work on a major systems management design project for the Tennessee Valley Authority in the US. Others had rejected the job, but Hutchinson went to work in Chattanooga – ‘not exactly the high spot of the world’ – for a year.

Pivotal point
This led to the offer of a team leader’s role on a major social security payment implementation for the state of Illinois. ‘I was 27, had 100 people working for me on a US$100m project. It was career-changing.’

From that experience, she learned always to think outside the square – a message she passes on to the many young people she mentors. ‘You don’t have to stick to your path.’

From the outset, Hutchinson has shown both extraordinary determination and a pioneering spirit in her career. When working for Citibank, where she had become a vice-president, Hutchinson beat the challenge of zero-days maternity leave by using her accrued annual leave and returning to work a few months after the birth of her first child in 1988. Later, when six months’ pregnant with her second child, she was offered a key role at Macquarie Bank by then CEO Tony Berg. She subsequently settled into heading client relations in the corporate advisory division at Macquarie, before becoming executive director of equity capital markets.

‘If we really want women to have equal opportunity, we have to get men to help us do that,’ she says. ‘We have to work together to get the right outcomes.’

That ethos underpinned her term heading Chief Executive Women and her support of the Male Champions of Change, an initiative steering influential leaders to support men in taking action on gender inequality. ‘We have to be realists,’ she insists. ‘The majority of CEOs are still men.’

What does she make of the #MeToo movement?
‘It was important to call out some men’s egregious behaviour, but it was polarising. It was a good thing that happened, but in some ways it went too far.’

Once again, Hutchinson wants to hear respectful debate.

Deborah Tarrant, journalist

This interview was first published in CA ANZ’s Acuity magazine.
Call to action on climate change
Helen Brand, chief executive of ACCA, and CA ANZ chief executive Rick Ellis joined forces with chief executives of other professional bodies in February, in a call to urge the global accountancy profession to act now to respond to climate change with the scale and urgency needed. Organised by A4S (Accounting for Sustainability), the call to action was signed by 13 chief executives of 14 accounting bodies representing over 2.5 million accountants and students globally. Each body is a member of A4S’s Accounting Bodies Network (ABN). A4S was established by HRH The Prince of Wales in 2004. ‘Solutions to the challenge need a global response at many levels, and accountants along with their professional bodies have a significant role to play,’ said Brand. Ellis commented: ‘Accountants can quantify the risks, and their financial consequences, providing robust, reliable and transparent information for decision-makers, investors and the public.’ Visit bit.ly/A4S-ABN for more detail.

Mind the gap
The tax gap figure for large private groups released in March by the Australian Tax Office (ATO) highlights the important contribution this segment of the taxpayer population makes, according to CA ANZ. The ATO announced that more than 90% of high wealth private groups’ income tax was paid voluntarily or with little intervention in 2016–17. Australian tax leader Michael Croker said that with over A$9bn (£4.5bn) collected during this period, there have been a number of major tax policy and administrative changes made since then to address the 7.7% gap, worth A$770m (£385m). ‘More anti-avoidance rules have been enacted, more data than ever before is flowing into the ATO and large private companies now have compliance obligations akin to those which apply to listed companies and multinationals,’ said Croker. ‘Many chartered accountants are flat out helping their large private companies every step of the way to cope with the extra tax compliance.’

Reporting reform finds favour
More than 500 accounting and finance professionals, mostly members, contributed their views to CA ANZ’s special purpose reporting survey conducted last summer. All those who took part had some practical involvement in the financial statement supply chain in the for-profit or not-for-profit sector and their contributions have been, and will be, crucial in informing CA ANZ’s feedback to the Australian Accounting Standards Board’s (AASB) current and future financial reporting reform projects. Respondents indicated that their use of special purpose reports was widespread. The survey preceded the mid-August release of the AASB’s revised proposals for the for-profit sector. The feedback shows that the reforms are heading in the right direction for the for-profit sector. Therefore the submissions on the AASB exposure drafts, prepared jointly with CPA Australia, have supported these changes, subject to calling for a two-year implementation window rather than the accelerated 2021 adoption date that was planned.

Thought leadership in Davos
Senior representatives from ACCA were in Davos at the World Economic Forum (WEF) in January, sharing thought leadership on sustainability and global trade. ACCA’s head of Pakistan, Sajjeed Aslam, held productive discussions at the side events organised by Pathfinder Group under the leadership of Ikram Sehgal, and Martin Dow Group, addressing Pakistan’s potential for becoming a hub of global outsourcing. ACCA has undertaken extensive research on the China-Pakistan Economic Corridor (CPEC) and has produced global insights on China’s Belt and Road Initiative. At the main forum ACCA Council member Ayla Majid FCCA moderated a panel discussion on environmental risks under the theme ‘How to save the planet’, featuring contributions from global leaders. Majid is part of WEF’s Global Future Council on Energy and has written extensively about the future of energy.
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 accounting, finance and management.
ACCA supports its 219,000 members and 527,000 students in 179 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 110 offices and centres and more than 7,571 Approved Employers worldwide, who provide high standards of employee learning and development.

President Jenny Gu FCCA
Deputy president Mark Miller FCCA
Vice president Orla Colfer FCCA
Chief executive Helen Brand OBE

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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