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TAX | ACCOUNTANCY | FINANCE | BUSINESS

Peace and unity

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officer at UNESCO
Nutan Wozencroft
helps to promote
world accord while
balancing the books



ACTIVIST INVESTING BRONWEN MADDUX ACCOUNTANCY RICH LIST GEORGE MAGNUS

ultra



The new Audi A6 ultra.

Official fuel consumption figures for the Audi A6 2.0 TDI ultra Black Edition S Tronic in mpg (l/100km): Urban 55.4 (5.1), Extra Urban 72.4 (3.9), For more information please visit audi.co.uk/a6

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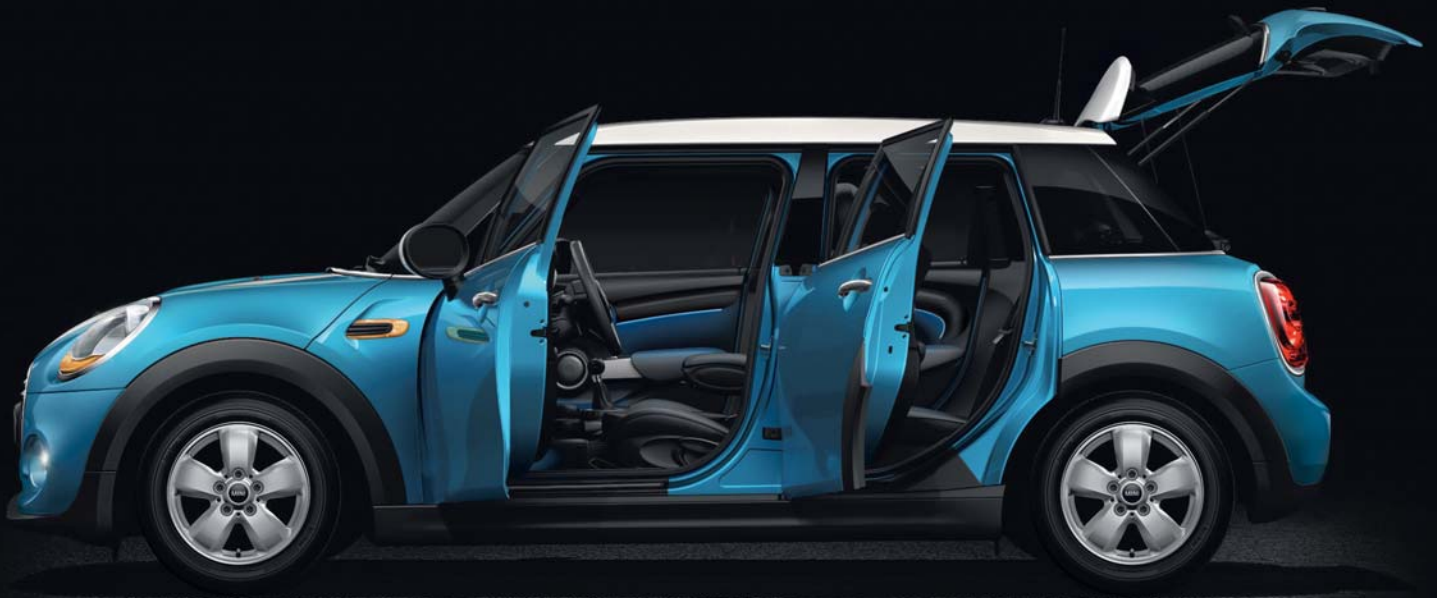
The new Audi A6 ultra, with CO₂ from 114g/km.



And its CO₂ emission rating.

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Official fuel economy figures for the new MINI Cooper D 5-Door Hatch: Urban 64.2mpg (4.4l/100km). Extra Urban 88.3mpg (3.2l/100km). Combined 78.5mpg (3.6l/100km). CO₂ emissions 95g/km. Figures may vary depending on driving style and conditions.



Joining the MINI line-up is the new MINI 5-door Hatch, delivering the same distinctive styling and go-kart handling as the current MINI Hatch but with the benefit of 5 doors.

MINI customers can benefit from increased legroom plus bags more luggage space, taking it to a generous 278 litres. As well as all this extra space, the new MINI 5-Door Hatch sets itself apart from competitors with the wide range of MINI technologies available. Standard specification includes Keyless Go, USB audio interface, Bluetooth and On-Board Computer.

**To find out more or to fix up a test drive[†], please visit
www.minibusinesspartnership.co.uk**

MINI Business Partnership

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*Offers available to business users only. Figures exclude VAT. Price shown for a MINI Cooper D 5-Door Hatch excludes VAT at 20% and is for a 36 month Contract Hire agreement plus £1014 deposit, with a contract mileage of 30,000 miles and an excess mileage charge of 6.53 pence per mile. Subject to status and in the UK only (excl. the Channel Islands). Vehicle condition charges may apply at the end of your agreement. Individuals must be 18 or over. A guarantee may be required. The amount of VAT you can reclaim depends on your business VAT status. Rentals may change if VAT rate changes during agreement. Hire provided by BMW Group Corporate Finance. BMW Group Corporate Finance is a trading style of Alphabet (GB) Limited, Europa House, Bartley Way, Hook, Hampshire, RG27 9UF. Offer expires 30 September 2014. [†]Test drive subject to applicant status and availability.



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The role of audit has been in the spotlight in recent years. As with every financial crisis, questions have been raised over the quality and value of assurance provided.

And yet despite all the doubts raised, and amid the hullabaloo over independence, tendering and rotation, there remains a confidence within the profession and across the business community, that while not perfect, the established system of auditing the historical financial performance of a business is generally working well.

International standards and processes mean that audit quality is generally high in most markets. Within its well-defined parameters, the system of audit provides confidence to investors and other users of financial reports and to the wider public. It also offers encouragement to the more enterprising aspects of the business community. Speaking at a recent *economia* roundtable on the value of audit, hosted by KPMG South Africa, Professor Mervyn King, chairman of the IIRC, explained that directors have a duty to take risks for reward. They can only do so because of the confidence investors have that someone (namely an auditor) is keeping an eye on things.

Risk drives economic growth, but to be sustained it has to be balanced and controlled. Audit provides that control. But auditors have to accept the world is changing. While an annual backward look at the financial performance of a organisation is an essential cornerstone of investor confidence, markets and investors require more detailed and more up-to-date information.

King uses the analogy of building a car. "It's like we've been building and driving cars without windscreens, just relying on the rear-view mirror."

As business becomes more complex and the information moves between companies, consumers, markets and investors at an ever faster pace, the audit profession will have to face up to change.

Change is not new to a profession that has already undergone a revolution in how it performs its function. Constant innovation means the nuts and bolts of an audit today are almost unrecognisable from even 10 years ago. But the next revolution may well be in the very nature of that function itself.

Users of corporate reports are already calling for greater assurance on more of the information on which they base decisions. This includes the forward-looking information in company reports. It will mean changes to fundamentals, such as the way internal and external audit functions interact, but it might also require auditors to express opinions on some of the material at the front, as well as on the numbers at the back of the company report.

This raises complex issues (not least of professional indemnity and liability) and will take many into uncomfortable areas. But such disruption is a factor of modern life and if the audit profession doesn't embrace an expanded function it may end up with little or no function at all.

On-going concerns over the FRC's proposals on going concern

The Financial Reporting Council (FRC) first commissioned Lord Sharman to review the going concern regime in the days when the economy was in a mess and there was talk of double- or triple-dip recession.

He reported to widespread support for his review and most of its recommendations. Since then things haven't gone so well. The FRC has made a hash of implementing the proposals. These have since been reworked twice after key players have voiced major concerns.

After all its revisions and reworkings the FRC is now happy the latest proposed rules maintain the spirit of the original proposals (they don't) the needs of investors, management and the profession. ICAEW and others beg to differ.

Sometimes its better to start from scratch than to try to fix things. But as a minimum more work is urgently needed to prevent a disaster for UK business. As they stand the proposals will hit UK businesses in October and subject them to an onerous regime with few obvious benefits for anyone.

ICAEW in this issue

“What’s notable is the variety of approaches in terms of display and even content”

p76 Nigel Sleigh-Johnson, head of the Financial Reporting Faculty at ICAEW, talking about strategic reports

“Banks have always had expectations about the defaults and losses they were going to suffer. This information has been available internally and used for regulatory purposes. They simply aren’t able to recognise those losses on their balance sheets under current rules, even if they want to.”

P74 Eddy James, technical manager of ICAEW’s Financial Reporting Faculty



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ICAEW
MEMBER
Sally Green

“One positive aspect to the growth of activism is that there are fewer places for under-performing companies and executives to hide. To avoid being a target, companies should be clear about strategy with shareholders and take advice on allocation of resources and financing strategic measures, such as expansion by acquisition or planned organic growth.”

P34 David Petrie, head of the Corporate Finance Faculty at ICAEW

“Accountancy is a people business, one based on building relationships with clients, and being part of the local community, so it is not surprising that so many firms are involved in various types of philanthropic activity. ICAEW has 142,000 members, and 90,000 of them have formally declared an interest in getting involved in charity or voluntary work.”

P50 Nick Brooks, chair of ICAEW’s Charity and Volunteer Sector Group

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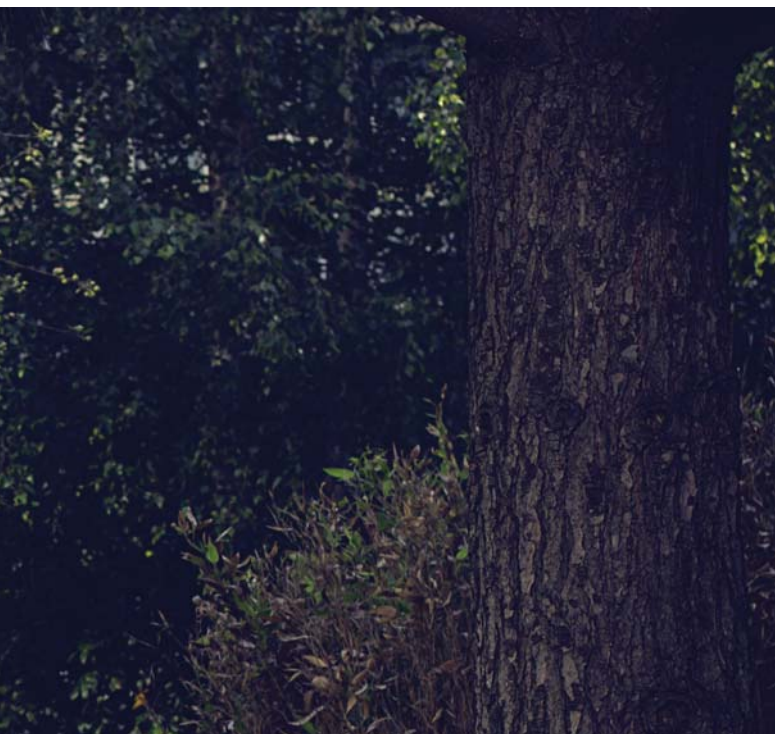
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Profiles of 10 of the wealthiest ACAs and FCAs



COVER: EMMANUEL FRADIN

There is more technical insight online, with daily news and weekly updates. Digital exclusives on the website this month include:

FINANCIAL REPORTING

IFRS 9 is a “milestone in the world of financial reporting”. It will lead to a new world of long-term forecasting, says BDO partner Dan Taylor

INTERNATIONAL

PwC International chairman Dennis Nally on his evolving role, mandatory rotation and how to restore trust in the profession

AUDIT

Preparing for changes to charity reporting. How the new rules will affect preparers and auditors of charity accounts

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An update on the new FRC guidance on reporting

ECONOMY

China's nightmare. Is the Chinese dream falling victim to its unprecedented debt?

PROFESSION

How you can best convert your accountancy practice to an alternative business structure (ABS)

ELSEWHERE ONLINE

Sir Win Bischoff new chairman at JP Morgan Securities

Robert Tchenguiz set to sue Grant Thornton

Should Scotland get independence?

FRC launches EY C2000 investigation

Whistleblowers shockingly treated

ECONOMIA A.M.

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Official fuel economy figures for the Jaguar XF Saloon range in mpg (l/100km): Urban 16.7-48.7 (16.9-5.8); Extra Urban 32.8-64.2 (8.6-4.4); Combined 24.4-57.7 (11.6-4.9). CO₂ emissions 270-129 (g/km). Official EU Test Figures. For comparison purposes only. Real world figures may differ.

HOW ALIVE ARE YOU?



*Based on a 36 month Jaguar Contract Hire agreement on an XF Saloon 2.2D 163PS Luxury, standard specification, a mileage of 10,000 miles per annum (30,000 miles in total), non-maintained. Initial payment in advance at £1,794 (exclusive of VAT) followed by 35 monthly rentals as shown (exclusive of VAT). May be subject to further charges depending on the condition/mileage when vehicle returned (a charge of 9.7p per mile will apply for exceeding contracted miles). Finance subject to status. Guarantees may be required. This promotion cannot be used together with other manufacturer's promotions and is subject to availability at participating Dealers only for new vehicles ordered by 30th September 2014, or while stocks last. Jaguar Contract Hire is provided by Lex Autolease Limited, trading as Jaguar Contract Hire, Heathside Park, Heathside Park Road, Stockport SK3 0RB. Written quotations are available on request. All details are correct at time of publication and are subject to change without notice. **Based on the same model and specification as described above, for a 40% tax payer. Vehicle shown is XF Saloon 2.2D 163PS Luxury with optional metallic paint.

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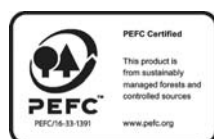
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2013 PPA Awards.
 Ewan Buck,
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In review

THE INTERNATIONAL PICTURE

0.15%

ECB interest rate

THE EUROPEAN CENTRAL BANK

president Mario Draghi announced last month that eurozone recovery is on track, despite acknowledging that threats to recovery had “heightened” due to the crises in Ukraine and the Middle East.

Draghi said: “We are just at the beginning. We are still assessing what impact sanctions might have on the economy. Geopolitical risks are heightened. And some of them, like the situation in Ukraine and Russia will have a greater impact on the euro area than they... have on other parts of the world.”

The ECB maintained its benchmark interest rate at 0.15% for the second consecutive month, after cutting the rate from 0.25% in June. It comes just months after the ECB cut the deposit rate for banks from zero to -0.1%, becoming the first major bank to introduce negative interest rates.

ELSEWHERE IN THE WORLD

Five Australian banks are being sued over “unfair” credit card late fees worth hundreds of millions of dollars.

Lawyer Maurice Blackburn, head of the law practice lodging the class action suit on behalf of the banks’ customers, claims that banks charged Australian households, AUS\$652m (£360m) in exception fees between June 2009 and July 2010.

Blackburn said: “This action is a great example of the importance of having a robust and mature class actions regime in place.”



Hiring hits 16-year high

Hiring intention rates in UK businesses soared to their highest level since 1998. The number of firms intending to hire increased from 108.8 to 109.6, according to the BDO Employment Index, which predicts hiring intentions in three months’ time.

Peter Hemington, partner at BDO, said, “The good news is that the unprecedented growth we’ve seen in UK employment this year looks set to continue, providing this year’s university graduates with a welcome dose of good news.”

But he warned that services firms may soon find themselves, like the manufacturing industry, with a “shortage of skilled workers”.

PLC profits hit by soaring pound

The pound increased 13% against the US dollar and 10% against the euro in the first half of 2014, wreaking havoc

on UK multinationals. More than £1.5bn was wiped off the profits of a number of multinational companies in the space of a few days last month, thanks to the soaring pound, *The Daily Telegraph* reported.

Angus Cockburn, interim chief executive of Aggreko, told the newspaper: “Currency is like a fairground rollercoaster. What goes up one minute goes down the next.”

Defence company Cobham and engineering firm Amec, as well as Rolls Royce, BAE and several large industrial and engineering firms, were among those affected.

RBS to sell Coutts

Royal Bank of Scotland is considering selling Coutts International, the overseas arm of the private bank, in a move that could net £600m.

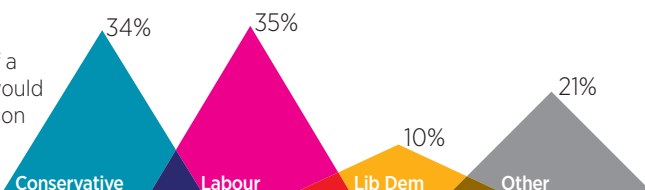
Coutts International operates in seven countries and employs 1,200. The sale could see the bank split in half with a base in the UK and a second in Zurich to manage its overseas operations, worth £20bn.

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£1.5bn
wiped off
profits of
multinationals

The Boris effect?

How the results of a general election would look if Boris Johnson was Tory leader (yougov.co.uk)

**Treasury windfall**

The Treasury could see a tax haul of £3.8bn by 2020 under the pension reforms announced last month. HMRC estimated 130,000 of the 400,000 people eligible will take advantage of the flexible pension, known as the “Lamborghini pension” (people could blow their lump sums on a dream car).

In its breakdown of the tax implications, HMRC estimated £320m tax take in 2015-16, increasing to £600m in 2016-17, £910m in 2017-18 and £1.2bn in 2018-19.

Speaking about the reforms, Tom McPhail, head of pensions research at Hargreaves Lansdown, said, “Tax could easily wipe out a sizeable chunk of people’s pension savings, potentially taking many people into the higher rate tax band who have never paid tax at that rate before.”

Margaret Hodge (pictured below), chairman of PAC, said: “We have heard of too many cases of appalling treatment of whistleblowers by their colleagues, but departments were unable to tell us if those who threatened or victimised whistleblowers had been sanctioned... Public Concern at Work could recall only one case where an employee who victimised a whistleblower had been sanctioned.”

In a survey of Ministry of Defence employees, only 40% felt they would not suffer reprisals if they raised a concern, and more than one third of civil service employees do not know how to raise a concern under the civil service code.

UK spending spike

Household spending increased for the tenth consecutive month in July, and is close to a four-year high, *The Times* reported. It rose by 2.4% compared with the same month a year ago, and faster than June’s 0.5% growth, according to figures released by Visa Europe last month. The surge is partly due to the sunny weather and partly to the World Cup and Formula One.

Whistleblowers “appallingly treated”

The government is failing to protect some whistleblowers, a report by the Public Accounts Committee (PAC) has found. The report called for “swift sanctions” to be imposed on staff who victimise them.



Boris Johnson bumbles on when pressed by the BBC about whether he will stand for leader of the Conservative Party



ALAMY, REX

Accountancy rich list

Philip Beresford has spent the last 26 years poring over accounts and assets to compile the *Sunday Times Rich List*. Sales of the paper go through the roof when it’s published because, says Beresford, “we’re all fascinated by money”.

So, tapping into the curiosity that surrounds Beresford’s Rich Lists, *economia* asked the wealth-tracker to draw up a list of the wealthiest accountants around the world. The official accountancy rich list is published in full this week on our website economia.icaew.com

A number of ICAEW members are in the highest ranks and in this issue we profile 10 of them to explore how they’ve accumulated their wealth since training for their ACA, and the many generous ways in which they spend their cash.

To read the full accountancy rich list visit economia.icaew.com. And turn to page 41 to find out how they spend it



Good month Bad month

Our economic barometer of what went up and what went down in the last month includes the Italian economy, Ireland's banana producers and a troupe of burlesque dancers in the UK



BURLESQUE DANCERS

A circus group denied a bank account because its showgirl and burlesque acts posed a "moral problem", has now been offered one. Santander refused Circus Uncertainty a business bank account due to the nature of its acts, but has since reversed the decision. "We're not sure whether to take it," said Joshua Morris, co-founder of the Bristol-based group.



ITALY

Surprising many economists, the country has slipped back into recession, figures released last month have shown. Output dipped 0.2% during the second quarter, following a 0.1% dip in GDP in the first three months of the year. Italy's previous recession, which lasted for two years, ended in the last quarter of 2013. This data raises the pressure on new Premier Matteo Renzi to shake up the country's economy more quickly.



UK CAR MAKERS

Car sales surged 10% in the last year, according to new figures from the Society of Motor Manufacturers and Traders (SMMT). The number of new cars sold in the UK has risen for the last 29 consecutive months. SMMT increased its forecast for annual sales growth in 2014 from 6% to 8%.



ALASDAIR LOCKE

Scottish oil tycoon Alasdair Locke, in partnership with Patron Capital, struck a £200m deal to acquire the Murco chain of 450 petrol stations, from the US-based Murphy Oil Corporation. Locke and Patron already have an estimated 60 petrol forecourts in the UK through his Motor Fuel Group.



IRISH BANANA PRODUCERS

Shares in Irish banana producer, Fyffes, plummeted 15% in a day last month, after plans to merge with rival US-based banana producer, Chiquita, were thrown into doubt. Rival bids have been tabled by a US juice maker and a Brazilian investment firm.



LINKEDIN

The social networking service is to pay \$6m (£3.6m) in damages and wages to 359 employees in its US offices, after regulators found it failed to account for all the hours they worked. "This practice harms workers, denies them wages they have rightfully earned and takes away time with families," said Susana Blanco, a Labour Department director in San Francisco.

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¹ Based on published fastest print speeds for the HP X551dw and X576dw models compared to laser and inkjet colour desktop MFPs <£1000 and colour printers <£800 as reported by Buyers Lab Inc. BliQ WW Printer Database 9 May 2014. For more information, see hp.com/go/printerspeeds. ² Comparison based on manufacturers' published specifications of fastest available colour mode (as of August 2013) and includes the majority of colour laser MFPs <£1000 and printers <£800 available August 2013 based on market share as reported by IDC as of Q2 2013 and HP internal testing of printer in fastest available colour mode (sample four-page category documents tested from ISO 24734). For more information, see hp.com/go/printerclaims. ³ Based on the majority of colour laser MFPs <£1000 and colour laser printers <£800 as of August 2013 as reported by IDC as of Q2 2013. CPP comparisons for laser supplies are based on published specifications of the manufacturers' highest-capacity cartridges. HP Officejet Pro X CPP based on 970XL/971XL ink cartridges estimated street price, published page yield for colour prints and continuous printing. Actual prices and yields may vary. For more information, see hp.com/go/learnaboutequipment. * Conditions apply. See complete terms and conditions for more details: hp.com/go/buyandtry. ** Recommended retail price, including VAT.
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As I see it

Mark Hesketh, finance director at Standard Life, was named Inspirational FD of the Year at the FDs' Excellence Awards 2014

I worked for a trade union before going to university. I seriously considered a career in Labour politics.

With great people you can overcome poor processes; with poor people, it doesn't matter how good the processes are.

Winning FD of the Year was a blur and a total surprise since the other candidates were so impressive.

Spending Sunday mornings at church is a way of regaining perspective each week.



CHILDHOOD AMBITION Growing up, my family was not from a professional background, so ambitions tended not to be career based. I wanted to play football for Manchester United, become the first British astronaut (I was a child of the 1960s), or run in the 1,500 metres Olympic final. Sadly, all three were thwarted by a lack of talent.

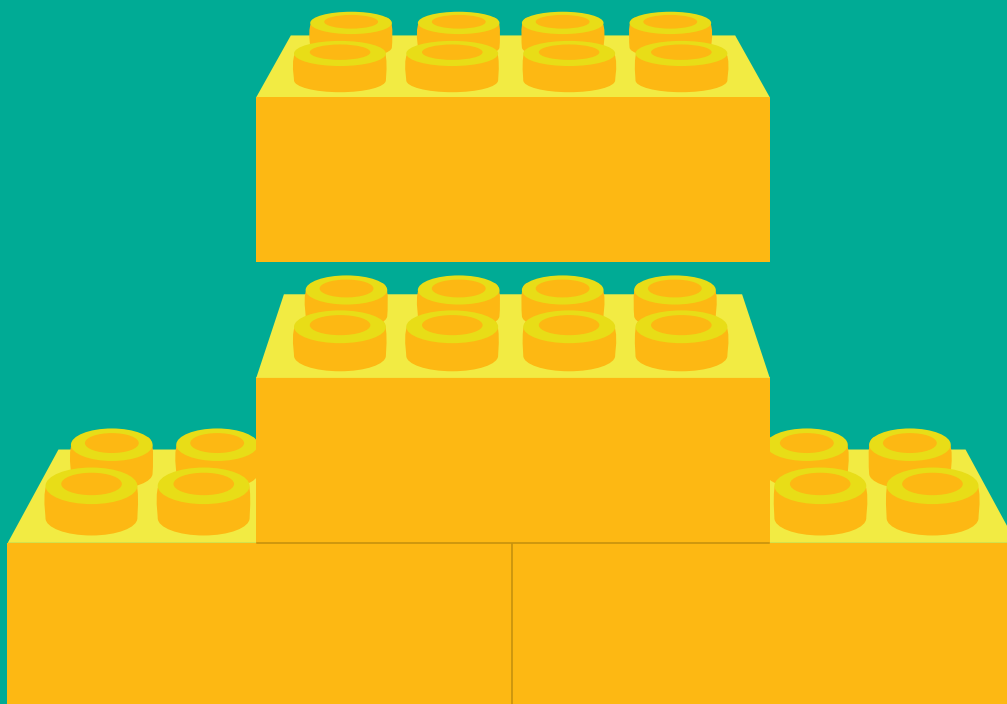
FIRST SENIOR ROLE As audit manager at Unilever, I gained experience in planning and executing audits but, above all, I learned how to train and develop other team members. Helping them in day-to-day audits, honing their presentations, praising them where due and intervening where necessary was a great first step in management.

BIGGEST HURDLE As learning curves go, the steepest was being made CFO of the manufacturing sector of RBS. Suddenly I was FD of a division with 27,000 staff and more than £3bn of annual spend, with a cost saving target of almost £500m. When I left, my team had the highest staff and customer satisfaction scores of any finance department in RBS.

CAREER MOTTO What motivates me is doing my best. If we have one purpose at work, it is to achieve and improve ourselves, our teams, and our results. I tried going through the motions once, but I only lasted a week and it nearly killed me. Work is what I spend a lot of my waking hours doing. If it's worth doing, do it well. If it's not worth doing well, change it to something that is worth doing well.

GREATEST INSPIRATION I'm proud (and possibly a bit defensive) of the people I work with in the finance team at Standard Life. It is truly humbling to see what they do in addition to their day jobs, whether it's counselling families scarred by cancer or chairing Mary's Meals, a charity that feeds 35,000 children a day in Africa. I am privileged to be here.

PHOTOGRAPHY: MARTIN HUNTER



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From the top

Among the many behind-the-scenes activities that ICAEW undertakes is its public affairs role. It helps to ensure we get policies that work for business and for our members in business. It also promotes our wider social remit as a profession, whether helping young people acquire numeracy skills in the UK; or advising on capacity building in developing countries overseas.

September is a busy time on the public affairs front as we prepare for the party conferences. As a non-partisan organisation, we attend all the main ones, both to showcase the work our members do and to persuade politicians to bear in mind the needs of business when developing policy. This year we will be presenting our ideas for achieving sustainable business growth and long-term prosperity in the UK.

We have identified four major themes that we believe an incoming government should consider. The first is aimed at driving balanced economic growth and includes the need to ensure that finance gets to businesses that currently struggle to access it. But we also want to see local enterprise partnerships given guidance on what is required of them and then left to get on with it, and we want government to encourage businesses to export.

Our second theme may be an old chestnut but it has yet to be cracked. Our tax system is one of the most complicated in the world and needs untangling. That in itself is a long-term project, but for starters we suggest simplifying tax for lower-paid employees, protecting HMRC funding and raising service standards, and replacing inheritance tax with a modest duty on all asset transfers above a certain amount.

Our third theme is better management of public finances. We have long argued for a Treasury run along modern finance department

lines, with a CFO responsible for financial leadership across Whitehall. We'd also like to see a regulatory framework for public audit across the sector.

Our fourth theme is ensuring our young people have the skills business needs by making work experience mandatory in schools, promoting career options in the professions and reforming undergraduate funding.

The manifesto has already been sent to members, politicians, policy advisers and businesspeople. I've spoken about it to Labour leader, Ed Miliband, and recently took it to Downing Street for a meeting with Oliver Letwin MP.

I would urge you to read it and spread the word. We need to place business at the heart of the debate in the run-up to the election. ■



Have your say
email president@icaew.com

ICAEW president Arthur Bailey wants business to be at the heart of the pre-general election debate



PHOTOGRAPHY: DAVID HARRISON

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Fuel consumption figures for the Civic 1.6 i-DTEC Black Special Edition in mpg (l/100km): Urban 70.6 (4.0), Extra Urban 85.6 (3.3), Combined 78.5 (3.6). CO₂ emissions: 94g/km. Fuel consumption figures sourced from official EU-regulated laboratory test results, are provided for comparison purposes and may not reflect real-life driving experience.

Model Shown: Civic 1.6 i-DTEC Black Special Edition in Crystal Black Pearl at £22,460 On The Road (OTR). **Terms and Conditions:** New retail Civic registered from 1 July 2014 to 30 September 2014. Subject to model and colour availability. Offers applicable at participating dealers and are at the promoter's absolute discretion. **Civic Black Special Edition Honda Aspirations (PCP):** Example shown based on Civic 1.6 i-DTEC Black Special Edition in Crystal Black Pearl at £22,460 total cash price (and total amount payable) with 37 months 0% APR Representative (Interest rate per annum 0% fixed) with £0 (0%) deposit, £408.29 monthly payment, Guaranteed Future Value / Optional Final Payment of £7,761.73 annual mileage of 10,000 and excess mileage charge: 6p per mile. You do not have to pay the Final Payment if you return the car at the end of the agreement and you have paid all other amounts due, the vehicle is in good condition and has been serviced in accordance with the Honda service book and the maximum annual mileage has not been exceeded. Indemnities may be required in certain circumstances. Finance is only available to persons aged 18 or over, subject to status. All figures are correct at time of publication but may be subject to change. Credit provided by Honda Finance Europe Plc. 470 London Road, Slough, Berkshire SL3 8QY. Honda Finance Europe plc is authorised and regulated by the Financial Conduct Authority, Financial Services Register number 312541. **The 5 Year Care Package includes:** Servicing: All scheduled servicing, as detailed in the vehicles service book, will be covered for 5 years or 62,500 miles, whichever comes first. **Warranty:** In addition to the standard 3 year warranty the customer will receive a complimentary 2 year extended guarantee taking the warranty to 5 years or 90,000 miles, whichever comes first. **Roadside Assist:** In addition to the standard 3 years roadside assistance package the customer will receive complimentary Hondacare Assistance for a further 2 years, taking it to 5 years or 90,000 miles, whichever comes first. **The 5 Year Care Package:** The 5 Year Care Package is optional. It is being offered for £555 including VAT (usual value £1,845 including VAT, resulting in a £1,290 saving for the customer) and is available to finance or non-finance customers. Please note, should you sell the vehicle during the period of cover, the package remains with the vehicle.



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★ THE JERSEY GIRLS

A team from Jersey College For Girls has beaten 47 other teams to win the 2014 final of BASE, ICAEW's national business game for schools. They won £500 each and a day at Chartered Accountants' Hall where, among other activities, they will meet chief executive Michael Izza and grill him about chartered accountancy.

Their victory is particularly impressive because the final has doubled in size since 2013. The finalists were asked to take on the role of chartered accountants and come up with advice for top retail industry names.

The judging panel included finance directors from Hobbs and M&S, as well as partners from accountancy firms. FitFlop CFO Jonathan Fairhurst said afterwards, "It's so important that young people are aware of the skills they need to develop in order to get ahead in the workplace."

ICAEW news and events

Jersey College for girls wins BASE 2014, nominations for Outstanding Achievement Award and ICAEW sees the launch of Malawi Institute

★ OUTSTANDING ACHIEVERS SOUGHT

ICAEW is looking for nominees for the 2015 Outstanding Achievement Award, the chartered accountancy profession's most prestigious prize. It is given annually to an individual ICAEW member who has made a significant contribution in more than one field of endeavour.

Recent winners have included Zarin Mehta, former president of the New York Philharmonic Orchestra, Sir Michael Rake, former chairman of KPMG International, chairman of BT and president of the CBI, and Dame Mary Keegan, PwC's first female audit partner and first female head of the firm's global reporting group, who became managing director of government financial management at

the Treasury. The deadline for nominations is 31 October 2014.

These should be sent in writing, outlining the reasons why the nominee should be considered, to ICAEW Outstanding Achievement Award, c/o Katie Mooij, 22 Melton Street, London NW1 2EP.

★ TWIN LAUNCH

July saw the launch of the Institute of Chartered Accountants in Malawi, together with a new professional accountancy qualification.

For three years ICAEW has worked with the Malawian profession through a "twinning project" financed by the World Bank. These capacity building projects involve an established national professional accountancy body sharing its experience with accountants in a developing country to help build and strengthen their profession.

There are just 900 professional accountants serving a population of approximately 16 million. The focus is on: adherence to international standards; a strong national accountancy body; a large, well-trained talent pool and independent oversight to ensure compliance with standards. ICAEW also runs capacity building projects in Botswana, Ghana, Nigeria, Zambia, Kenya and Tanzania.

★ NEW QUALIFICATIONS

ICAEW has launched a diploma in corporate finance in Cyprus, which it has developed jointly with the Chartered Institute for Securities & Investment. It is designed to develop knowledge, skills and expertise in corporate finance - considered vital in helping Cyprus recover economically, and will be delivered by the Cyprus International Institute of Management.

The Institute has also been busy in Singapore where chief executive Michael Izza signed a memorandum of understanding with Singapore Polytechnic to develop a new route for students to gain the ACA qualification.

The finance and accounting acceleration programme will allow the students to start taking the ACA exams while studying for their diploma in accountancy. They will also earn credits for prior learning towards the qualification. As a result, they will be able to become ICAEW chartered accountants within three years of graduation.

8,580

The number of school pupils who have participated in BASE since its launch in 2009

EVENTS

■ 10 SEPTEMBER IT SECURITY, CYBER ATTACKS AND LIVE HACKS

A presentation for a non-technical audience on the threats and a demonstration of hacking targeting mobile technologies. Peterborough

■ 16 SEPTEMBER TO 9 OCTOBER INSOLVENCY AND RESTRUCTURING

These roadshows will discuss legal topics in the insolvency world, look at compliance problems and debate issues arising from SIPs 3, 7, 9 and 16. London, Leeds, Manchester, Bristol and Birmingham.

■ 17 SEPTEMBER PROBLEMS AUDITING NEW UK GAAP

The move to new UK GAAP is likely to be a challenge for many auditors as they grapple with accounting at fair value, as well as new disclosures and a complex process of transition. Liverpool

■ 18 SEPTEMBER FINANCIAL CONTROLLERS' CONFERENCE 2014

As well as updating on technical information, delegates will be able to discuss career options with ICAEW leadership development team. London

■ 25 SEPTEMBER FARMING AND RURAL ANNUAL CONFERENCE

As well as examining the implications of the 2014 Budget and the delay in the CAP reform, the conference will also provide a full sector update on tax changes and how clients may be affected. Birmingham





PHOTOGRAPHY: SOPHIA SCHORR-KON

I will never forget my first audit. I had just joined Fraser Russell and was sent to Agfa, a huge company that makes cameras and photography film. As a junior, the only thing I was required to do was the bank reconciliation, but in those days we didn't trust computers so I had to cast one month's nominal ledger of the bank account by hand. It took days. I started to think, "what have I let myself in for?"

So when I arrived at my second audit client - one of the learned societies - I was pleasantly surprised. From the moment I stepped through the door I felt wanted. The charity needed my knowledge and expertise, particularly in processing unusual transactions in the management accounts and drafting the statutory accounts. It made the whole experience far more fulfilling. That was the day I decided to specialise in charity clients. And 25 years on, I haven't looked back.

Tales from the frontline

Helena Wilkinson, partner and head of charities and not-for-profit at Price Bailey, on why she specialised in the third sector

As a young audit manager, roughly 30 of my 50 clients were charities. By the time I joined Chantrey Vellacott as senior audit manager in 1997, I had about 100 charity clients. Whenever I arrived to audit a charity, I was welcomed warmly and the team seemed grateful for my input, whereas commercial clients had the "how long are you going to be here?" attitude.

What I also love about working with charities is how passionate the people are. They aren't recompensed as much as they would be if they were in the commercial sector - they work in those jobs because they feel strongly about the cause.

When I left the profession in 2000 to become finance director of Alexandra Park and Palace - one of

my clients - I was surprised by how this affected my other charity clients. Lots of them said things like, "I don't know what we're going to do without you," and, "you've helped us so much". Only then did I appreciate how much I had helped them.

Those early months as an FD were terrifying. The previous FD had left suddenly so there was no real handover period. I had little information and no idea what was going to crawl out of the woodwork. If a surprise letter arrived in the post or a problem cropped up, I'd have to deal with it there and then.

I learned a huge amount, but found it lonely and isolating at times. In practice, there are dozens of people you can ask for opinions, but as an FD you have a small finance team and fewer people to turn to. I was able to use other FDs I knew, to share knowledge and experiences but I felt distanced from the technical changes to the profession, which is why I decided to return, initially as partner at Chantrey Vellacott and, since August, as partner at Price Bailey.

Becoming an FD changed me. I left the profession with the mentality of an auditor and returned to practice six years later with the mentality of an advisor. Previously, I had been focused on financial statements and getting accounts signed off, but as FD I realised the remit was much bigger. Above all I learned that finance isn't just a department - it is the hub and you need to interact with every person and every department.

What struck me when I rejoined the profession was how much more regulation and paperwork there was. Regulation is particularly challenging for charities as they utilise every penny. I'd love to see simplification, especially with regards to tax and VAT. It's important that charities are able to do what they're there to do, rather than spending a chunk of their time and income on professional advice to gain assurance compliance.

One thing I'd like to do - and that's why I'm a member of ICAEW's Charity and Voluntary Sector Group - is, in time, change that setup to make life easier for charities. Given that Price Bailey receives 10% of its income from not-for-profit clients, I see no reason why our voice can't become more powerful. ■

The graph

\$200m
£120m

In our statistical portrait of the last month, economic confidence is on the up, bank lending in the UK is down and Scottish independence is up for debate

Scottish independence

11%

support the financial and economic arguments

22%

are on the fence

Where do finance professionals in the UK stand on the Scotland debate?

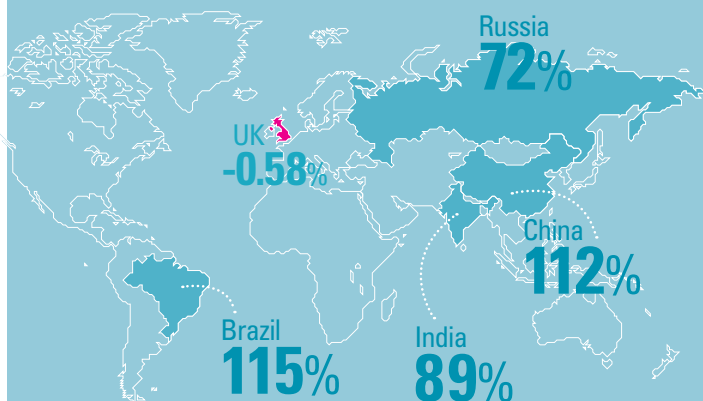
68%

say it makes no financial sense

86%

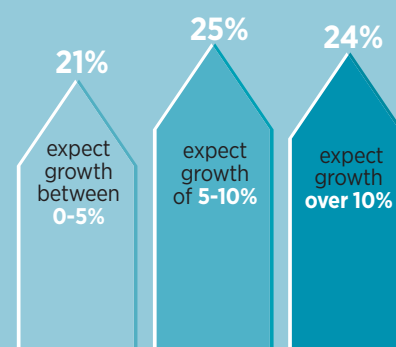
of SMEs report **confidence in the domestic economy**. That's an increase of 30 percentage points from the same period in 2013

Bank lending to private businesses and households soared over the last four years in certain emerging economies. Meanwhile, in the UK, lending decreased by 0.58% in the same period



UK trade

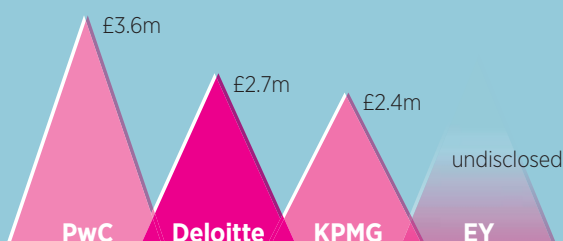
70% of SMEs predict import/export growth in the next 12 months despite a five-year period of export stagnation



Big Four, big pay

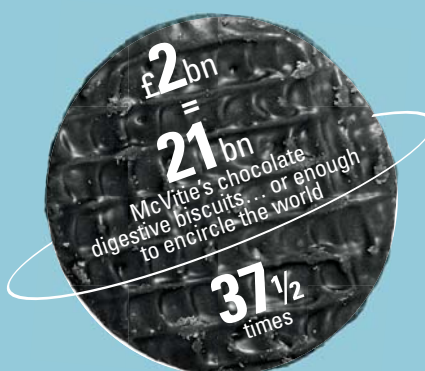
£700,000
Average salary of Big Four partners

Amount senior UK partners were paid in 2013



British biscuits

US food giant, **Kellogg**, is examining a £2bn offer for **United Biscuits**, the owner of McVitie's, maker of Penguin and the famous chocolate digestive biscuit



How much the World Bank has pledged to **help** fight the **Ebola** virus outbreak in West Africa

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The mpg figures quoted are sourced from official EU-regulated test results (EU Directive and Regulation 692/2008), are provided for comparability purposes and may not reflect your actual driving experience.



Go Further

Michael Izza



“One third of financial investments are international transactions”

Later this month, the G20 finance ministers will meet in Cairns, Australia, to discuss among other things the progress being made by the OECD on its Base Erosion and Profit Shifting (BEPS) project. This, as you will be aware, is the comprehensive review of the international tax system that the G20 asked the OECD to carry out, involving 15 separate “actions” to tackle BEPS in a comprehensive and coordinated way.

The OECD says the development of these actions will result in changes to the rules for the taxation of cross-border activities. The aim is to ensure profits are taxed where the economic activities that generate them are carried on and where value is created.

One of the first actions the OECD has been working on - which is likely to be high on the finance ministers’ agenda for discussion - covers the enormous tax challenges governments face as the global economy becomes increasingly digital. According to recent research from the McKinsey Global Institute, flows of goods, services and finance amounted to \$26trn (£15.6trn) in 2012, equivalent to 36% of global GDP. One in three goods currently crosses national borders and more than one third of financial investments are international transactions.

Thanks to emerging economies, the spread of the internet and digital technologies, global flows are set to triple over the next decade, McKinsey believes, possibly to as high as \$85trn by 2025. Global online traffic across borders is likely to grow eightfold over the same time period while knowledge-based flows, including professional services, are likely to dominate the global economy.

All this creates a major headache for governments seeking to shore up their public finances and achieve a reasonable tax take from international business. How do they create a global framework that establishes where and when companies make their profits in an increasingly digital age?

Last March, the OECD issued a discussion paper on how best to tax the digital economy which set out possible options, ranging from modifying the exemptions from permanent establishment (PE) status to devising a new nexus based on significant digital presence. ICAEW argued that the best option would be to amend the PE exemptions so, where international businesses have a commercial presence in a country which is an integral and essential part of their business model, it should be accepted it creates a PE.

I don’t envy the OECD’s task of trying to find the answers to this and the other BEPS questions, but when it does I would urge the G20 and OECD member countries to act in a collegiate manner, accept there will be winners and losers and agree to the deal that will best reflect the OECD strapline, “Better policies make better lives”.

Michael Izza
ICAEW chief executive

Your feedback



BRAND VALUES

I have drawn the Institute’s attention to the website of a local firm near my practice that is neither owned nor controlled by ICAEW or ACCA members. Yet they are allowed to use the ICAEW training office logo on their website. I am informed that ICAEW has a record of a qualified member at the firm with an ICAEW trainee, although neither is shown on the staff list.

I am gobsmacked that an unqualified firm can enhance its website by carrying the ICAEW logo attached to the words Authorised Training Employer.

To allow the use of our logo in this manner is at the very least simply devaluing our brand.

Is it any wonder that many ICAEW firms don’t use the logo on their websites or paperwork when unauthorised firms can?

John Lee, Lee Accounting Services

ICAEW REPLIES:

This firm is not misrepresenting itself as one of our member firms as the logo in question here (“Authorised Training Employer”) clearly denotes being authorised to train ACA students. The use of this logo is distinct from the member firm logo (“ICAEW Chartered Accountants”) that only ICAEW registered practices are allowed to use.

ICAEW took the decision many years ago to broaden the number of organisations that could be authorised to train ACA students provided that they met the same training standards and were subject to the same regular monitoring from ICAEW.

This process - grounded on the ‘Qualified Person Responsible for Training’ acting as supervisor - has enabled many smaller practice firms to train in the UK, as well as many new organisations. We only allow individuals to supervise ACA training if they are appropriately qualified. Our aim is to help as many talented people from as

TOP 5 MOST READ STORIES ONLINE

1

UK Big Four partners’ pay increasing

2

Robert Tchenguiz to sue Grant Thornton

3

Deloitte accountants’ Comet referral

4

HMRC demands avoidance payments

5

FRC investigates EY C2000



many suitable organisations as possible to train for the ACA.

This will support access to the profession and career fulfilment. It will also increase the number of ICAEW Chartered Accountants in society, able to advise clients of all types. Use of the Authorised Training Employer logo helps to raise the profile of ICAEW and ensure that staff are aware of the availability of ACA training within organisations.

A SECOND RTI RESPONSE

I fully endorse the comments of Peter Seaton (*Your feedback*, July/August). Our Institute is supine in dealing with whatever burdens government seeks to impose. Doubtless this is due to a desire to avoid being politically partisan.

However, it is not a question of politics. It is a question of efficiency, common sense and the erosion of civil liberties. Mr Seaton's arguments can be extended to the requirements to submit VAT returns and Corporation Tax returns online. One has to wonder if the failure and huge cost over-runs in HMRC IT systems is a reflection of having to cope with these measures.

Laurence Factor, Newman & Partners

GROWTH COSTS MONEY

Unless banks stop treating businesses as numbers on a spreadsheet and make time to understand what these entities are trying to achieve, the pace of recovery will drag (*Leader*, July/August).

The economy needs successful companies to continue to invest heavily. SMEs are struggling to get the credit they need to grow. Many have no confidence in the banks that treated them so badly. Greater competition has to be the answer. The coalition should be doing everything in its power to encourage new entrants into the banking sector. In the meantime, my hope is that alternate sources of finance disrupt the existing banks into action.

Peter Hollis, Hollis & Co

QUALITIES OF A BIG FOUR PARTNER

It had never really struck me before how comparatively free from Oxbridge bias the Big Four are (*Partner material*, July/August). It was a surprise to see that, in the land of "égalité", it's the Grandes Ecoles that rule the roost. I suspect that a comparison of the major law firms in France and the UK would have shown a much greater similarity - with Oxbridge and probably private education being a key factor in the UK and the Grandes Ecoles still the route to success in France.

Mike Truman

PARTNERS EARN MORE THAN £1M

Pay the junior staff really well? Either you've never worked in a Big Four or you've clearly forgotten. To compound the misery, they removed overtime just over a decade ago, which gave the partners the opportunity to bring deadlines forward without paying for it. No wonder their salaries are so high - I guess it allows them to become members at their local golf club.

Anonymous

Partners earn profits not pay. Have we become so socialist that we are now going to meddle with how much dividends a company can pay its shareholders? Also, as a senior manager in a Big Four working hard to try and make partner, I really don't think £700k is exaggerated. I very much hope to peak closer to the senior partner figures.

Anonymous

No-one needs or deserves annual earnings of £1m, however hard they work. So this just means that the firms are over-charging clients for work that could be done at a better price. The trouble is the fees are approved by executives who are also over-paid and who support the absurd differentials in pay that have grown steadily over recent decades.

Anonymous

DUAL MODEL FOR LEASE ACCOUNTING

This is a good move by the IASB because the single model is simpler than the US dual approach. When accounting is very complex and there are distinctions that even professionals struggle to understand, it becomes meaningless. The principle that leased assets and the related obligations should be on the balance sheet is important (it could have prevented the Southern Cross collapse in 2011) and it would be a shame if the principle was lost in lots of details and get-out clauses.

D James

HMRC DEMANDS AVOIDANCE PAYMENTS

So we are well established now in the realm of bureaucratic decision making; the tax man says the law that he drafted should not be read as it says but as he now says he intended to write it.

Meanwhile, it is reported that the Conservative Party will have a policy at the next general election under which members or parliament would be able to contradict decisions of the ECHR.

These are fundamental changes to our concept of the rule of law. By abolishing the distinction between lawmakers and the courts, we now live our lives at the pleasure of the government and its agencies in much the same ways our forebears lived before the glorious revolution. As a chartered organisation one might have expected some resistance from ICAEW.

EppingBlogger

NT ADVISORS LOSE ANOTHER CASE

How can our tax legislation be so lax that schemes which are blatantly based on lies don't result in criminal prosecution?

D James

The *economia* website is regularly updated with news and technical stories. To join the debate, visit economia.icaew.com

Letters and comments may be edited for clarity and space.

Bronwen Maddox



“The risk is that the economic impact of sanctions, and of Russia’s retaliation, could be high for the west”

It’s questionable whether you can really learn much by interviewing an autocrat. Their conviction in their right to hold power usually trumps discussion of policy. But I found interviewing Vladimir Putin in June 2007, in his first stint as president, unusually revealing. At his residence outside Moscow, a stuccoed villa claustrophobically surrounded by 70-foot high pines, he declared he would point missiles at Europe if the US located its missile defences in eastern EU countries; listed human rights abuses within the US (citing page numbers of Amnesty International reports) when challenged about Russia’s own abuses; and laid out his vision for regaining the power Russia had lost, which he described as the great tragedy of his time.

This determination to rebuild Russia’s greatness clearly underpins his seizure of Crimea as well as his bid for control of eastern Ukraine. This is treacherous territory for sanctions of the kind that the EU and US have launched. They will work as a deterrent to further expansion if the Russian president is probing how much territory he can win before the price enforced by the west becomes too great. However, the risk is that the economic impact of sanctions, and of Russia’s retaliation, could be high for the west, and if he is driven by his vision of Great Russia, the ultimate effect could be small.

BANKING ON SANCTIONS

The main plank of the sanctions is restrictions on Russia’s five big state-owned banks, Sberbank, Gazprombank, VEB, Rosselkhozbank and VTB bank. Europeans will be barred from buying debt, equity or other financial instruments with a maturity of more than 90 days in the banks or their subsidiaries. Last year, nearly half the financial instruments issued by these banks were to EU markets. The EU has also added an arms embargo and a ban on the sale to Russia of some oil exploration technology used for deep water drilling, shale gas extraction, oil and gas exploration in the Arctic.

Sanctions are already biting in the countries that have imposed them. In Germany, the Committee on Eastern European Economic Relations, an industry body, has warned the crisis could cost 25,000 jobs

in that country; Deutsche Bank calculates a Russian recession could wipe 0.5% off German GDP growth.

Lord Livingston, the UK’s trade minister, has shrugged off criticism that the EU sanctions will hurt the City disproportionately, compared to German or French export industries, saying the UK must be prepared to take its share of the pain.

But some in the UK warn the impact could be greater on manufacturing than on the City; 9.5% of the UK’s car exports went to Russia last year. Lord Bamford, chairman of JCB, has hit out at the sanctions, saying they could cost British jobs.

REPROOF AND DETERRENT

The effect on Russia so far has probably been more psychological than economic. The weakness of the economy long predates the Ukraine crisis – indeed, some analysts argue this was a factor in Putin’s desire to demonstrate strength abroad to Russians at home. The impact on the rouble and the Russian stock markets has been nothing like as clear cut as the White House claims.

The International Monetary Fund reckons the flight of capital from Russia could amount to \$100bn (£60bn) this year. The real impact will come if Russia escalates the conflict to cutting off supplies of energy to Ukraine and the EU. In that event the EU would not just have to find alternate supplies, but get those to Ukraine too, to help the beleaguered government there.

This is not an argument against sanctions. In justified cases, such as this, they are an expression of united reproof and a deterrent against worse behaviour. Seeing how trade curbs have brought Iran’s leaders to the negotiating table over their nuclear programme has done much to counter the presumption they were ineffective. A study this year by the Peterson Institute for International Economics in Washington, DC, came to that conclusion too.

But sanctions are painful, for those exercising them as well as the target. They will work only against a leader or government sensitive to that cost. This will be a test of how far Putin is prepared to take his vision of restoring Russia’s glory.

Bronwen Maddox is
editor of *Prospect*
prospect-magazine.co.uk

George Magnus



“While record numbers of people are recorded as employed, they are not participating in the recovery”

You may have noticed that the UK economy has become almost hyperactive. This year, according to the International Monetary Fund, it is predicted to grow by 3.2%, higher than any other major advanced economy, and in 2015, a further expansion of 2.7% is in prospect. It is scarcely believable that a little over a year ago, pessimism ruled the roost, with the IMF warning the government in the spring of 2013 that its austerity programme was “playing with fire”.

This mood evaporated as it became clear the economy had turned the corner. The government’s Help to Buy policy did encourage the housing market, but the bounce-back started much earlier and owes more to high levels of employment and, so far, a remarkable (for the UK) six-quarter sequence of rising investment spending by companies. Fortunately for the government, the economic news is expected to look even better by the end of September.

NURTURE ECONOMIC EXPANSION

The Office for National Statistics is unveiling the results of a huge accounting exercise, designed to better measure the role of information and communications technologies in production processes, the creation of “intangible assets”, such as intellectual property rights and research and development, and the output of various sectors from insurance services to borderline activities, such as drugs and prostitution. This won’t change the UK’s overall growth rate, but it will change our perspective of where we have been.

The 2009 recession wasn’t as deep as thought, we surpassed the 2008 peak in activity early this year, and savings and productivity may have been under-estimated. What could possibly go wrong?

In strictly UK economy terms, while record numbers of people are recorded as employed, they are not participating in the recovery. Average weekly earnings are barely growing in money terms, and stagnant when adjusted for inflation. This shortcoming will make any economic expansion short-circuit. Interest rates may start rising quite soon, productivity growth has

disappeared, and the share of investment in GDP is at its lowest level since 1945 (except for 2009).

The UK is also exposed to adverse external developments. A major factor is the weakness of the euro area, to which so many UK business and commercial interests are tied. The recession in the euro area did end in 2013, but growth is poorly distributed and feeble. Moreover, with inflation in the region sliding to just 0.4% in July, there is risk of deflation. Much will be expected of the European Central Bank if these signs intensify.

The sharper factor is Russia. The full weight of sanctions imposed after the annexation of Crimea, and after the MH17 disaster, will push Russia into recession and damage trade. Sanctions have been imposed in the energy, technology and arms sectors, and, crucially, on the foreign financial activities of Russian banks, companies and the state.

The trade issues may be uncomfortable, but they aren’t centre-stage. British companies, such as BP, have a lot at stake, but UK exports to Russia are barely \$6bn (£3.6bn). German exports are five times as big, but still a small fraction of that country’s total exports.

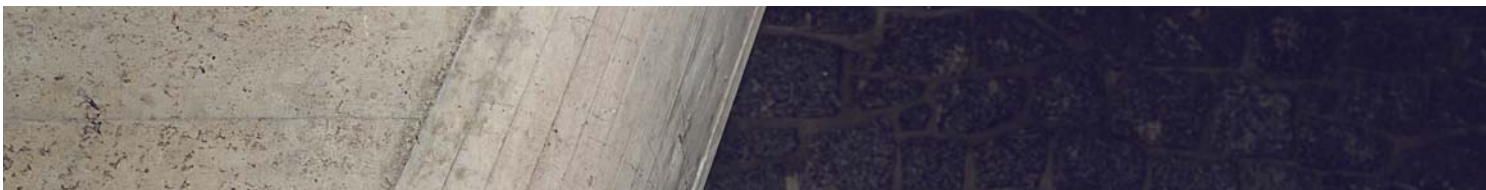
CELEBRATE WITH VIGILANCE

Rather the concern is about the financial effects of Russia’s disengagement on itself, global capital markets and the City of London. Russian banks and other entities will be banned from raising capital in foreign markets, and banks will be banned from offering other investment services.

Russia’s \$478bn (£284bn) reserves will be of little use if they can’t be sold. Further, the decision by the Court of Arbitration in The Hague to order the Russian Federation to pay over \$50bn (£30bn) to shareholders of Yukos, seized a decade ago, could lead to claims to seize Russian assets abroad if the government doesn’t pay up.

The UK should celebrate its recovery, but we have to be vigilant. Unfinished domestic economic business, a feeble eurozone, and the consequences of financial deglobalisation, generally and in respect of a major emerging market, will stalk the country’s economic prospects and wellbeing.

George Magnus is an independent economist and former senior economic adviser at UBS



Making an impact

Taking risks on her career path allowed Nutan Wozencroft to pursue her interest in sustainable development. She tells Amy Duff how her latest role as chief financial officer at Unesco is a fascinating step on her journey

Photography by Emmanuel Fradin

Born in Austria, of Indian origin, educated in England, married to a Brit, and passionate about development and planning. This is Nutan Wozencroft. Her father was an econometrist for the United Nations specialising in health, agriculture and development while her mother's side of the family were political activists. Could there be a more fitting organisation for their daughter to work than the United Nations Educational, Scientific and Cultural Organisation (Unesco)?

Wozencroft led a fairly nomadic existence, moving roughly every three years with her father's job until she settled in the UK for her secondary schooling, higher education and accountancy training at Cape & Dagleish (now part of Grant Thornton). So it's no wonder that her own career has taken her around the world from Malawi and Uganda to Bangladesh and Madagascar, working across a fascinating range of sectors and organisations, and culminating in her current role as chief financial officer of the UN's cultural agency, where she has been since August 2011.

As she says from her office in Paris, she has endured some personal challenges along the way. She recalls her son telling her she was too "unreliable" to help him with his 11-plus after working 60-hour weeks for a year. But rather than give up her career, she broke out of the traditional finance manager mould and set up her own consultancy instead. "You've got to be willing to take some risks on your career path if you want to do something different," she explains.

Her first deviation from the more well trodden path was when she decided to become a chartered accountant rather than do a Masters or join a research organisation after she graduated. (Her degree at the London School of Economics was in trade and development, specialising in national planning and population.)

She then chose a medium-sized firm, Cape & Dagleish for her training rather than one of the Big Four because she recognised the "huge opportunity" she'd have at a smaller practice. "I asked to be assigned to different types of work," explains Wozencroft. "I helped with the MBO of a publishing company; I went on secondment to a public company to prepare its interim accounts; I prepared management accounts for SMEs and charitable organisations... Cape & Dagleish was a mid-sized practice that just grew and grew," she adds.

By the time she left in 1993 to become the regional accountant for the International Planned Parenthood Federation (IPPF) she

was partnership accountant reporting to the FD and supervising three staff. After six years at IPPF, which operated in over 156 countries and had an annual income of \$120m, she moved to another senior role as financial controller at Marie Stopes International (MSI), a £79m turnover partnership of reproductive health social enterprises operating in 40 countries.

Her gender doesn't appear to have limited her opportunities. So what does she think of the glass ceiling as a senior level woman working in finance? "When I started at Cape & Dagleish I think there were 10 trainees, only two were women and I was the only ethnic minority," says Wozencroft.

"I won't say there wasn't a glass ceiling... I got married a month after I qualified and I think there were concerns about what I was going to do next with my life. You can decide whether you're going to be 'one of the boys' or you decide to do it your way. What I would say is that we're equal but not the same. We shouldn't be expected to work in exactly the same way."

Later on in her career - the 60-hour week period where she led a team of 11 accountants for MSI as financial controller on its international programmes - Wozencroft says she took the decision to spend a couple of years focusing on her family instead. She explains: "My youngest was nearly five and my eldest was 11. We'd just negotiated and received a \$100m grant (£59m) for MSI and the FD role was up for grabs. I knew those hours weren't going to reduce. My eldest said he wanted a tutor for his 11-plus because I wasn't home when I said I would be. I remember thinking, 'he's right, and maybe I should do something about this before he becomes a teenager and that's all he remembers'."

So in 2007 she took on the part-time role of strategic business advisor to MSI from a base in France. It wasn't taking her foot off the gas so much as changing her focus. Then in 2009 she set up her own business so she could further develop her skills by focusing more on strategic planning and change management.

That's how she ended up working as a country director for Malawi, an MSI partner that had a £5m budget, 30 clinics, 60 social franchisees, 370 team members and 740,000 clients. "It was a huge opportunity and a major challenge to manage an organisation that was going through massive change," she says.

Working in the reproductive health sector, an industry that can attract passionate opposition, Wozencroft learned to hone her communication skills. "You're expected to stand by the ethics of the organisation," she confirms. "I was expected to be an advocate at Marie Stopes, to speak to donors, to defend its stance. It wasn't just a financial role; I was part of the senior management team. That makes you a better finance manager," she says.

She says her accountancy training has stood her in good stead over the last 20 years. Whatever country she is working in, she says good financial management and practice should never be diluted. She adds: "When I was consulting I went to help an organisation to look at its strategic planning and they were in a complete financial mess. The finance manager left two days after I arrived and I had to run payroll. If I didn't have my [accounting] background, it would have been difficult."

And now here she is at Unesco, CFO of an organisation with nearly 3,000 full-time and temporary staff members around the world and an extremely "complex" mandate, the main focus of which is preventing a third world war. "Unesco was founded in the aftermath of the second world war in less than a generation," explains Wozencroft. "The idea of preventing a third is by



promoting education to bring down barriers and to deal with the issues that cause wars,” she says. Education is key, but natural, human and social science as well as culture and communication are also important. But with conflicts raging in so many parts of the world today, including Gaza, Syria and Iraq, is it not dispiriting to work for an organisation whose remit is to “build peace in the minds of men and women”?

As recently as August, Unesco director general Irina Bokova appealed for schools to be kept out of the conflict in Gaza, after a number of United Nations Relief and Works Agency schools serving as shelters were hit, resulting in civilian casualties and fatalities. Wozencroft treads carefully.

“The need for an organisation like Unesco is probably more important than ever before,” she says. “There are so many areas of emerging conflict. But Unesco is one of the places where inter-government dialogue and building through consensus is encouraged. There is a common understanding that this is an organisation where resolution and consensus are sought.”

CAREER HIGHLIGHTS

1985 Joins Cape & Dalgleish

1993 Joins the International Planned Parenthood Federation as regional accountant

1999 Joins Marie Stopes International as financial controller

2007 Becomes strategic business advisor for Marie Stopes

2008 Sets up consultancy business providing institutional development support for Marie Stopes

2011 Joins Unesco as chief financial officer

Coincidentally, it is Palestine that presented Wozencroft with one of her biggest challenges so far as CFO. Unesco suffered a major loss of funding in 2011 when it became one of the first UN organisations to recognise Palestine as a full member state. “As a result,” she explains, “the Americans (who continue to be on our executive board) had to suspend their payments because of a law that prevents them paying any organisation that includes Palestine as full members [before an Israeli-Palestinian peace deal is reached]. That was almost 23% of our funding (an \$180m reduction in our bi-annual budget) cut with eight weeks’ notice.”

It was a challenge, but for Wozencroft it only served to focus her mind on what had started to happen within the organisation already: reform. Bokova, whom she describes as a “reforming director general”, had plans to streamline the organisation as part of a five-year plan. Out of necessity, they had to do it in two.

Despite these pressures, Wozencroft describes the last few years as “a good time to be in the UN”. She has had no problem getting to grips with streamlining an entity of the size and stature of Unesco. By cutting back on recruitment and putting in place more efficient management tools and systems, the organisation has learned how to make better, quicker decisions with smaller teams. She says they had a roadmap within three months of what needed to happen in the following two years. They built

a “rapid review mechanism” that identified at all levels of the organisation what could be done to immediately reduce costs and become more efficient.

There was some resistance to change, but also an acceptance among the teams that the funding cut meant they really had no choice. “In those circumstances the CFO is an essential part of the senior management team,” she says. “The information you bring to the table is what determines the operational strategy of the organisation.” So far, she’s satisfied with progress.

“We’re ahead of the curve on reform,” she says. “We’ve moved from stringent cash forecasting reviews to looking now at where we invest. We closed our budget last year without a deficit, having reduced it by 20% and raised funding to cover the remainder.”

But she’s by no means finished. After the suspension of the American payments, she says Unesco’s funding base has changed and it now pushes much harder on what she calls “extra budgetary fundraising”. That has grown, she says, by 5% or more over the last three years. A more daunting task is to try and reform the very nature of the organisation in order to prioritise the activities that will, crudely, get most bang for their buck.

Wozencroft explains: “In the days when we had 70% of our funding secured, we co-financed in many places. Now we have to be more careful in what we do. In view of scarce resources, we’ve prioritised what we’ll implement in terms of results.”

Unsurprisingly, the organisation is seeking to increase funding through the private sector (although it is still predominantly funded by government sources). And it is also working on how to maximise revenue from the assets it owns - “we’re one of the bigger events sites in Paris,” Wozencroft points out.

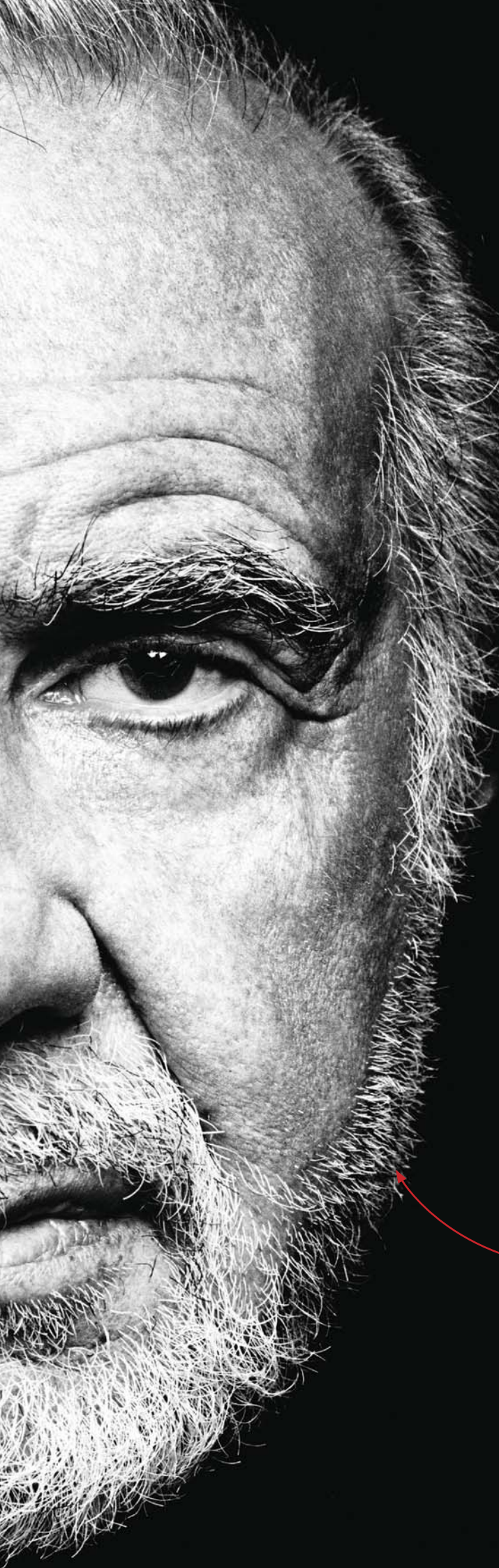
But amid all this streamlining and administrative reform, there are human beings on the ground doing essential work in countries such as Syria and Afghanistan. As much as she’s driven by good management information systems, Wozencroft is also finely tuned to the social impact of her decisions. “In a not-for-profit you have to balance the decisions you make - the impact on your beneficiaries - with the cost aspects,” she says. “From an operational perspective I can see it. I have to try and ensure that our financial regulations allow the level of flexibility they need while maintaining the control systems we need.”

The UN has adopted International Public Sector Accounting Standards (IPSAS), adds Wozencroft, as the standard by which it will prepare its financial statements. “Part of that is greater transparency and comparability,” she says. “We had UN-specific accounting standards but this will be based on IFRS. We are still reaping the management benefits of that.”

She sees no move onwards or upwards just yet; she likes to see out a cycle. “To see the UN addressing all the areas that lead to sustainable development is an exciting place to be,” she adds.

She has, she admits, a much better work-life balance than she did in her 40s. She spends her free time reading fiction (“I have enough reality in my day to day life”) or chatting with her boys. They travel to India a lot and enjoy exploring Europe by car.

Asked what she’d still like to achieve, she returns to her sustainability message. “If you’re making a commitment you need to ensure that it’s sustainable, either in the community you’re making a commitment in or by another organisation that takes over,” she says. “If you’re going to move into new areas you have to withdraw from old, and that’s the challenge. That’s what I mean about the social impact of the decisions you make. Sometimes, it’s not easy.” But she’s up for the challenge. ■



Is it right
for investors
to take the
lead in the
running of
a company?

Christopher
Alkan charts
the rise of
the activist
investor and
finds out
how they
are gaining
credibility
around the
globe

Companies
targeted by the
likes of **Carl Icahn**
improved their
valuations and
returns on assets
over a five-year
period after the
interventions

PLATON/TRUNK ARCHIVE

Activists were once among the most loathed class of investors. The likes of Carl Icahn and Bill Ackman became billionaires by shaking up under-performing companies - often booting out long-serving chief executives. But while such financiers have been condemned as locusts by some corporate bosses, others have come to see them as guardians of shareholders everywhere - displacing greedy CEOs, splitting up ungainly conglomerates and correcting wrong-headed strategies.

"One positive aspect to the growth of activism is that there are fewer places for under-performing companies and their executives to hide," says David Petrie, head of the Corporate Finance Faculty at ICAEW. "To avoid being the target of this kind of investor, companies should be very clear about their strategy with shareholders and take the best advice on allocation of resources and financing strategic measures, such as expansion by acquisition or planned organic growth."

Activism has not only been winning more credibility. Outside investors have also been increasingly willing to put money with activists. Over the past five years the funds under management of the class has trebled to \$93bn (£55bn), according to Hedge Fund Research. What's more, the approach is growing in popularity around the world. From its base in the US, a less aggressive version of activism has become popular in Europe, through funds such as Cevian Capital and Knight Vinke. The approach is even spreading to emerging markets with funds including Cartica, set up by former executives from the World Bank Group's private sector financing arm, the International Finance Corporation (IFC).

GAINING GROUND

Of course, "shareholder-friendly" investing still has plenty of critics. Celebrated corporate defence lawyer Martin Lipton, who has made a career by protecting companies from aggressive takeover bids, has long argued that activists focus on boosting short-term returns, cutting capital spending to pay higher dividends or taking on too much debt. Recent academic evidence from two US universities however, suggests

that such worries may be misplaced.

There are good reasons why activism is gaining ground. For a start, it has been extremely lucrative. In 2013 activists achieved returns of 16%, compared to just 9% for the average hedge fund, according to Hedge Fund Research. The year before the gain was 20% - more than double the rate achieved by their peers.

One possible explanation for these large returns is that activists have been fulfilling a critical need in the market, says Robert Whitelaw, a professor at New York University's Stern School of Business. "Normal shareholders can be a lazy bunch at times," he says. The average investor spreads their bets over dozens or hundreds of companies, leaving little time to supervise any particular one. If one company does turn in consistently disappointing results, the usual response is to sell the stock rather than campaign for a change of strategy.

"Activists, by contrast, behave like real owners," Whitelaw adds. "Instead of searching out the strongest companies, such investors try to find the weakest links - businesses with plenty of promise but whose leaders have made strategic blunders or taken too much of the profit for themselves."

By genuinely changing companies, rather than simply trading their stock, activists can achieve returns that would be far harder to achieve by normal investment techniques.

GETTING A TOE ON THE LADDER

Having identified a company that they think can be fixed up, an activist will often buy a "toe-hold" stake of around 5%. The first step is usually to present a plan to managers and hope they see the light. If this fails, the activist can seek to rally shareholders to their cause and win enough votes to remove directors and even chief executives, and install their own choices.

A classic example of this was Carl Icahn's 2012 activist campaign for control of Chesapeake Energy, a natural gas driller. "This company was a perfect target for an activist in that it had really valuable assets and yet was being run very badly," says Tom Biracree, an energy expert at consultancy IHS. "Company founder Aubrey McClendon was taking on far too much debt for the company, but

also his personal behaviour made it easy for an activist to rally opposition against him."

Chesapeake's board also appeared to be doing little to curb the excesses of their chief executive. In 2008, for example, when shares in Chesapeake plunged 60% and the company appeared to be headed for bankruptcy, the board approved a massive pay increase for McClendon - taking his total compensation for the year to \$112.5m (£66.2m). They also refused to discipline him when it was revealed that he had been taking out personal loans from companies that Chesapeake had sold assets to - a clear conflict of interests.

TURNING IT AROUND

"Carl Icahn helped turn the company around," says Biracree. With a stake of around 7.6%, Icahn won the support of fellow shareholders for a shake up of the board, a sharp cutback in spending and eventually McClendon was ousted. The results have been impressive. Between 30 January 2012, when McClendon was forced out and 25 June 2014, shares in the company climbed 60% - twice as fast as the increase in the S&P 500 index.

This kind of success story is far from unusual, according to the latest



"To avoid being the target of this kind of investor, companies should be very clear about their strategy with shareholders. They should take the best advice on allocation of resources and financing strategic measures, such as expansion by acquisition or planned organic growth"

academic research. “The traditional critique of activism is that these investors pump the stock and then dump it - boosting short-term returns while sacrificing long-term value,” says Wei Jiang, a finance professor at Columbia University. “In fact, we found clear evidence that activists generally provide a durable benefit for shareholders.”

BOOSTING VALUE

In a study conducted with Harvard University’s Lucian Bebchuk, Jiang examined the outcomes of 2,000 activist campaigns between 1994 and 2007. The result showed that companies targeted by the likes of Icahn improved their valuations and returns on assets over a five-year period after the interventions. Three years after activists sold their positions, remaining shareholders in the company were still ahead.

“We saw a short-term boost of 5% to 7% in the company’s share price relative to peers in the weeks around an activist initiative,” she says. “Where activists pushed for a sale of the company, gains were even greater at 10%. Most significantly we found these gains were still there even years later.”

Fears that activists may cause companies to take on more debt appear more legitimate, Jiang concedes. There is some evidence that the credit ratings of companies targeted by activists do go down. But this is not a killer argument against activism, she says. “Sometimes companies can be too keen to hoard cash - good for the bondholders but not optimal for shareholders.” Icahn made exactly this argument when he approached technology giant Apple, which held \$150bn (£88bn) in cash at the end of 2013.

And there are other potential benefits of activism too, especially for those worried by excessive executive pay. Jiang’s research discovered that companies targeted by shareholder-friendly investors ended up lowering pay by around \$1m (£590,000) relative to peers running companies of a similar size in the same sector. This may help explain why activists, at least in the US, are often feared by chief executives.

For executives more concerned with boosting shareholder value than personal enrichment, however, an activist investor should be something

that corporate bosses welcome, says Teresa Barger, co-founder and senior managing director of hedge fund Cartica and a former senior official at the World Bank’s IFC. “Activists can have unique insights on what international capital markets value in terms of issues such as capital allocation, segment reporting and disclosure policies,” she adds.

Particularly in Europe and emerging markets, executives have less to fear from shareholder-friendly investors. “Outside the US they are far less likely to seek to boot out directors and chief executives,” says Whitelaw. “Instead they tend to engage with the company and offer suggestions. It rarely comes to a fight.” This gentler strategy is not altogether the result of choice.

European companies are more likely to have dominant shareholders - whether governments or founding families - who can be hard to push around. While the free-float of the average American company is 95%, it is around 65% in France, Italy and Spain, according to data from MSCI. In emerging markets it can be still lower, with the portion of Indian shares available on the market just 32% of the total.

SMALL TWEAKS, BIG DIFFERENCE

“The downside of a tightly controlled company is you can’t force action,” says Steven Quamme, co-founder and senior managing director of Cartica. “The upside is that these owners usually care deeply about the value of this company, since much of their wealth is locked up inside it.”

The potential opportunities for this style of investing are enormous, argues Quamme. “There are a lot of company bosses in emerging markets who are very skilled at running their businesses,” he says. “But they do not always understand some fundamental truths about dealing with distant shareholders.”

With some relatively minor tweaks such companies can achieve a higher price earnings ratio. For example, many family firms accumulate companies involved in a range of activities, leading to a conglomerate discount. “It does not always occur to true owners that outside investors would be far more attracted to a pure-play company,” he adds.

Emerging market companies also often need encouraging to improve

financial disclosure - giving more detail of their performance, especially in English. For example, Cartica helped Peruvian infrastructure firm Grana y Montero improve its communication with the capital markets. That contributed to a trebling of the stock price during the year and a half Cartica was an investor between 2010 and 2011. Even tweaks can make a difference, Barger says. For example, if a company lists itself as a grocer rather than a retailer in the Bloomberg categories, it can attract a greater price earnings ratio. Equally, logistics firms are more highly prized than chemical distribution companies.

CLOUDS ON THE HORIZON?

Of course, activists are far from infallible. Such investors sometimes lack a proper grasp of the sector in which they are investing and can falter. Ackman’s attempt to turn around failing retailer JC Penney was a notable flop. During the three years he was an investor, the stock fell 58%.

There are also potential clouds on the horizon for activists. As with any investing approach, returns may fall as more activists chase fewer lagging companies. “The fact that executives are becoming more afraid of activists may eventually mean there is less bad behaviour and poor strategy for them to go after,” says Whitelaw. “After all, it is poor management or a lack of financial savvy that helps them make bumper returns.”

Another concern is that more technology companies are adopting dual share class structures, which give a disproportionate voting power to founders. Such well-known names as Google, Facebook, LinkedIn, Groupon and Zynga have given super-voting shares to the entrepreneurs that set them up. Some media companies, including the *New York Times*, also adopted this model. This is not necessarily a problem for activists now but if the standard of management at these firms slips, it will be hard for activists to gain much leverage and muster support for change.

Despite these reservations, experts believe shareholder-friendly investing has a great future as more companies in emerging markets try to tap global capital markets. They will need guidance on how to make themselves attractive to international investors, and that will provide plenty of work for activists over the years to come. ■

Free-float
of average
company in:

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95%

France,
Italy,
Spain:
65%

India:
32%



Defectors willkommen

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AUDI	A3	2.0 TDI	184	380	110	18%	67.3
MERCEDES	A Class	200 CDI	136	350	116	19%	64.2
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*Volvo V40 D4 manual, BMW 1 Series 120d 5 door manual, Audi A3 2.0 TDI Sportback manual, Mercedes A-Class 200 CDI manual, VW Golf GTD 2.0 TDI 5 door manual. All Figures confirmed by manufacturers own websites as at 22/4/14.

“Will mandatory rotation negatively affect audit quality?”

NO *RA Collinge, head of Corporate Governance Group, UK Shareholders Association*

By law an auditor reports and is responsible to the shareholders of the company being audited. The auditor is required to be independent of management, but they are the people he is appointed by, works with and the people who sign the cheque.

Laura Carstensen of the Competition Commission commented: “Shareholders play very little role in appointing auditors compared to executive management... firms naturally focus more on meeting management interests”.

When first appointed, the auditor will have explored all the material accounting processes and policies of his new client and decided on their effectiveness and fitness for purpose. At that point he could challenge any policies he was uncomfortable with, check his firm’s view with its technical department and either accept them or not. A working relationship with management was established.

Such relationships can go on for a long time: 80% of 10-year plus FTSE 350 companies had until recently not changed auditors for at least 10 years, some for over 100. This has been a factor in the failure of auditors to warn of the bank collapses. In the EU alone, 114 banks received either capital injections or asset relief aid. None had a qualified audit report prior to the crisis.

Auditors need to do better. Audit rotation is part of the answer. It will bring new thinking on processes and policies; peer review of audit work; and fresh effort to ensure the audit is as effective as possible.

YES *Steve Barber, audit committee chairman, Next*
I’m responding with the benefit of having been a FTSE 100 auditor, a CFO, and now a FTSE 100 audit committee chairman. The theory that rotation of auditors should lead to better quality audits is fine - but will the reality match that expectation?

First, let me deal with the myth that management appoint the auditor. This was true 30 years ago but nowadays the audit committee has a powerful voice. Most FTSE 100 audit committees comprise experienced professionals who will not allow management to appoint the auditors.

The audit firms may not have helped themselves by giving various banks clean opinions but, most likely, behind the scenes the central bank would have been influential. Qualifying a bank’s accounts would be a rapid, self-fulfilling prophecy and I doubt whether the Bank of England would allow it.

Audits are not performed by firms but by individuals. The capability and independence of the people is critical and mandatory partner rotation is probably more important for audit quality than rotation of the firm. When selecting a new auditor, more weight is attributed to the quality of the teams than the firms. Be careful what you wish for. Audit quality may not improve in the short-term but fees will inevitably rise.

NO *RA Collinge*

Steve Barber understates the case when he says audit firms “may not have helped themselves”. What was missing was the rigorous challenge that should have persuaded banks, their directors and management to be more realistic. That is what mandatory audit rotation should help to provide.

Steve talks about audit teams and the need to keep them up to the mark by partner rotation. He does not mention that the big audit firms have technical departments that have to be consulted on the tricky decisions the partner makes. Those are equally inhibited by the decisions and approach the firm has taken previously. That fresh view is not real.

Knowing a new team, technical department and firm will in due course review the work being done will encourage that greater rigour. The pressure to agree with management and the audit committee will be reduced when it is known the mandate will inevitably be lost. The new arrivals will ask new questions and come to new views unencumbered by decisions and agreements of the past. It will take time and make life a little harder for management. It may cost more, but savings to shareholders, taxpayers and the economy will outweigh those downsides.

YES *Steve Barber*

I have no idea how rigorous a challenge there was by auditors of the banks, but I don’t think they



YES *Steve Barber*
audit committee
chairman, Next



NO *RA Collinge*
head of corporate
governance group, UK
Shareholders Association

would have signed off without extensive debate and careful consultation. This would have included technical departments and, in my experience, they were never inhibited by previous decisions.

Pressure to agree with management is reduced when it is known the mandate will be lost but this is only in later years prior to mandatory rotation. New arrivals asking new questions may not be very different from a new partner from the same firm rotating on to the audit.

I struggle to see how the savings to shareholders and the economy - or even the taxpayer - will outweigh the additional audit and tendering costs. Even in the case of the banks, the costs to the taxpayer would have happened anyway (and may have been accelerated by an audit qualification). Managements made the decisions to take on the risks that created the losses. Whether the auditors understood them may be another matter.

Which brings me to a crucial concern - the quality of the people doing the audits. This comes down to recruitment, training, experience and expertise, and location. The largest of the Big Four inevitably have more partners and managers with relevant experience; this is important in banking and insurance where there are a limited number of experts. Not all the firms have them, so mandatory rotation may not offer a better quality audit.

NO *RA Collinge*

I think Steve and I will have to disagree on technical departments. They are as inhibited by previous decisions as anyone else. The key point is, as Steve

says, pressure to agree with management will be reduced by mandatory rotation.

In the case of banks, management took on the risks. I would be worried if those risks were not understood by the auditors. Qualified audit reports will still be rare as the new auditor will be expected to take a firm line where it feels a different approach is required. Rotation means a new team can ask about the risks attached to any new ways of trading, or, in the banks, new financial products, without the embarrassment of feeling they ought to already know.

Although the Big Four have a lead in the area of recruiting and training specialist staff, other firms can equally recruit, train or buy in specialist skills when they need. Mandatory rotation will help open up the audit market of the largest companies. Mistakes were made in allowing the mergers that eventually resulted in the Big Four. Change is needed.

Mandatory rotation will be a start towards new and better thinking, better supply in the audit market and better challenge to managements where that is needed.

YES *Steve Barber*

Given the banks may not have understood the risks they were taking, it is possible the auditors may not have either. The impacts of CDO squared are a nightmare to understand, let alone audit. Not even the Big Four have such expertise. In view of the constraints of independence, there may not be a firm with the necessary expertise available to rotate to.

Rotating audit firms will result in the cumulative knowledge base being lost - and it takes a few years to get up to speed with complex businesses.

Allowing the Big Six to become Five, then losing Andersen, has left the Big Four virtually unassailable. I cannot imagine GT or BDO could invest the sums needed to become credible worldwide competitors; it would take at least a decade of reduced earnings - which the partners would not tolerate - and even then they might not gain the necessary expertise.

The audit committee must appoint the auditors and set their fees, not management. This, together with mandatory rotation of audit partners would, in my view, lead to better quality audits. Enforcing mandatory rotation may lead to reduced quality. ■

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China's audit rotation

Will the rest of us learn from China's example on audit?

More questions in audit reform legislation

Businesses in Europe are still in the dark despite publication of the legislation in the *Official Journal*

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80% of 10-year plus FTSE 350 companies had not changed auditors for at least 10 years

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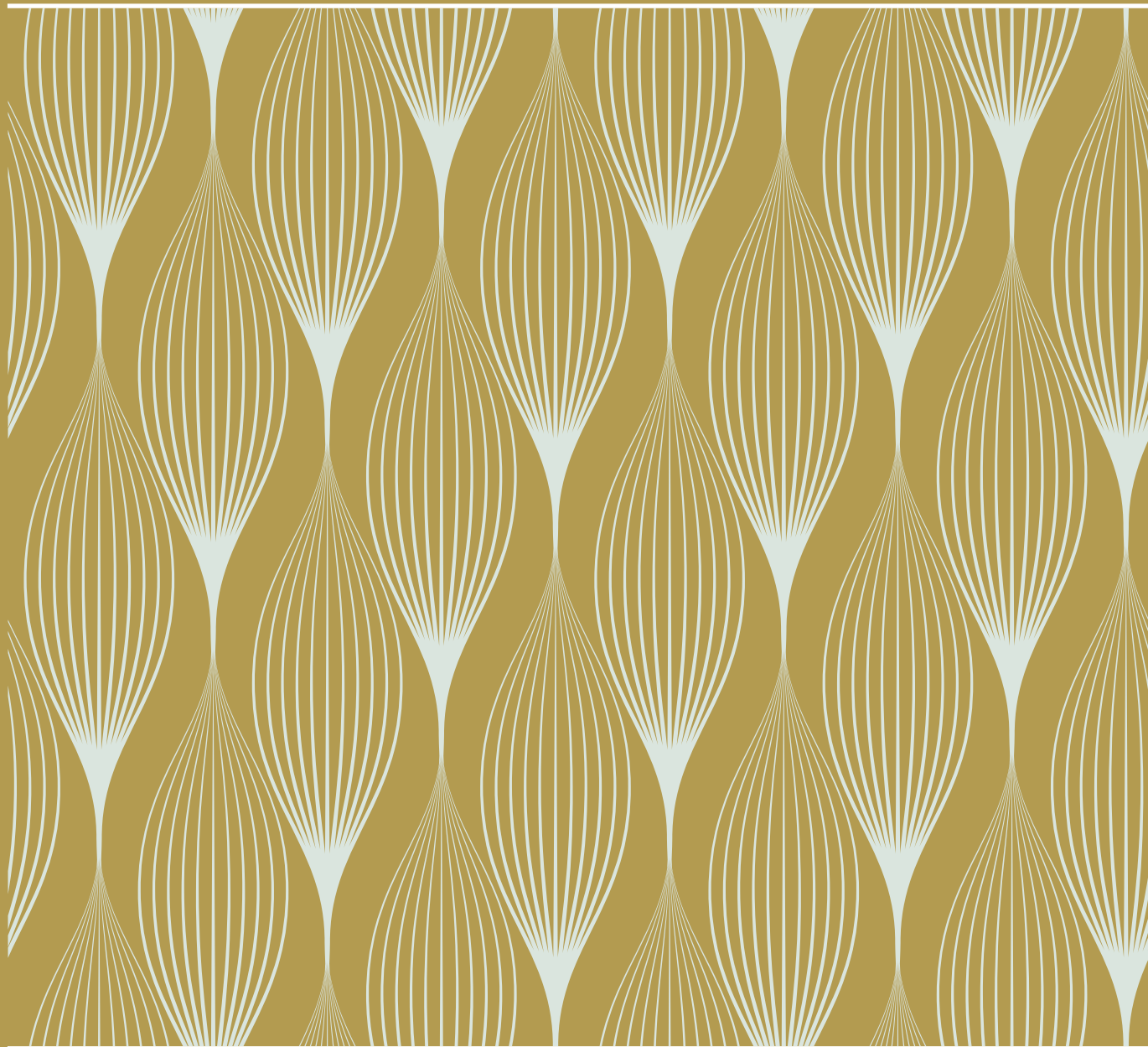
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THE ACCOUNTANCY RICH LIST



For the last 25 years Philip Beresford has pored over the accounts of the world's business and finance leaders to create *The Sunday Times* Rich List. Now, in a special one-off project, he has compiled The Accountancy Rich List, the 100 wealthiest accountants around the world. The full list is published exclusively on the *economia* website. Here Laura Powell profiles 10 of the richest ICAEW chartered accountants on the list and finds a story that reaches beyond art collections, yachts and racehorses - their wealth is used to create jobs, support charitable causes and communities

PETER HARGREAVES, 67

Ranking

4

£2.3BN
Finance

HARGREAVES MAY HAVE NETTED £2.3BN from Hargreaves Lansdown, the investment brokerage he started in the spare bedroom of his Bristol home in 1981 that went on to float on the London Stock Exchange 26 years later, valued at a staggering £759m. But he's far from a stereotypical billionaire.

He doesn't own a yacht; he refuses to bet more than £5 at the races; and even his car collection - a Peugeot 308 and a Range Rover Sport - is humble given his means. "I'm always wary of people who flash their money," he has said.

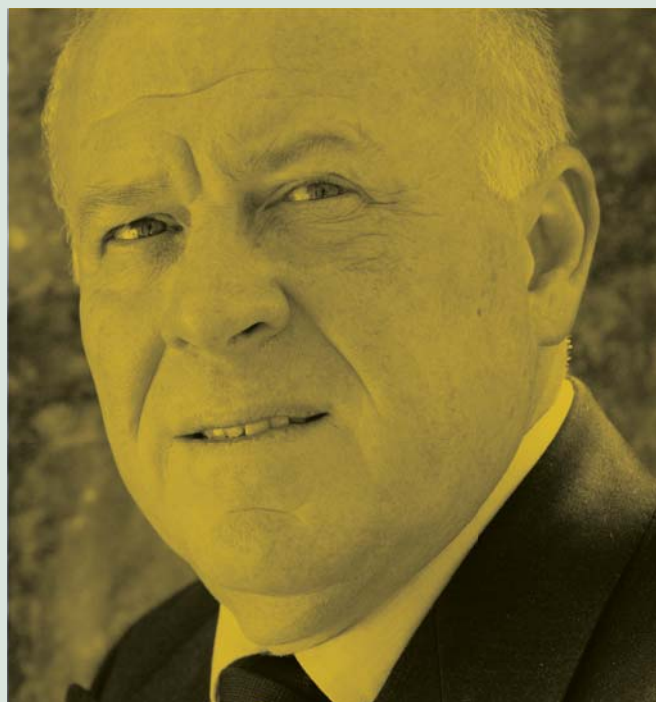
He occasionally splurges on handmade Berluti shoes and he treasures his collection of Kurt Jackson watercolour paintings, for which he paid just £100, but his biggest extravagances are his many philanthropic pursuits.

He sold 77,928 shares worth almost £1m as a gift to charity last year, and he also invested more than £1m in ITM power, which designs technology to reduce the cost of hydrogen production. "It is for the future of mankind," he said of that particular investment.

The remainder of his wealth he has pledged to his family. "I would like my wealth to remain in my family forever and be the birthright of future generations," he has said. Given that 60% of the company continues to be owned by Hargreaves, Stephen Lansdown, other directors and staff, his family should have no financial worries.

Refreshingly straight talking, he is one of a depleted breed of high-profile businessmen unafraid of saying what they think. He adored Thatcher ("She made Britain rise from the ashes"), loathed Blair and Brown ("I wouldn't employ either one of them as a lollipop lady - it's insulting to lollipop ladies.")

He also famously said he could reduce his tax bill by £6m if he moved abroad but chose not to, quite simply because he believes that the best service he can do for his country is paying taxes and creating jobs. His commitment to bettering British business is also the reason he was awarded a CBE for services to Business, Innovation and Financial Services earlier this year. Yet he tried to downplay the award, only commenting: "There has been a huge team of people here helping



"I would like my wealth to remain in my family forever and be the birthright of future generations"

me build this business. It has not been a one man mission.”

A fitting response, perhaps, from the man nicknamed the modest multimillionaire.

RANKING 10
DAVID ROSS, 49,
£892M, MOBILE PHONES

His grandly-named Leicestershire home - Nevill Holt Hall - has 90 bedrooms (yes, really), 3,800 acres of land, and what has been described as “the world’s tackiest modern art collection”.

Yet beneath the ostentatious exterior, Ross, who made his fortune co-founding Carphone Warehouse, is a generous giver. His David Ross Education Trust sponsored 20 schools to become academies, including some in his native Grimsby; his David Ross Foundation sponsors dozens of education, sports, arts and community projects, including the annual Nevill Hall Opera Festival held in Ross’s own garden; plus he has donated £50,000 to the Conservative Party since 2013.

And since a highly-publicised setback in 2012 - where he stepped down from the Carphone Warehouse board after it emerged that he had used millions of pounds worth of shares as collateral against personal loans without informing the company’s other directors - he seems to have bounced back.

He was widely tipped as the next chairman of Ofsted, but was pipped to the post in July by David Hoare. Given that Ross counts David Cameron and Boris Johnson as friends and supporters, there may be another high-profile role on the cards.

RANKING 26
SIR MARTYN ARBIB, 75,
£350M, FINANCE

British financier Sir Martyn started his successful fund management company, Perpetual Investment, in 1974 with just two phones and a secretary. In 2001 he sold it for over £1bn and, two years later, he was knighted for his charitable giving.

He contributed a chunk of his wealth to the River and Rowing Museum in Henley on Thames, (where Perpetual was based), as well as The Langley Academy, a school in Slough. He also has a profitable collection of racehorses - his prized

Irish thoroughbred Snurge won seven races before he died in 2006. And a company in which he is an investor took control of Swindon Town FC in 2013.

Until recently he divided his time between the UK and his impressive Bajan mansion, Four Winds. At the time of writing it was, reportedly, the most expensive house on the Barbados property market.

RANKING 28
MANFRED GORVY, 76,
£280M, FOOD

South African-born accountant, fruit farmer and millionaire financier Gorvy divides his time between London, where many of his businesses are based, and his native South Africa, to which he still has a “very strong emotional connection”. And he divides his wealth similarly.

In the UK, he ploughs a generous portion of his money into supporting the arts - namely, the Royal Court Theatre, the Victoria & Albert Museum, the National Theatre and the Donmar Warehouse. And in South Africa, he is a diligent supporter of the local economy, employing roughly 2,500 people on his estates.

Even his chartered accountancy background is similarly divided between the two countries. As he once put it: “In those days, if the person you were articled to had also qualified in England, you could write your exams in South Africa and your finals in England, and qualify in both countries - which is what I did.”

A graduate of the University of Witwatersrand in Johannesburg, he qualified in 1961 and made his fortune from Hanover Acceptances, the highly-successful property, food and financial services company he founded in 1974, whose subsidiaries include Gerber, the biggest fruit juice and juice drink maker in Europe, and the African Realty Trust, southern Africa’s biggest citrus fruit grower.

RANKING 36
SIR PETER HARRISON, 77,
£189M, IT

A keen sailor, passionate sportsman and an ardent supporter of ParalympicsGB (he was a Paralympics torchbearer at London 2012), IT tycoon Sir Peter has ploughed his vast wealth into the

David Ross





Kumar Birla

causes he feels passionate about. Much of this is done through the Peter Harrison Foundation, the charity he founded in 1999 after making a fortune from the sale of his shares in his computer networking business Chernikeeff, and to which he gave £30m as capital endowment the following year.

Since then, the Foundation has dished out grants to more than 250 charities and distributed £10m, including £8m to sports charities. ParalympicsGB and the Peter Harris Centre for Disability Sport are among the beneficiaries, along with Greenwich Park's National Maritime Museum, which named its planetarium in honour of Sir Peter after receiving a £3m donation from him.

The former Chelsea FC vice president is also a familiar face in the yachting community. His 115-ft superyacht Sojana won the *Yachting World* Round Antigua Race in 2009 and still holds the race record, and his Foundation funded the restoration of the country residence of Antigua's governor general.

But not all of his investments have been shrewd; he ploughed £25.5m into the ill-fated 2002 GBR Challenge in Auckland. Plus his personal wealth diminished following a salty £100m divorce settlement in 2003.

Still, his achievements aren't bad for a boy who left school at 16 with lofty dreams of becoming an entrepreneur - which very quickly came true.

RANKING 57
SIR MICHAEL HELLER, 78,
£77M, PROPERTY

One of the UK's most generous philanthropic donors, Sir Michael was knighted and awarded an honorary doctorate from Sheffield Hallam University for his charitable work.

Together with his wife Morven, he runs a charitable organisation that supports education, the arts and medicine. He is also a devout backer of several organisations in the UK Jewish community, such as the London Jewish Cultural Centre.

Former CEO of KP, Sir Michael made his fortune through his pioneering computer software company and property empire. He went on to donate a chunk of his wealth to the Conservative Party and a great deal of his time serving as vice chairman of the Conservative Friends of Israel.

An art and opera lover, he has no doubt blown some of his wealth on his cherished collection of 20th century art.

ACCOUNTANCY RICH LIST: THE TOP 10

- 1 **KUMAR BIRLA, £4.5BN**
Commodities (from India)
- 2 **ELI BROAD, £4BN**
Industry (from US)
- 3 **IVAN GLASENBERG, £3.6BN**
Commodities (from South Africa)
- 4 **PETER HARGREAVES, £2.3BN**
Finance (from UK)
- 5 **ALAN PARKER, £2.3BN**
Retailing (from UK)
- 6 **FARHAD MOSHIRI, £1.7BN**
Industry (from Iran)
- 7 **PETER, DENISE AND JOHN COATES, £1.2BN**
Online gaming (from UK)
- 8 **SIR BRIAN SOUTER AND ANN GLOAG, £1BN**
Transport (from UK)
- 9 **STEPHEN SAAD, £900M**
Pharmaceuticals (from South Africa)
- 10 **DAVID ROSS, £892M**
Mobile phones (from UK)

HOW THE LIST WAS CALCULATED

Methodology for Accountancy 100

Using his tried and tested formula, Philip Beresford has only included those who trained as an accountant or have an accountancy qualification.

To qualify, the 100 had to have built up businesses or had stakes in businesses worth £30m or more. Stakes in quoted companies were valued as at the end of June 2014. We also took note of share sales and dividends.

Private companies are valued on the basis of the valuations pertaining to the nearest quoted company. If there is no such direct comparison available, we then valued the private company by a multiple of the sector average price/earnings ratio as quoted in the *Financial Times* at the end of June 2014.

We noted sale prices achieved for companies as reported in the quality financial press and ran with these less a notional tax charge. Also, if a company was reported to be for sale with a price tag attached in the quality press, we ran with that figure.

Every effort has been made to avoid any personal information about our 100 and we have concentrated solely on their business acumen, how they built a business, what it did and occasional quotes from the 100 about their experience in business. We have had no access at all to any personal financial data such as bank accounts.

To see the full list, visit economia.icaew.com



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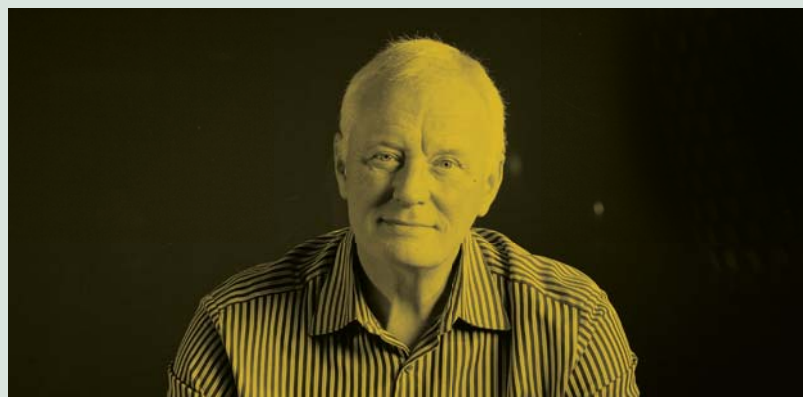
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“Everyone said I was a genius. But I knew I was lucky”

Barry Hearn

RANKING 71
GRAHAM MELLSTROM, 83,
£54M, PROPERTY

The property tycoon dished out £1m of his wealth to West Sussex independent school, Christ's Hospital, for a new sixth form building that will house a career reference library, career advice centre and business centre.

Career guidance is a subject that Mellstrom, who left school at 16 and did a morning milk round while training as a chartered accountant, has been very outspoken about.

“I passionately believe that children should be fully equipped with knowledge and understanding of the many careers and opportunities available to them beyond the school gates,” he said.

Mellstrom went on to make his fortune through the Surrey property group owned by his family, Glen House Estates. He bought the

4,000-acre Woolhanger Manor on Exmoor in 1972 and, more recently, a huge industrial holding and cattle station in Australia worth roughly £7m.

RANKING 76
SIR NIGEL RUDD, 67,
£50M, INDUSTRY

Sir Nigel is one of a growing number of influential businessmen and politicians to have signed up to Legacy10, a campaign that encourages people to donate 10% of their taxable estate to charity after their death.

The BAA and Invensys chairman became Britain's youngest chartered accountant when he qualified aged 20 and was awarded ICAEW's prestigious Founding Societies Centenary Award in 1995. He already supports a number of charities including Derby Helping Hands Appeal, Derby Grammar School and the Royal Opera House.

He is also a deputy lieutenant of Derbyshire, a role he takes very seriously. “It's mainly an honorary role but it's one I'm very proud of,” he has said.

RANKING 84
BARRY HEARN, 66,
£45M, LEISURE

Self-made millionaire and World Snooker chairman Hearn may be best known as the wheeler dealer who made his wealth through the snooker boom of the 1980s, but what few know is how Hearn uses that wealth.

Some of it was invested in Leyton Orient FC, which he sold earlier this year, but a good portion is also spent

supporting a clutch of well-deserving children's hospices, including Haven House Children's Hospice in Essex and Bluebell Wood Children's Hospice in Sheffield.

He also set up a business competition for young people called MATCH, to raise money for Saint Francis Hospice in Essex.

In fact, Hearn has always been something of a pioneer. He suggested TV companies air coarse fishing long before it started to be shown on Sky, and was told he was mad. And when he sold his 16 snooker clubs in 1982 to set up Matchroom, he walked away with over £3m.

Though, as he puts it: “Everyone said I was a genius. But I knew I was lucky.”

RANKING 99
BRIAN GREY, 81,
£30M, CONSTRUCTION

Family man Grey set up his Rhondda Valley-based home-building business Llanmoor Development Company in 1966 and later expanded it with the proceeds from the sale of his successful accountancy practice in Barry. To date, the company has built 3,500 homes across South Wales and Grey claims it is deeply embedded in the local community in which it is based.

He has also donated to the community, including a payment of more than £150,000 to Rhondda Cynon Taf council, which was used to improve primary and secondary schools in the area.

Very much a local business with family roots at its heart, Grey's three sons Tim, Simon and Matthew now run the business with him. And, should he decide to put his feet up and fully retire from his position as chairman, it will naturally be his three boys who take the reins. ■

READ THE FULL ACCOUNTANCY RICH LIST ON ECONOMIA.ICAEW.COM

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The screenshot shows the homepage of the **economia** website. At the top, there's a navigation bar with links for HOME, NEWS, PEOPLE, OPINION, BUSINESS, FINANCE, LIFE, and TECHNICAL. A search bar is also present. The main header features the **economia** logo and a large banner for the "2014 GROWTH AND TOMORROW'S ECONOMY" with a sub-headline "Essays from the biggest players in the world economy". Below the banner, the page is organized into several sections:
- **NEWS**: Includes articles like "Video game companies get tax relief" and "Accountant gets 11-year ban".
- **ANALYSIS**: Features "A new progressive political economy" and "The great credit mistake".
- **FINANCIAL SERVICES**: Includes "CFO's fear fraud progress" and "For years CFO's feared fraud from within".
- **INTERNATIONAL**: Features "Lessons from German insolvency" and "What can the UK learn from Germany's insolvency reforms?".
- **AUDIT**: Includes "Value of Audit: Johannesburg" and "Highlights from the second Value of Audit roundtable in South Africa".
- **HARD CHOICES**: Features "Corporate tax" and "Public opinion is demanding an open display of tax payments by big corporations".
- **INCOME INEQUALITY**: Includes "Piketty capturing global attention" and "Policymakers must tackle youth unemployment or face 'lost generation'".
- **CHINA'S BAD DREAM**: Includes "China's bad dream" and "Is the Chinese Dream falling victim to its unprecedented debt?".
On the right side, there's a "Most viewed this week" section with links to various articles. At the bottom, there's a footer with links for About us, Advertise with us, Subscriptions, Contact us, Cookies, Terms and conditions, and Storage. The copyright notice at the bottom reads "© Copyright 2014 - ICAEW".

ACCELERATING ENVIRONMENTAL PERFORMANCE

As businesses seek to invest in renewable energy sources, where should they be looking for help?

Peter Bartram

Financial journalist

Energy costs have spiralled upwards in the past few years. So it is not surprising that the issue has forced its way onto boardroom agendas. But few boards have recognised that the historic link between economic growth and energy use has broken. Between 2000 and 2012, Britain's GDP grew 52%, but energy use declined by 15%, notes Steven Fawkes, a former British government energy adviser and founder of Energy Pro, a company that provides energy efficiency consultancy and services.

"The breaking of the old correlation between economic growth and energy use has not yet been widely recognised," he says. It is partly the result of the changing structure of the economy – more service businesses, less heavy industry – and partly the result of more focus on energy efficiency.

Even so, Britain faces a formidable range of energy issues in the short, medium and long term. Not least, making sure the lights stay on and the machines of industry keep turning during the coming two winters.

Energy specialists are worried Britain may face an energy gap later in this decade as old coal- and gas-fired power stations are closed and reliance on renewable energy – such as solar power and wind farms – increases.

Those worries will not have been eased by recent tensions in Ukraine. Fawkes points out Britain's dependence on imported energy rose from 43% in 2012 to 47% in 2013. He says: "Coal generated 36% of UK electricity and 41% of that coal came from Russia. That means 15% of our electricity is generated using Russian coal."

Martin Baxter, head of policy at the Institute of Environmental Management and Assessment, believes that companies are beginning

to see the dependencies they have on the environment. "They know they have to limit pollution, but they realise there is also a cost attached to the resources they use and those costs are increasing," he says. "They need to make a business case for tackling these issues in a holistic fashion."

But in keeping the lights on, energy suppliers, businesses and the government are faced with what Jeremy Burke, finance director at the Green Investment Bank (GIB), calls a "trilemma – cost, carbon and security". How to produce energy for businesses and households at an affordable cost, while reducing greenhouse gas emissions and ensuring supply security.

"Energy efficiency should be the proverbial low-hanging fruit," says Burke. "We'd love to make it sexy, but until then we'll make it profitable." GIB recently announced a £24.5m investment in 179 new biomass boilers to be installed at 21 Bernard Matthews turkey farms. Burke points out that all GIB investments comply with the bank's strict green criteria.

All of this activity takes place against the background of Electricity Market Reform (EMR), the biggest change in Britain's energy market since the privatisations of the 1980s led by Ed Davey, secretary of state for energy and climate change. "The future impact on UK plc could be significant," says Andrew Horstead, head of risk management and research at energy consultancy Utiyix.

One aim of the EMR is to promote new investment in green electricity generation. This is especially urgent as ageing coal-fired power stations are due to be phased out this decade. EMR includes a "contract for difference" (CfD) mechanism, designed as a top-up payment for low-carbon generators when electricity prices are low.

At the same time, EMR seeks to guarantee that the lights stay on through a "capacity market", which offers providers – mostly power

"We have to do more to get people thinking about becoming more energy efficient. Being more savvy about energy efficiency makes a business more sustainable"

Ian Tyrer, head of sustainable energy finance, Lombard

stations, but also electricity storage firms – a steady predictable revenue stream. The aim is to remove concerns about fluctuating market energy prices and give the providers enough confidence to plan new investments.

But, Fawkes says: "The lack of investment in new generating capacity and the tight electricity supply margin is unlikely to change quickly despite the introduction of EMR."

Horstead believes there are still "uncertainties" over whether EMR will close the energy gap in the coming winters. He says: "Many businesses are still unclear how CfD, the new renewable support mechanism, and the capacity market will affect energy prices, how they can respond to the resulting price signals, and how this uncertainty will affect planning cycles. Despite the uncertainty, CfDs and the capacity market bring the first real evidence that we are future-proofing



the UK's energy market and setting us on the path to hitting long-term decarbonisation targets."

However, there are costs in these measures – and if the switch is not managed carefully, British firms could find themselves at a competitive disadvantage to overseas rivals with access to cheaper energy.

Horstead adds: "Fundamentally, a secure energy supply will mean that businesses can take a more reliable long-term view and better forecast energy cost. This gives greater confidence when supporting investment decisions."

But if the long-term picture is one of more of Britain's energy coming from renewable sources, there could be a need for investment in more storage capacity. The problem is that energy generated from renewable sources, such as wind farms or solar power, must be stored when demand is low and released when demand is higher – when the wind is not blowing or the sun not shining.

Ian Tyrer, head of sustainable energy finance at Lombard, says there are two good reasons for a company paying more attention to its energy agenda. The first is installing renewable energy technology, such as a biomass boiler, may enable it to access government funding such as the renewable heat incentive.

The second reason is taking control of energy not only improves security of supply but may cut costs. A biomass boiler may reduce energy spend by as much as 30% to 50%.

And, finally, using renewable energy sources helps to burnish a company's green credentials. Increasingly, consumers are looking to do business with companies that care for the environment. He also points out that corporates increasingly want their suppliers to have low-carbon products and processes – as a way of contributing to the reduction of their own carbon footprint. Hitting carbon

reduction targets has become a supply chain issue. Tyrer says: "High energy users are looking at the impact of rising fuel prices on their cost line. Either you absorb those costs and erode your margins or pass them on to your customers and become less competitive. So if competitors are doing something about this, your competitive position declines."

He points out laggard companies will get a wake-up call when the Energy Act starts to bite in 2018. By then, every building in the UK will require an energy certificate at level E or better before it can be sold or rented. There could be a rush for more solar panels, LED lighting, and retro-fitted energy improvements as the date approaches.

But wise companies will have faced up to these issues well before the deadline date. They could begin the process with an energy audit. When Martin Horner, director of award-winning pub The Borough in Lancaster, wanted to cut his £29,000 annual energy bill he called in NatWest Mentor for advice.

The audit proposed a range of measures including an extra "skin" to the solid wall of the 250-year-old building. Horner's adviser also recommended a list of other changes such as removing some lights rather than using dimmer switches to create atmospheric lighting effects.

And there were simple working changes such as asking the early morning cleaners to switch off the lights after they'd finished. They had been leaving them on unnecessarily until the pub opened four hours later. That cost-free change alone knocked 20% off the pub's electricity bill.

In all, Horner spent £24,000 making all the changes Mentor advised – but as a result his energy bill has dropped by £7,655 a year. And when he took over an adjacent property to create a 14-bedroom hotel, he made sure the refurbishments included the latest energy saving technology.

"Energy efficiency should be the proverbial low-hanging fruit. We'd love to make it sexy, but until then we'll make it profitable"

Jeremy Burke, finance director, Green Investment Bank

"All corridor lights are on sensor and there is low-energy everywhere," he says. The icing on the cake has been an energy saving award. Horner adds: "We are continuing to look at ways we can improve at a rate of a couple of small things a month."

Whatever twists and turns government energy policy takes in the future, more businesses need to spend more time looking at ways to cut their bills, access sustainable supplies and contribute to greenhouse gas reduction targets. "We have to do more to get people thinking about becoming more energy efficient," Tyrer says.

"Being more savvy about energy efficiency really does make a business more sustainable."

For further information and advice on energy efficiency look out for the Lombard White Paper this month or call Lombard direct on 0800 502 402 text relay 18001 0800 502 402

A helping hand

Time, experience, skills and pure muscle - companies are giving a lot more than cash through their social responsibility programmes. **Alison Coleman** looks at how accountants share the love and why it's good for business

Even during the recent financial crisis, organisations have been going the extra mile to make social responsibility a priority. Making a difference through involvement in social, educational and environmental settings, or donating time and money to philanthropic activities, sit high on the business agenda. This is particularly so for accountancy practices; research has revealed that those in the finance and accountancy professions are among the most generous with their resources.

Last year, the inaugural *Company Giving Almanac*, published by the charity Directory of Social Change, revealed that the financial sector still dominates UK corporate giving, both in terms of cash (£245m) and total support, including in-kind (£319m). The total provided by all companies in the UK is estimated to be between £700m and £800m. What's more, many firms allow their staff time off work to get involved in local school and charity projects. Altruistic motives aside, there are compelling business reasons for

setting out to make a difference: not only can it add to a staff member's CV and bring new skills into the business environment, but it can also enhance business reputation and, for smaller independent accountancy firms in particular, there is a chance to make a real impact on the local communities in which they operate.

The largest firms have dedicated corporate social responsibility (CSR) teams to co-ordinate a vast range of philanthropic projects and activities. "We know we are privileged in our lives and giving something back is an important driver for most people in our firm," says Sacha Romanovitch, partner and board member for people and culture at Grant Thornton UK.

"We know that people who get involved in giving something back gain so much, learning new skills, and gaining fresh perspectives. We also know that connecting with others and giving are key to an individual's personal wellbeing. The benefits are so



strong that it is time to move beyond CSR as a 'nice to do'; for us it is central to our sustained success as a business," she says.

Nick Brooks, head of not-for-profit at Kingston Smith and chair of ICAEW's Charity and Voluntary Sector Group, says: "Accountancy is a people business, one based on building relationships with clients, and being part of the local community, so it is not surprising that so many firms are involved in various types of philanthropic activity.

"ICAEW currently has 142,000 members, and 90,000 of them have formally declared an interest in getting involved in some form of charity or voluntary work."

Last year, Brooks was instrumental in the launch of ICAEW and CABA's volunteer database (icaewvolunteers.com), which advertises a range of volunteer roles - many of them finance-related, but others more general - and matches volunteers to each.

"Not only are our members keen to get involved, some of the partners at my own firm have signed up, as well as some of our clients," says Brooks.

Kingston Smith has its own schedule of events designed to make a positive impact on the wider society, with the emphasis, says Brooks, on inclusion in everything they do.

"We make an annual donation to charity, and for this we ask every member of staff to nominate their own favourite charity or good cause, quite often involving local organisations, and we donate to as many as we can," he says.

The firm also donates one day a year to practical help with local community projects. Brooks says: "Our HR team compiles a list of local projects, and we are divided into teams and sent out to work on our designated project. Last year my team went to a local school that wanted a pond on its land. So 30 of us spent a day clearing the space, digging and lining the pond - it is quite incredible what a team of people can achieve in a few hours, and it is hugely rewarding. We also make it a social event and go out together once the work's done, which is great for team motivation."

RSM International, which has member firms in more than 70 countries, takes a global approach by organising an annual RSM World Day, an international staff engagement, brand awareness and CSR initiative that began in 2012. Activities have included 400 hours of voluntary work in a children's home in Malta, packing school bags for disadvantaged children in the Czech Republic and the restoration of a kindergarten park in Brazil, among many others.

CEO Jean Stephens says: "The beneficiaries are the staff who love celebrating RSM World Day itself, the clients who benefit from the strength of our international team relationships, and the many people all around the world who are helped."

GOING LOCAL

Hurst Accountants, which has offices in Manchester, Stockport and London, is very active in its local communities. Over the past three

years, the firm's Charity of the Year initiative has raised £25,000, including £9,000 last year for MedEquip4Kids, which provides paediatric equipment and facilities to hospitals and community health teams.

Partner Helen Besant-Roberts, who leads the firm's charities and not-for-profit team, says: "Our charity activities are organised by volunteers from across all departments and all levels. Last year, we closed our offices for a day as 50 members of staff took part in a project at Lyme Park in Cheshire, used as a location for TV dramas such as *Brideshead Revisited* and *Pride and Prejudice*. We dug out weeds along a 400m stretch of damaged footpath then laid nearly 40 tonnes of stone to create a new surface."

While their support for local charities generates welcome financial help for their chosen beneficiaries, it also boosts team spirit within the firm. "Last year's cycle challenge broke down barriers and helped a good cross-section of the firm to build relationships," says Besant-Roberts.

Hurst's charity clients in particular have benefited from their cross-sector relationship-building strategy, particularly in recent years where funding cuts and individual giving may have dropped off due to financial circumstances.

Besant-Roberts explains: "We introduce our charity clients to our network of other clients and referrers and encourage them to take part in our own networking events. Employees from some of our clients' organisations have taken part in our charity challenges, allowing them to get to know the team better and do their own bit for charity. This helps to build relationships with our clients and enables them to get involved with the firm on a different level."

SIZE DOESN'T MATTER

The beauty of CSR is that it is not the preserve of the biggest firms, and many of the UK's smallest practices are making a proportionately significant impact in villages and more remote rural areas.

Goringe Accountants employs 10 people, and manages to sponsor an annual 10km race local to its Reading office and devotes time to helping the M3 Job Club, an information and support organisation to help professionals return to the employment market after they have lost their jobs.

Practice founder Nicky Goringe Larkin says: "One of our clients is the founder and organiser of the M3 Job Club. I was one of the original trustees, and my firm now does a lot of pro bono reports for them. I've also run seminars there for people who are looking to run their own business; it is a real struggle for people who are trying to find work."

"We look after about 400 clients, and the fact that we are committed to supporting our local community demonstrates to them the type of firm we are, and in many cases has encouraged

INVEST YOUR TIME, NOT JUST YOUR MONEY

Not-for-profit organisations, charities and social enterprises need volunteers with business and finance skills. The expertise of ICAEW Chartered Accountants can really help to make a difference to these organisations, while providing a great opportunity to meet new people and extend networks.

ICAEW, in partnership with CABA, has created icaewvolunteers.com to give skilled professionals the chance to get involved and find their perfect volunteer role. In just one year, it has become the top site for financial volunteer roles in the UK with more than 1,200 users and a growing number of volunteer roles including trustees, treasurers, school governors, committee members and many more.

"We always have interesting stories to tell... they reflect positively on us as a socially responsible business"

them to do more outside their own profession or industry sector." But with limited resources, smaller firms have to be discerning in which causes they choose to support. Saying yes to too many requests for help can impact on the running of the practice and ultimately result in being able to support fewer causes.

Donating cash to large charities has been a challenge for small firms, who often find it difficult to get feedback on where the money they have raised actually goes and what the impact has been.

In March this year, the then minister for civil society, Nick Hurd, raised the issue of boosting business giving to local charities and communities, with the aim of looking beyond the big corporate-big charity relationship and exploring what works at the smaller, more local level.

BUY ONE, GIVE ONE

For a number of accountancy firms the solution has been to join the dedicated small business giving platform Buy One Give One (BIG1, big1.com). It works on the simple premise that every time a customer of the member business buys something, the business matches the purchase by donating to one of hundreds of global good causes registered with BIG1. And because admin costs are taken from membership fees, 100% of the donation goes to its destination project or cause.

Chairman Paul Dunn, who was also the founder of Results Accountants Systems and the Accountants' Boot Camp process in 1992, says: "We launched BIG1 in 2007, and because of my background, accountants have always been a big part of it." To date, BIG1 has coordinated more than 45 million transactions globally from across all industry sectors, with three million of those related to finance and accountancy.

Pillow May, a Chippenham-based small accountancy firm with just five members of staff including founder Jessica Pillow, takes an eclectic approach to social responsibility, offering some pro bono work, including payroll for a local pre-school that they helped rescue, and donating to a variety of causes through BIG1.

"It is affordable corporate giving," says Pillow. "Some of the projects we have chosen require tiny sums of money per donation - and whatever project we donate to, we always get feedback on how that has impacted on the people we want to help, and we pass that on to our clients."

In an age of openness and transparency, and a consumer desire for greater connectivity to the businesses they engage with, another big benefit of giving is its business marketing appeal.

Pillow adds: "Accountancy can be very dull at times from a marketing perspective. Luckily we always have interesting and engaging stories - whether it is our BIG1 donations or our pro bono work - that we can put out on social media that reflect positively on us as a socially responsible business, and hopefully encourage others to follow suit." ■

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Shaping change

How will the role and perception of chartered accountants change in the next decade? As Adrian Holliday reports, leading professionals gathered to discuss and debate the issue at ICAEW London

What's the future for the British accountancy practice in the next decade? Tomorrow's Practice is ICAEW's practice research project designed to understand the forces that are shaping accountancy practices now and in the near future. Intuit and the ICAEW Practice Committee have launched a campaign to ensure that the UK accountancy profession prospers into the future. At the second roundtable of the campaign, Issues such as skills, staff training and development, and the impact of technology on business were discussed. And those around the table broadly agreed that the next 10 years will offer more new ways to make money, deepen client relationships and expand business.

TRADITIONAL SERVICES

Much of the roundtable agreed that traditional services are still a massive market. Yet getting out of the office and making a case for it takes soft skills. And those aren't always easy for professionals trained to balance the sums. "We've got the Case Study that helps," said Nigel Hughes of Totteridge Associates. "It's a damn good exam. But it's how you make that jump between the technical level and the professional level as the balance is shifting."

Nurses do much of the work that doctors used to do, Hughes went on. "Technicians now do what qualified accountants used to do. If we expect qualified accountants to do the credits and the debits, then we lose money. Somehow we've got to get the training problem solved."

There was consensus on continuity and the importance of understanding the client's business. Jonathan Munday from Rees Pollock said that "the worst thing in the world" was for a client to phone up and feel that the charging clock was immediately ticking. Rees Pollock was fortunate it did not deal with micro entities though, added Munday. "People do appreciate it if you send out good people

who ask intelligent questions. The client appreciates it. Equally, we have had clients who've gone somewhere else because they've found someone a bit cheaper but then, on a number of occasions, they come back," said Munday. "They may have saved some money but, frankly, they were pretty poor. We recruit the brightest people and pay them the equivalent of the Big Four because we want to send out the best people; clients recognise and appreciate that."

ALWAYS ON

Perhaps inevitably, the debate turned to technology: its rapid encroachment and the always-on pressure it increasingly feeds. "If a client sends you an email," said Nick Williams of Intuit, "and you don't respond, increasingly they want to know why. Technology is forcing this always-on culture."

With Intuit research suggesting that almost 90% of small business owners now expect their accountant to have an always-on cloud offering, Williams said: "Understanding it is how you can be less reactive and more pro-active, hitting off problems before they start."

Technology is also umbilically linked to globalisation – and you ignore these new opportunities at your cost, added Neil Relf of Rouse Partners. "If you don't have a network or an alliance or some kind of global footprint, go out and get one. It brings in substantial amounts of work."

Clients increasingly value bilingual or multi-lingual staff, said Fiona Hotston Moore of Ensors. "Traditionally, accountants have been pretty poor on foreign languages and poor on [foreign] culture and all of the international side. Clients do appreciate someone who speaks their language or understands their cultural background."

So how can accountants be better trained for a very different world – for the 21st century, asked chairman Michael Taylor? "My father was editor of *Taxation Magazine*," said



Nigel Hughes of Totteridge Associates. "It used to be printed in St Albans by big, sweaty guys that ran the monotype machines. That factory is now a multi-storey car park and government offices. The whole of that technology has gone."

"We still need books like we need financial information, and advice to deal with that financial information. That's what accountants do. But the mechanisms for delivering it have changed and my concern is that we need to recognise when those mechanisms change."

TRAINING STANDARDS

David Grunberg of Grunberg & Co worried that while audit thresholds might rise, the need to train staff to certain standards may decrease – and the cost of training is substantial. Grunberg takes some staff straight from school, without degrees. "They're cheap to train. We train them to a certain level. They're not going to qualify. They don't need to qualify. And they will work in areas where they don't need an ICAEW membership."

Constantine Ioannou, of Ioannou & Co., said he doesn't recruit anyone who is a chartered accountant. For the last few years he has taken on AAT staff and, in addition to training them himself: "I find that after six months they're absolutely contributing to my firm, rather than me spending a lot of



"I asked a builder if he knew the difference between mark-up and margin," said Relph. "He didn't. He had waited a year before he realised he was losing money. These are simple little things that we should be talking about with our clients from day one to make sure they understand their businesses."

In other words, focus on analytical reviews, interpretation, the chance to boost profits, improved cost control systems, not to mention working with strategic alliances to increase turnover, and cost-reduction programmes. "All these are opportunities we should be embracing," Relph added.

The discussion captured the spirit of the Tomorrow's Practice project, which covers key themes such as global economic trends, regulatory forces, technology and business change. But it also looks at immediate questions such as training and skills.

As the project develops, all of these issues will be disseminated by ICAEW members and other business stakeholders. It can then define with more accuracy how firms should exploit new opportunities in the future.

ICAEW president Arthur Bailey concluded by saying he remained positive on the work being done to enhance and push the chartered accountant brand – an issue that had worried Grunberg in particular. "I'm not in practice any more but I still see a lot of opportunities long-term," said the ICAEW president. "For example, there are probate services, which is a huge opportunity for smaller firms. We have to look at the training aspect, building training in for future advisory work. Wherever you are, advisory work is key. It's how we react to our client's needs in the future that matter."

TOMORROW'S PRACTICE

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"If you don't have a network or an alliance or some kind of global footprint, go out and get one"

NEIL REPLH,
ROUSE PARTNERS

money on them. I still pay for their exams. However, after six months, they're contributing pretty well," he claimed.

Ioannou chose the AAT route because he said it costs him less and the recruits are more flexible, more versatile "and more willing to learn what I want them to learn" because they have not gone to a university.

The hard-nosed commercial reality sketched by Grunberg and Ioannou was endorsed by Nick Holmes of Chavereys –

though he came at it from a slightly different angle. In his sector, he said "you can have no qualifications, be a management consultant and the bank will still take notice of one of your budgets, which is madness".

TRADITIONAL SKILLS

The future of professional accreditation drew much debate. As did the issue of the future of audit and practice. One issue BDO's Nicole Kissun was finding increasingly challenging was staff: retaining people who had qualified as chartered accountants within practice.

"A lot of them are leaving to go into business. Some don't see the thought of becoming a partner, or the progression route through, as so interesting. That's something we need to look at and understand and recognise better: why do people think that perhaps their future may not be in practice?"

Meanwhile, as audit levels climb, there are still plenty of opportunities out there said Relph – despite contracting compliance fees. Nine times out of 10 on an audit-related job with a new client, they make good money. Why? "Because we think outside the box. Some clients don't want an audit but they do want some checks and balances made," added Relph. "It's a mindset. It's how you approach it." There is a huge amount that can still be done to improve their businesses.

Back on track?

Britain's railways are apparently thriving, with services and passenger numbers on the up. But, David Adams asks, are the plans for continued privatisation and more high-speed rail links going to put the brakes on its new-found prosperity?

Thirty years ago, when I was one of those little boys who loves trains, it seemed very unfair that I should be growing up in an age when Britain's railways were in decline. Many lines had closed in the recent past, steam power had been abandoned and British Rail was the butt of many jokes.

Compare that picture with the situation today: Britain's railways are booming, with 1.6 million more rail services running each year than was the case 15 years ago, and as many journeys overall as were undertaken in the 1920s, when the network was twice its present size. For many of Britain's railway passengers - though not all - the experience of travelling by train, in terms of speed, comfort and service reliability, is better than ever before. Freight services are profitable and increasing. New lines are being built and old ones reopened.

Some claim this new railway boom is the result of new ideas and energy coming into the industry following the selling off of the national service in the early 1990s. Others maintain that the boom has happened despite the operational fragmentation and profiteering that has come with privatisation. What is clear is that not everyone is enjoying the full benefit

of the boom, with parts of the network still in desperate need of improvement and passengers across the country paying the most expensive fares in western Europe.

There is also turmoil over HS2, a brand new, high-speed line to be built between London and Birmingham over the next decade, with the first trains due to run in 2026. If all goes to plan the line will then be extended to Leeds, Manchester and Scotland. At the time of writing, the process of acquiring legislative approval for the first phase of HS2 is underway: a House of Commons Select Committee is scrutinising 1,925 objections to the scheme, while the House of Lords Economic Affairs Committee is beginning an inquiry into the economic case for the line. Even with cross-party support - which cannot be guaranteed - the parliamentary approval process could take years.

Broadly speaking, reasons to oppose HS2 can be split into two groups: objections to the impact that construction and operation of the line will have along its route and the argument that money spent on the project could be used elsewhere on the network. The current official forecast is that HS2 will cost £42.6bn, although some analysts have



“I am constantly asked why we need a new line that’s going to take businessmen to Birmingham a bit faster”



suggested it will be far higher: £80bn, says the Institute of Economic Affairs.

In an article titled *What's the point of HS2?* written for the *London Review of Books* in spring 2014, writer, broadcaster and railway expert Christian Wolmar explained how the economic, environmental, time-saving and capacity arguments put forward by the government over the past five years have been undermined.

But it is still possible to make a case with the argument based around increasing capacity on existing lines by removing long-distance express trains from them - in particular from

the West Coast Main Line (WCML) - perhaps most persuasive.

On the other hand, the 4% annual increases in demand for passenger services seen over the past 16 years may not continue forever. Nor does HS2 satisfy the environmental lobby: many of its stations will be parkway stations, to which passengers will need to drive. Construction will have serious negative impacts in some areas.

Lilian Greenwood MP, Labour's shadow minister for transport, backs HS2 and criticises the government for having failed to communicate its benefits effectively. "They've done a

pitiful job," she says. "I am constantly asked why we need a new line that's going to take businessmen to Birmingham a bit faster." She suggests that commuters in Kent probably don't appreciate the extent to which their trains are less crowded as a result of the extra capacity provided by HS1, the high-speed line into London from the Channel Tunnel.

Simon Kirby, the chief executive of HS2, stresses the wider economic benefits: "Many people don't appreciate the scale of employment achieved through construction of the railway," he says. He believes that

once HS2 is completed “it will start to realign the economic geography of the country... Leeds and Manchester are very supportive because it benefits them massively”.

RAILWAY RESURRECTION

There are other new railways under construction in the UK. Anyone who has visited central London during the past two years will have come up against the construction sites of Crossrail, an audacious 73-mile-long (117km) railway that will provide a new, high-frequency east-west link underneath the city. In Scotland, part of the Waverley Line, which ran from Edinburgh to Carlisle until closure in the 1960s, is to be rebuilt and reopened between Edinburgh and Tweedbank in 2015.

Work is also underway to upgrade a mothballed section of the Oxford to Cambridge line, closed in the 1960s, between Oxford and Bletchley. This will allow new passenger services between Oxford, Milton Keynes and Aylesbury, and will form part of the national freight network. The existing branch line between Bletchley and Bedford will also be upgraded.

Reopening the final section of the line to Cambridge will be a longer-term project, because much of the original track bed has been built over. But a new study by engineering and consultancy firm Arup suggests that GDP could be boosted by £73m per year just by reopening the Oxford to Bedford section.

The resurrection of the line is the result of decades of campaigning by the East West Rail Consortium, led by local authorities along the route, which culminated in George Osborne’s announcement in the 2011 Autumn Budget Statement of £5m worth of funding. The first phase of the line will mean Milton Keynes and Oxford are just 40 minutes apart by rail, compared to around 75 minutes by road. “It gives employers access to a wider labour base, which is why we believe we will create at least 12,000 new jobs,” says Patrick O’Sullivan, a rail consultant at the engineering firm Jacobs, who has worked with the consortium for eight years.

Other current improvement projects include the electrification of the Great Western mainline; an upgrade of the Thameslink line that runs between Bedford and Brighton through London; an upgrade for the

The idea of renationalising the railways appears to be popular with voters: 66% supported nationalisation in a November 2013 YouGov poll, while only 23% supported private ownership

line between Aberdeen and Inverness; and the £560m Northern Hub project, which will increase rail capacity in northern England by 700 trains per day.

WELCOME TO THE NORTH

Today, many rail passengers in northern England have good reason to feel hard done by, particularly those paying high fares to squeeze into crowded, ageing trains.

Successive studies by the Institute for Public Policy Research (IPPR) have revealed a huge disparity in spending on transport infrastructure in general between south-east England and the north: its June 2013 report revealed that existing plans included a per capita spend of £2,600 for each Londoner, 500-times the planned £5 per person spending in north-east England, 20 times that in the north-west and 16 times the spend for Yorkshire and the Humber. At the time of writing there is also a

INTERNATIONAL CONSTRUCTION PROJECTS

- **France** is adding to its high-speed network with a new line between Tours and Bordeaux in 2017, which will take an hour off the journey time from Paris to Bordeaux.

- **Russia** is considering building a new high-speed line between Moscow and St Petersburg, cutting the journey time from four hours to two and a half hours.

- **In China**, new railways under construction include a new 579-mile (933km) high-speed line to link Hangzhou City and Changsha City; and a 191-mile (307km) line to link Xinjiang Uyghur Region with Kazakhstan. But they’re small fry compared to a new scheme being discussed: a line linking China to Alaska, via Russia, with tunnels under the Bering Strait.

- The longest railway tunnel under construction today is the Gotthard Base Tunnel, being built in the **Swiss Alps**. It will be 35.4 miles (57km) long and reduce journey time between Zurich and Milan by an hour.

- **Indian** Railways is currently building the highest railway bridge in the world, to carry tracks over the Chenab River at a height of 1,177 feet (359 metres).

- **Argentina’s** delayed high-speed lines between Buenos Aires and Cordoba might continue with support from the Chinese. When complete, the 434-mile (698km) trip from Buenos Aires to Cordoba will take three hours, compared to 14 hours today.



government consultation underway on the future of the TransPennine Express franchise and the huge Northern Rail franchise, the largest in the country in terms of track and stations served, both of which will be open for bidding in 2015 and 2016 respectively. Martin Abrams, a public transport campaigner at the Campaign for Better Transport is concerned that the consultation will be used as an excuse to justify providing a worse service for higher fares.

Even when the long-term plans look more attractive, will they actually be delivered? "If you compare the planned spending on maintenance and enhancements with revenue from the taxpayer and expected franchise income, then, according to my sources at the Department for Transport, there is a gap of about £350m," says Wolmar.

This is in part a consequence of a disastrous error made by the Department for Transport in the

process of awarding the WCML franchise in 2012. Having announced that Virgin Trains would lose the franchise to FirstGroup, it was then forced to backtrack when anomalies in the bidding process were revealed.

Such problems are fodder for opponents of the current franchising system. It leaves infrastructure owned by Network Rail, a government-controlled entity that will be classified as a government agency in September 2014, while rail operating companies run each of the franchises across the country for varying periods.

There are also some operators running services outside this system. The so-called "open access" operators; and one of the franchises, the East Coast Main Line (ECML) is run by another government-owned company, Directly Operated Railways (DOR), created after National Express pulled out of the franchise in 2009. The privatised system also consumes roughly as much public money as the nationalised railway - an effective subsidy of over £4bn.

NATIONAL VS PRIVATE

The idea of renationalising the railways appears to be popular with voters: 66% supported nationalisation in a November 2013 YouGov poll, while only 23% supported private ownership. But Tony Lodge, an analyst at the think tank the Centre for Policy Studies, maintains that a return to public ownership would be "a disaster".

"We endured a period of chronic mismanagement under British Rail between nationalisation [in the 1940s] and 1993, with chronically low investment, huge difficulties with the unions and falling railway use," he says - a picture some rail historians (including Wolmar) would suggest does not tell the whole story.

Lodge believes the problem with the existing system is that it does not allow enough genuine competition. He would like to see more open access operators, such as Grand Central and First Hull Trains, which operate trains from the ECML to destinations not served by the ECML franchise. Both have achieved impressive results in terms of profitability and passenger satisfaction. Lodge's research also suggests their presence has increased traffic and helped reduce fares on the ECML.

He rejects the suggestion made by

some that the ECML under the management of DOR shows how successful renationalisation, or an approach incorporating some nationalised elements, could be. "We want the innovation that a good private company can bring," he insists. "DOR is basically keeping the trains running. The railway could be doing a lot better."

Opponents of privatisation see things differently. "Privatisation has added immense complexity to the industry," says Wolmar. Labour's Lilian Greenwood spoke to *economia* the week before the party undertook a policy review, so was unable either to confirm that a proposal to allow state-owned entities to bid for franchises will be in the party's manifesto for the 2015 election, or to provide any details as to how such a system might work.

One reason why the recreation of British Rail is unlikely under a Labour government is that the party favours more regional and local control of local railway services, as has proved successful for Mersey Rail and London Overground, but she does praise DOR's stewardship of the ECML.

The Campaign for Better Transport does not take a position on public or private ownership, although, says Abrams, having at least one franchise in public ownership acts as a useful benchmark. Its priority is to improve life for passengers. "Pretty much every western European country has cheaper train fares than the UK - that is a scandal. We are pushing the government to say when and where they will introduce their long-awaited trial of flexible ticketing for part-time workers or people who work flexibly." He would also like to see a national railcard scheme, like the Bahn railcards in Germany, which offer 25% to 50% reductions on train fares.

But, he concludes, it is progress at least to see politicians on all sides recognising the importance of the railways to the prosperity of the country. "The railway doesn't just benefit the people who use it: there are the economic benefits it brings to towns and cities, the environmental benefit of taking cars off already congested roads. The difference that having a train station in a small town makes is massive. We argue for greater government support and subsidy, because we believe railways benefit everyone." ■



Gotthard Base Tunnel

PHOTOGRAPHY: GALLERY STOCK, GETTY



A LEAGUE OF THEIR OWN

The National Football League has created a socialist profit-making machine in the capitalist heartland of America. Tony Evans asks if the English Premier League can even hope to mirror its success

BEN LIEBENBERG/AP



very spring, the eyes of sports-mad America turn to a theatre in Manhattan. Radio City Music Hall is an unlikely venue for a sporting event, but the National Football League's (NFL) college draft is a preposterous concept in the cut-throat world of professional athletics, where survival of the richest is the prevailing philosophy.

There is no youth system in American football. The most talented young players leave high school and go on to play at college level, the best of them winning scholarships to prestigious universities. Those with the potential to perform at the highest level attend a Scouting Combine in Indianapolis, where they are put through a series of physical and mental tests under the watchful eyes of reps from all 32 NFL teams. Then, three months later, the hopeful recruits gather in New York City for the draft.

The best players can expect the biggest salaries, just as in any sport. What is different in the NFL is that they cannot expect to be wooed by the most successful or richest teams. When Jadeveon Clowney was selected first in this year's draft in May, the 21-year-old defensive player from the University of South

Carolina knew he would not be heading to the Pacific north-west to join Super Bowl holders the Seattle Seahawks, or to the oil fields of Texas to wear the uniform of the mega-rich Dallas Cowboys. Instead, Clowney knew if he was picked first, he would be headed to the Houston Texans, the worst team in the NFL the previous season.

Because in the draft, the least successful team has the first choice. The Super Bowl winners take the 32nd pick. Put simply, the bad teams get the chance of employing the best players. It is the most obvious manifestation of the NFL's desire to keep the sport competitive. And it is working. In the past 20 years, 13 different clubs have won the Super Bowl. Only twice has a team won the Vince Lombardi trophy two years in succession. The entire business plan of the NFL is designed to create parity.

Things are very different in the English Premier League (EPL). In the same two decades, only five teams won the title. Manchester United won it three times in a row on two occasions. Just three teams have topped the division in 17 of those seasons. English football has seen the triumph of wealth. The great sportswriter Brian Glanville called the EPL "the Greed is Good league" soon after its inception in 1992. Yet for all the rampant capitalism at play in England, in the 2012-13 figures - the latest available - a mere eight of the 20 top-flight clubs registered a profit before tax. In the NFL, only the Detroit Lions posted a loss for the 2012 season.

"Success is down to three pillars of competitiveness," says David Tossell, the NFL's European director of public affairs. "The draft, revenue sharing and the salary cap. They ensure the sport is competitive. That's why television companies pay so much to show the sport. It's hard to predict who'll win the Super Bowl. That makes it exciting."

The NFL is, according to its 2011 tax filings to the Inland Revenue Service, a "trade association" acting in the interests of its members. It does not pay tax and has legal advantages that Richard Scudamore, the chief executive of the Premier League, could only dream about. Sports in America have traditionally benefitted from implied anti-trust exemptions that allow the teams to collude in a manner that would be unlawful in any other business, but Congress passed two laws in the 1960s that became the foundation of the NFL's wealth. The Sports Broadcasting Act of 1961 let the NFL conduct television rights negotiations in a manner that would normally be considered price fixing. Five years later, another bill was passed that extended the anti-trust exemptions, effectively allowing the league to act as a monopoly when it came to TV rights. The trade-off was the NFL agreeing not to play on Friday nights or Saturdays during the autumn so as not to compete with the high school and college seasons. It

was the best deal any sport has conducted, and the sweetener was a not-for-profit status enshrined in law.

Pete Rozelle, who became NFL commissioner in 1960, ensured full advantage was taken by persuading the owners that revenue sharing was vital to the league's health. His successors as commissioner - Paul Tagliabue and now Roger Goodell - have provided similar, steady and lucrative leadership.

The concept is simple. Television money is spread equally between the 32 teams. The sponsorship deals with global brand leaders such as Coca-Cola produce identical shares for the clubs. These measures keep income levels in a relatively tight band, which has infuriated some owners. Jerry Jones, whose Dallas Cowboys were valued at \$2.3bn (£1.4bn), has long sought to wring extra cash out of a club that is nicknamed "America's team".

In 1995, Jones caused league-wide fury when he made Pepsi the official soft drink supplier at Texas Stadium, despite Coca-Cola being a league sponsor. His latest ploy is agreeing a 25-year naming rights deal worth an estimated \$500m (£294m) with AT&T for his new Cowboys Stadium. Naming rights money and revenue from corporate entertainment stays with the individual teams.

The most significant method of ensuring that the likes of Dallas do not bully the less wealthy franchises is the salary cap. This limit on player wages was introduced for the 1994 season. Its effect has been striking. In the previous 20 years, eight teams had won Super Bowls and the Pittsburgh Steelers and San Francisco 49ers had each taken the Lombardi trophy home four times.

The wage limit requires some complex calculations, and this year the most that can be spent on player wages is \$133m (£78m). It is a 'hard cap' and teams must comply by the first day of the season. In its eagerness to maintain competitiveness, the NFL also sets a floor on wages. This is 89% of the cap and prevents owners

**“SUCCESS IS
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TO SHOW IT”**

NFL TIMELINE

American Professional Football Association is formed, with 14 teams

1920



APFA renamed National Football League

1922



Play-offs introduced

1932



American Football League starts a rival competition

1960



loading rosters with cheaper players and pocketing the profits.

The methodology of America's flagship sport is at odds with the economic philosophy of the country as a whole. A *Boston Globe* editorial four years ago claimed American football's ruling body is a "fantastically successful experiment in corporate socialism" whose "business practices contradict the tenets of a free market". The editorial goes too far: the purpose of the NFL is not to redistribute wealth but create an environment that maximises league-wide income by curbing individual greed. It would be impossible for the Premier League to replicate such a formula.

Football's evolution has been markedly different. A raft of British and European laws would prevent Scudamore taking an NFL-style approach to television rights negotiations. There are no parallels with American football's draft system, either. The onus on generating talent and producing players is on the clubs. The closed nature of the NFL, with no promotion or relegation, means there is less of a Darwinian instinct in American football. Even the way clubs are bought and sold creates a profit-making advantage.

Anyone can buy a Premier League club. If they pay the asking price the team is theirs. The Glazer family bought Manchester United for £790m in 2005 and immediately loaded £525m debt on to the club. United, which owed no money at the time of purchase, now owes in the region of £400m and has spent more than £680m on interest fees, charges and repayments. "There's a Wild West feel to finances across the football world and the Premier League is no exception," claims David Bick, a financial public relations expert who has been involved in the takeover of a number of clubs. "It's a free-for-all."

When the same Glazer family bought the Tampa Bay Buccaneers a decade earlier for \$192m (£113m), the NFL scrutinised their finances in detail and put their suitability to an owners' vote. Two-thirds of the 32 clubs need to ratify any change of ownership. The most important point, though, is that the NFL only allows 15% of any buy-out to be funded by debt.

The NFL has an advantage, too, in that it is the ruling body of its sport. The Premier League has to defer to FIFA, UEFA and the FA.



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Scudamore's room for manoeuvre is significantly less than Goodell's. The opposite is true for the players. There is only one place to play American football at the highest level: the NFL. A Premier League footballer can move to mainland Europe.

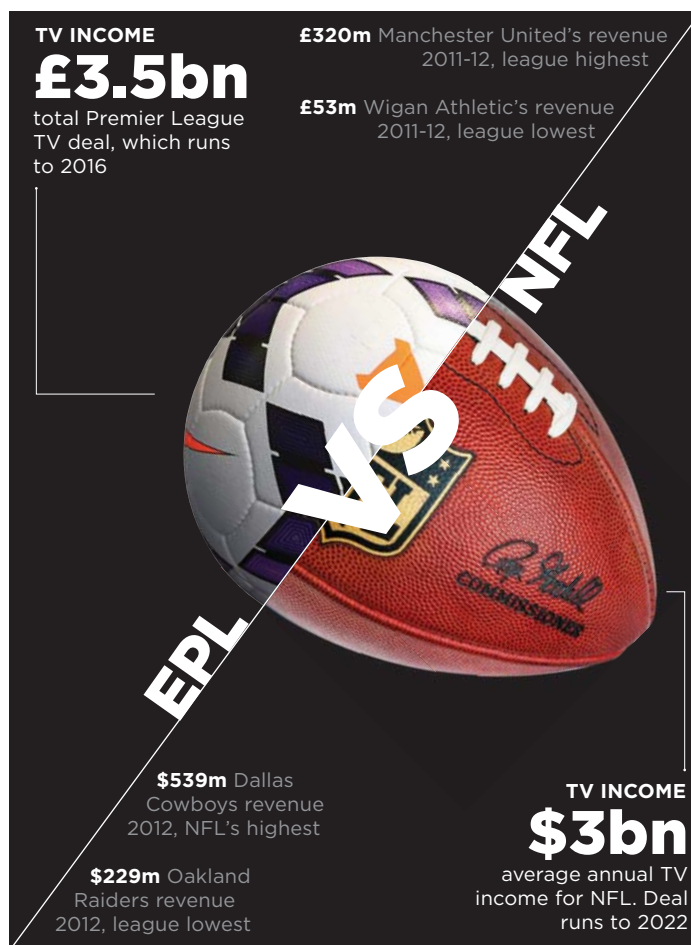
Yet for all the legal and developmental advantages that the American sport has over the Premier League, it is the relationship with television that has allowed the NFL to build its powerbase.

Entering the 1960s, baseball was the most popular professional sport in the US. Television changed this. By the mid-1960s all NFL and its rival AFL (American Football League) games were being broadcast live. The sport tailored itself to armchair audiences with innovations such as TV timeouts and players' names on the backs of jerseys.

When the NFL-AFL Championship game between the two league winners was rechristened the Super Bowl, it captured the public's imagination and brought the owners unanticipated riches. Teams in bigger markets were convinced that small-town rivals were worth saving.

It would take over a quarter of a century more for English football to wake up to the power of the cameras. When it did, the reasoning was completely different. The so-called Big Five - Liverpool, Manchester United, Arsenal, Tottenham Hotspur and Everton - were plotting a breakaway from the Football League with the intention of grabbing a bigger share of the profits.

The Premier League was born against this background in 1992 and wealth became centred on the biggest and most successful teams, drawing resources away from the smaller clubs. The process was accelerated by the creation of the Champions League, where the teams who qualified for Europe's most prestigious competition received a further cash injection.



First AFL-NFL Championship game

1967



AFL and NFL merge

1970



At London's first NFL game 80,000 saw Chicago Bears beat Dallas Cowboys 17-6

1986



Three season games scheduled for Wembley

2014



Michel Platini became president of UEFA with an apparently radical manifesto of creating a more competitive environment. However, the Frenchman's Financial Fair Play regulations have had the opposite effect. By tying expenditure to income, a handful of clubs pay wages and transfer fees way beyond the spending power of their rivals. While the NFL has a coherent policy of trying to stop teams becoming serial Super Bowl winners, football has created a small aristocracy of successful teams with a supporting cast of clubs that may never win.

Even attempts by the Premier League to impose some of the regulations that have worked for the NFL have backfired. Last year, a salary cap was introduced to the English top flight, but its aim is not to level the playing field. Under the rule, each club can only spend £56m of its television income on player wages. But it can use money from other sources however, causing further disparity.

Liverpool, which earned the most from television last season, raking in £97.8m, generated £143m in non-TV income in 2012-13. West Bromwich Albion made £66.3m from TV and a mere £17m

from other sources. "The Premier League salary cap is not about making things even," Bick says. "It's about giving the owners of the lesser clubs an excuse to say no to player wage demands."

The NFL is healthy, competitive and eyeing global expansion. Goodall wants his league to generate \$25bn (£15bn) in annual revenue by 2027. By then, there may even be a franchise based at Wembley. With three regular season games being played in the UK this year, they are already courting the British audience.

The Premier League may not exist in 13 years. The gap between rich and not so rich will grow. "Superclubs" - Manchester United, Manchester City, Liverpool, Arsenal and Chelsea - may need to look abroad to find competitiveness. Real Madrid and Barcelona could have similar thoughts. A European Super League looms and decades of tradition will disappear, along with poorer clubs.

If the Premier League does remain in the same format, its predictability may cause a drop off in interest. If that happens and fans become disenchanted with the round-ball game, the unpredictable and exciting NFL will be waiting with open arms. ■



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GOING WITH THE FLOW

24

GEOFF COOK, CEO of Jersey Finance Limited, argues that there is a need for more rational thought regarding IFCs

Allegations that International Finance Centres (IFCs) allow significant illicit capital flows that enable individuals and multinational enterprises to avoid paying a 'fair' amount of tax rest on poor data and analysis, and on mistakes about how financial transactions, international taxation, and anti-money laundering rules actually work.

In reality, IFCs such as Jersey have an important role to play in facilitating the free flow of global capital and increasing international investment in a perfectly legitimate and beneficial way. Despite various reports in some populist media, there is nothing illegal or untoward about anyone, whether a celebrity or not, having a bank account or trust in a well-regulated jurisdiction such as Jersey. In fact, there are many perfectly sensible reasons for doing so.

The efficiency with which capital can be moved around the world has never been more important, and it is against this backdrop that there is a need for more rational and considered thought around the exact role that IFCs play.

Given the lack of accurate data available in this area, a more balanced view based on proper academic research is incredibly helpful. As a result, Jersey Finance commissioned an independent study to be carried out, published this summer and prepared by two leading academics from the United States who have examined in detail cross border finance and the international free flow of funds around the world.

The report, *Moving Money: International Financial Flows, Taxes, and Money Laundering*, has provided a powerful answer to the critics of offshore financial centres, and demonstrated the value of having an open global financial market in helping to boost global trade and economic growth.

Written by Professor Richard Gordon, director at the Institute for Global Security Law and Policy and professor of law at Case Western Reserve University, and Professor Andrew Morriss, dean at the Texas A&M University School of Law, the report shows that many arguments against IFCs rest on a profound misunderstanding of how and why money moves around the international financial system.

The *Moving Money* study identifies the two ends of a polarised philosophical debate concerning IFCs, tax policy, financial

regulation and theories about how money is moved. The authors call those at one end of the spectrum Control First proponents, who believe that "the most important thing is to stop bad things happening in finance". At the other end of the spectrum are those who believe (like the authors) in an Efficient Enterprise framework, where "the analysis should begin with the promotion of economic growth".

By exploring the two approaches, the study ultimately finds that IFCs help to increase international financial flows, in so doing facilitating trade and investment and allowing the reduction of overall financial risk.

In fact, far from doing damage to the global economy as some commentators suggest, the removal of barriers to global trade has, according to the World Trade Organization (WTO), caused a doubling of income in 10 developing countries with a total population of 1.5 billion, while overall annual growth in the world economy - an average of 1.9% per year since the Second World War - is largely down to increased trade and global finance.

If globalisation still offers the chance to enrich the lives of billions, including some of the poorest people on the planet, boosting cross-border trade and financial intermediation should be paramount. And offshore financial centres, the study argues, achieve just that.

Since the financial crisis in 2008, and more recently as global governments and institutions have come together to address the modernisation of the global tax system, many critics have suggested that the role of small IFCs, such as Jersey, will become redundant.

This is simply untrue and completely ignores the important role played by well-regulated centres such as Jersey as a conduit for investment into the UK and a benefit to the wider global economy.

Such benefits were first revealed in the government's Foot Review in 2009, which showed that offshore financial centres make a huge contribution to the City of London's market liquidity, in turn helping UK banks to finance the wider UK economy.

Then, in 2013, an independent report carried out by Capital Economics (*Jersey's Value to Britain*) found that Jersey alone is the conduit for almost £0.5trn of the total stock of foreign inward investment into the UK economy, and that £1 in every £20 of money invested by foreign individuals and companies in assets located in Britain reaches the UK via Jersey. Far from being a drain on Britain, in fact Jersey supports nearly 180,000 jobs across the UK.

It is this sort of evidence that enables the authors of this study to say that jurisdictions "that lubricate trade by facilitating international financial transactions play an important role by offering transaction-cost-reducing innovations and services".

Critics of IFCs often refer to money being moved around the world through pipeline-like conduits through small islands, an unnecessary detour on their way to a final destination, detracting from both developed and developing countries' tax take en route,

a misleading description that might well imply questionable activity. But the reality of how money moves around the system is quite different. IFCs are often chosen for their legal regimes and management skills that can ensure an investor's funds are safely and efficiently managed on their way to ultimately buying goods and services, which is actually an entirely sensible practice.

As well as examining the benefits of free trade, Gordon and Morriss analyse the balance between over and under-regulation, and the philosophical disjoint between two ends of the spectrum.

For example, while there is greater justification for introducing preventative regulatory measures should there be a rise in criminal transactions, equally such measures necessarily add transactions costs, which can catch some criminal activity, but can also reduce legitimate, value-maximising transactions.

The authors of the study argue that demands for more regulation without considering cost and effectiveness rely on a belief that international financial transactions are "assumed illegitimate unless tightly controlled, rather than primarily reflecting the normal, legitimate workings of an efficient market".

There are numerous reasons why people and multinationals use IFCs such as Jersey, and one of the most common reasons propagated by critics is to do with tax planning. The *Moving Money* report illustrates how attacks on IFCs like Jersey often fail to grasp the real nature of tax evasion and avoidance (most of which occurs onshore). The emphasis on tax evasion and avoidance is too simplistic an explanation for using an IFC. Indeed, as the study suggests, "it is important to keep in mind that financial innovations are not necessarily tax driven" and that some jurisdictions may "compete to provide services, regulatory regimes or dispute resolution services that facilitate business across borders", not subvert or hinder it.

Where tax planning does come into consideration, however, it is entirely legitimate. The authors of the report call tax planning a "rational response to tax laws", and go even further to say that it is in fact "the only response possible for an individual or firm faced with the need to comply with the conflicting provisions, definitions and exemptions of multiple jurisdictions' tax laws".

IFCs are among the most well-regulated, compliant and transparent market places - Jersey, for example, offers all the protection associated with the British common law legal system.

Jersey also adheres to the highest standards set by international bodies like the IMF and the Financial Action Taskforce (FATF), was an early adopter in signing up to the G5 pilot on automatic exchange of tax information and the OECD's Common Reporting Standard, and has committed to the US FATCA framework of tax reporting.

Meanwhile, where confidentiality is concerned, legal systems need to find a balance between "privacy interests and law enforcement interests, permitting intrusion into private matters only under limited circumstances", such as when there are

suggestions that a crime has been committed or there is some form of other significant social interest at stake.

In addition, much more useful than denouncing IFCs, which provide robust rule of law services to the rest of the world, would be to devote more resources to helping to create honest, competent governments in jurisdictions where corruption is the norm.

In their analysis, the authors of *Moving Money* show that cross border trade in goods and services is simply not possible without the international movement of money. This has become especially important now that globalisation has opened trade channels between all four corners of the globe, between developed and developing economies. As a result, there is clearly huge value in reducing the financial costs of trade transactions.

Access to well-functioning, liquid capital markets is an important means of reducing financing costs, and IFCs often act as intermediaries in the flow of funds. This is particularly important for investors in developing countries who wish to diversify their portfolios by investing in jurisdictions that have greater levels of stability, are better performing economies and have stronger property rights protections than their domestic country.

There's no doubt that the global financial network is a complex system that uses different jurisdictions for different purposes - some legitimate, some not. Of importance to policymakers is how much reworking the system can tolerate before the benefits it yields are too eroded.

Such discussions around international business and tax policy are too important to be debated on the grounds of baseless arguments. They should be firmly rooted in quantifiable economic research, and not the kind of "overly simplistic, conspiracy-theory view of international finance" promoted by some lobby groups.

The positive role of IFCs is being evidenced in a growing body of robust literature, such as the *Jersey's Value to Britain* report published by Capital Economics last year, and the World Bank/Jason Sharman report *Shell Games*, which concluded that offshore centres were among the most compliant jurisdictions with respect to the laundering of proceeds of corruption. Among the least compliant were the US and UK.

Moving Money is another extremely important contribution to the international conversation in this area, and will prove valuable in driving discussions around IFCs away from the kind of sensationalist headlines far too often associated with the financial world. ■

* The full report, written by Professor Andrew P. Morriss, University of Alabama School of Law and Professor Richard Gordon, Case Western Reserve University, is available at: jerseyfinance.je/moving-money

Not half bad

From an accountant to a bestselling author, **Sally Green** has bewitched younger adults with her debut fantasy novel. She tells Xenia Taliotis how she made the creative leap

Sally Green's debut novel, *Half Bad*, is about magic. There are witches - good and bad - who can transform into animals, shadows, or other people. But the real magic lies much closer to reality, in Green's own transformation from an accountant into a writer, with a few years of full-time motherhood sandwiched in between. The speed with which her book for young adults became a worldwide success was a further catalyst - within 10 weeks of posting the first 50 pages of her manuscript to an agent, she had signed with Claire Wilson at Rogers, Coleridge & White, struck a three-book, six-figure deal with Puffin and sold the film rights to Fox 2000.

"It does sound a bit 'as if by magic'," says Green, "but I promise you, I put the hours in before I got to that stage. Once I'd finished writing, though, things did happen incredibly quickly. Claire contacted me a couple of days after receiving the first few chapters, asking to see the rest of the book. She emailed it to a few publishers and within two hours she'd heard back from Puffin. Others were also interested, so there was a bit of a bidding war, which was really exciting. I remember pacing up and down waiting for Claire's call with my heart pounding and my thoughts racing. I'd never experienced anything like it before - it was a moment of true euphoria, as was walking into bookshops this March and seeing my book everywhere."

Puffin won the war, taking Green's enthralling tale about divided good and bad witches living among ordinary humans and united in their fear of a boy called Nathan, to the Bologna Children's Book Fair. There it sold the book and its sequels (due out in 2015 and 2016) to 45 countries, including Thailand, Greece, Denmark, Lithuania, Russia and Turkey. Soon after that, Fox 2000 bought the film rights, with Karen Rosenfelt, who worked on the *Twilight Saga* films and *The Devil Wears Prada*, on board as producer.

Subsequently, it has been sold to two more countries and is among *Time* magazine's top 15 books of 2014. It has also taken two Guinness World Records for the most translated book and the most translated children's book by a debut author, pre-publication. Green's success is remarkable by any standards, but

when you consider that she had written "nothing more than business reports," until her 40s, her achievement becomes nothing short of extraordinary. "It never occurred to me to write," she says. "I took science A-levels, did a degree in mining geology and then became an accountant embarking on a clearly defined and linear career path." She went from one job to another, progressed from accountant to finance manager to finance director, and worked for a "not very successful" start-up, never stopping to think if she should or could be doing anything else.

It wasn't until she had her son Indy, when she was 41, that she found the space to reconsider. She became a full-time mum, grew vegetables, kept chickens and started reading - something she'd never had time for before. "My objective was to enjoy life and motherhood," she says. "Being pregnant, having my son, devoting all that time to him and to other areas I'd not so much neglected as been unaware of was revelatory. It was the genesis of so much - my body changed, of course, but so did my mind and the way I thought. I had this surge of creativity - not immediately to write, but in other ways. I was making bread, jam, going to story-telling festivals, generally exploring avenues that were taking me further and further away from all I'd known before."

In 2009, Green enrolled on an Open University social sciences course and loved the writing assignments so much that, come the summer holidays, she started a short story that grew and grew. "I couldn't stop," she says. "I wrote all day, every day and even when I wasn't writing, I was thinking about the next instalment. Before long, I had the makings of a book, but knew my work needed refining, so I switched courses and did creative writing instead, just to learn how a novel works."

She sent the novel out in late 2011 and though it was rejected, constructive feedback helped her isolate which aspects to keep; the following April she started writing what was to become *Half Bad*. "The first book had been about witchcraft, so I kept that, and also the idea of the witches receiving three gifts when they come of age, but I changed my narrator from a girl to a boy. Once I had Nathan's voice, the words flew out of me - I had 20,000 in two weeks. I'd finished it by December 2012, and sent it out in January, so the whole process, from starting the book to getting it accepted by Puffin took just under a year."

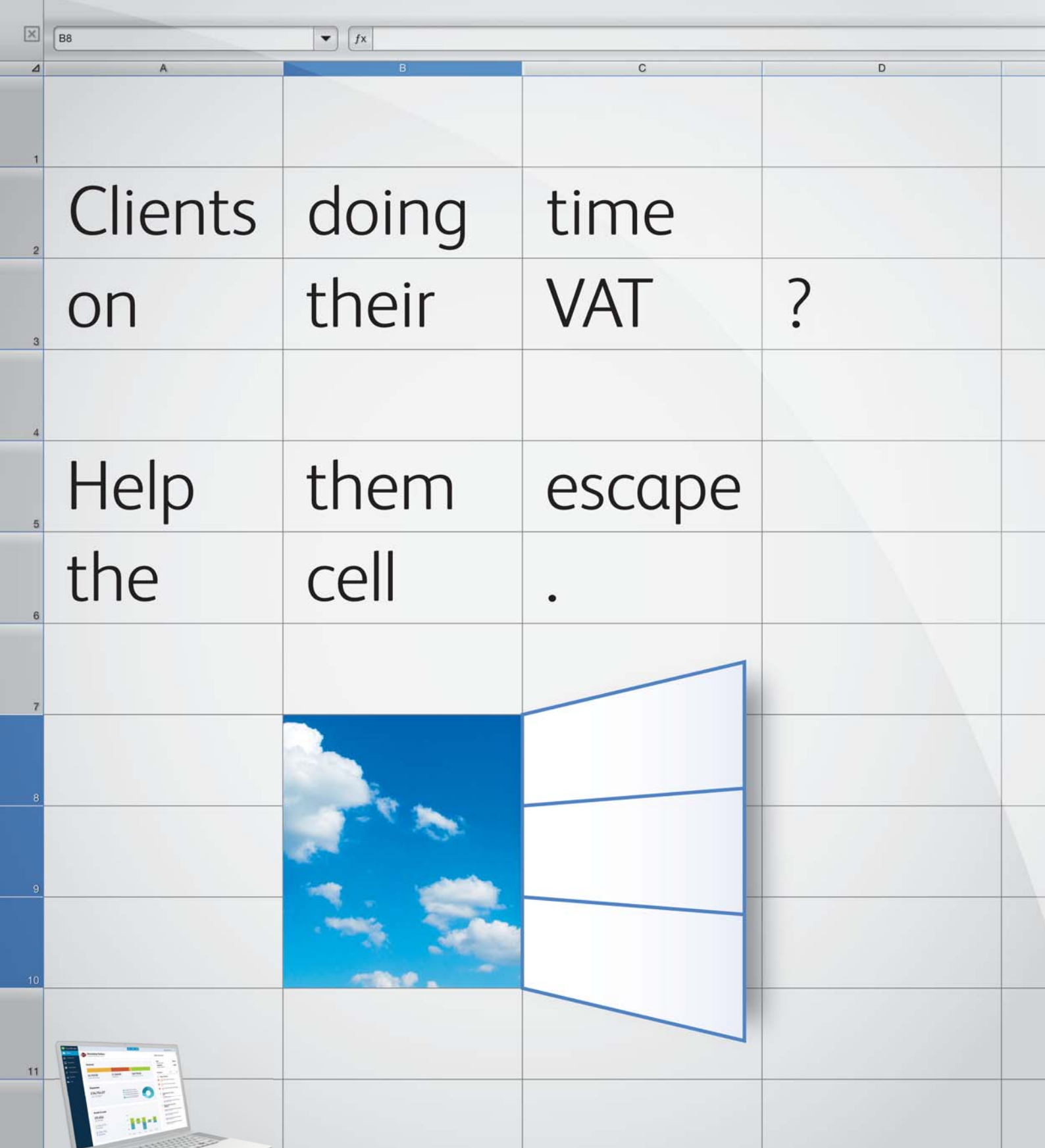
Clearly, there's no going back to accountancy. "No, I had a wonderful career and worked with some lovely people, but that stage of my life is over. What I will say, though, is that I still use some of my accountancy skills. I have an enormous amount of self discipline, and I don't stop until I am completely happy with what I'm working on and that is partly down to my training."

She adds, "Thinking back to when I was looking for an agent, I did such thorough research. I was absolutely forensic about it, and I'm sure that degree of analysis, being a good strategist, comes from having been an accountant for so long." ■

PHOTOGRAPHY: DAVID HARRISON

IN A NUTSHELL

- **2014** *Half Bad* published. *Time* magazine votes it one of the top 15 books of 2014
- **2012–2013:** Puffin confirms a three-book deal. Fox 2000 buys the film rights
- **2010:** Writes first novel
- **2009:** Enrols with the Open University to study social sciences; switches to creative writing
- **2001–2009:** Full-time mum
- **2000–2001:** Finance director, Parcelweb
- **1997–2000:** Finance director, Newhall Group
- **1990–1997:** Finance manager, finance controller, GPT
- **1989–1990:** Financial accountant, Avis Lease and Fleet Management



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Technical

The top five

Changes to key financial standards, plus ICAEW's views on new HMRC powers, are among our updates for practitioners

NEW UK GAAP UPDATED


 The Financial Reporting Council has published a series of amendments to FRSs 101 and 102, intended to help improve accounting for a number of financial transactions, as well as reducing the cost of compliance and improving the ease of use of standards.

The amendments to FRS 101, *Reduced Disclosure Framework*, are largely being made in the light of changes made to EU-adopted IFRS over the past year.

The changes to FRS 102, *The Financial Reporting Standard Applicable in the UK and Republic of Ireland*, update the hedge accounting requirements, making the use of hedge accounting more readily available to entities where it is consistent with their risk management processes. They also relax the conditions for treating financial instruments as "basic", so in future more financial instruments will be measured by reference to cost rather than fair value.

icaew.com

IFRS 9 LOAN LOSS PROVISIONING

 The IASB has finally abandoned the "incurred loss" model for loan provisioning in IAS 39 which many blamed for plunging banks into the 2008 financial crisis. Instead, it has amended IFRS 9, *Financial Instruments*, to adopt a more forward-looking "expected loss" approach.


Under the new rules, loans will be placed into one of three categories - performing, under-performing and non-performing loans - and they will move between these stages depending on changes in credit loss expectations. A loan loss provision will be made against all loans in all the categories but each category will attract its own measurement process. The new rules, which will come into effect on 1 January

2018, also require extra, detailed disclosures about the expected credit losses recognised and the effect of changes in credit risk of financial instruments within the standard's scope.

ifrs.org

For more information see page 74 of this issue

ICAEW IS APPROVED REGULATOR


 ICAEW-registered firms wishing to offer probate services under ICAEW supervision will shortly be able to apply for authorisation now that ICAEW has gained parliamentary approval as an approved regulator under the Legal Services Act 2007. Two orders, placed before parliament in July, are now on the statute books. The first approves ICAEW's status as an approved regulator, while the second allows it to license firms as probate service-providers and alternative business structures.

About 250 firms have already expressed interest in offering probate services as an addition to the estate administration they are already allowed to offer. Until now, they have had to bring in solicitors to do the probate work as it was a legal service reserved only to the legal profession.

Although in theory ICAEW can now license firms to offer probate services, in practice the firms will have to apply for authorisation before they can start.

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CMA CONSULTS ON SME BANKING

 The Competition and Markets Authority (CMA) has launched a consultation on its provisional decision to undertake an in-depth investigation into the SME banking sector.


It decided to go ahead because of new research into SME banking services, which failed to detect much improvement in the

market despite recent initiatives to stimulate competition - such as making switching between banks easier, improving transparency and simplifying the authorisation process for new banks. The provision of business current accounts and business loans is still concentrated (85% and 90% respectively) among the four largest banks (RBS, Lloyds, Barclays and HSBC). SME customers see little difference between providers and have difficulty comparing offers across banks.

The research also found new entrants into the market were limited because the barriers are so high; small banks seeking to expand faced similar problems. Comments should be sent to the CMA by 17 September.

tinyurl.com/smecma

NO TO HMRC BANK POWERS

 HMRC's proposed direct recovery of debts (DRD) powers are not "fair, proportionate and accompanied by robust safeguards", and so should not be taken forward, ICAEW believes.

In its response (TAXREP 39/14) to HMRC's consultation document, it says HMRC should not have the power to collect debts from bank accounts without independent judicial oversight, as it would contravene the constitutional principle of separation of powers. It is also concerned about the risk of errors on HMRC's part, which could have damaging consequences for the taxpayer and public trust in the tax system.

ICAEW also points out that HMRC already has plenty of power to collect debts.

"HMRC should be asked to provide much better evidence as to why the current powers are not adequate," it adds.

icaew.com/representations

tinyurl.com/taxrep3914 ■

To find more technical updates visit icaew.com/economia/technical

Key developments

CORPORATE GOVERNANCE

ICAEW wants Sharman delay

ICAEW has urged the Financial Reporting Council to delay issuing the revised guidance on internal controls and going concern beyond the target date of 1 October 2014. This would give it more time to reflect on revisions to the Corporate Governance Code and “to draw on best practice in developing guidance for all companies”.

To reduce uncertainty for non-Code companies, it also recommends that revisions to auditing standards and specific guidance for directors of banks should be developed and published for consultation alongside the new guidance, rather than issuing the new guidance now. These companies rely on the 2009 guidance for directors on going concern but, ICAEW says, it is unclear what guidance they will be expected to follow from 1 October 2014.

“There is anxiety among non-Code companies, primarily SMEs, that the simplicity of the 2009 guidance may be lost or that elements of the combined guidance that are appropriate only for listed companies may be carried over into other companies,” ICAEW states.

icaew.com/representations

AUDIT

Clarification needed

The Competition and Markets Authority has published the draft Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) order for consultation. When finalised, this will implement some of the changes required by the Competition Commission’s investigation into the audit market, including mandatory tendering of audit at least every 10 years by FTSE 350 companies and measures to strengthen the influence

of audit committees over provision of audit services. It will apply from 1 January 2015.

ICAEW responded by calling for greater clarity in the transitional arrangements for audit tendering. It said the CMA’s more detailed explanatory notes were too complex and further clarification would be required to help companies understand when they needed to take action.

It also called for clearer guidance on when companies have to put their audit contracts out for tender. CMA guidance suggests that companies that have changed auditor in the last 11 years will have to tender their audit contracts earlier than those who have not changed auditors that recently.

Local audit proposals rubbish

ICAEW has told the government to go back to the drawing board over the proposed audit regime for smaller public bodies. In a scathing response to the consultation, it writes that since the proposals reflect neither the policy objectives nor the intentions of a proportionate regime, it is unable to endorse any of it, including the four sets of draft regulations which need a total rewrite.

The four-week consultation and poor drafting mean that it has only been able to comment on key issues, it says. “We would have provided further, more detailed and considered comments on all the regulations and proposals if the consultation had been fit for purpose and if we had more time within which to consult with our member firms and provide a more detailed response.”

It accuses civil servants of not understanding the differences between an audit and an assurance engagement, adding that if ICAEW can’t understand the regulations, what hope is there for the approximately 10,000 smaller public bodies? “As it is we would not recommend any of our member firms take this work on as the risks are too

great for any benefit that they might receive from doing this work.”

The Financial Reporting Council is seeking views on local audit, including on the statutory requirements for transparency reports and the register of local public auditors. The deadline for comments is 17 October.

BUSINESS

UK to drop quarterly reports

The government will bring forward implementation of changes to EU law that would see listed companies in the UK relieved of the burden of producing quarterly interim management statements (IMS).

EU member states have until November next year to bring in the necessary changes but under pressure from the Treasury, the Financial Conduct Authority has already issued a consultation paper setting out the proposal.

The requirement to produce IMS is contained in the Transparency Directive. In 2010, the European Commission undertook a review of the legislation and concluded that the obligation to publish IMS represented “an important burden for many small and medium-sized issuers whose securities are admitted to trading on regulated markets without being necessary for investor protection”.

fca.org.uk

Government export change

Lack of enthusiasm for exporting among UK SMEs means the government will miss its export target of £1trn by 2020 unless it rethinks its policy, says ICAEW.

Research shows the number of exporters has remained at 50% for the past four years. This level is unlikely to change much either as only 2% of non-exporters have plans to start exporting in the coming year.

The research offers important messages for government if it is to persuade more businesses to export

- not least that the two government-backed export bodies, UKTI and UKEF, are just not visible enough. Other complaints include the lack of business expertise in UK embassies overseas and difficulty in understanding local culture when trying to deal with foreign countries.

In its 2015 General Election Manifesto, ICAEW recommends government adopts a “segmented export strategy” with support tailor-made for businesses, depending on their size and market needs.

icaew.com

Companies House free for all

Companies House is to make access to all its data free of charge from the second quarter of 2015, as part of the government’s move to improve corporate transparency.

The Department for Business, Innovation and Skills said that by making the information free, Companies House data would boost the UK economy, as well as provide opportunities for new and innovative uses for the information.

FINANCIAL REPORTING

Charities SORPs published

The voluntary sector has two Statements of Recommended Practice for the first time since the accounting framework was established in 1988.

Which one charities use depends on their size - since one is based on FRS 102 and the other on the Financial Reporting Standard for Smaller Entities (FRSSE).

Choice will also come into play because of the FRSSE-based SORP’s short shelf life. The SORP will change in 2016 once the changes to the disclosure regime for micro entities, introduced by the EU Accounting Directive, have made their way into UK company law and regulation. As a result, some charities may choose to adopt the FRS 102 SORP instead.

charitycorp.org

New version of LLP SORP

The CCAB has published the fourth edition of its Statement of Recommended Practice on Accounting by Limited Liability Partnerships. This latest version has been updated to take account of the introduction of FRS 102.

Many of the changes will not affect existing practice. However, some, including the updated guidance on retirement benefits, will require LLPs to familiarise themselves with the detail as they prepare to move to the new UK GAAP in 2015.

ccab.org.uk

EMPLOYMENT

Staff poaching legal victory

Employers will no longer be forced to put employees on paid gardening leave when they do not want to work out their notice periods, following a landmark ruling by the High Court.

A judge decided an employee who refused to work his notice period and walked out on his employer because he’d been offered a job by a competitor, was still employed and bound by covenants in his contract even though the employer no longer paid him.

In Sunrise Brokers LLP v Rodgers, derivatives broker Michael Rodgers left his job on 27 March 2014, saying he would never return. He gave written notice on 16 April 2014. However, he was on a fixed-term contract until 22 September 2014, after which he was required to give 12 months’ notice. Sunrise agreed to a six-month notice period to expire on 16 October but insisted he was bound for a further six months by covenants in his contract which included not working for competitors.

After he walked out, Sunrise stopped paying him but considered his contract was still live. Rodgers argued that not paying him was a repudiatory breach which brought the contract and its covenants to an end.

Sunrise was granted an interim judgment. This has now been upheld

by the High Court, which ruled that Sunrise was right to refuse to accept Rodgers’ purported summary resignation in breach of contract, and to keep the contract alive.

It was also entitled not to put him on gardening leave (for which he would have been paid) but to expect him to work out his notice period. If Rodgers was not prepared to work, Sunrise was entitled not to pay him. Twenty Twenty, Sunrise’s lawyers, hailed the decision as “an important victory for common sense”.

“Employees who simply don’t turn up for work having given notice in these circumstances should not get paid,” it said. “It is not for the employee to demand to be put on gardening leave as this is a power reserved to the employer.”

“Businesses are entitled to protect themselves from attack by competitors who try to poach their staff and clients.”

PRACTICE

FATCA reminder for practices

Members are reminded they may need to register their firms, and any trusts for which they act, with the US Internal Revenue Service (IRS) in order to comply with the US Foreign Account Tax Compliance Act (FATCA).

As this will involve a major information gathering exercise, the Institute suggests registering in early September so they are in good time to meet the 31 December deadline.

FATCA is designed to ensure that US citizens fully disclose their worldwide income to the IRS. In September 2012, the UK signed a treaty with the US to implement the act in the UK, which was given legal effect by s222, FA 2013.

In early May, ICAEW, along with STEP and the Law Society, published guidance on FATCA with particular focus on the issues which are relevant to practitioners. S3 of the guidance covers the impact of FATCA for trusts.

icaew.com

Taking it on the chin



As Caroline Biebuyck discovers, new rules herald a change in direction in accounting for loan provisions

Keeping up with changes to the accounting standard for financial instruments can seem like trying to stay abreast of the plot to *Game of Thrones*. The changes have been a long time in the making, with many twists and turns on the way, and the story isn't over yet. However, the end came a lot closer with the publication in July of the IFRS 9's final amendments to the parts of the standard that deal with loan loss provisioning.

Provisions for loans came under the spotlight during the financial crisis. Critics complained that the current model led to banks providing too little, too late against their

loan portfolios - and that losses need to be provided earlier in the economic cycle. The G20 agreed, and sent standard setters away to come up with a better solution.

The result is that the international standard says goodbye to the current incurred loss model, in which banks could only recognise a provision against a loan once the loss had been incurred. In its place comes the expected loss model, which considers expectations for future credit losses, allowing banks to provide for these expected losses earlier.

KPMG partner Jon Bingham thinks banks have to accept that while the incurred loss model was theoretically purer, the decision about when a loss was incurred was fairly arbitrary. "If someone misses a payment and defaults, under incurred loss you are trying to measure when that loss event took place. Perhaps it was when the individual lost his job. But you don't track that - you only know when he missed his payment."

The expected loss model instead considers the credit risk, with provision being made for the bank's credit losses expected over the next 12 months. This means that a provision has to be made against all loans - even those which are part of the bank's good loan book (under the standard's parlance these are called Stage 1 loans).

"Banks have always had expectations about the defaults and losses they were going to suffer," says Eddy James, technical manager of ICAEW's Financial Reporting Faculty. "This information has been available internally and used for regulatory purposes.

They simply aren't able to recognise those losses on their balance sheets under current rules, even if they want to."

This new categorisation reflects a convergence of credit risk management with financial reporting for loans, says Deloitte partner Andrew Spooner. "The expected loss model is a lot more forward looking and is based on views of future credit deterioration," explains Spooner.

"This is a credit risk-modelling future, not a cash flow future. Banks do use credit risk information at present in working out how much they are going to recover - but that focus tends to be on loans that have gone bad. The difference here is that banks will have to focus on loans that are currently good."

Everyone expects loan provisions will rise when the standard takes effect. The question is: by how much? IASB field studies suggest an increase of more than 25%, assuming current economic conditions and credit risk. However, Deloitte's recent survey of global banks found half of the respondents expected their loan provisions to rise by up to 50%.

While banks generally feel their profits will fall once they implement the standard, they are now concerned about how profits might be dented by changes in regulatory capital resulting from the change in accounting. Typically, regulatory provisions for loan losses have exceeded accounting provisions, says Bingham. "Under IFRS 9 it could be the other way around. It will be a very brave regulator who will say: 'I will substitute my lower regulatory

ILLUSTRATION: ARON VELLEKOOP LEON

basis for the purpose of calculating capital solvency.' If a bank has to hold more capital this will lead to a hit to profits."

Five years have passed since the G20 meeting thrust this issue to the top of standard-setters' agenda. Much of the delay in issuing the new standard came from IASB and the US standard setter, FASB, being unable to agree on a common standard and deciding to go their separate ways. FASB's preference is for banks to recognise all expected lifetime losses up front, an approach which many (including ICAEW) think does not reflect economic reality.

The lack of common standard across the Atlantic means problems with consistency between financial statements prepared under US GAAP and IFRS will continue.

"Most users, no matter what the basis of accounting is, have complained that IAS 39 [the current standard] is not applied consistently - even within UK banks," says Bingham. "Because IFRS 9 is more judgemental than IAS 39, there is a greater risk of inconsistency - even before we take the US into account. One of the aims of the IASB's Implementation Resource Transition Group is to drive the idea that the standard should be implemented on a consistent basis."

Despite their concerns banks broadly support the new model, seeing it as a reasonable compromise and something that they can implement. However, changes to systems and procedures are likely to consume a great deal of time and resources. Bingham cites costs for global

	Stage 1: performing loans	Stage 2: under-performing loans	Stage 3: non-performing loans
Loans in this category	No significant increase in credit risk since initial recognition	Credit risk has increased since initial recognition	Credit risk has increased such that losses are incurred or the loan is considered credit impaired
Loan loss provision to be made	Expected credit losses in next 12 months	Lifetime expected losses. Interest income still recognised on gross basis	Lifetime expected losses. Interest income recognised net of impact of expected credit losses

Everyone expects loan provisions will rise when the standard takes effect. The question is: by how much? IASB studies suggest 25%

banks of close to £100m; for UK clearing banks estimates range between £50m and £100m. "This standard requires new disciplines: more analytical skills to model loans into the future, to work out the relationship between the economic outlook and bad debt charge," he says, comparing the impact on banks to that of implementing Basel II regulatory change.

Most banks will be looking to start from a common data set and adjust it to get to their regulatory capital requirements or IFRS 9 calculations, thinks PwC partner Sandra Thompson. "Because this will be audited they will need to look carefully at the quality and control over the data, and at the systems and governance in place," she says.

"Banks have different products and work in different countries, so it will take time and effort to arrive at a consistent system that works

for different jurisdictions."

Banks have what at first glance seems like a long lead time, as the standard will take effect for accounting periods starting on or after 1 January 2018. However, EU preparers will need to wait for the new standard to be endorsed by the European Commission - a process which may take time. Meanwhile the FRC is likely to incorporate the changes into UK GAAP with effect from 2015, meaning private UK banks will have an earlier implementation date than listed ones.

While the new standard covers the three phases of the long-running project to replace IAS 39 - *recognition & measurement, impairment and hedging* - the old standard is not history quite yet. The hedging element only deals with general hedge accounting. Macro hedging is not covered by the new requirements so banks and other financial institutions

that use this will need to continue to apply the relevant parts of IAS 39 until the results of a separate project on macro hedging are finalised.

Despite this, there is a sense of relief that the work on loan impairment is over - and not just among banks. The main benefit of the new model, says James, is that it will give investors and other financial statement users more timely information about expected credit losses. "It's a pragmatic reflection of the economics of lending," he says. "And as it applies to all financial instruments that are subject to impairment accounting, it removes a major source of current complexity."

However, he cautions that there is still no cure for unexpected losses. "People saw losses coming out from the woodwork after the financial crisis and said it was all down to bad accounting. That's not the case.

"During the boom years expectations are different. Once you come off the top of the economic cycle, expectations about future losses start rising.

"But while you're on the top of the curve everyone's feeling positive and no one expects the customer to go bust." ■

More insight, more personality

New corporate reporting guidance gives companies the chance to provide more meaningful narratives. Liz Loxton analyses the likely impact of the FRC's *Guidance on the Strategic Report*

Narrative reporting has reached an important stage in the UK. The FRC's *Guidance on the Strategic Report*, released in June, makes good on the need to provide companies and their advisers with a principles-based approach to implementing the legislative corporate reporting reforms introduced last year.

Many UK companies have already had to square up to the task of including a strategic report within their annual report and accounts, mandatory as of September last year under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The earliest reports - those with 30 September year-ends in particular - made do with the legislation and draft guidance. With the government publishing its

regulations in August with an effective date the following month, the FRC had little time to deliberate and publish guidance the Department for Business, Innovation & Skills requested.

However, the regulations themselves introduced little in the way of surprises. Debate on corporate reporting has focused on the need for concise, more streamlined reports that include points on company strategy, business models and risk. And the new regulations reflect this.

"If we're honest and stand back, there weren't any bombshells in the introduction of strategic reports in the UK," says KPMG partner David Littleford. "It did provide an opportunity for a rethink, however," he says.

In publishing the guidance, the FRC developed key themes around clear,

uncluttered reporting. It wants narrative material on strategy and operational matters to be clearly linked to the relevant figures.

Deepa Raval, lead project director on the guidance at the FRC, says that a key point for the FRC was to encourage clarity and innovation. "Companies should set the strategic report in the context of the annual report as a whole," she says. "The annual report is primarily a document for shareholders and investors and there is a need for it to be more clear and precise. We want to move people away from boilerplate disclosures."

Another key emphasis is an improved structure so that the annual report as a whole is more understandable.

"Where permitted within the legal framework, we are encouraging people to move information not necessary to the report itself elsewhere," says Raval.

"So with CSR-type information, for example, many companies have quite a large amount and while this information is important, it is material that could be published elsewhere."

The FRC has also taken the opportunity to reinforce the notion that the annual report and the strategic report in particular need to be "fair, balanced and understandable" - a principle set out in the 2012 UK Corporate Governance Code.

"So there's little change in the rules," says Littleford, "but the guidance is seeking a better explanation of strategic and narrative reporting with an emphasis on linkages - the idea that you explain the link between KPIs and your strategy, the business model

and performance, your KPIs and remuneration policy and so on." Along with the FRC's user-friendly approach, the bringing together of the broader themes of the narrative reporting debate have been applauded.

Jonathan Cobb, governance and stewardship director at Standard Life, says: "From our point of view as investors the key point is the encouragement given to companies to ensure that the report and accounts and narrative reporting section actually reflects the conversation that has gone on around the boardroom table that year."

Within the profession too, auditors have struggled to find practical difficulties with the guidance. James Roberts, audit partner at BDO, says that with the exception of the odd dissenting voice, practitioners have been encouragingly positive on the subject of the guidance.

"It's a practical document that people will be able to understand and work with," he says. "Someone could read this Guidance and come away able to apply it in a way that's been more difficult when working with draft guidance, for example."

So what have reports under the new regime looked like? As Nigel Sleight-Johnson, head of the Financial Reporting Faculty at ICAEW points out, we have now seen strategic reports for the majority of companies with September, December and March year-ends. "What's notable is the variety of approaches in terms of display and even content," he says.

Corporate reporting specialists at Black Sun

Research looked at the first 20 reports compiled under the new regime and found that, in line with the FRC's aim of moving companies towards a best practice approach, firms have worked hard to embrace the spirit of the reforms.

Director of research and strategy Sallie Pilot says companies have viewed the legislative changes as positive, against a background of change in the way regulators and governments talk about corporate reporting. "Generally, it's been about helping companies to tell their stories. They are trying to give them a framework," she says.

Already, companies have put a great deal more into producing concise and meaningful writing within the front end, she believes. "We have had a lot of companies that wanted to tell their story a lot more clearly. Companies are giving a much more cohesive and well-rounded sense of their business with a greater level of connectivity and accountability. There is now more insight and personality in the narrative," she argues.

Behind that lies a shift in the quality of the debate within companies and an evolution in the processes behind compiling reports and accounts.

"We've seen a lot more discussion around the role of companies in society and we've seen a lot of companies try to articulate that in all sorts of areas - how they educate employees, the role they play locally, how they contribute to society," says Pilot.

Already, compiling company reports has become more of a commitment for companies, she adds, and that



applies both to the companies covered by Black Sun's early research and those the organisation has reported on since. The work begins earlier, teams are bigger and the overall approach is more integrated across the whole of the organisation.

"The front-end reporting, governance, financial statements - we used to have very separate contexts for these areas. Now we have steering committees, project boards - there will be one advocate, but they will participate in all these different areas, particularly in relation to strategic reporting. We're definitely seeing a lot more collaboration.

"We're also seeing a lot more engagement from auditors at the beginning of the process and throughout. Generally there has been a push towards getting things done much earlier so audit

committees and boards have more time to reflect."

The emphasis on the idea of "fair, balanced and understandable" has also prompted companies to devote more time to consideration of the annual report. "Those three words have caused significant thought on their meaning but also about how to manage the process in a way that the result meets those ambitions," says Littleford.

"Some companies have used the opportunity to pause and to amend timetables for the drafting of the annual report so as to allow time for reflection and review - more time to stand back from the end result and ask whether the report reflects the issues that occupied the board during the year."

So are there omissions? Sleight-Johnson suggests that companies looking for

detailed practical help on particular disclosures - for example how to report on HR or gender issues - might be disappointed. "Quite deliberately, probably, it doesn't provide detailed guidance," he says.

There may also be an issue around the fact that the guidance is primarily written for quoted companies when the regulations apply to all companies except for small ones. "If you are not a quoted company [the guidance] is quite extensive."

And there is still the question of how we will determine which reports are good - or compliant - or not. The guidance definitely discourages legal-speak and rubric, says Roberts, "but someone is bound to do it". It will also be interesting to see, he points out, what the review panel makes of the tenets of "fair, balanced and understandable".

There is scope for corporate reporting to evolve and improve and companies won't have to do that in isolation. The FRC Lab will release research on digital reporting and separately on accounting policies later in the year.

However, the guidance does also point auditors in the right direction in terms of a future requirement to give an opinion on the front end of the annual report, explains KPMG's Littleford.

"Based on yet-to-be-implemented changes to EU audit and accounting requirements, 2016 will see auditors reporting positively on the compliance on narrative reporting with applicable legislation."

Changes in policy rarely stand unaffected for long. ■

In your defence

Cyber security breaches don't just happen to big banks and international corporations – small accountancy firms can be targets too. David Adams looks at what you can do to protect your networks

As Ford Prefect says in Douglas Adams's *The Hitchhiker's Guide to the Galaxy*: "It's a tough universe. There's all sorts of people and things trying to do you, kill you, rip you off... everything." Wise words.

It may seem, as you sit at your desk, that the bad things are far away, when in fact they could be inside your IT networks, stealing company or customer data. For accountants, trusted by clients with sensitive information, such a security breach could be disastrous.

The number of security breaches affecting UK organisations actually fell during 2013, but average costs for the worst breaches increased, according to the 2014 *Information Security Breaches Survey*, conducted by PwC for the Department for Business, Innovation and Skills (BIS). The average cost of the worst security breaches affecting small business during 2013 was between £65,000 and £115,000, up from £35,000 to £65,000 in 2012.

The survey revealed a mixed picture. In total 45% of the smaller organisations surveyed were infected by viruses or malicious software, known as malware, up from 41%. And 12% detected network breaches (down from

15%); plus 4% knew data or intellectual property had been stolen (down from 9%).

Just over half of all organisations surveyed suffered their worst security breach of the year either as a result of inadvertent human error (31%), or deliberate misuse of systems (20%). The former often takes the form of staff unwittingly downloading malware that exploits "zero day" vulnerabilities (not yet known to the software vendor) within commonly used software, when clicking on compromised web links, websites or email attachments.

The malware may then lie dormant for weeks or months before being activated remotely to remove data or steal user credentials that will help the attacker infiltrate other machines on the network.

Organisations of any size may also suffer as a result of widespread security vulnerabilities, such as Heartbleed, which affects a widely-used security technology called OpenSSL and could allow attackers to steal information including user names and passwords for email, instant messaging and virtual private networks used by employees to access company networks remotely.

Although smaller organisations are less likely to



be targeted individually, staff within accountancy firms are as likely as anyone to fall for well-crafted phishing emails sent in bulk. These may be disguised to look as if sent by a business partner or government agency, detailing a change of bank details, or a request for credit card or bank details needed to provide the recipient with a refund of some kind. "Ransomware" is also a problem. For example, Cryptolocker encrypts an organisation's files then displays a message on affected machines demanding payment by a set deadline, threatening to delete the private key that will decrypt the data if payment is not made. One interviewee told me about a company struck by Cryptolocker

just as it was undergoing due diligence for a corporate sale. "The sale went through successfully, but the pressure the client was under was extraordinary," says the source.

Accountants may also suffer from computers being taken over to form part of a botnet: huge networks of infected computers used to conduct cyber attacks on other targets or to distribute spam email.

Unlikely as it may seem, attacks are sometimes targeted at individual, small or medium-sized accountancy practices. This may be because an accountant completes payments for corporate clients, suggests Ollie Whitehouse, technical director at security specialist NCC Group. Accountants

managing payroll services might be targeted for payroll data. Others may be selected as a first step towards targeting high net worth individuals on the client list.

Richard Anning, head of the IT Faculty at ICAEW, says accountants need to consider carefully what kind of information they may be holding that could be of interest to an attacker. "Ask yourself, what is it that the firm has that, if lost, would be embarrassing: client data, commercial data, details of clients' transactions - even a client list," he says.

Data loss may also breach UK and EU data protection laws. A visit to the Information Commissioner's Office (ICO) website shows that organisations can expect to be fined: up to six figure sums for repeat offenders, but also fines of several thousand pounds for a single, serious breach, such as the loss of a laptop containing customer data.

Tim Holman, cyber security consultant and CEO at 2-Sec, and president of the Information Systems Security Association (ISSA) UK, highlights the value of data compartmentalisation, which means that if an attacker gains access to one machine their chances of accessing data elsewhere on the network are small. Whitehouse recommends two-factor authentication to control access to the most sensitive data, using a hardware token or supplementary identity verification via SMS alongside user names and passwords. And simply encrypting data is also a very good way to ensure its security.

There are other simple measures an organisation can

take, such as ensuring that anti-virus (AV) software is kept up to date. "Go for a paid AV product that not only protects your network but also web and email use," recommends Mick Paddington, security advisor at Trend Micro.

Cloud computing services offered by third party companies should be protected by very strong security technology, but it is worth spending some time considering the different levels of protection appropriate for different datasets stored or backed-up in the cloud, based on the governance, risk and compliance

charged up. Locking down such ports and disabling Bluetooth on corporate hardware is one way to counter the problem.

If company or customer data is going to be stored on these devices they should be protected with software that will enable the hard drive to be wiped remotely if the device is lost or stolen.

Sonia Blizzard, managing director at IT specialist Beaming, believes one good way to eliminate or minimise such problems is to insist that staff use separate equipment for business activities. She also recommends that staff who

is on the network. There is no shortage of free sources of advice on cyber security (see below), including ICAEW, which regularly runs workshops and events focused on this subject; and is currently working with BIS to create new online security training resources.

If an organisation does suffer a security breach there will always be some financial cost. At the very least it will be necessary to call on external expertise to advise on how to mitigate the effects of the incident and reduce the chances of future breaches.

But the best way to avoid even more extensive costs is to tell clients what is happening swiftly and honestly.

"Companies that survive these attacks are the ones that communicate and explain what happened," says Blizzard. It is also worth considering whether you need to help clients improve their own IT security to ensure that their mistakes do not expose you to additional risks.

The brutal truth is that some organisations will be severely damaged by cyber security breaches. You have to do all you can to ensure that your company and your clients will not be among them. ■

"Ask yourself, what is it the firm has that, if lost, would be embarrassing: client data - even a client list"

(GRC) requirements that apply to them. The Cloud Security Alliance's GRC framework may help guide the decision.

Holman advocates regular face-to-face security awareness training for staff. He stresses the need to teach good habits when it comes to working remotely. "Accountants often take work home, or work in public places like cafés - they should not be leaving data accessible when in those places," he says.

Another potential security headache is staff use of their own smartphones or tablet computers in a Bring Your Own Device (BYOD) arrangement. These devices can easily act as a conduit for malware - even if simply plugged into a USB port on a connected PC or laptop to be

bring their own devices to work should only be allowed to connect to a secondary wireless network not used for business purposes. They should not check personal email via the office network, partly because this is a likely source of email-borne threats, but also because "people tend to be less vigilant when using personal email - they're more likely to click on what look like legitimate links supposedly sent by friends".

However, although staff need to understand the damage that could result if they ignore security risks, it is also important to create a working culture in which they feel they can own up to mistakes, because it is so important to reduce the amount of time that malware

Further information
ICAEW icaew.com/cyber
Cyber Essentials gov.uk/government/publications/cyber-essentials-scheme-overview
Get Safe Online getsafeonline.org
Cyber Streetwise cyberstreetwise.com
Information Commissioner's Office ico.org.uk/for_organisations/sector_guides/business
Cloud Security Alliance cloudsecurityalliance.org

Elsby & Co: A design for life

Rewarding client loyalty and looking for star quality in recruits rather than glowing grades are two of the ways Elsby & Co does things differently. Carl Elsby tells Xenia Taliotis about the firm's winning formula

I'm not dazzled by a first-class degree and a string of A's," says Carl Elsby, joint founder, with his wife Clare, of Elsby & Co in Sywell, Northamptonshire. "What matters most to me when I'm recruiting is a person's potential.

"When we set up in 1993, we drew up a list of what we wanted our firm to be known for, and right at the top was a commitment to training and mentoring staff to help them achieve their goals. As long as they share our ethos and have a willingness to learn, then they're welcome to join us."

Elsby is talking from personal experience when he says that it isn't always a glowing set of grades that make a great accountant. He left school at 16 with three O-Levels and when he qualified as an accountant six years later, he did so with marginal passes. And yet here he is, running a successful practice, with 24 staff, including three partners, 850 clients and an annual turnover of more than £1.2m - expected to grow by 20% over the next year.

"We invest a lot in training and developing our employees so they take on more responsibility, and there's no hierarchy," he adds. "We promote people when they're ready, not when someone moves on. Staff progress as quickly as their ability allows, and seeing them grow is one of

the most rewarding aspects of running my own firm."

He says his route into accountancy was more a happy accident than a carefully calculated game plan. After leaving school he worked for his parents' sports club and then, when they sold it, he started as a clerical assistant at a firm of accountants. Realising accountancy was a good fit for him, he backtracked on his education, re-sat his O-Levels, took a BTEC, a foundation course and then his chartered accountancy exams, all within the space of five years.

Elsby started Elsby & Co after he and his wife were made redundant from Grant Thornton and Haines Watts respectively. "Our motivation was to build a firm that embodied our principles and what we stood for. That's what really tipped the balance in favour of us going it alone," he says. "We'd seen how big firms operated and we wanted to do things differently, starting with putting people - clients, staff, suppliers - first. We knew we could improve on how the corporates went about things."

Working from the back room of their house, they got their first client through pure chutzpah. "A farmer contacted me saying he was retiring and needed advice on his tax affairs," says Elsby. "His accountant had told him he was facing a tax bill of

£108,000 and he wanted a second opinion. At that stage I'd never done anything like that, but I went away, did my research, worked through the figures and saw that I could get his tax liability down to zero. That's one of the brilliant things about accountancy - the fact that, if you're methodical, analytical and precise, you'll find the right answers. You just need a can-do attitude and the confidence to take on new challenges."

The firm's expansion was rapid, fuelled mainly by word of mouth but also through business contacts and networking. By 1997 they were "growing like crazy", so they moved into new offices and recruited more staff. Since then, Elsby & Co has grown by 30-40% per year, even during the recession, with retention of clients and staff remaining extremely high - over 90%.

The emphasis is on creating a happy environment: staff benefit from flexible working, including working from home, and a profit-sharing scheme, while clients know they can pick up the phone for advice without worrying that the meter is ticking.

Billing is on a per-service basis, but more than that, the practice offers a guarantee to clients that they can pay what they feel the job is worth. Thus far, says Elsby, it's never been an issue - no one has claimed

"If you're methodical, analytical and precise, you'll find the right answers"

**CLIENT: SYD GOODEN,
ADL PROPERTIES LTD**

"Carl has been my accountant for more than 20 years. In that time, it's no exaggeration to say that he has shaped both my business and my private affairs, making sure they are in good order. His advice has always been right on the money and I trust him implicitly, knowing he has my interests at heart. He negotiated an amazing £250,000 reduction in what my company owed the bank, and I'm not sure what we'd have done without him during a very fraught legal dispute. I ask for his advice on every important decision I have to make, whether that's writing my will, planning what will happen to my business after I retire, and setting up trusts for my family. It's fair to say that I think of him as a friend."



Set up in 1993 by Carl and Clare Elsby, Elsby & Co now has three offices: the headquarters in Sywell, Northamptonshire, and also their joint venture partnership, Coopers Elsby, in Milton Keynes, and a small satellite office in Market Harborough.



Employs 24 staff including three partners



850 clients, mostly owner managers of small family businesses



Heavy investment in technology has meant that the firm has been paperless for three years



Turnover £1.2m per year. Expected to increase by 20% in 2014-2015



Growth 30-40% per year, mainly through word of mouth recommendations. Future plans for growth include joint venture partnerships

ILLUSTRATION: ARON VELLEKOOP LEON

on the guarantee, but it's a good marketing technique. "We have complete confidence in the service we provide - more often than not, we exceed clients' expectations, but that guarantee is there on our website to show clients we put our money where our mouth is."

And there is also give-back for clients through the firm's membership of Perkz, an online benefits scheme that gives generous discounts at hundreds of retailers, including Apple, M&S, Boots and Thomson. It's a way of saying thank you and of showing that he appreciates his clients' loyalty to his firm, Elsby says.

The practice has clients in a wide range of industries - catering, beauty, marketing, construction, retail - and that's how Elsby & Co likes it. It has chosen not to specialise in any one sector but its market positioning is, nonetheless, highly focused - concentrated on owner-managed small enterprises they can help to grow.

"This is our place in the market place," says Elsby. "It's where we can make the most difference and it's where our expertise lies. Aside from that, we like working with people we can get to know personally. You can't really do that when you're acting for big companies." Elsby believes the best way to provide an

"We like working with people we can get to know personally - you can't do that with big companies"

exceptional service is to get close to clients. "We handle sensitive information," he says. "So building strong, trusting relationships with our customers is imperative."

"The more we know about them and their business, the better placed we are to advise them. Our clients see the same accountant each time because with continuity comes familiarity. By getting to know the businesses we represent inside out, we can identify any potential weak areas and sort them out before they become problematic."

The practice provides a variety of services, including VAT, tax returns, payroll and CIS, business valuations, management accounts, retirement planning and company sales and mergers. It also offers more strategic

consultations, such as brainstorming with clients and creating five-year goal and target plans for them.

"Broadly speaking, everything we do is designed around the life stages of a business," says Elsby. "We aim to be there at every key moment, to help people start up, grow, prosper and then exit their business, whether that means selling up, handing it to another member of the family, or winding it down."

As to what the future holds, Elsby is interested to hear from sole practitioners with similar values who might join the business as joint venture partners. A recent partnership, Coopers Elsby, in Milton Keynes, which they set up with ex-employee, Kupesh Patel, is showing great promise. "I'd definitely like more joint venture partnerships," says Elsby. "They're great for us because we gain new clients and a presence in a different city, and they're great for our partner, who benefits from our support, and also from sharing costs, for instance, IT, admin and reception staff."

And he'd also like to hear from enthusiastic young accountants who feel their skills aren't being fully harnessed. "We're constantly on the lookout for new talent to develop. For me that's the best way of securing the future of Elsby & Co." ■

Expulsion for major theft, and a reprimand for P11 breach

Four cases from this month's disciplinary listings come under Julia Irvine's gaze

£1.6M THEFT LEADS TO EXPULSION

Former Safeland finance director Paul Davis has been stripped of ICAEW membership after pleading guilty to misappropriating around £1.63m from his employer over a considerable period of time.

The gambling addict was sentenced to three years in prison and disqualified from acting as a company director for six years on 4 March 2013 on a charge of fraud by abuse of position. Davis, who had acted as finance director to the London property company for 10 years, stole the money over 17 months from 1 February 2011 to 25 July 2012.

He paid 36 cheques to himself from Safeland's bank accounts totalling £1,533,545 when he knew he was not entitled to the payments. He also wrongly completed his personal payroll records, which meant he received three overpayments amounting to £60,000, and he arranged payments of three dividends worth £35,000 that were due to his employer from a third party when he knew he wasn't entitled to the payments.

In its judgement, the disciplinary committee tribunal said: "Such dishonesty is, self-evidently, wholly unacceptable from a member of ICAEW and this must be reflected in the penalty."

As well as exclusion, the tribunal also recommended that Davis could not apply to be readmitted to the membership for at least 10 years.

GERALD EDELMAN FINED £10,000

Twelve-partner London firm Gerald Edelman has fallen foul of the client money regulations (CMRs) and received a severe reprimand from ICAEW. The firm was also fined £10,000 and ordered to pay costs of £2,180 under a consent order agreed with the ICAEW investigation committee.

Over a period of two years, the firm

failed on 43 occasions to pay funds amounting to £3,807,356 received from a client into a client bank account, in breach of regulation 10. It also held sums of over £10,000 in its clients account for two clients but did not pay the funds into accounts in the names of the clients as it should have done under regulation 13. And between January 2004 and November 2011, it did not carry out annual reviews to consider whether systems it maintained had been adequate to enable it to comply with the CMR, carry out reconciliations in accordance with regulation 25 and prepare any return under regulation 27(a) and to confirm its compliance with the CMRs.

INADEQUATE ADVICE LANDS MEMBERS IN TROUBLE

Two Jersey-based ICAEW members have both been severely reprimanded for engaging in public practice without professional indemnity insurance (PII).

However, because their misconduct was inadvertent and based on "inadequate advice", and they promptly and properly obtained retrospective PII cover as soon as their oversight had been pointed out, a disciplinary committee tribunal decided against fining them.

Simon Ballands and Lindsay Bracegirdle were directors of NTJ, which they set up in January 2008. The company provided certain tax advisory services to clients, involving referring them for a fee to advice contained in a Counsel's Opinion relating to certain tax structures.

NTJ then helped the clients who chose to participate in these structures by making appropriate disclosures to HMRC and advising them with any subsequent tax enquiry.

The directors should have obtained PII for the business but did not until their omission was pointed out in October 2012.

In reaching its decision, the tribunal took into consideration the defendants' immediate admission of liability, their prompt and effective remedy, their cooperation with the investigation and the inadvertent nature of the misconduct. Furthermore, no client had complained or suffered harm.

The tribunal also made it clear that the decision related only to NTJ and not to any other business run by the defendants.

PROFESSIONAL COMPETENCE IMPAIRED

The Investigation Committee has suspended the practising certificate of Charles Coffey of Unicredit House, 16 Paley Road, Bradford, West Yorkshire BD4 7EJ.

It decided that Coffey, who is a member in public practice, is a person whose professional competence and efficiency is seriously impaired as a result of ill health and/or is a person who has abandoned his practice.

The suspension, under disciplinary bye-law 30, will last for a period of two years from 11 April 2014.

Members facing disciplinary proceedings difficulties who need help and support can call ICAEW's Support Members Scheme in confidence on 0800 917 3526

Report listings

These reports are summaries. Further information is available from icaew.com/publichearings or from the Professional Conduct Department, ICAEW, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ

INVESTIGATION COMMITTEE CONSENT ORDERS

● Suresh Naik, 108 Catlins Lane, Pinner, Middlesex HA5 2BX

Complaint On behalf of his firm, he accepted audit appointments for two clients without obtaining the prior approval of the audit registration committee (ARC) in breach of conditions and restrictions it had previously imposed. He also issued audit reports on the clients' financial statements but failed to obtain and submit external hot file reviews, again in breach of the ARC's audit conditions and restrictions.

Order Severe reprimand, £1,000 fine, £2,705 costs.

● Morag Childs, 2 New Street Square, London EC4A 3BZ

Complaint Between 1 June 2012 and 11 September 2013, she engaged in public practice without holding a practising certificate, contrary to principal bye-law 51(a).

Order Reprimand, £1,500 fine, £868 costs.

● Lorita Pourian, Flat 13, Freame House, 6 Cunard Crescent, London N21 2TJ

Complaint Between 1 January 2013 and 30 August 2013, she engaged in public practice without holding a practising certificate contrary to principal bye-law 51(a), and without professional indemnity insurance (PII) contrary to regulation 3.1 of the PII regulations.

Order Reprimand, £1,000 fine, £1,980 costs.

● Iain McIntosh, 20 Burns Street, Ilkeston, Derbyshire DE7 8AA

Complaint He accepted an audit appointment on behalf of his firm without obtaining the prior approval of the ARC, in breach of an order it made the year before, he provided misleading information in a letter to the ICAEW professional conduct department by stating that the appointment took place before the ARC's order when in fact it took place afterwards, and he

issued audit reports for the new client and another without arranging external hot file reviews, again in breach of the ARC's order. He also issued an unqualified audit report on a third client which had not been conducted in accordance with ISA 700 (revised), *The Auditor's Report on Financial Statements*, as the report was dated before the auditor had considered all the necessary evidence.

Order Severe reprimand, £7,500 fine, £3,080 costs.

● Hartley Fowler, 4th Floor, Tuition House, 27-37 St Georges Road, Wimbledon, London SW19 4EU

Complaint The firm prepared financial statements for a client, which included a statement that the company was entitled to exemption from audit under s 477, Companies Act 2006 when in fact the balance sheet total exceeded the audit exemption threshold of £3.26m.

Order Reprimand, £1,500 fine, £1,617 costs.

● Peter Dakovic, 175 Wokingham Road, Reading RG6 1LT

Complaint Between 1 December 2012 and 5 September 2013, he engaged in public practice without holding a practising certificate, contrary to principal bye-law 51(a).

Order Reprimand, £1,000 fine, £892 costs.

● Michael Hammett, 16 Wentworth Road, Oxford OX2 7TQ

Complaint Over 12 years, in the name of his firm, he improperly prepared the unaudited financial statements of a client, stating investment properties were at cost when the Financial Reporting Standard for Smaller Entities requires them to be included in the balance sheet at market value.

Order Severe reprimand, £2,700 fine, £1,630 costs.

● Greystone LLC (formerly BDO Creg Lea LLC), 18 Athol Street, Douglas, Isle of Man IM1 1JA

Complaint The firm issued an unqualified audit report on a client's financial statements in breach of audit regulation 3.08(a) (December 1995), since the audit was not conducted in accordance with ISA 500, Audit Evidence, because the firm failed to obtain sufficient appropriate evidence in order to draw reasonable

conclusions in respect of cash balances and turnover.

Order Severe reprimand, £6,000 fine, £2,030 costs.

● Edward Connolly, 126 Bassett Avenue, Southampton SO16 7EZ

Complaint He breached audit regulation 3.02 when he issued an unqualified audit report on a client group in the name of his firm because he should have expected the total fees for audit and non-audit services from the client would regularly exceed 10% of the firm's annual fee income but, contrary to ethical standard 4, he failed to arrange an external quality control review of the audit engagement before the audit report was finalised. He also failed to advise the directors of three different client companies that group accounts were required to be filed at Companies House.

Order Reprimand, £4,500 fine, £2,518 costs.

● Ronald Kent, Philpot House, Station Road, Rayleigh SS6 7HH

Complaint Between 27 March 2006 and 23 July 2013, he failed to comply with a written assurance he had given on behalf of his firm that he would send engagement letters to his clients, notifying them of the firm's complaints procedures, and between 26 July 2006 and 20 February 2012, he banked nine sums of client money totalling £6,105 into a non-client bank account contrary to clients' money regulation 10.

Order Reprimand, £1,500 fine, £1,555 costs.

● Matthew Creed, 59a Edwin Road, Dartford DA2 7DD

Complaint Between 1 October 2011 and 30 June 2013, he engaged in public practice when he was not eligible to do so, contrary to regulation 18 of the then ACA student regulations. Thereafter until 18 September, he engaged in public practice without holding a practising certificate, contrary to principal bye-law 51(a). Over the two years, he did not have PII in place, contrary to regulation 3.1 of the PII regulations. Also, on 26 May 2013, he provided an accountant's certificate to a mortgage lender in which he used the description "ACA" when he wasn't entitled to because he wasn't an ICAEW member at the time.

Order Reprimand, £2,500 fine, £1,430 costs.

● Maureen Lamburn, Riverside House, 1 Place Farm, Place Farm, Wheathampstead, St Albans AL4 8SB

Complaint Between 8 April 2011 and 2 January 2012, she failed to either provide advice on a client's National Health Service pension arrangements as requested or advise him that she could not do so.

Order Reprimand, £1,300 fine, £4,992 costs.

● Mark Baker, 59 Abbeygate Street, Bury St Edmunds, Suffolk IP33 1LB

Complaint Between 17 February 2012 and 22 October 2013, he engaged in public practice without holding a practising certificate, contrary to principal bye-law 51(a).

Order Reprimand, £750 fine, £843 costs.

AUDIT REGISTRATION COMMITTEE ORDERS

● Crossley & Davis, 348-350 Lytham Road, Blackpool FY4 1DW

Breach The firm was in breach of audit regulation 3.01 because from September 2011 to December 2013, one of its employees acted as an officer of an audit client.

Order A £6,600 regulatory penalty.

● CBHC LLP, 1-5 Como Street, Romford, Essex RM7 7DN

Breach The firm was in breach of audit regulations 2.03(a) and 2.11 for failing to ensure that one of its members had audit affiliate status from January 2009 onwards.

Order A £3,500 regulatory penalty.

● PM+M Solutions for Business LLP, Greenbank Technology Park, Challenge Way, Blackburn BB1 5QB

Breach The firm was in breach of audit regulations 4.04 and 4.05 for allowing a principal within the firm to sign audit reports when he was not at the time properly appointed as a responsible individual.

Order A £6,350 regulatory penalty.



Savile Row uncut

These are turbulent times on Savile Row. Laura Powell asks the cutters, kippers and tailors how they feel about diluting traditions, shifting values – and the arrival of Abercrombie & Fitch

PHOTOGRAPHY BY RICHARD ANSETT





“To be frank, things went downhill when bankers and solicitors stopped wearing frock coats to work,” says Angus Cundey, the 77-year-old patriarch of tailoring house Henry Poole & Co. “It’s rather disappointing that City men today can go to work wearing an anorak. An anorak!”

Cundey is one of Savile Row’s depleted old guard. He has never owned an anorak, his staple uniform is a bespoke three-piece Worcester, and he can’t bring himself to say “Austin Reed” out loud. Though he does admit to shopping in Marks & Spencer

once. “I bought a shirt and slacks. I mean, you can’t wear a tweed suit to do the gardening.” So what did he think of the offerings at M&S? “It’s probably best I don’t say,” he laughs.

But the gradual dilution of the traditions and culture of Savile Row is no laughing matter for insiders, many of whom are furious. It may be perceived as a quaint London institution to outsiders, but to many of its kippers, cutters and tailors, Savile Row is the pinnacle of Britishness. “People come to Britain for Savile Row,” argues Glenys Roberts, councillor at Westminster City Council,



Clockwise, from below: Ian Meiers and James Sleater (both of Cad & the Dandy); Richard Anderson; Rebecca Devlin, a cutter at Richard Anderson. Opposite page: Angus and Simon Cundey. Previous page: David Fullerton, chief cutter, with Sleater and Meiers



“Savile Row used to be an enclave of good taste in a sea of vulgarity. But now the vulgarity is creeping in”

who was married to the late Douglas Hayward, head of the eponymous tailoring empire that counted Michael Caine and Roger Moore as customers. “Savile Row used to be an enclave of good taste in a sea of vulgarity, but now the vulgarity is creeping in,” says Roberts.

Vulgarity is thinly-veiled code for Abercrombie & Fitch, the American retailer that is setting up shop on Savile Row selling mass-produced children’s clothes. Dylan Jones, editor of *GQ*, tells *economia*: “They make ready-to-wear children’s clothes not bespoke men’s clothes so they should be on Regent Street.” Writer and broadcaster Robert Elms agrees. “I’m not one of those who says Savile Row should be frozen in aspic but I hate the idea,” he says. “It’s lowering the tone.”

And Cundey adds: “We’re going to have perambulators and heaven knows what going up and down Savile Row. It’s a disgrace to turn that wonderful building into a kid’s shop.”

In fact, one of Cundey’s chief concerns for decades has been the rising number of suits, many of them ready-to-wear, being made far away from Savile Row, but sold on it.

“Gieves & Hawkes was the first company to introduce ready-to-wear on Savile Row, so right from the start it wasn’t popular, especially with my grandfather,” says Cundey.

But Roubi L’Roubi, creative director and co-owner of H Huntsman & Sons, is adamant that ready-to-wear is crucial to the survival of the Row. Huntsman’s ready-to-wear collection (made in Italy) accounted for 10% of its turnover last year, but sales are rapidly rising. And Gieves & Hawkes’ ready-to-wear has been worth more than its bespoke arm since the 1970s.

“There’s a way of carrying the traditions and modernising. They are not mutually exclusive,” he argues.

Cad & the Dandy, one of the Row’s newest tailoring houses, also sends certain suits overseas for finishing work. Former banker and co-owner Ian Meiers won’t confirm which two countries they are sent to, but does say they are sent outside Europe.

CHANGING CULTURE

Meanwhile, the proportion of female customers has dwindled from the early 20th century, when Henry



“Women want instant purchases. They want to buy it, take it home, and wear it that evening”

Poole was flooded with orders for female riding costumes and when Katharine Hepburn’s wardrobe was almost entirely cut by Huntsman.

By the 1980s, female custom comprised just 10% of Henry Poole’s turnover and today it accounts for less than 5% at Poole, Huntsman and Gieves & Hawkes. “It’s because women want instant purchases,” says L’Roubi. “They want to buy it, take it home and wear it that evening.”

Yet certain changes have been unanimously welcomed. Richard Anderson began stitching BlackBerry-shaped pockets into jackets 10 years ago and, more recently, iPhone-shaped pockets - a practice Cundey has also adopted. L’Roubi has issued his staff with iPads and is developing an app that allows them to see exactly where a bespoke suit is in the production process.

And even the décor in the shops is brightening from the traditional dark, antler-clad gentleman’s club atmosphere to lighter, contemporary styles. Modern artworks by Sean Scully and George Grosz hang on the walls of Richard Anderson’s shop: “Customers I knew in my old life [at Huntsman] behave very differently here,” he says of the change in décor. “Without a doubt they’re more friendly.”

Meiers also believes that the old guard has been influenced by Cad & the Dandy’s website, which includes photographs of customers wearing their

suits. "Some tailors didn't even have websites when we first came to the Row in 2008," he recalls.

But both the old guard and new arrivals agree on one thing: 3D body scanners and other mechanical measuring devices, adopted by some tailoring houses, have no place on Savile Row. "I've seen the results and some of the suits are shockingly bad," says Meiers. L'Roubi agrees: "I don't believe in that. I want to measure with a measuring tape."

Anderson, who still measures customers in the same way he was taught 30 years ago, explains that human judgment is crucial: "The measure alone won't tell you if a customer has a high shoulder or his neck is forward or he's bow legged."

NEW TRADITIONS

Yet the culture behind the scenes has changed immeasurably. Cundey points out that it is a far cry from the days when he joined the family firm, which was established in 1806.

"My headmaster summoned me to his study on my last day at boarding school and said, 'What are you going to do when you leave?'" he recalls.

"I told him I was going to join the RAF but he said, 'Cundey, have you not heard of your wonderful family business?' He said it was one of the most famous tailors in the world, which surprised me, as my father had never spoken of it in that way.

"I thought hard about what he had said during the journey home, and by the time I met my father at Liverpool Street station, I'd decided. I said: 'Father, would there be a place for me in Poole?' He gave me a big smile and said yes."

Cundey's son and business partner, Simon, showed an interest in men's fashion at just 12 years old, but the future of the family business now hinges on whether Cundey's grandsons, currently 13 and 14, decide to take up the tape measure. "I hope they will," says Cundey, though he adds they haven't shown an interest yet.

However, the formal relationship between tailor and customer has barely relaxed - Cundey insists on calling customers "sir", even during their tailor-client lunches, which remain a steadfast tradition. Nor has the relationship between tailor and apprentice deformed. "It's still very hierarchical," says Anderson.

Below: Richard Anderson with team members Rebecca Devlin and Brian Lishak. Opposite page: Patrick Murphy (standing), head cutter and Roubi L'Roubi, creative director, both of Huntsman



The atmosphere in the cutting rooms is similarly time-warped. "Tailors were just like hairdressers," says Roberts. "They were incredible bitches and gossips." And that remains the case today, according to Meiers. "You have a group of people in a small room sewing suits for hours and hours," he explains.

For the newcomers, at least, this balance of traditional and modern is positive. As L'Roubi puts it, "Savile Row has kept its legacy and heritage while keeping up with the times. The shops are being revamped, there are better communications, social media is used... It's keeping up, but at the same time the measuring and fitting and cutting room are the same as they always were."

And many of the business owners, from those at the helm of traditional businesses such as Gieves & Hawkes and Huntsman, to those who founded newer houses, Cad & the Dandy and Richard Anderson, agree that some degree of change is necessary. After all if Savile Row were to go, says Elms, it would be terrible. "Like losing Jaguar, Aston Martin, Bentley and Rolls-Royce at the same time." ■

"Savile Row has kept its legacy and its heritage while keeping up with the times... But at the same time the cutting room, measuring and fitting are the same as they always were"

Six of the best

Laura Powell picks out the season's finest Savile Row accessories to add a fashion-forward finishing touch



1. The handbag that means business Mini Heroine in red, £950, Alexander McQueen, alexandermcqueen.com **2. The sharp glasses** Blake clear crystal glasses, £180, Hardy Amies, hardyamieseyewear.com **3. The standout wallet** Black and orange wallet, £185, Richard James, richardjames.co.uk **4. The tie with va-va-voom** Red woven tie, £85, Gieves & Hawkes, gievesandhawkes.com **5. The bold braces** Yellow boxcloth braces, £85, H Huntsman & Sons, h-huntsman.com **6. The statement socks** Wool socks, £25, Drakes London, drakes.com

Restaurants

Neil Davey lets out his waistband and books a table at three top restaurants with connections to the fashion industry



Menu

BREAKFAST

Harvey Nichols full English	£12
Inverawe smoked salmon, chive scrambled egg, Avruga caviar	£10
Double espresso	£2.25

LUNCH

Goat cheese cappelletti in chicken broth	£8
Buffalo mozzarella, fresh tomato	£11
Ravioli with ricotta and spinach, walnuts, Grana Padano	£12
Chargrilled fiorentina steak, mediterranean salad, olive oil (for two sharing),	£74
Roast potatoes, rosemary	£4

DINNER

Hush Puppies	£3.95
Jumbo BBQ wings	£4.95
Full rack baby back ribs	£12.50

Top:
Harvey
Nichols,
Livornese
stew at
Sartoria

BREAKFAST

4th Floor Café, Harvey Nichols, Leeds

The growth of Harvey Nicks from London fashion centre to global brand has been one of the UK's bigger recent success stories. Its watchword is quality, from the high-end designer gear to the contents of the food hall or, in this case, the offerings of its ever-reliable cafés, bars and restaurants. In Leeds, that's the fine, bright, space of the bustling 4th Floor Café. Unlike, say, the ladieswear department, there's little cutting edge here - more a selection of well-made, well-priced classics. At breakfast time that includes an exemplary full English - with treacle bacon, Yorkshire sausage and black pudding; or scrambled egg, with chive, Inverawe smoked salmon and a flourish of Avruga (herring) caviar. It's hot rather than haute, but none the worse for that.

harveynichols.com

LUNCH

Sartoria, Mayfair, London

In an area not exactly short of dependable Italian restaurants, anywhere that's survived for best part of a decade is probably doing something right. In the case of Savile Row's Sartoria, that thing is well-executed Milanese-influenced fare. While the service can be a little over eager - there's attentive, chaps, and then there's slightly oppressive - the setting is typically Mayfair chic and the food is good, tending towards the comforting side of Italian. It is possible to eat lighter, of course, but much of the menu - goat cheese cappelletti in chicken broth, ravioli of ricotta, walnuts, butter and Grana Padano cheese, 32-day aged fiorentina steak - is the sort of fare that makes us want to tuck the table cloth into our shirts and channel our inner Tony Soprano. You should probably visit this "tailor" (as the name translates) before rather than after you've been measured by your other tailor...

sartoria-restaurant.co.uk

DINNER

Red's True Barbecue, Manchester

We briefly considered this paean to the pit as a lunch option. However, dinner means you can be rather more indulgent with their list of fine US craft beers, alcoholic shakes or the short-but-good-value wine list. Or, indeed, the legendary pickleback shot - Jameson chased with a hit of pickle juice - which is so much better than it sounds. The setting - a vast former textile warehouse - is used to great advantage, all bare walls, kitchen views and original features, and the food is big, bold and enjoyable, doubly so if you plump (ahem) for the donut burger. Yes, you read that right, and yes, it is what the name suggests: a bacon cheeseburger 'twixt two glazed doughnuts instead of a bun. Don't judge us.

truebarbecue.com

Tailored to fit



Don't have access to a private gym and personal trainer? No problem. Penelope Rance outlines how to design your own bespoke workout

In the quest to look good naked, we'd ideally have the time, money and space to employ a personal trainer to put us through our paces in our penthouse gym. But as most of us are not movie stars or professional athletes, we have to work with what we've got. So, whether you're tied to your desk or only have your floor to work with, here are a few ways of making your fitness regime fit with your lifestyle.

IN THE HOUSE

Only have 15 minutes spare in the morning? Lacking the space (or desire) to put in gym equipment at home? No problem. High intensity bodyweight workouts give you a fat-burning boost in a short space of time. Performing functional, full-body movements, such as squats, jumps and push ups is the best way to get generally fit - and they don't require any equipment. Better still, there are a range of apps

that will create a workout for you based on your environment. WOD Genius (wodgenius.com) allows you to select your available props (from walls and steps to pull-up bars and kettlebells), then produces a tailored workout, and provides timers to count you down through it. Alternatively, sign up to Bodeefit (bodeefit.com) and they'll email you daily bodyweight workouts, lasting between eight and 20 minutes, complete with links to full demonstrations of the moves and relevant health articles.

ON THE STREET

You don't have to thrash your body to a state of collapse to achieve health benefits. Low impact, aerobic, consistent, variable - humans benefit from constant slow movement, and walking is the ideal solution. We all need to get somewhere, every day, so there's no excuse for not doing it on our own two feet, even if it just means getting off the bus a stop earlier, or parking further from your destination. If you want to see real benefits, try to walk for a total of an hour a day - broken up however you like. Or get a pedometer and aim for 10,000 steps. And mix it up: incorporate hills, change your pace, take different routes. There are also dedicated walking workouts you can

do - sparkpeople.com and prevention.com both offer a range of free programmes to suit different fitness levels and goals.

IN THE PARK

Let a little greenery into your life - training in a park is more fun than jogging on the streets, better for your joints, and all the oxygen being pumped out by the trees will put an extra spring in your step. While some parks have outdoor exercise equipment set out, this can be clunky, generic and hard to adjust. You're better off using the space for bodyweight workouts, or to run sprint intervals. Six to eight sets of around 50 metres is a good starting point. Warm up well, with jogging and high stepping. Use the first couple to build up to top speed, then go all out for the last sets. Bear in mind that sprinting means the fastest you can go - if it's a speedy power walk to start with, that's fine. You will still be raising your heart rate and stepping out of your normal movement pattern - both vital for improving fitness.

AT THE OFFICE

If you can't spare 10 minutes away from the office, you still don't need to abandon fitness. Engaging muscle groups in static holds while at your desk can improve tone and stability. Feeling brave? Get rid of the chair and hold a half-squat position as you type. Five rounds of two minutes in a day will do wonders for quads and glutes. While sitting, flex your core by drawing your belly button in and down. Hold for 30 seconds and relax. Repeat whenever you remember. To combat round shoulders from hunching over a keyboard, roll them back and down, and then pull your shoulder blades together as hard as you can. Hold for 20 seconds, then repeat. Try to do a few sets every hour. If you're spending substantial spells sitting still, get up every couple of hours and take a few flights of stairs, or do laps of the building. We're not designed to sit for long periods, and moving, even for a short time, allows joints to realign and muscles to relax into more natural positions. ■

CORBIS

GLOBAL PERSPECTIVE

BDO LLP provides accountancy and advisory expertise throughout the UK and internationally. We meet New Accountant of the Year Leslie Cole who talks about her experiences working in the ever changing environment of international projects.



Leslie Cole with her colleagues in Afghanistan

Leslie Cole is a member of the International Projects Group within the Consultancy stream at BDO UK LLP. Her role is truly international with regular visits to Afghanistan. Working alongside the World Bank, governments and local businesses, there is never a standard day at the office in the life of Leslie Cole!

1. What brought you to work with BDO? What is the scope of your role and how did your previous experience prepare you?

The International Projects Group (IPG) has a very strong reputation for delivering Public Financial Management (PFM) projects in developing countries. When I saw the advertisement for the position it was clear that it would be an excellent opportunity to combine my previous work with UK central government clients and my interest in international development and state building.

My role involves technical delivery, project management and business development of projects focused on improving PFM in fragile and emerging states. There are clearly many differences in the way these governments operate, but in the underlying structures the same principles hold. The work involves managing many tasks at the same time in different time zones, ranging from the technical to the political. There is never a standard day.

2. What are the major challenges when working in Afghanistan?

Everything about the work, from responsibilities to the amount of travel, regularly changes. The

volume of travel ebbs and flows depending on what is happening with the projects, with some trips lasting up to six weeks and some only a few days. All the projects I've worked on relate to improving the functioning of the PFM systems. However, they vary widely as there are a number of approaches by donors and Governments as to how this should be achieved. Being responsive to the needs and interests of stakeholders is key to making progress and the major challenge we face in delivering results for our clients.

3. After three years with BDO, what is your greatest achievement?

We have a great team in Afghanistan and very motivated counterparts in government. The most rewarding part of the work has been growing those relationships and supporting our on-going initiative to improve the PFM systems. I am very proud of the work our team completes across various Public Financial Management reviews and overseeing the distribution of financial aid to the people of Afghanistan. I am very privileged to be able to participate in projects that lead to improved service delivery to Afghan citizens.

4. What is the best piece of career advice you've received and who was it from?

My father had a successful career with the US Foreign Service. He then retired to finish his PhD in English literature and is now enjoying being a university professor. Not exactly advice, but it's an inspiring model of how to think about pursuing your passion in your career.

5. What do you believe makes BDO a strong employer of choice?

The team at BDO is what makes my career here really stand out. It pulls together some of the best characteristics one would look for – we are given autonomy and space to manage our work, but are also well supported to deal with the issues that inevitably arise when working in fragile states.

6. What does the future hold for you at BDO?

It's been an exciting time to be part of the International Projects Group. Our team has been growing and we're getting involved in some new areas of technical assistance.

I look forward to continuing in Afghanistan and building from there!

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Kelvin Trott and the staff from Alexander Charles proudly stand with their award for Recruitment Firm of the Year 2014 at the FDs' Excellence Awards

Alexander Charles won Recruitment Firm of the Year at the FDs' Excellence Awards 2014 for a record-breaking fourth year in a row, following wins in 2011, 2012 and 2013.

"This is a firm with a seriously loyal set of clients who, it seems, are always prepared to sing the praises of their recruitment firm," said the judges.

Kelvin Trott, managing director of **Alexander Charles** said:

"We didn't want to rest on our laurels, so we spent time talking to our clients and getting their feedback on how we could make our service even better. It seems to have paid off - we are absolutely delighted to have won again."

The FDs' Excellence Awards are the most prestigious programme recognising the UK's top finance directors and their service providers. Created by Real Business, the awards are held in association with ICAEW, and supported by the CBI.

Shortlisted firms included Hays, Pure Resourcing, Reed, Robert Half and Robert Walters.

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Rise to the occasion

To mark the 70th anniversary of the D-Day landings, **Jon Bridel** did an unusual parachute jump. He tells Peter Taylor-Whiffen how he ended up with a broken leg

Millions of us have paused this year to give thanks for the heroism of the British soldiers at the D-Day landings. But ICAEW member Jon Bridel was determined to mark the 70th anniversary with a more direct tribute - by leaping out of a plane.

This was no ordinary parachute jump. Bridel attended a military training course that taught him and other participants from Poland, France, Holland, Belgium and Australia to use the round canopy parachutes Allied Forces employed during their landings.

"I wanted to experience what it was like," he says. "I had family members who saw action and it was a gesture in recognition of their bravery." Bridel was "honoured" to be trained at a base in Holland by former Red Devils from the Parachute Regiment, many of whom had served in the Falklands, Afghanistan and Iraq. Also at the training were other enthusiasts, including paratroopers.

"We jumped out at 1,800 feet and the experience is amazing. Because they are the old-style parachutes, you can only go left and right: you can't control the rate of descent or flare on landing - you only have the wind to slow you down. We were trained to avoid hazards but there's an element of Russian roulette."

Which is why after two jumps on the drop zone, when Jon leapt out the third time and the wind suddenly dropped, he hit the ground too fast and broke his leg. "The typical landing speed is 17 feet per second but this was faster than the other two," he says.

"I thought I'd sprained my ankle. I didn't realise until I got home to Guernsey five days later that my fibula was fractured." The injury

forced him out of the commemoration jump events he was training for in Normandy and Arnhem, but Bridel is philosophical. "It's a minor inconvenience compared to what our veterans can go through - it was one of the very best weeks of my life."

Bridel calls himself "extremely lucky" to have such adventures outside of a successful career, which included time as a director of American Express Bank in London when he was 26, managing director of the Royal Bank of Canada's offshore investment business in the Channel Islands, private equity consultancy in Britain, investment management and corporate finance in Australia and chief finance officer and former owner of award-winning Imagination Entertainment, which raised private equity and worked with industry giants Walt Disney and the BBC.

He is now a non-executive director of London-listed investment funds and private equity groups. "I used to be hands-on and now I can be hands-off when it suits me," says Bridel, who lives in St Peter Port with wife Nicole and their two teenage children. "When my leg is healed, I hope to do those commemoration jumps. This was a setback but I wouldn't have missed the experience for the world. I'm a risk taker - but only after I've done my homework and evaluated that the reward is worth the risk. If you get those right, you'll have an interesting life."

Jon is aiming to raise £7,000 for the Parachute Regiment to help British soldiers past and present.

To sponsor him please visit: uk.virginmoneygiving.com/jon.bridel/military.parachuting

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