

# Business & Management

**SAFE AND SECURE**  
PICKING PASSWORDS  
TO PROTECT YOUR  
BUSINESS ASSETS

**OPTIMUM WORKING**  
PRODUCTIVITY AND  
THE ROLE PLAYED  
BY STAFF WAGES

**CEASE AND DESIST**  
CUTTING DOWN  
ERRORS TO IMPROVE  
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## December/January 2017 Issue 260

**16**  
COVER STORY

We ask five experts if spreadsheets have had their day when it comes to analysing financial data



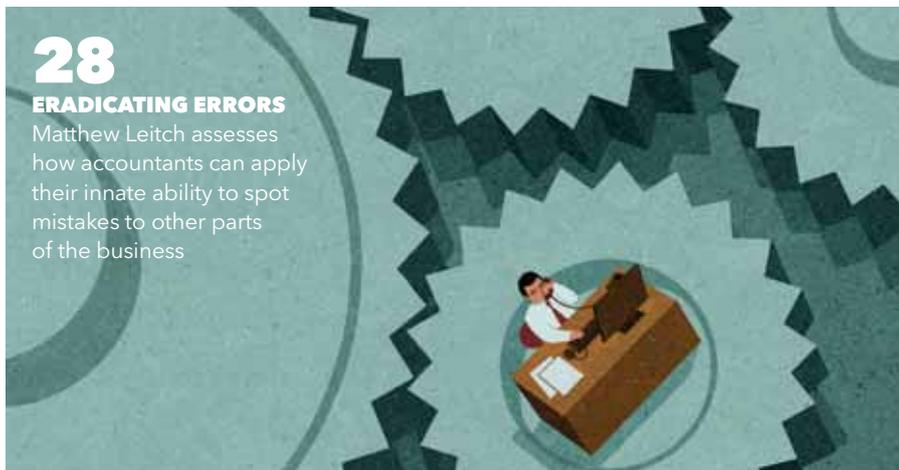
COVER ILLUSTRATION: MITCH BLUNT/IKON

**24****WHAT'S FIRST? PAY OR PRODUCTIVITY**

David Craik examines what CFOs and FDs can do to address the pay puzzle

**28****ERADICATING ERRORS**

Matthew Leitch assesses how accountants can apply their innate ability to spot mistakes to other parts of the business

**12****BODY AND MIND**

Working at peak performance takes more than just clarity of mind - you need to be in top physical condition too

**04 Editor's letter**

Robert Russell looks at the failure of government to invest for the long term

**05 News**

World finance roundup

**07 Events**

Dates for your diary

**08 Defending your data**

A reminder to protect your IT with our password advice

**21 Pay in the spotlight**

Elizabeth Richards examines the latest developments on executive remuneration

**22 Review of the year**

Explore the highs and lows in our roundup of 2017's key statistics and trends

**31 Technical updates**

A roundup of legal and regulatory changes

**34 On a lighter note**

Offbeat stories from around the world

# Foresight and planning



The Department of Transport's recent decision to reassess UK railway closures implemented some 50 years ago is an interesting salutary lesson in long-term planning.

The secretary of state's reference was to *The Reshaping of British Railways*, a paper written by Dr Richard Beeching in 1963. The savage cuts he proposed (more than 2,100 railway stations, 30% of track and 67,000 jobs) were ruthlessly

implemented under Harold Wilson's government despite some tremendous opposition and strong arguments against them. At that time, the newly formed British Railways was losing £140m a year and cars were increasingly popular, resulting in forecasts of falling revenues for the railways. Sadly this report's recommendations were pushed through, resulting in the destruction of much of Great Britain's railway history, which forced more people onto the then nascent UK road system (now the cause of poor air quality).

Lady Thatcher, when prime minister, commissioned a second report chaired by David Serpell, which recommended the closure of most of the remainder of the railway system; luckily she had the sense to see the longer term implications of such action and rejected the whole report.

One of the poorest decisions was the dismantling of the Great Central Main Line (GCML) from Marylebone in London up to Manchester via Nottingham and Sheffield, a route similar to the proposed High Speed Rail 2 (HS2). HS2 in fact is planning to use some 12 miles of the old GCML track still in existence; much of the remainder has now been put to other use. The original GCML cost £11.5m, four times the estimate and equivalent to £1.2bn in 2016 terms (it had been intended to run through to Paris via a tunnel under the Channel, but finances and politics intervened). This compares with the official £55bn cost of HS2, which we are told is desperately needed and is already running some £7bn above estimates.

It is, admittedly, some 50 years since the Beeching axe was wielded and few of us have the courage (or foolhardiness?) to try to forecast so far in advance. It is, however, typical of politicians to fail to see much beyond the next election. Governments of all persuasions tend to prefer to focus on the short term, which makes for poor planning for large infrastructure projects and sets a very poor example to business.

UK spending on infrastructure has been significantly lower than that of other G8 countries (Oxford Economics) but a significant upturn in investment is forecast by 2024. Most of this is on projects which are not seen as driving value or economic growth, sadly (HS2 and the Hinckley Point C power station); we hope that ministers will listen to wiser counsel for future investment decisions.

We hope that you enjoy this double edition and have a peaceful and happy Christmas and a prosperous New Year. Please drop [matthew.rideout@icaew.com](mailto:matthew.rideout@icaew.com) or [robert.russell@icaew.com](mailto:robert.russell@icaew.com) a line if you have any questions or comments about the faculty.

**Robert Russell**  
Technical Manager

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## Business & Management Faculty

### THE TEAM

**Matthew Rideout**

Head of faculty

[matthew.rideout@icaew.com](mailto:matthew.rideout@icaew.com)

**Robert Russell**

Technical manager and editor

+44 (0)20 7920 8417

[robert.russell@icaew.com](mailto:robert.russell@icaew.com)

**Rick Payne**

Finance direction programme

+44 (0)20 7920 8451

[rick.payne@icaew.com](mailto:rick.payne@icaew.com)

**Caroline Wigham**

Services manager

+44 (0)20 7920 8508

[caroline.wigham@icaew.com](mailto:caroline.wigham@icaew.com)

### THE COMMITTEE

**David Carr**

Chairman

**Emily Brooks, Laura de**

**Poitiers, Chris Ford, Emily**

**Mackinson, Rashad Shamim,**

**Helen Stevens, Michaela**

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Annual membership of the faculty costs from £96 for the whole year.

### FACULTY EVENTS AND WEBINARS

Events and webinars are listed in this publication; details can be found on page 7

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### BUSINESS & MANAGEMENT FACULTY

Chartered Accountants' Hall

Moorgate Place, London,

EC2R 6EA

+44 (0)20 7920 8508

[@icaew\\_finman](mailto:@icaew_finman)

[bam@icaew.com](mailto:bam@icaew.com)

[icaew.com/bam](http://icaew.com/bam)

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## NEWS



## MANUFACTURERS TO CUT OUT SUPERMARKETS

Unilever, Mars and Reckitt Benckiser will move into the business-to-consumer market, a change that will see the manufacturers sell items directly to consumers through a new digital shopping platform.

INS - the company behind the blockchain technology driving the platform - claims the service will cut grocery bills by a third as a result of bypassing supermarkets. Blockchain databases do not require a central administrator, as they manage and update themselves.

## SLEEP-DEPRIVED CELLS TO BLAME FOR MENTAL LAPSES

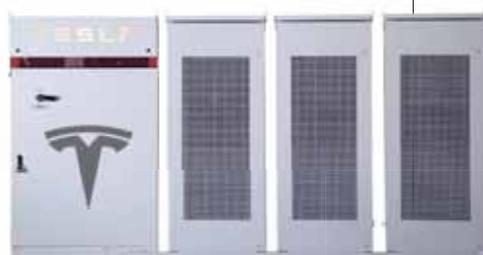
Research from the University of California, Los Angeles revealed the damage caused by sleep deprivation. Brain scans of sleep-deprived people showed their ability to process information slowed considerably, preventing memories from being encoded properly. Despite the person being

awake, areas of the brain shut down. "Starving the body of sleep robs neurons of the ability to function properly," said Dr Itzhak Fried. "This phenomenon also suggests that select regions of the patients' brains were dozing, causing mental lapses, while the rest of the brain was awake and running as usual."

## TESLA BUILDS WORLD'S LARGEST BATTERY

Tesla declared its ambition to build the world's largest battery a success last month. Built for the South Australian government, the company announced the completion of the 100MW lithium ion battery in November - well within the 100-day limit that the company had set for itself. The battery has a storage capacity of 129 megawatt hours - enough to keep 4,000 houses powered for 24 hours. Tesla's new battery is about 60% bigger than the world's second

largest battery, which is located in California. The South Australian government hope it will become a tourist attraction.



## ALEXA, HOW DANGEROUS ARE YOU?

With the growing popularity of voice-activated assistants, Symantec has issued a white paper on the security issues surrounding the devices. "The range of activities that can be carried out by these speakers means that a hacker, or even just a mischief-minded friend or neighbour, could cause havoc if they gained access," it warned. Although systems carry voice recognition software, it is easy to reset them.

The main issue highlighted in the report was the devices' ability to record conversations and store them on backend servers. Symantec recommend taking time to set the configuration of devices properly before using them.

You can view Symantec's full report, *A guide to the security of voice-activated smart speakers*, at [tinyurl.com/BAM-Symantec](http://tinyurl.com/BAM-Symantec)


**129**

Storage capacity of Tesla's new battery in megawatt hours


**4k**

Number of houses that Tesla's battery could power for 24 hours

## GOOGLE'S PRIVACY TROUBLES

A recent report from news website *Quartz* revealed that Google had been collecting data from Android phones, even before applications had been installed on the device. "The result is that Google, the unit of Alphabet behind Android, has access to data about individuals' locations and their movements that go far beyond a reasonable consumer expectation of privacy," wrote *Quartz* reporter Keith Collins.

Google has denied any wrongdoing, saying it had begun using Cell ID codes to improve the speed and performance of message delivery. "However, we never incorporated Cell ID into our network sync system, so that data was immediately discarded," said a Google spokesperson.


**60%**

Tesla's battery is 60% bigger than the world's second largest battery



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# EVENTS & WEBINARS

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## EVENTS

[ICAEW.COM/BAMEVENTS](http://ICAEW.COM/BAMEVENTS)

### PRESENTATION SKILLS - LEARNING TO ACT YOUR WAY THROUGH

**7 March 18:00-20:30**

**Chartered Accountants' Hall,  
Moorgate Place, London**

We all have to make presentations at some point in our careers - some are bound to throw up challenges, and being able to speak with confidence lends credibility to what you have to say.

Paul Ryan, actor and management consultant, will run through some of the techniques he has learned from acting that you can adopt enabling you to feel better about your style and deliver with confidence.

Free for faculty members, registration begins at 17:30. See [icaew.com/bammarevent](http://icaew.com/bammarevent)

## WEBINARS

[ICAEW.COM/BAMWEBINARS](http://ICAEW.COM/BAMWEBINARS)

### FREE 20-MINUTE LUNCH WEBINARS

#### STATISTICS SKILLS IN EXCEL - THE BASICS

**24 January 12:30**

We go back to basics for this series of Excel statistics webinars offering practical steps on how to make the most of Excel functions and incorporate basic Excel stats tools to improve your reporting efficiency. Our Excel expert John Tennent talks us through the maze. This webinar is set at a very basic level - no previous knowledge of statistics is required.

To book a place, please visit [icaew.com/lunchjan](http://icaew.com/lunchjan)

#### PRACTICAL PASSWORD POLICIES

**8 February 12:30**

Last year GCHQ issued guidance on password policies, stating that forcing staff to change passwords frequently was no longer deemed best practice. Other recommendations by cyber security experts include the avoidance of symbols and numbers as these are less likely to be memorable. Mark Taylor provides us with practical advice on the adoption of effective and efficient password policies for your business.

To book a place, please visit [icaew.com/lunchfeb](http://icaew.com/lunchfeb)

### FREE 60-MINUTE MORNING WEBINARS

#### FORECASTING WITHOUT FEAR

**20 February 10:00**

Forecasting beyond the next six or twelve months is a risky business as assumptions made can become involved with multiple parameters and a corresponding knock-on effect in future accounting periods.

Jonathan Swan, an Excel guru and author of *Practical Financial Modelling: The Development and Audit of Cash Flow Models*, presents this practical webinar on Excel

### BRIBERY AND CORRUPTION UPDATE

**28 February 12:30**

UK anti-bribery legislation is among the strictest in the world and imposes serious sanctions on those who fall foul. The easiest way to avoid this is to implement robust procedures when dealing with sub-contractors and agents as well as ensuring that your own staff don't get tripped up by this piece of legislation.

This webinar, presented in conjunction with the Fraud Advisory Panel, will run through practical steps to reduce the likelihood of your business suffering from an unintentional breach.

To book a place, please visit [icaew.com/lunchfeb2](http://icaew.com/lunchfeb2)

### BREXIT UPDATE

**27 March 12:30**

Matt Kilcoyne of the Adam Smith Institute updates us with any news on trade arrangements and the costs involved with the EU since 2017, as well as details on any progress regarding international trade.

He will be joined by Nigel Hastilow who will be challenging and cross-examining him.

To book a place, please visit [icaew.com/lunchmar2](http://icaew.com/lunchmar2)

forecasting tools and how to make the best use of them.

To book a place, please visit [icaew.com/bamfebwebinar](http://icaew.com/bamfebwebinar)

### PRESENTATION SKILLS - LEARNING TO ACT YOUR WAY THROUGH

**21 March 10:00**

If you can't make it to the live version of this event at Chartered Accountants' Hall on 7 March, grab this second opportunity to hear Paul Ryan's tips for delivering smoother, more persuasive presentations.

To book a place, please visit [icaew.com/bammarwebinar](http://icaew.com/bammarwebinar)

# KEEP YOUR VALUABLES UNDER LOCK AND KEY

*Business & Management* shares advice on how to protect valuable company data and hardware with better password management

When the world's worst passwords are published annually, there is a shared air of amusement that 123456 is still the most popular login. But for businesses, good passwords are integral to protecting confidentiality and reputation. In October, it was revealed that the Yahoo hacking had extended to every user account - indicating that, with increased computing power, hackers can run 'brute force' attacks by checking random combinations at speed. No one wants their business exposed, least of all because half the workforce is using a dud password - and because in May 2018, the General Data Protection Regulation will introduce much larger fines for security breaches. Here are our top tips for ditching bad password habits.

## 01

### KNOW YOUR VULNERABILITIES

The first step to better password management is to assess how they can be compromised. The most basic security should not be taken for granted.

Default passwords, according to the National Cyber Security Centre (NCSC) established by GCHQ, should be changed at the

earliest opportunity. Be alert to your workforce sharing passwords for their convenience. Human error and fraud are among the top reasons systems can be compromised. If someone is aiming to defraud or access important files, obtaining this level of trust is likely to be part of the hacking arsenal.

Indeed, the NCSC identifies techniques employed by individuals to gain passwords. Moreover, information on using these techniques successfully is easily found online. Methods include: social engineering/ phishing; manual guessing; interception over a network; looking over someone's shoulder; installation of keystroke logging software; searching IT infrastructure for stored passwords; looking for handwritten notes; or compromise of a database.

Some of these take advantage of individuals experiencing password overload. So many websites require login IDs, people create unsecure strategies to help remember or store them. Mark Taylor, a technical manager in ICAEW's IT Faculty, says: "Never use the same password between systems or services.

"If a hacker gets your password from one place they will try to use the same one at a second service."

## 02

### AIM FOR STRENGTH

Dialog boxes often pop up during password creation to tell us how safe our password might be according to that particular organisation. But what does a truly strong password look like? Taylor is an advocate of a passphrase as an alternative to the traditional password. This follows the principle that something longer may work better than something seemingly complex in the face of a brute force attack.

Making a complex password with random capital and lower case letters, symbols and numerals feels as though it must be secure; as a password it's certainly unmemorable and at risk (see 1 above). A passphrase, however, could consist of four random words that are easily memorable. It does not seem possible that this will be harder for hackers to break - but it is. The US computer scientist and blogger known as Crambler tested a series of long, simple password combinations against complex ones, using the sites How secure is my password and Passfault Analyzer.

In his analysis, an eight-character common word, eight random characters, or eight random characters with numbers were all deemed useless. Those with added symbols were deemed risky. Of the random selection J5bZ>9p! he says: "Sites call passwords like these strong, but in reality many of them could be hacked in under a day by a determined hacker."

By contrast, the passphrase 'I own 2 dogs and 1 cat' was deemed to be secure forever: the shortest time predicted to crack it was given as a sextillion years. Adding further complexity, such as a mixture of numerals and words in the combination, and even a grammatical error - 'I own two dogs, and 1 cats' - might lengthen the odds again.

Taylor also advises against using a simple word as a password and thinking it secure just by substituting characters, ie, a number four for a letter 'A', or a zero for an 'O'. "This makes it easy for a computer trying to guess at a rate of 1,000 guesses per second." He says four common random words "could take a computer up to 550 years to crack searching at the same rate".



## 03

### CONSIDER TWO-FACTOR AUTHENTICATION

Another method of security is two-factor authentication (2FA). One basic method of 2FA is to be sent an SMS when your computer is accessed or logging into an account from a new location (a method already employed by banks and webmail providers). Researching 2FA that best suits your business needs and budget may take time, but there are many security companies offering quotes on their software. You could also make it company policy for workers to switch on the 2FA services embedded within smartphones that are used for company purposes (see 6 overleaf).

Biometric scanners using eye or fingerprint verification can provide additional security in two ways; not only could a remote hacker not use your fingerprint or eye, even if your password is discovered, Taylor says it is unlikely criminals will have access to the application or device required to work with the extra set of codes or reference points.

## 04

### CONSIDER A PASSWORD MANAGER

Taylor and the NCSC are in favour of using password managers. These allow individuals to use one master password and, within the system, store encrypted versions of other passwords. Password managers can be run with user-generated passwords or create them for you - those generated by password managers are thought stronger than anything someone could create at random themselves.

Password managers also help to eliminate one of the most serious security holes - reducing the need to write a password down. Some password managers work in conjunction with 2FA, such as smartphone fingerprint scanners. There are many password managers on the market, including Dashlane; LastPass; Sticky Password Premium; LogMeOnce; Roboform; Zoho Vault; Password Boss; Keeper; Agile Bits; and True Key.

However, Taylor has this warning regarding password managers: "They are very helpful but they're not entirely infallible - there have been instances of breaches detected by security researchers where it has been possible to gain complete access to accounts set up in password vaults."

### SECURITY HOLE:

#### THE 10 MOST COMMON PASSWORDS

The list, compiled by security research firm Keeper Security, analysed more than 10 million passwords. A whopping 17% of computer users were locking their accounts with the top entry, 123456, with five more of the top 10 using a variation on this pattern.

1. 123456
2. 123456789
3. Qwerty
4. 12345678
5. 111111
6. 1234567890
7. 1234567
8. Password
9. 123123
10. 987654321

## 05

### ENCRYPTION OR HASHING?

Password managers may offer the simplest way to encrypt data, but what does this mean? The following passage from NCSC might strike fear into the hearts of business managers: "Produce hashed representations of passwords using a unique salt for each account. Store passwords in a hashed format, producing a cryptographic function capable of multiple iterations." It's bewildering stuff for anyone with only a day-to-day working knowledge of computers.

The point of encryption is to ensure that no password you might have on a machine is stored as plain text, thus reducing the likelihood of a successful brute force attack on files. Taylor advises that encryption is vital for anyone whose business relies on the cloud. But the NCSC description above also mentions hashing. Simply put, the difference between encryption and hashing is that an encrypted string of unreadable characters can technically be reversed (or decrypted) while a hash is a "one-way" code where a salt (an extra string of long randomised code) is added. One advantage of hashing with a salt is that it makes it much harder for hackers to hold functioning

databases of pre-computed hashes (so-called hash files or rainbow files, which help them identify commonly used passwords) because it would make storage of the large file required more difficult and ensure a database search took much longer to carry out.

The NCSC advises that any password protection system uses “public standards, such as PBKDF2, which use multiple iterated hashes”. The algorithm SHA-2 is widely considered the strongest level, with SHA-256 (producing a 32-byte hash value) viewed as crucial where the highest protections are required.

Businesses with no in-house IT security should enlist someone with appropriate credentials to do the work, rather than attempt DIY protection in a bid to save money.

## 06

### ESTABLISH A COMPANY POLICY

To really beef up password management, senior management needs to be pro-active with the entire workforce, and do as the NCSC suggests – either implement a corporate password policy or regularly review and revise an existing one.

Businesses could first employ the principle of least privilege. Who truly needs access to the most precious information? It may be fewer people than at present. Decide which parts of the organisation’s data need password protecting and to what level. The more complex the business, the more parts may need protecting, and with access granted to different groups of people depending on the individual’s role and level of seniority. Standard users should not be granted administrator privileges, advises the NCSC. Administrator-level accounts could potentially override a system lockout, and are therefore deemed most worthy of hacking.

Those who have genuine administrator level access, as well as remote users of systems, should be prioritised when it comes to grading levels of protection, it adds. This could well be an important area of distinction when it comes to costing your security add-ons. Also determine

### DON'T MISS... PRACTICAL PASSWORD POLICIES

#### 8 February 2018 12:30

The Business & Management Faculty is holding a special session on password management as part of its regular lunchtime learning series. IT Faculty technical manager Mark Taylor will be guiding participants on the adoption of effective and efficient password policies for business.

Sign up for the webinar at [icaew.com/lunchfeb](http://icaew.com/lunchfeb)

### FURTHER RESOURCES

#### ICAEW cyber security resources

[icaew.com/cyber](http://icaew.com/cyber)

#### ICAEW IT Faculty

Webinar on best practice for password management. Find the recording at: [tinyurl.com/BAM-PW-webinar](http://tinyurl.com/BAM-PW-webinar)

#### GCHQ's National Cyber Security Centre has also issued guidance:

[tinyurl.com/BAM-NCSC-PWs](http://tinyurl.com/BAM-NCSC-PWs)

#### Information Commissioner's Office (ICO)

[ICO.org.uk](http://ICO.org.uk)

#### General Data Protection Regulation - an overview from ICO

[tinyurl.com/BAM-ICO-GDPR](http://tinyurl.com/BAM-ICO-GDPR)

who would most benefit from adding 2FA to system security.

Once the system is implemented, what will your protocol be for dealing with an attempted breach? Who will be responsible for administering the new policy and reviewing it at regular intervals? This person, or group of people, will need to understand the principles behind the security measures, ie, having some knowledge of the limitations of machine-generated passwords, and the likely effects of implementing measures, such as system account lock-outs to help protect a system.

For example, should a business decide that locking is worthwhile (for example, after a set number of failed attempts at logging in), if this has been attempted across the whole company, a denial of service will have been inadvertently created.

Another method to consider might be CAPTCHA, which asks users to click on specific pictures in a grid of images to prove they are not a robot, and blacklisting, which prevents people from selecting certain weak passwords within the business.

## 07

### EDUCATE THE WORKFORCE

No policy will have any positive impact on your business if it is not implemented in conjunction with a training programme.

The workforce must learn both how to spot suspicious activity within password-protected systems, and also how to create effective passwords. Regular brush-up sessions can remind people of the limitations of passwords created by humans and, if you use password managers, hold best practice sessions. The NCSC also warns of the danger of relying too heavily on password strength meters to give assurance that a password is safe enough.

It adds: “Tell users that work passwords protect important assets; they should never re-use passwords between work and home.” ●



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# FIT FOR PURPOSE



The pressures of professional life mean it's more important than ever to look after body and mind. Penelope Rance assesses what works

£70bn

how much 15 million working days lost through illness cost the UK economy in 2014

Finance professionals aren't superheroes. They are not able to work harder, stay awake longer or carry more box files than any other human beings. But they often behave as if they can. FDs and CFOs are put under enormous pressure - often by themselves - to perform in their professional lives, but are failing to give their minds and bodies the power to cope. As health suffers, so too does performance at work.

The Health and Safety Executive report, *Work-related Stress, Depression or Anxiety Statistics in Great Britain 2017*, revealed that 526,000 workers were suffering in 2016/17, accounting for 40% of all work-related ill health. Meanwhile, research by Public Health England with The Work Foundation showed that mental health conditions were the leading cause of sickness absence in the UK, with 15 million working days lost in 2014, at a cost to the economy of £70bn.

Productivity isn't only affected by absence. One in three UK employees reported having a long-term health condition, with 42% saying it affected their work. Presenteeism, where employees are at work but not performing, costs an estimated £30bn annually.

#### FROM THE TOP DOWN

Employers have as much responsibility in this area as their staff. According to data gathered by Britain's Healthiest Workplace 2017 from 34,000 employees at 160 employers, there is a significant link between participation in workplace health programmes and improved employee health and productivity, with less presenteeism reported. Schemes have to be advertised, however, as only 30.5% of staff at large companies with gym discount offers were aware of them.

It also needs to go beyond presenting staff with a fruit basket and Fitness First vouchers. "It's taking a whole approach to

it,” says Dr Zofia Bajorek, researcher for The Work Foundation. “Employees need to be encouraged to take a lunch hour, told not to do overtime and focus on output and quality of work – not just the time spent in the workplace.”

Progress is being made. The Willis Towers Watson Staying@Work survey for 2015/16 found that 97% of EMEA respondents were committed to health and productivity improvements, saying that health programmes reduce employees’ health risks and lead to better business outcomes.

### WORK FOR YOUR BODY

So how can finance professionals set themselves up for peak performance? Exercise is clearly key to health, but in more ways than just increasing cardiovascular fitness.

“After each workout, your body’s immunoglobulin levels increase. This protein can help to temporarily strengthen your immunity to infections, including colds or the flu, for approximately 24 hours,” says CABA services director Kelly Feehan.

“Additionally, working out can help lower blood pressure for as many as 16 hours.”

It’s also good for the mind. “Physical exercise assists the brain in nurturing psychological flexibility and can be an effective adjunct to cognitive strategies,” says business psychologist Rob Stewart. “Being active is also known to reduce your risk of developing conditions such as stress, depression, dementia and Alzheimer’s,” adds Feehan.

So which workout is the best? High-intensity interval training, walking, Pilates, running? “That really depends on the individual, there’s no ‘one-size fits all’,” says Gavin Jennings, founder of the Centre For Whole Health. “For some, a mix of cardiovascular and strength exercises may have a beneficial affect, where for others, yoga will help. With a sedentary professional who may not have exercised much in the past few years, going from zero to bootcamp is a recipe for disaster. There’s increased risk of injury and an elevation in adrenaline, cortisol and insulin, all of which are usually high enough.”

It’s also possible to match your workouts to your work needs. “Varying types of exercise can be beneficial for different types of work,” says Stewart. “One might consider yoga if the aim is to become calmer and more level-headed, while squash or fast-paced, co-ordinated tasks may assist in decision-making.”

**“After each workout, your body’s immunoglobulin levels increase. This can help strengthen your immunity for 24 hours”**



### WHAT GOES IN...

Some 80% of body composition is down to what you put in it, rather than what you do to it. “Over the past 45 years, the UK has been told to consume grains as the primary source of food, followed by vegetables, fruit, some protein and a bit of fat,” says Jennings. “We got this completely wrong. Since then heart disease and cancer have increased along with obesity and type 2 diabetes.”

There are as many nutrition plans as there are experts pushing them, but keeping your diet simple and focusing on unprocessed protein, vegetables and natural fats is the best way of ensuring the body gets what it needs while avoiding spikes and slumps from quick-fix foods.

“Eating lots of sugar will affect your body’s energy levels and, while it may perk you up temporarily, it causes mood spikes which are not ideal for your colleagues or clients,” says Feehan. “It has also been proven that some foods can reduce symptoms of depression, anxiety and stress. Low levels of zinc are associated with anxiety: eating more cashew nuts can address this; while the magnesium found in sweet potatoes can help you relax. Reducing caffeine intake and cutting down on alcohol will all help to improve wellbeing.”

Good health isn’t just about internal workings: external issues, particularly job structure, can have a fundamental effect. The Staying@Work report revealed that while employers identified work/life

### EXERCISE INSPIRATION

Running remains a popular activity, with well-established clubs having sessions suited to people of all abilities. To find your nearest, see the list of clubs (track and non-track) at [runtrackdir.com/ukclubs/](http://runtrackdir.com/ukclubs/). Also popular are weekend park runs, where timed 5k sessions are held all over the world. Visit [parkrun.org.uk](http://parkrun.org.uk)

If weekends aren’t viable, there are tips on how to integrate running into your commute at [runningtowork.co.uk](http://runningtowork.co.uk)

Running and traditional gym sessions will not be suitable for all, so it is important to find a regime to suit. Gyms will also run classes in dance or Zumba, circuits, swimming lessons, aqua aerobics and racquet sports. Clubs specialising in individual

disciplines can also be searched online.

For those who really cannot spare the time to attend a class there is always the chance to “desk-ercise”. While with yoga it is usual to attend a class, there are yoga-inspired activities that can be undertaken on the commute or at your desk, as designed by Jennifer Ellis of the Yoga Wellness Company (See *Business & Management* June 2017 issue). Additionally she recommends stretches in your seat that can include neck incline and flexion, ankle and hip stretches.

You can supplement these stretches with time away from the desk (walk and talk to colleagues instead of using email) – and always take the stairs.



97%

of EMEA respondents to the Staying@Work survey are committed to improving health

**“The first thing we look at is the rest periods, the spaces for downtime in their structure. Otherwise people will burn out”**

balance as central to wellbeing, key issues for employees were having the right resources, a clear understanding of priorities and an environment that allowed them to work effectively. Data from Britain’s Healthiest Workplace shows that those with flexible hours and the ability to work from home are in better shape mentally and physically - and report fewer absences.

Despite this, busy professionals often fail to structure their jobs with health in mind. Jennings says accountants and similar professionals are “left-brain hemisphere dominant”. “They’re good at analytical tasks, at maths, and they’re well-read. But typically they have a hard time switching the brain off. The first thing we look at is rest periods, the spaces for downtime in their structure. Otherwise they burn out.”

Bajorek adds: “For accountants, at certain times of the year it’s really pressured. It can be helped by having line managers aware of the pressures, and people being able to ask for more resources during that significant time.”

#### MADE TO MEASURE

Using technology to track health markers can be beneficial: what gets measured gets done, as the fitness industry adage goes. The use of tracking devices can add accountability as well as achievement.

“Fitbit-type tech can be utilised to track progress, which can assist people in developing and maintaining motivation over time,” says Stewart. “People can accurately keep track of the distance they cover or weight they lift, which in a world obsessed with results, is what we’re conditioned to find rewarding.” Using apps can also help you track what you’re eating, adds Feehan. “Sometimes having this prompt can help us make changes.”

But tracking your fitness indicators can generate stress if you’re not hitting the “right” numbers - and when companies start tracking the health of their staff it can be equally negative. “Monitoring employee behaviour for lifestyle risks is a step too far,” says Feehan. “While you can introduce friendly competition in the workplace, actively tracking how employees live their lives is invasive.”

“Monitoring someone’s activity has ethics around it that don’t sit comfortably,” adds Bajorek. “You need clear guidelines about what data will be used for and what the outcomes will be. If it becomes like a KPI - if you’re not healthy, or not hitting health goals, then you’re not going to get that pay increment - that’s a totally incorrect approach.” ●

#### CASE STUDY

At 35, chartered accountant Gaby C was working 60+ hours and running a finance team that had grown to 120. When she contacted the Centre for Whole Health (CWH) she was suffering from adrenal overload, poor diet, badly structured exercise and broken sleep patterns. “I was exhausted all the time. I had spent 10 years working long hours in practice and industry, and my health was suffering.”

CWH assessed her musculoskeletal issues, sleep and digestive health, did metabolic typing and a stress index test. Gaby’s stress levels were elevated, she had digestive issues, including irritable bowel syndrome, and ongoing neck

and shoulder pain. They worked on restoring functionality of her spine, eliminating certain foods and helping restructure her week with downtime.

“CWH focused on all aspects, including my thoughts, sleep patterns, work routine and hormonal cycle, as well as making me a bespoke nutritional and exercise plan. I have more energy, I’m happier, and I lost weight.

“Taking a lunch hour and eating morning and afternoon snacks mean I’m more focused and therefore more productive. There are still stressful events, but I am less affected and able to think more clearly to provide solutions. I work fewer hours and achieve more.”

# TAKE CONTROL OF YOUR FUTURE WITH A SIPP



Emma-Lou Montgomery

Fidelity Personal Investing

Gone are the days when the only time you gave a passing thought to your pension was when a payment was taken out of your payslip and then again when you eventually retired. Today we're all encouraged to be actively involved with planning for our financial future.

The fact we're living longer and could enjoy a retirement of 30 years or more makes it crucial to ensure your pension lasts as long as you do. Self-invested personal pensions (SIPPs) have revolutionised retirement planning.

You choose what you invest in and when, and can take withdrawals when and how you like after the age of 55, thanks to the flexibility they offer.

## TAKE CONTROL BY BRINGING YOUR PENSIONS TOGETHER

It's easy in today's job-hopping workforce to build up numerous pension pots with different employers. Pooling your pensions together in a SIPP can help you take control of your savings. Bringing them together in one place makes it easier to manage and keep track of your retirement savings, helping you to plan ahead more effectively – and it could be cheaper.

Always check your existing pensions, though, to make sure you don't lose any valuable guarantees by moving to a new provider.

## GET YOUR MONEY WORKING HARDER

By consolidating your pensions into a Self-Invested Personal Pension (SIPP) you can get your investments working as hard as possible. A SIPP offers a wide range of investment options and the freedom to manage your own investments, with all the tax perks of saving into a pension.

## CUT YOUR COSTS

Charges vary greatly between SIPP providers. Who you choose to hold your SIPP with can therefore make a significant impact on your costs, which in turn can make a big difference to the income that you could get in retirement. The trick, as always, is to shop around. Investors who do their homework and find the best home for their retirement portfolio stand to be substantially better off when it comes to their retirement than those who don't.

You'll find a wealth of pension information, tools to help with investment and retirement planning, guides and factsheets at [fidelity.co.uk](https://fidelity.co.uk) Plus find out more about the Fidelity SIPP at [fidelity.co.uk/SIPP](https://fidelity.co.uk/SIPP) or call **0800 358 0753**.



## HELPING YOU TO GROW YOUR MONEY

Fidelity offers ICAEW members a range of benefits to help you grow your money and become a better investor.

- Award winning investment platform
- Choice of accounts: ISAs, SIPPs, Investment Account
- Over 100 fund providers
- Guidance and market expertise
- Additional benefits for larger portfolios

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The value of investments can go down as well as up so you may get back less than you invest. This information and Fidelity tools are not a personal recommendation for any particular investment. The value of tax savings and eligibility to invest in an ISA or self-invested personal pension (SIPP) depend on personal circumstances. All tax rules may change in future. With pension products you will not be able to withdraw your money until you reach age 55. It's important to understand that pension transfers are a complex area and may not be suitable for everyone. Before going ahead with a pension transfer, we strongly recommend that you undertake a full comparison of the benefits, charges and features offered. To find out what else you should consider before transferring, please read our transfer factsheet at [fidelity.co.uk/transfer](https://fidelity.co.uk/transfer) If you are in any doubt whether or not a pension transfer is suitable for your circumstances we strongly suggest that you seek advice from an authorised financial adviser.

Register for benefits at [fidelity.co.uk/icaewoffer](https://fidelity.co.uk/icaewoffer)

Terms and conditions apply

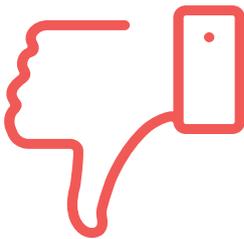




# THE BIG EXCEL DEBATE

Spreadsheets – the bane of an FD’s life or the fount of all knowledge in your business? Whether you love or loathe spreadsheets their demise has long been forecast. Here the experts share their views on spreadsheet strengths and weaknesses and whether they have any distance left to run

## THE ANTI-EXCEL CAMP



### LARGE EXCEL SPREADSHEETS ARE BAD FOR YOUR HEALTH

**David Parmenter urges finance teams to replace large error-prone spreadsheets**

Spreadsheets have no place in forecasting, budgeting and reporting routines. I believe it is unprofessional and career limiting to be overseeing a finance team that relies on large error-prone spreadsheets.

A spreadsheet is a great tool for creating static graphs for a report or designing and testing a reporting template. It is not, and should never be, a building block for your organisation’s reporting, forecasting or planning systems. The high level of errors in spreadsheets is the main reason why. A major accounting firm pointed out that there is a 90% chance of a logic error for every 150 rows in a workbook.

If you can build a forecasting, reporting or planning model in a spreadsheet application and keep it within 100 rows, you can do so without much risk. Pass this threshold and you expose yourself, your finance team and the organisation to unnecessary risks.

Forecasting requires a robust tool; not a spreadsheet built by an innovative accountant that now no one can understand. I always ask in workshops: “Who has a massive spreadsheet written by someone else that makes you pray before you use it?” You can see the pain in the instant response. Most people know that the person who built the spreadsheet certainly was not trained in operational systems design. The workbook will be a collage of evolving logic that only the originator has a chance to understand.

The finance team’s reluctance to divorce itself from spreadsheets is often a hindrance. It has been a long and comfortable marriage, albeit one that has limited the

## JUST KEEP IT SIMPLE

**For Leo Waldock, the complexity of Excel and the entire Office suite was too much**

I used Microsoft Office and Excel through versions 97 to 2003, and stopped when Office 2003 broke in a terminal way. I made some changes to the hardware inside my PC, which made Windows believe I had copied the software to a second PC. Windows XP reactivated without any issues, but Office 2003 refused to play ball.

Eventually, I moved from Office to OpenOffice and then LibreOffice, which included spreadsheet software called Calc. I had no problem accessing .xls and .doc files with any of these three suites, but it might have been a different story had I used .xml format.

With Open Office and LibreOffice, I avoid the native file formats of .odt and .ods, which mean nothing to the

mainstream Excel user. Unfortunately, this compatibility matters for team working, so, even if Calc supported features such as pivot charts, members of your team will rely on an Excel feature that works differently. The smart move for anyone dealing with the outside world is to stick to Excel, purely to make their life easy.

This is a crying shame as LibreOffice offers the usual security features, and benefits from being immune to visual basic for applications (VBA) macros. For comparison, Excel is based on at least 10 million lines of VBA and can run macros to automate tedious tasks, and also, malicious macros designed to attack Excel.

Using Calc is a safer and more secure alternative to Excel, and the fact it is free of charge is a very handy bonus.

**Leo Waldock started writing about PC, components and peripherals in the late 1990s**

**USING CALC IS A SAFER AND MORE SECURE ALTERNATIVE TO EXCEL, AND THE FACT IT IS FREE OF CHARGE IS A VERY HANDY BONUS**



finance team's performance.

Senior management is often unaware of the risks associated with relying on information from large spreadsheets. There are some common problems. An individual might alter a row or column, so that, when a group of spreadsheets is rolled up, the master spreadsheet is taking the wrong number from the one that was modified. Spreadsheets may lock up or show a screen full of

"REF" errors, because Excel was not designed to be a tool for handling a roll-up of dozens of different worksheets.

The input of an incorrect number can happen in any process, but spreadsheet-based systems often require the rekeying of information, which can produce data inconsistencies. Spreadsheets might also use an out of date look-up table or an entry might have been inadvertently or mistakenly overwritten.

Incorrect formulas could lead to subtotals omitting one or more rows, columns or both. Individuals may overwrite a formula because they believe theirs is more accurate. What's more, the absence of version control can lead to use of outdated spreadsheets - a very common mistake.

Many people in businesses can use spreadsheets to create alternative versions of the truth. I once visited a steel mill to find that every

management accountant had their own cost estimate for a tonne of steel.

As a corporate accountant, being an expert at Excel will show up on your CV in neon lights that you are a technical dinosaur; one who has not embraced modern tools or does not understand the risks in running core financial systems with a high-risk tool. So what is the way forward?

First, you should log all spreadsheets used by the finance team that are over 100 rows and set a retirement date. Then, ascertain the tools that are available that work well with your general ledger and visit sites that use them. Finally, make sure all members of finance understand the weaknesses of spreadsheets.

**David Parmenter is a writer and presenter on measuring, monitoring and managing performance. He is the author of *The Financial Controller and CFO's Toolkit and Key Performance Indicators***



## EXCEL HAS HAD ITS DAY

**For Andy Cotgreave, Excel is yesterday's news**

For data exploration and dashboards, I think Excel is dying. When creating and maintaining dashboards, or individual charts, you need to be able to explore and iterate rapidly.

As we show in *The Big Book of Dashboards*, modern businesses need powerful features built into simple designs. Unfortunately for Excel, other tools that enable faster, more effective dashboard creation exist.

It is possible to build great charts and dashboards in Excel but you need to know the end goal before you start; that approach is outdated and prevents any creativity coming into the design process.

I still use Excel for manipulation of small amounts of data and ad-hoc data sets. I don't think this aspect will die. My expectation for Excel is that - despite a huge amount of functionality - the majority of users will use fewer parts of the application over time.

**Andy Cotgreave, technical evangelism director at Tableau and co-author of *The Big Book of Dashboards: Visualizing Your Data Using Real-World Business Scenarios***



## THE PRO EXCEL CAMP



## =NOT("EXCEL"="DEAD")

**Excel maestro Simon Hurst says it's the users, not the software, that are the problem**

The government's Making Tax Digital plans have provoked plenty of debate. Faintly audible alongside various howls of anguish and protest were the sounds of some accounting software suppliers rubbing their hands in glee at the prospect of the government giving them a weapon that would at long last lance the suppurating spreadsheet boil. Such hopes were largely dashed by subsequent clarifications that suggested spreadsheet use might not actually be about to be made illegal with immediate effect.

Debates around whether the nails fixing Excel to its dominant perch are about to completely rust through are not new. Many software products have promised delivery from spreadsheet hell. Policy and legislative changes, such as the Sarbanes-Oxley Act, have also threatened to provoke a major reaction against spreadsheet use. As if all of this wasn't ominous enough, few months go by without some spreadsheet calamity making headline news and provoking calls for spreadsheets to be outlawed. In fairness, many of these errors have less to do with spreadsheets and more to do with spreadsheet competence.

### CLINGING ONTO LIFE

Despite these pressures, spreadsheets - and Excel in particular - seem to be showing the resilience and omnipresence of the common cold. Given the importance of accuracy and productivity in accounting and finance, the dominance of a tool with a reputation for error and inefficiency seems odd.

There are several reasons why spreadsheets continue to cling to life so effectively. Like some sort of invasive weed, spreadsheet

tendrils spread silently and unseen throughout a business. Those businesses that audit the spreadsheet files in their organisation are often astonished at the number of unexpected spreadsheets that they come across and the range of uses to which they are put. Trying to exterminate something that winds so tightly and deeply throughout your business processes is never going to be easy.

### **DON'T LOSE TRACK**

Spreadsheets also lack inherent structure. This, combined with the reluctance of most users to document their stream of consciousness, often leaves organisations with spreadsheets that have evolved over time like vast country houses. Extended by multiple owners over many years; no one now really understands how they were put together and where all the secret passages are. It's very difficult to replace such spreadsheets and maintain complete confidence that the replacement does exactly what the original did. This often leads to a decision to leave something alone that appears to be working well.

When it comes to increased regulation, most of us don't react favourably. We usually relish the opportunity to exercise our creativity and inventiveness. Immersing ourselves in the infinite pool of billions of spreadsheet cells, each with the potential of carrying out any calculation or delivering a key result with devastating impact, can seem like a wonderful release from ticking boxes and filling forms. This might explain the almost fanatical

**EXCEL IS ABOUT TO EMBARK ON A WHOLE NEW LIFE. UNDERSTAND WHAT IT CAN NOW DO AND BE PART OF ITS RENAISSANCE**



defence of spreadsheets that challenges often provoke. As other applications try to reduce the risks associated with using spreadsheets, they usually also destroy the flexibility that makes spreadsheets so appealing.

Most people think they know how to use spreadsheets. From school onwards, we use spreadsheets for keeping lists, fantasy football analysis and creating knitting patterns. Spreadsheets are perceived as being available for free - both in terms of financial cost and investment in knowledge and training. It probably isn't surprising that finance professionals continue to reach for spreadsheets like Swiss soldiers reach for penknives.

Health professionals and the government are keen to remind us that the greatest chances of improving our own longevity come from making lifestyle changes. The same is true of Excel; if we continue to take Excel for granted and fail to look after it properly, its ability to support us in the future will be compromised.

An appropriate level of spreadsheet expertise will help to ensure that we use Excel for what it's good at and avoid using it in areas where it becomes a liability. In whichever way that you use Excel, unless you achieve an appropriate level of Excel competence for your role, you are likely to waste a significant proportion of your working life

through basic inefficiencies. You might also be exposing yourself and your organisation to significant risk of error and compromising Excel's reputation.

To ensure a healthy future for Excel, and your own prosperity, it is vital to put in some effort and consider keeping in regular training. The ICAEW Spreadsheet Competency Framework is a good guide to the training plan you might need to set yourself.

If you are to be sure of always being able to adopt the best, and most efficient, solution for each new project, then it is also important that your training regime recognises the speed with which Excel is changing.

### **BE A PART OF THE CHANGE**

Being aware of the most recent changes in Excel might lead you to the conclusion that the spreadsheet is already dead. Excel is certainly no longer just a spreadsheet, but it is now some sort of spreadsheet-database-business intelligence hybrid. The BI tools that form an integral part of the latest version of Excel make the use of cell-based formulae unnecessary and allow Excel to be used for data analysis and presentation, rather than just calculation and reporting. The spreadsheet is rightly being challenged across a range of applications for which there are much more robust and efficient solutions but, far from being dead, Excel is about to embark on a whole new life. Understand what it can now do and be part of its renaissance, rather than its demise.

**Simon Hurst is a member of the IT Faculty and contributes articles to IT Counts and the Excel Community. His organisation provides training and consultancy services. He also has a small shareholding in the 'Filtered' online training company**



### THERE IS A REASON EXCEL IS STILL WITH US

#### David Lyford-Smith on the enduring appeal of spreadsheets

It's practically a cliché to say that Excel is obsolete, or that spreadsheets are going to die out. Almost since the electronic spreadsheet was invented, the end of its time has been foreseen; and yet, here we are, still making spreadsheets today.

Why does the tool have such enduring appeal? It certainly has an amount of inertia behind it - many critical systems were built on spreadsheets and changing them is thought to be infeasible - but really it's about the power that spreadsheets have to get data into the hands of the user. Much more accessible than formal programming languages - and make no mistake, Excel is a programming language - spreadsheets are the great equaliser, putting the power of analysis,

**ALMOST SINCE THE ELECTRONIC SPREADSHEET WAS INVENTED, THE END OF ITS TIME HAS BEEN FORESEEN; YET, HERE WE ARE, STILL MAKING SPREADSHEETS TODAY**

summary and change into the hands of millions of users. Dedicated software packages simply don't have the widespread adoption that Excel enjoys, nor the easily understood and flexible feature set.

None of this makes the common criticisms of spreadsheets untrue. There are certainly plenty of horror stories out there, and although research shows that a small percentage of all cells are erroneous - leading to over 90% of workbooks containing at least one error - the sheer popularity and power of Excel makes getting rid of it improbable. The best path forward is to increase awareness and understanding of spreadsheet risk, introducing best-practice guidance on how to use spreadsheet packages, and ensuring that spreadsheet-reliant roles recruit and train staff with the appropriate spreadsheet skills.

The ICAEW Excel Community has produced two papers in this area - a best practice guide, *Twenty principles for good spreadsheet practice* (see links in box, right) and *the Spreadsheet competency framework*. I encourage every spreadsheet-using organisation to consider how they are tackling the problem of spreadsheet risk. ●

David Lyford-Smith is a technical manager at ICAEW

### BLOOPERS

Spending a day exporting and styling data only to find it was in CSV format and therefore not saveable, not realising Excel includes hidden figures unless you specify otherwise... These are just some of the Excel horror stories members told the IT Faculty about for a competition it ran last year. The pick of the bloopers are at [tinyurl.com/BAM-Horror](http://tinyurl.com/BAM-Horror)

The winners and highlights are here: [tinyurl.com/BAM-RestHorror](http://tinyurl.com/BAM-RestHorror)

The organisation EuSpRIG also has some examples, albeit a little old: [tinyurl.com/BAM-EuSpRIG](http://tinyurl.com/BAM-EuSpRIG)

### FURTHER READING

ICAEW'S Excel Community posts regularly at [tinyurl.com/BAMTechExcel](http://tinyurl.com/BAMTechExcel)

They have also posted this Excel webinar recording: [tinyurl.com/BAM-ExcelWebinar](http://tinyurl.com/BAM-ExcelWebinar)

*Twenty principles for good spreadsheet practice*: [tinyurl.com/BAM-Excel20](http://tinyurl.com/BAM-Excel20)

*Spreadsheet competency framework*: [tinyurl.com/BAM-SpComp](http://tinyurl.com/BAM-SpComp)

# PAY AT THE TOP

Following on from our recent article about corporate governance, **Elizabeth Richards** updates *Business & Management* on the latest developments regarding executive pay

Executive pay has been in politicians' sights, but the reforms announced by the government are underwhelming. The Investment Association will manage a public register of listed companies that encounter a 20% or more shareholder vote against the Directors' Remuneration Report. Quoted companies will need to publish ratios that define their CEO's pay as a multiple of the average pay of other UK company employees.

Some companies will worry about justifying the gap between the top and the middle, others will worry their CEO will leave once they compare their position with their peers.

The ratio of CEO-to-worker pay has increased by 1,000% since 1950, hitting a multiple of 204 for Fortune 500 companies according to Bloomberg. Consultants are blamed for the rises in executive pay, for introducing complex packages, and for diluting accountability by allowing remuneration committees to become too reliant on their expertise. ICAEW has supported a review of their work ([tinyurl.com/ICAEW-BMRemCon](http://tinyurl.com/ICAEW-BMRemCon)).

Professor Ruth Bender and Dr Monica Franco-Santos undertook research that identified the factors influencing remuneration advice (see *Business & Management*, September 2017). These include whether a company is international or solely UK-based; whether a company has a public profile;

nationality of management or shareholders; greed or restraint of a CEO; whether pay is related to CEO performance; and ability of internal HR advisers to resist CEO pressure.

The research highlights the diversity in remuneration consultancy in terms of the parameters and limitations imposed, as well as significant differences in depth and longevity of relationships between remuneration committees and consultants.

Remuneration consultancy is not for the faint-hearted, with some consultants seeing dismissal by clients as a sign that they've done a good job.

The research refers to the Remuneration Consultants Group Code. The main focus of the code is on what constitutes an acceptable conflict of interest. In fairness, consultants are paid an hourly rate, not a percentage of the CEO's eventual package, and they do not manage any other services to the company client or benefit from cross-selling.

It is difficult to understand why low productivity and stagnant pay for the majority coexists with exorbitant rises for top executives, but pinning it all on consultants isn't the answer.

It's also easy to stereotype institutional investor owners as ruthless capitalists. Their reluctance to vote against the pay proposals of their investee companies can be passed off as fear of rocking the boat or a selfish desire to avert attention from their own remuneration. Unless it is put in perspective, the short tenure of CEOs gives the impression that

## CONNECT AND REFLECT: DIALOGUE IN CORPORATE GOVERNANCE

ICAEW believes that to succeed in the modern world, businesses must move away from defensive old-style news management and corporate positioning. ICAEW argues that if companies embrace a positive approach to corporate governance that ensures they connect with and reflect society, they will reap many benefits.

We are collating views and experiences about:

- how to end excessive pay;
- how employee directors add value;
- how companies thrive on social media;
- how whistleblowing helps companies; and
- how to mark governance out of 10.

As well as contributing and asking your colleagues to do so, please also think about how you can encourage people in your wider networks to participate in this important conversation.

Join the conversation at [icaew.com/connectandreflectblog](http://icaew.com/connectandreflectblog)

they are in it for a quick buck. The picture is completed by portraying workers as having an everlasting commitment to the long-term interests of their current employer.

Remuneration committees are populated exclusively by independent non-executive directors (INEDs). Although independence is defined in the Corporate Governance Code there are concerns that INEDs are paralysed by the conflict of their self-interest to retain their own remunerated positions.

ICAEW is seeking a broad input about how to end excessive pay, and other key corporate governance issues, which is why we have launched Connect and Reflect (see above). ●



**Elizabeth Richards,**  
ICAEW head of  
corporate governance

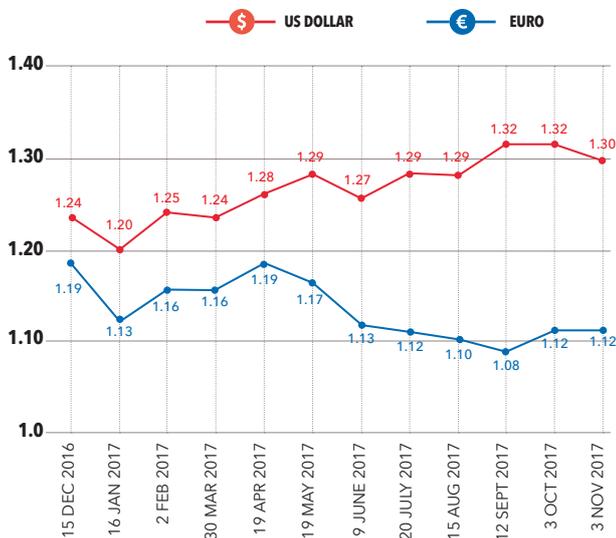


# 2017: THE YEAR THAT WAS

With political uncertainty around Brexit, the outlook for 2017 was always going to be tricky to predict. Here's an end-of-year roundup of key statistics and trends

## VALUE OF THE POUND OVER THE YEAR

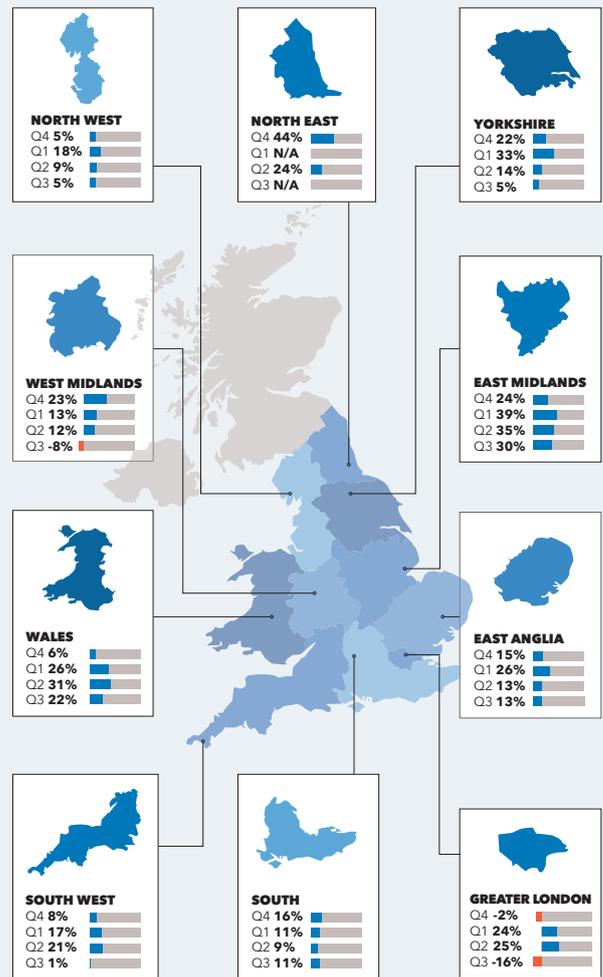
Taken from historic values at Pound Sterling Live, spot inter-bank market average



SOURCE: POUND STERLING LIVE

## VOICE OF SMALL BUSINESS INDEX Q4 2016 - Q1 2017

The Federation of Small Businesses produces a quarterly index, which looks at capacity levels, employment, revenues and the confidence of small firms



### 2017: AS IT UNFOLDED

#### 02 JAN

Rail fares rise by average 2.3%, above inflation; government announces 17 new towns and villages to be built across Britain

#### 05 JAN

Society of Motor Manufacturers and Traders records a record high of car sales in 2016 at 2.69 million

#### 08 JAN

Average household debt: £12,887

#### 16 JAN

Sterling fall ahead of Theresa's Brexit speech (see graph above)

#### 24 JAN

UK Supreme Court ruling on Article 50 rules in favour of Parliament voting to trigger exit from the EU following an appeal



#### 01 FEB

MPs back European Union Bill, and government issues its white paper

#### 06 MAR

Sale of Vauxhall with Opel to PSA Group - owners of Peugeot and Citroen - in £1.9bn deal

#### 09 MAR

UK's worst decade for pay growth in 210 years

#### 14 MAR

Brexit Bill passed

#### 15 MAR

Brexit could bring £500bn infra pipeline to "standstill" and put 200,000 construction jobs at risk, says the Royal Institution of Chartered Surveyors; U-turn on NI changes for the self-employed

#### 29 MAR

Article 50 triggered, starting the process of Britain leaving the EU



#### 18 APR

Snap general election is called for 8 June

#### 21 APR

For the first time since the Industrial Revolution, Britain goes a whole day without using coal to power electricity



#### 12 MAY

Computers hit by ransomware known as WannaCry in 100 countries, affecting organisations including the NHS

#### 27 MAY

British Airways IT system failure causes global delays

JANUARY

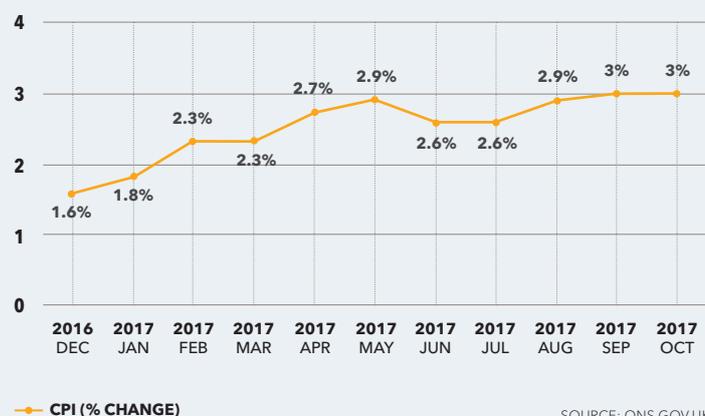
FEBRUARY

MARCH

APRIL

MAY

### CONSUMER PRICES INDEX (% CHANGE)



### UK BUSINESS CONFIDENCE

Comparing and contrasting the CBI's business confidence results with those from the ICAEW



### LOOKING AHEAD



#### 2018 UK GDP growth forecasts

**1.4%**  
PwC Economic Outlook

**1%**  
Organisation for Economic Co-operation and Development

**1.3%**  
Institute for Fiscal Studies

#### 2018 average UK inflation forecasts

**2%**  
Bank of England target

**2.7%**  
PwC Economic Outlook

#### UK wage growth forecast 2018

**1.5%**  
Organisation for Economic Co-operation and Development

### BUSINESSES: 2017 UPS AND DOWNS

It was a tough year across the retail sector in particular, as a wave of high street names hit troubled waters, including the following:

**Joy**  
230 fashion retail jobs saved, but 78 lost in May as owners Louche arranged pre-pack deal

**CPL Foods and Millcliffe Ltd**  
Franchisee of Burger King, with 1,000 employees and 36 outlets, went into administration in April

**Jaeger**  
Historic fashion chain went into administration in April after owners failed to find buyer for 46 stores

**99p stores**  
Owners Poundland placed the whole chain into administration in March, closing 60 stores

**Jones Bootmaker**  
The profitable parts of the traditional footwear retailer's business was sold by Iteri Investors to another private equity firm, Endless, in a pre-pack deal, saving 840 jobs

**Agent Provocateur**  
The luxury lingerie chain went into administration in March. Global branding rights were snapped up by Sports Direct's Mike Ashley in a £31m pre-pack deal, but not the stores



**8 JUN**  
Conservatives retain power with a minority government

**27 JUN**  
More cyber attacks, this time using Petya malware, beginning in Ukraine; Nicola Sturgeon (pictured) announces a delay to any plans for another Scottish referendum on independence

### JUNE

**3 JUL**  
Estimated cost of Hinkley Point C nuclear plant rises to £19.6bn

**11 JUL**  
Government announces £100m for UK space sector

**19 JUL**  
State pension age rises to 68, being phased in 2037-2039 instead of 2044. It will affect six million people currently aged 39-47

**26 JUL**  
New petrol and diesel cars are to be banned by 2040, in favour of electric cars; employment tribunal fees are declared unlawful by the Supreme Court. Up to £32m in claims will be owing from the government as a result

### JULY



**01 AUG**  
British Gas to raise its electricity price by 12.5%, which will affect 3.1m customers; McColls signs supply deal with Morrisons to revive the Safeway chain

**16 AUG**  
Government rejects idea of a hard border between NI and Irish Republic post-Brexit

### AUGUST



**11 SEP**  
EU Withdrawal Bill backed in parliament

**14 SEP**  
New polymer £10 note is released

**22 SEP**  
Uber is told it will not have its London taxi licence renewed. Its 40,000 drivers can keep working while an appeal is lodged

### SEPTEMBER

**2 OCT**  
Monarch Airlines collapses - loss of 2,000 jobs and travel plans of 860,000 customers scuppered

**16 OCT**  
ONS announces Britain is £490bn worse off than previously thought

**17 OCT**  
Consumer Price Index rises from 2.9% to 3%, the highest in five years. The change is driven by a hike in transport and food prices

**2 NOV**  
First Bank of England interest rate rise in 10 years to 0.5%

**14 NOV**  
HMRC estimates the number of customs declarations processed may increase from 55 million to 225 million a year after Brexit

### OCT/NOV

# THE WAGES/ PRODUCTIVITY DILEMMA

David Craik asks what the relationship is between wages and productivity - and what CFOs and FDs can do to boost both for the benefit of the staff and the balance sheet

The Bank of England's (BoE's) chief economist has been standing up for British workers this year. Back in June, Andy Haldane told BBC's *Newsnight* that workers were feeling "frustrated and squeezed" as a result of almost a decade of wage stagnation. One of the underlying causes of this was, he said, the simultaneous levelling off of productivity since the financial crisis of 2008.

Haldane said UK businesses had not invested in improving productivity and thus increasing wages. "The root cause of the stagnation in productivity and pay is that firms are taking the low-productivity road," he said.

In September, this time in an interview with Sky, Haldane again brought up the link between wages and productivity, but was more optimistic. "The signs are more encouraging on the pay front than they have been for some little while," he said. "The key to unlocking pay will be signs of improvement in the economy's productive potential. Higher pay needs to be paid for, so I hope we might be nearing the end of the tunnel on both pay and productivity."

## PRODUCTIVITY FIRST, PAY LATER?

It has certainly been a confusing few years for UK economists. The link between wage growth and productivity has always seemed clear. Most economists believe driving and raising productivity must come before wage rises. One has to pay for the other and in a competitive market if workers produce less output then firms will pay them less. If wages rise first, then inflationary pressures



throughout the economy will become too great to manage. According to the Resolution Foundation's latest Earnings Outlook, real average weekly earnings fell by 0.4% in the first three months of 2017. Typical hourly pay for workers in London, Northern Ireland and those under the age of 40 are about 11% below pre-crisis levels.

The IPPR Commission on Economic Justice says UK workers are facing the longest period of wage stagnation for 150 years (some say even longer). It found that average employee earnings have fallen by 6% since 2010. The BoE says aggregate real wage growth has averaged -0.4% a year from 2009 to 2016 compared with 2.3% between 2000 and 2008. Productivity has also struggled. According to the Office for National Statistics, labour productivity as measured by output an hour fell by 0.1% in the three months to June. It had dropped by 0.5% in the three months to March.

### THE GDP DISCONNECT

Despite this improvement, the amount of GDP generated per worker is one of the lowest in the G7 and the rate of growth in productivity is below its long term (and already poor) growth rate of 2%. The Office for Budget Responsibility says the average rate of productivity growth over the past five years has been 0.2%. How then can we explain the 12% increase per head in GDP since 2010 (according to the IPPR) and the lowest rate of unemployment since 1975? The IPPR says that the benefits of growth have largely gone to businesses' balance sheets over the period. There has not been enough focus on boosting productivity and wages.

Other factors that could explain this puzzling disconnect between wages/productivity and GDP growth is the rise of the service sector, the gig economy, zero-hour contracts and the dwindling power of the unions.

The latest Chartered Institute of Personnel and Development (CIPD)/Adecco Group Labour Market Outlook survey suggested that most private sector workers are not pushing for pay rises, despite falling real wages and low unemployment. Almost four in 10 private sector firms said they face no pressure at all to raise wages, and just one quarter of employers in the private sector said they are under some or significant pressure to raise wages from the majority of their workforce. This pressure was most strongly felt in the construction sector, with 38% of employers saying their workforce has been pushing for a pay rise.

The most common reason given by private sector employers for the lack of pressure to raise wages is a recognition among workers that the business cannot afford more generous pay increases. This, the CIPD says, underlined the productivity challenge many firms face.

Gerwyn Davies, CIPD senior labour market analyst, said: "Productivity has a far more significant bearing on pay growth than the tightness of the labour market. Over time we might expect low unemployment levels to lead to

**"They don't want to spend millions in this environment. It has been cheaper to hire more workers to meet demand than take on the cost of investment"**

increased pressure on pay. However, it's the UK's ongoing poor productivity growth that's currently preventing employers from paying more, not their inability to find or retain staff."

Ruth Gregory, UK economist at Capital Economics, says the strength in employment growth has meant that while households have taken home lower real pay - given that inflation is 3% - "the fact that more people are working in the first place has helped to support households' incomes on aggregate".

She adds: "Low productivity growth has clearly been a key factor driving the weakness in wage growth in recent years. But the causality could run both ways. The weakness of pay growth could mean that firms prefer to employ more people until the pick-up in pay growth makes it too costly and then they will turn their attention to productivity growth."

The argument is that wage increases could lead to productivity growth as, in order to protect profit margins, businesses will be prompted to improve efficiencies and invest in more capital equipment.

### FINDING THE SWEET SPOT

"There is a correlation between wages and productivity. Improved productivity growth means you become more profitable and you can afford to pay more. This does hold," says Adam Chester, head of economics at Lloyds Bank Commercial Banking. "But there are also the arguments around the National Living Wage, which state that if you pay more first you induce workers to be more productive. The jury is still out."

Chester identifies other constraints on productivity than just wage levels. He says: "It is to do with skills, infrastructure and technological innovation. It is also a monumental feat to measure productivity; easier in manufacturing but harder in the dominant service sector. Different sectors have different circumstances and for that reason businesses and their CFOs and FDs need to have an element of caution around national productivity data. They should be looking at their own businesses and asking if they have got the balance between employment and capital right.

"They have been uncertain around big capital spend because they don't want to spend millions in this economic environment. It has been cheaper to hire more workers to meet demand than take on the cost of investment. Should they shift the balance of their spend, change production processes, invest in more capital equipment and infrastructure

particularly in a low-interest-rate environment? If productivity rises, then they can pay for wage increases if workers demand it.”

Anna Valero, research director at the London School of Economics Growth Commission, believes the average worker is not sharing the gains of growth since the financial crisis. She suggests CFOs could consider from an equity perspective sharing some of the business profits with staff.

She adds: “They could also look at wage increases to attract better quality staff, invest more in IT equipment and flexible working arrangements and child assistance costs to keep more women in their business. All could be good for productivity.”

**SHARED INTEREST**

What then do CFOs and business owners make of the data and the economic theories on a day-to-day basis when making decisions on wages and productivity?

On the latter, Stephen Roper, director, Enterprise Research Centre at Warwick Business School, doesn’t believe SMEs are at all interested. “Even ambitious business owners express goals in terms of sales and profits,” he says. “In terms of the macro-economy then productivity is a crucial metric, but it is not how businesses think. There is a communications gap in how they think and set objectives. The government should talk about it in terms of efficiencies and potential to increase profits and margins.”

Kim Coles, finance director at retailer Lush, certainly doesn’t follow national productivity rates. “We have recently become a Real Living Wage employer. Our focus is on paying a real living wage to our own employees and making sure that, as the

**“All staff get the same basic amount whether senior or junior. This is to encourage better collaboration, productivity and attention to detail”**

rates move, we maintain the scales of other salaries to encourage progress through the organisation. We ensure that there is not a big gap between the lowest and highest paid,” she explains. “Our pay structure starts with the real living wage for our hourly paid staff and then we have a clear and transparent pay structure to encourage and reward progression above that. The living wage is the right thing to do. If staff have fewer financial worries and feel fairly rewarded, it helps them to concentrate at work and focus on the job in hand.”

Coles says she has built the living wage into Lush’s cost structures and believes it is boosting recruitment in a traditionally competitive and low-wage sector. What of productivity, though? “We look at sales to working hours data so we have the right amount of staff in our shop at the right time,” she states. “In our factories we have production targets, but our products are handmade and we would rather focus on quality than quantity. We try to reduce wastage. There is no point setting targets for 5,000 bath bombs a day if we can’t sell them.”

**CRYSTAL CLEAR CONNECTION**

Christopher Blade, managing director at luxury crystal manufacturer Cumbria Crystal, sees a closer link between wage policy and productivity. “We have introduced a collective bonus where either everyone gets it or no one does, based on achieving or exceeding targets and set margins,” he states. “All staff get the same basic amount, whether senior or junior. This is to encourage better collaboration, productivity and attention to detail. It is proving very effective at developing common shared objectives.”

Laurence Keen, chief financial officer at bowling operator Hollywood Bowl, explains that it has a unique wage strategy. Each centre manager is incentivised with a bonus scheme that rewards them for every £1 they achieve over their target. This is filtered down to the staff in the centre.

“About 85% of our team are hourly paid with the rest being salaried managers,” Keen states. “The hourly wage is dependent on national living or national minimum wage rates. With our bonus scheme we have incentives for managers not only to hit their bonus targets but to go through it. There is an incentive to push on, and this, along with rewards and benefits such as free bowling and bar and service training, boosts motivation and productivity.”

Keen says it looks at what is happening in the leisure and hospitality industries when it comes to wage increases as well as inflation figures. However national wage data is used primarily to gauge the spending ability of its customers. “What do they have in the way of disposable income? That affects our pricing and marketing strategy and can influence our organic openings,” he states. “If one region is suffering or going to suffer from wage deflation then is it right for us to consider opening there?”

Amid all the data and the theory, Keen stresses the need not to get tied up in complexity: “If you can’t explain your wage or budget strategy to your kids, then you need to make it simpler.” ●



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# A CUT ABOVE

Matthew Leitch examines how eliminating mistakes can improve business performance

When you are at school and university, getting things right 96% of the time will get you a top grade. Work is different, and most trainee accountants soon realise that being right only 96% of the time at work can be disastrous.

Checking what we do and trying to be as reliable as possible are at the core of our training and built into many of the traditional techniques of bookkeeping and accountancy. Double entry bookkeeping requires double entries in part because of the inherent error checking it provided before computers did the job. Bank reconciliations are a chore we do not regard as optional.

But not every job creates the same pressure to be consistently correct. There are jobs in marketing where it is hard to know if you have been right or not. A sales person who made the right choice 96% of the time would be a star. Consequently, there are big differences between functions within organisations in their attitude to errors and their skills in preventing, detecting and correcting them.

Most of the time accountants focus on errors made within their own work but there are some very important exceptions. This article looks at some of the ways that accountants can be useful outside their department because of their attitude towards errors and skill at reducing them.

## MONITORING ERRORS

Management accounts can highlight the cost of errors. For example, instead of just showing a grand total for 'sales' we can





## Seeing the money value of errors can help people decide when it is worth making an effort to reduce them

show initial sales less (1) sales returns, (2) bad debts, (3) money and products given away to appease unhappy customers, and sometimes also (4) money lost by failing to produce an invoice for all the goods and services received by customers that they were willing to pay for, at the price they were willing to pay. Some of these amounts may be quite small compared to initial sales but they are more important because they go straight to the bottom line.

Incomplete and inaccurate invoicing can be very expensive so the main reason for not showing it is that you simply don't know how much you have lost. However, there are often ways that you can quantify even these losses by making comparisons with other records of sales made. In the telecommunications industry this is called 'revenue assurance' and the losses it tries to reduce are called 'revenue leakage'.

Seeing the money value of errors can help people decide when it is worth making an effort to reduce them. When the telecommunications industry first woke up to revenue leakage it was soon discovered that investing in revenue assurance produced huge percentage returns, making it one of the best investments available.

### NON-FINANCIAL ERRORS

Reporting financial numbers showing errors can create interest in non-financial numbers that give more insight into the causes of those losses. Sometimes the causes have been hidden by well-intentioned adjustments to reporting to make it fair. The case of Portsmouth housing repairs services is an example.

The role of the department was to maintain council houses in the area, which it did by receiving calls from residents with news of leaking taps, broken windows and other problems needing to be fixed, and then dispatching tradesmen to do the repairs. All this activity was carefully recorded and performance reporting showed how quickly calls were taken and repairs were made. According to this reporting, performance was good, with almost all repairs completed quickly.

However, the real situation was very different, with roughly half the calls to the call centre being complaints about jobs not done correctly or chasing progress. There were several different reasons why delays were not counted within the performance reporting, such as non-availability of parts and tenants not being at home when the tradesman called. These delays were considered outside the control of the department and therefore excluded from performance reporting.

Managers responsible for this work were reassured by the performance reporting and unwilling to see for themselves what was really happening. But once this was overcome and more realistic reporting was in place the true situation was addressed. The stock of parts was managed differently and tenants were given more accurate times for appointments so that they could be in at the right time. As a result, the time taken to make repairs was reduced from about a month on average to just five days.

I recently came across a similar example where the time taken to recruit a new employee was reported according to complicated rules designed to exclude delays that were not directly the fault of the human resources department. Consequently, the time taken to get someone on board was grossly understated and opportunities to speed things up were being overlooked.

### FOLLOWING UP

The top priority for accountants is usually to minimise their own mistakes and those of their colleagues in the finance department but there are situations where accountants can find themselves going outside this natural territory. For example, if you have been reporting the cost of errors as described above for some time but making improvements has proved difficult then people may start to look to you for suggestions, since you have been monitoring the situation and understand it at least enough to measure the errors.

There is also an important reason why accountants may wish to venture outside

## Outside the finance function the goal is more often to prevent errors arising than to detect and correct them

their own department. Some errors made within an organisation only come to light when they reach the accounting stage. An error made processing a sales order might not be detected until the customer complains about their invoice. Not all the errors that accountants battle with at the month-end are their own but we are still under pressure to close the books quickly and correctly. That gives accountants a legitimate interest in reducing the flow of errors coming to them even when those errors have arisen outside the finance function. Sometimes that legitimate interest becomes a pressing need.

### IMPROVEMENTS TO FOCUS ON

Some of the accountant's favourite controls can be very effective outside the finance function. For example, a cleverly designed reconciliation can reveal the location of faults deep within complex computer systems. There are also times when simply having a second person checking some work and writing their initials to show that they have done so is a worthwhile and effective control.

However, we have to be careful to avoid tackling all problems with our favourite solutions. Outside the finance function the goal is more often to prevent errors arising

than to detect and correct them. Checks and reconciliations become less important and we need to focus on ways to make it easier to do tasks correctly the first time.

Common sense is not always a reliable guide to which changes will reduce errors. Some years ago I worked on a project that used statistical analysis to uncover the causes of errors in a large company. One type of error I studied intensively was entering incorrect counterparty details on commodity deals. Our initial expectation was that workload and lack of training would be important drivers of errors but the data showed that these made no difference. Measuring and monitoring the errors and reminding staff to try to avoid them also did not work. We discovered a problem with the computer screen design because the field for the counterparty name was too short to show some of the counterparty names the company was using. It seemed likely that this was the cause of the problems but it wasn't.

Eventually I found one factor that strongly affected the risk of error. Errors were much more common with new counterparties and counterparties who had not traded with the company for several months. Novelty was the problem.

When doing something for the first time people are more vulnerable than usual to counter-intuitive software, over-complicated procedures, misleading words on forms and computer screens, and account code descriptions that are vague or misleading. Many of these problems can be reduced by careful redesign. We have to remember that other people are less interested in accurate record-keeping than we are and that, sometimes, giving people more instructions only makes things worse. Typically, clarity trumps persuasion.

### WORTH THE EFFORT

If you need any convincing that there are errors to be reduced you need only consider your experience as a customer. While writing this article I had to call my new bank because something had gone wrong while setting up internet banking. The customer support representatives were delightful to talk to but I shouldn't have had to. Or how about the internet security company whose software kept going wrong for me because my product key had been stolen, not from me but from them?

Here were two organisations with a powerful reason to impress customers with their trustworthiness by getting things right every time, and yet they failed. Is any organisation immune? ●



# TECHNICAL UPDATES

Our regular roundup of legal and regulatory change

## TAX



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### OTS REPORT ON THE SIMPLIFICATION OF VAT

On 7 November 2017, the Office of Tax Simplification (OTS) published its report *Value added tax: routes to simplification*.

This report followed a review of VAT simplification that has taken most of 2017 to complete. ICAEW participated actively in the review by holding meetings with the OTS and making a submission in ICAEW REP 79/17.

One of the key areas the OTS has looked at in depth is the VAT registration threshold. The report sets out the advantages and disadvantages of raising or lowering the threshold, and presents some ideas to smooth the way for businesses to grow into the VAT system, wherever the threshold lies.

The OTS has taken a thorough look at the administration of VAT, and proposes

a range of measures which could be implemented in the relatively short term to ease friction points in the system.

The report also considers a number of technical areas that it has identified as long-standing irritants to users of the system and where there is potential for simplification. These include: multiple rates of VAT; partial exemption; the capital goods scheme; the option to tax land and buildings; and special accounting schemes.

The OTS report has been presented to Parliament and the next step is for the government to decide whether and how to take forward the options and recommendations set out in the report.

The report can be found at [tinyurl.com/GOV-OTS-VAT](http://tinyurl.com/GOV-OTS-VAT)

### VAT REGISTRATION THRESHOLD

The OTS says that the dominant issue that has come out of this review is the level of the VAT threshold. At £85,000, the UK has the highest VAT threshold in the EU (where the average is £20,000) and the highest general threshold in the OECD. The OTS has found that the threshold distorts behaviour by creating a significant cliff-edge, resulting in a bunching effect with businesses keeping just below the £85,000 turnover level. This is likely to have an adverse effect on economic growth.

The OTS recommends that the government “should examine the current approach to the level and design of the VAT registration threshold, with a view to setting out a future direction of travel for the threshold, including consideration of the potential benefits of a smoothing mechanism.”

Contrary to some press reports, the OTS has not recommended lowering the VAT threshold, or indeed any particular course of action in this area. The report sets out the advantages and disadvantages of raising, lowering or maintaining the current threshold, leaving it for the government to decide. It also considers possible options for a smoothing mechanism to help businesses pass more easily across the threshold, while noting that this could introduce complexity.

In our submission ICAEW commented on the difficulties with the VAT threshold and the complexity of VAT, and said that: “In the 1990s the government sought to address the problem of increased complexity and burdens by raising the VAT limit materially, thus lifting more

smaller businesses out of the VAT system. The VAT registration threshold is in practice a major simplification measure for smaller businesses and we believe it should be retained at its current level or consideration be given to increasing it further, perhaps with measures to ease businesses into the VAT to avoid the 'cliff-edge effect'."

There are eight core recommendations in the OTS report. The VAT registration is the first, and the others are:

## **2. and 3. VAT administration**

HMRC should maintain a programme for further improving the clarity of its guidance and its responsiveness to requests for rulings in areas of uncertainty.

HMRC should consider ways of reducing the uncertainty and administrative costs for business relating to potential penalties when inaccuracies are voluntarily disclosed.

## **4. Multiple VAT rates**

HM Treasury and HMRC should undertake a comprehensive review of the reduced rate, zero rate and exemption schedules, working with the support of the OTS.

## **5. and 6. Partial exemption**

The government should consider increasing the partial exemption *de minimis* limits in line with inflation, and explore alternative ways of removing the need for businesses incurring insignificant amounts of input tax to carry out partial exemption calculations. HMRC should consider further ways to simplify partial exemption calculations and to improve the process of making and agreeing special method applications.

## **7. Capital goods scheme**

The government should consider whether capital goods scheme categories other than for land and property are needed, and review the land and property threshold.

## **8. Option to tax land and buildings**

HMRC should review the current requirements for record-keeping and the audit trail for options to tax, and the extent to which this might be handled online.

The OTS has made a further 12 secondary recommendations within the above six headings and three in relation to special accounting schemes.

## **MAKING TAX DIGITAL FOR VAT: LEGISLATION OVERVIEW**

ICAEW has responded to HMRC's publication, *Making Tax Digital for VAT: legislation overview*, in ICAEW REP 128/17.

We continue to be supportive of HMRC's digital transformation, but this must not be rushed and we have yet to be convinced that Making Tax Digital (MTD) will reduce the administrative burden of VAT for business. Businesses and individuals should be encouraged to adopt digital reporting as a benefit to their business and not as a forced change. Many businesses will not realise that merely completing the nine boxes for a VAT submission on the GOV.UK website, as they do now, will not be an acceptable submission for MTD from April 2019.

In our response, we raise a number of issues in relation to MTD for VAT, both for business and for HMRC. Its success will be an important element in directing the next steps in the development of the MTD programme, so we welcome the assurance from the financial secretary to the Treasury, Mel Stride, that income tax and corporation tax won't be mandated until it is clear that the programme has been shown to work well.

Our concerns include:

- Introducing MTD for VAT in 2019 will coincide with Brexit so immediate changes either to VAT policy or its administration, should be minimal.
- The VAT legislation overview provides a summary of how MTD will work for VAT, but a lot of the detailed requirements are missing. We are concerned that there may be insufficient time to fully consider the feedback from this overview before the government proceeds to secondary legislation.
- MTD requires a fundamental change to the way that many businesses keep their accounting records. We do not think businesses should be mandated to make changes for VAT alone as the same accounting records will form the basis of MTD for income tax or corporation tax in due course. Not all software will be suitable for all taxes.
- While we understand that spreadsheets with suitable application programming interfaces will be acceptable records for MTD purposes, the full extent of their use has yet to be clarified and should be incorporated in secondary legislation.

## **EMPLOYMENT LAW**



**THIS SECTION IS SUMMARISED FROM THE BULLETINS OF VARIOUS LAW FIRMS AND ASSOCIATIONS. NONE OF THE INFORMATION IN THIS UPDATE SHOULD BE TREATED AS LEGAL ADVICE**

## **NEW APPRENTICESHIP LEVEL 7 TRAILBLAZER IN ACCOUNTANCY**

The government has approved a new apprenticeship standard for accountancy developed by employers, professional bodies and industry experts.

The Level 7 Trailblazer in Accountancy allows people to study the ACA qualification as part of a centrally-funded programme: The ICAEW Accountancy Professional Apprenticeship. A total of £21,000 per apprenticeship will be available to employers.

It is aimed at offering school-leavers and graduates another route into chartered accountancy. It also allows entry for professionals looking to progress, being open to anyone of any age. Graduates, non-graduates and existing employees are all eligible to apply.

See ICAEW's Accountancy Trailblazers guidance at [tinyurl.com/ICAEW-AccTrail](http://tinyurl.com/ICAEW-AccTrail)

Businesses providing apprenticeships do not have to be paying the apprenticeship levy to obtain apprenticeship funding. The government has published guidance on how apprenticeship funding works at [tinyurl.com/GOV-Trailblazer](http://tinyurl.com/GOV-Trailblazer) and, for employers with paybills greater than £3m, on paying the apprenticeship levy at [tinyurl.com/GOV-Apprentice-levy](http://tinyurl.com/GOV-Apprentice-levy)

## **APPEAL ON EVIDENCING RIGHT TO WORK IN UK IS UPHELD**

The Employment Appeal Tribunal (EAT) found that it was not fair for an employer to dismiss an employee who could not give evidence of their right to work in the UK but who was not subject to immigration control. The case of *Baker v Abellio London* tested s98(2)(d) Employment Rights Act, and the potential contravention of a restriction that was imposed as a result of an enactment.

The claimant had been suspended from work without pay after the employer carried out right to work checks. The Jamaican national was

eventually dismissed having not supplied documents in line with s15 Immigration, Asylum and Nationality Act 2006, even though he was known to have the right to live and work in the UK.

The original tribunal decision was found to be unfair by the EAT because the check was not necessary as per s25 of the Act. A further dispute over the withdrawal of wages will receive a fresh tribunal hearing.

### UBER LOSES WORKER STATUS APPEAL

Ride-sharing app company Uber has lost its case to overturn an earlier decision that found its drivers counted as workers, rather than as self-employed. In *Uber BV v Aslam*, the EAT agreed with the Employment Tribunal that Uber drivers should be entitled to minimum workers' rights, due to the level of control imposed on them during their shifts. Uber contested, saying that most drivers enjoyed the "personal flexibility" afforded by being classed as self-employed.

It is thought the company will appeal again, seeking to go to the Supreme Court, where its case could be considered alongside that of Pimlico Plumbers and the contested status of its workforce.

### ON THE JOB TRAINING LACKING FOR QUARTER OF WORKERS

Learning and development opportunities in the workplace are lacking for a significant minority of employees, according to the results of a poll. More than 3,000 people were surveyed by the TUC about the training they were given at work, not including the induction process at the beginning of their period of employment. Some 24% of those asked said there was no formal learning at all. Just 33% said there was regular training. Those aged 18-24 were the group to receive the least training, while those in office jobs were given more training opportunities than those in more manual and service roles.

### GRADUATES LACKING GRADUATE-LEVEL JOBS

A survey by the Chartered Institute of Personnel Development (CIPD) has found that just over half of recent graduates are employed in non-

graduate roles. The CIPD report, *The graduate employment gap: expectations versus reality*, revealed that 52% of graduates were in dedicated graduate roles six months after leaving university. Up to 33% of the graduates were earning only £20,000 a year, while the average starting salary for male graduates is £24,000 and for women £21,500. In addition, despite skills shortages in science, technology, engineering and maths (STEM) roles, STEM graduates were the most likely to still be unemployed after six months. Read the report at [tinyurl.com/CIPD-Employment](http://tinyurl.com/CIPD-Employment)

### FINANCIAL REPORTING



YOU CAN FIND OUT MORE ON THE LATEST FROM THE FINANCIAL REPORTING FACULTY AT [ICAEW.COM/FRF](http://ICAEW.COM/FRF)

### ACCELERATED PAYMENT NOTICES

Accelerated Payment Notices (APNs) were introduced in 2014 as a means to tackle tax avoidance and evasion. Individuals and businesses involved in alleged tax avoidance schemes have to pay HMRC the disputed amount of tax upfront while the dispute is resolved. HMRC has collected in excess of £4bn since the scheme was introduced and questions continue to be raised as to whether the receipt, or expected receipt, of an APN affects the amount to be provided for tax payable in a company's accounts. In light of this uncertainty the Financial Reporting Faculty has issued updated guidance on accounting for corporation tax APNs. The new FRS 102 Update is available to all members of ICAEW.

Download the guidance at [tinyurl.com/ICAEW-APN](http://tinyurl.com/ICAEW-APN)

### FRC GUIDANCE

The FRC regularly performs thematic reviews which aim to identify and share examples of good practice reporting and highlight areas where improvements can be made. The focus is on acknowledged areas of difficulty.

The most recent reports cover judgements and estimates, pension disclosures and alternative performance measures.

The FRC has stated that it expects other companies to use the better

examples observed to assess the quality of their own reporting and raise the bar on their disclosures. Read the FRC press release and download the reports at [tinyurl.com/FRC-Reviews](http://tinyurl.com/FRC-Reviews)

The FRC has also published its Annual Review of Corporate Reporting. The review finds that corporate reporting by large listed companies is generally good but that detailed explanations and clarity could be improved.

Download the Annual Review at [tinyurl.com/FRC-AnnualReview](http://tinyurl.com/FRC-AnnualReview)

### ENERGY AND CARBON REPORTING

The Department for Business, Energy and Industrial Strategy is seeking views on the UK government's proposals for streamlined energy and carbon reporting within the Companies Act 2006 business reporting framework.

This consultation is asking for views on:

- mandatory annual reporting and disclosure of energy and carbon information through company accounts;
- who these requirements should apply to;
- reporting of cost-effective energy efficiency opportunities, such as those identified through Energy Savings Opportunity Scheme audits, and action taken on these;
- complementary disclosures; and
- electronic reporting.

Comments are due by 4 January 2018.

Review the proposals at [tinyurl.com/GOV-Carbon](http://tinyurl.com/GOV-Carbon)

### REDUCED DISCLOSURE FRAMEWORK

The FRC has issued FRED 69 FRS 101 *Reduced Disclosure Framework – 2017/18 cycle* which proposes no amendments to FRS 101 as a result of its latest annual review. It also proposes that detailed consideration of IFRS 17 *Insurance Contracts* will be deferred until a clearer picture of the progress of its endorsement is known.

Comments are due by 2 February 2018. Read details of the proposals at [tinyurl.com/FRC-RDF](http://tinyurl.com/FRC-RDF) ●

# ON A LIGHTER NOTE



## FLAT EARTH TRUTHER'S ROCKET PLANS FALL FLAT

Limousine driver 'Mad' Mike Hughes was forced to delay the launch of his steam-powered rocket following intervention from the US Bureau of Land Management (BLM). Hughes intended to fly the \$20,000 rocket 1,800ft into the air to gather evidence of the earth being flat.

The launch was scheduled for late November in Amboy in the Mojave Desert. However, after reading about his plans in the media, BLM stepped in. "Someone from our local office reached out to him after seeing some of these news articles [about the launch]," said BLM spokeswoman Samantha Storms. Unfortunately, even if Hughes was to get off the ground, the curvature of the earth is not visible below an altitude of 35,000ft.

## DOGS LICK LIPS AT ANGER

Dogs lick their lips as a response to human anger, according to a new study. Researchers at the University of São Paulo and University of Lincoln examined how dogs responded to emotionally significant sounds and images. Angry facial expressions from humans caused dogs to lick their lips, whereas audio cues



from angry humans voices did not trigger the same response.

"Facial communication plays a crucial role in the social cognition and [being able to rapidly distinguish] between positive and negative facial expression may be fundamental to success," the report concluded.

## GOLFING AROUND...

An Australian workplace tribunal heard of how an electrician stored his personal digital assistant (PDA) in empty crisp packets to block its signal. The Fair Work Commission found that Tom Colella deliberately used the packet as a Faraday cage, blocking electromagnetic fields and preventing his employers from finding his location while he played

golf during work hours. "I can find no plausible explanation why Mr Colella would create a Faraday cage around his PDA, except to obstruct the GPS," said tribunal commissioner Bernie Riordan, before ruling that Colella had been fairly sacked. The former electrician now works as an Uber driver.



**\$20k**

PRICE OF ROCKET BUILT WITH INTENT TO GATHER FLAT EARTH EVIDENCE

## OVERWEIGHT FLIERS SHOULD PAY MORE, SAY BRITS

More than 90% of Britons think overweight passengers should pay a premium and be given larger seats on planes, according to a new survey from Jetcost. "Having a separate area on the plane isn't about segregating plus-sized passengers, it's about making sure the flight is comfortable for everyone, not just those fortunate enough to fit into the standard-sized seats," said a Jetcost spokesperson. In 2013, Samoa Air became the first airline to charge passengers by weight, asking fliers to pay a set price per pound and mile.

## HIBERNATION: THE KEY TO SPACE TRAVEL

SpaceWorks has issued a report on the effect of therapeutic hypothermic sleep - where body temperature is reduced by 30% - on a flight to Mars. The space travel company, which is funded by Nasa, found use of the method could cut the size of the spacecraft needed for a manned mission to the red planet by 55%. Additionally, on-board consumables would be cut by 70%. The technique is already used in hospitals for trauma patients, for 72 hours at a time, decreasing metabolic processes by 40%. But questions still remain over how long humans can remain in a hypothermic state without risking physical or mental harm.



**90%**

OF BRITONS SAY OVERWEIGHT PASSENGERS SHOULD PAY MORE

## HIDDEN IN PLAIN SIGHT

In an attempt to hide from the press, a Finnish state secretary climbed into the boot of a car. Samuli Virtanen hid to keep a crucial government meeting about the country's future secret. He was later reprimanded by police for travelling in a moving vehicle without a seatbelt, but no further action was taken.



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