

# VIRTUAL ROUND TABLE

CORPORATE *LiveWire*

## ACCOUNTING & AUDITING PRACTICES 2013



## MEET THE EXPERTS



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Colin joined our London office in October 2002 and became a partner in 2006. Colin is now Head of the London audit group and works primarily on larger audit assignments, particularly where there is an international aspect to the assignment, dealing with companies operating in the US, Europe, Australia and China, working with audit teams in the local jurisdictions. He has more than 20 years' experience of managing audit assignments of varying sizes in a number of sectors, including large property investment groups, High-Tech companies, AIM listed companies, and non-listed SMEs.

Colin has worked on various due diligence investigations for acquisitions, MBOs and IPOs. He has also conducted independent business reviews on clients' financial operations. Some of the business sectors he has been involved with include technology, logistics, shipping, market research, and property.

Colin is one of the lead partners developing a focused and dedicated UK-US International Business Desk within the London office. Colin is Chairman of the Training and Education Working Group for UHY International, which has responsibility for addressing requests from member firms on training and education matters. Externally, Colin is the Deputy Chair of the Corporate Governance Expert Group for the Quoted Companies Alliance (QCA).



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Colin Daigle is the global practice leader for Marsh Risk Consulting's Construction Practice. His career has largely focused in construction financial and operational matters, ranging from audits; contract compliance reviews; fraud investigations; Subguard and Contractor's All Risk / Builders Risk insurance claims; contract dispute resolution; and expert testimony consulting. Prior to Marsh, Colin worked in the financial advisory and litigation groups of PwC and KPMG, and as an accountant for Miller & Long Construction. He holds designations including Certified Public

Accountant (CPA), Certified Construction Auditor (CCA), Certified in Financial Forensics (CFF), and Certified Information Technology Professional (CITP). He holds an undergraduate degree in business from LaSalle University and a Masters of Business Administration from Duke University.



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Comptafid Benelux NV is a Belgian company established in Brussels since 1978 and Antwerp since 1995. The company is mainly active in accountancy and tax advice (national and international). Additionally to its own services, Comptafid Benelux guides its clients to the different specialists on the Belgian market such as notary firms, law firms, insurance brokers, real estate and financial specialists, marketing and publicity firms, etc.

Comptafid Benelux NV services Belgian clients and the same time focuses on foreign clients for their Belgian as well as their international transactions. Located in the capital of Europe, Comptafid Benelux NV is committed to produce high quality work on a personal basis, delivered and aimed at practical solutions.

With its international experience, Comptafid Benelux NV emphasizes the knowledge of languages and is sensitive to different legal cultures. Languages such as English, French, Dutch and German are commonly spoken in the company. Transparent hourly billing and low overhead lead to a competitive pricing which the client finds reflected by a specific overview of services provided and costs incurred.

Since 1985 Comptafid Benelux NV extended her activities to Switzerland. In 1996 a new company was created and named Comptafid (Schweiz) Ag together with the take over of a bookkeeping office specialized in domicile company's. A full range of accountancy, financial planning, corporate trust and legal services are also available. Its clients range from listed multinationals to sole traders. To increase the service to its clients COMPTAFID BENELUX NV is part of a European Network of independent consultants named T.T.N. (Transnational Taxation Network), having both legal and accountancy professionals. The common denominator is an expertise in taxation and a wish to provide a personal service.

## MEET THE EXPERTS



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John Leyden FCA was shortlisted for the Finance Director of the Year Awards 2012 by the ICAEW. He spent 7 years at KPMG before starting Carbon Accountancy, which prides itself on outstanding client service and meeting client needs through trust and dedication. John specialises in business advice, tax planning, corporate finance, due diligence, R&D tax credits and share option schemes as well as general accountancy services.

The firm was shortlisted in Accountancy Age's British Accountancy Awards 2012 as Independent Firm Of The Year, Greater London and was named as one of the "runners and riders" – one to watch – in Accountancy Age Top 50 + 50 firms in the UK.



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Christian Knutson is the Europe, Middle East, India, and Africa (EMEIA) practice leader for Marsh Risk Consulting's Financial Advisory Services (FAS) Practice. FAS offers a comprehensive suite of services around forensic accounting and claims (FACS), fraud, construction, product risk, and dispute resolution.

Christian is a fellow of the Institute of Chartered Accountants in England and Wales. His expertise lies in dispute resolution and financial consulting covering industries such as banking, retail, manufacturing, pharmaceuticals, energy, telecommunications, and construction. His international experience includes expert witness, forensic accounting, and financial investigation assignments in the UK, US, Continental Europe, Africa, and Middle East. He has particular experience investigating fraud, corruption, bribery, and false accounting; identifying damages or lost profits in breaches of contract or warranty disputes; valuing businesses and shares; and identifying insurance claim losses.



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Laurence is a partner in UHY Hacker Young's London Corporate Finance department spending much of his time assisting clients to raise equity and debt finance for business ventures, developing business plans and financial models. He undertakes due diligence investigations and advises companies on valuation, mergers, acquisitions and disposals.

Laurence is a qualified member of the Institute of Chartered Accountants in England and Wales and has been involved in the flotation of a number of fully listed and AIM companies and has undertaken many fund raising and due diligence exercises. Laurence was awarded the Corporate Finance (CF) designation in 2006 in recognition of his experience in the sector.

He is also a member of the Academy of Experts and he continues to act as an expert by providing independent reports to assist in the resolution of commercial disputes, negligence, criminal and personal injury cases. As part of his work, Laurence has given evidence in court on a number of occasions.



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After completing a Mathematics degree at Oxford University Keir took advantage of the dot com boom to pay off his student debts working as a computer programmer before joining the firm in 2002 as a Trainee Accountant. Keir progressed through the firm becoming a member of the Institute of Chartered Accountants in England and Wales in 2005.

Keir has experience across a broad range of clients ranging from sole traders to substantial companies including subsidiaries of European and US parent companies.



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Adam is a director-shareholder at Harwood Hutton Limited, a firm of accountants and business advisers. He read economics at Cambridge University and then spent fourteen years with Deloitte in London. Adam is a Fellow of the Institute of Chartered Accountants in England & Wales, and over two decades has worked with small businesses, professional practices, major international clients and sovereign governments. He is an auditor, leads Harwood Hutton's corporate finance and expert witness services, and advises the firm's legal sector clients. Adam is also a non-executive director of Buckinghamshire Business First, an organisation which links business with economic development policy in Buckinghamshire.

## Accounting & Auditing Practices 2013

In the Accounting & Auditing roundtable we spoke with eight experts from around the world to acquire their advice on issues such as fraud prevention, recent regulatory changes and accounting negligence as well as analysing trends such as forensic accounting and the increased automation of accounting practices.

### 1. What are the most important skills an accounting and auditing specialist can bring to the table in order to add value to clients?

**Leyden:** The most important skills an accountant or auditor can bring in terms of adding value to clients are:

- Commercial judgement – being able to assess whether a proposal stacks up commercially – in all its terms not just pricing.
- Risk awareness – accounting and auditing has traditionally been about whether the figures are right or wrong – and very often auditors will assess whether to look carefully at a number based on his perceived risk that it may be wrong - but had the profession had

more awareness of risk inherent in a business model it may have foreseen and forewarned about the global financial crisis.

- Communication – the ability to convey your message to clients is vital to get their buy-in to any proposal. Stereotypically, accountants are more introverted than others (not always the case in reality) and getting a clear message across can be a challenge when discussing

**Lecot:** An accounting and auditing specialist should be able to synergise. Using his/her knowledge from his/her professional network he/she should be able to identify possible accounting and auditing threats when accounting

and auditing principles change quickly.

An accounting and auditing specialist ought to be custom-made. He/she should listen carefully to the needs of his clients and adapt the service to those needs while respecting national and international standards. An expert must be able to go further than these principles and try to translate the business (marketing/sales/operations/people management) into the financial reports.

**Stronach:** The skills required can be summed up in one word – commercial. Accounting and auditing are highly regulated, but if a corporate's external accountants do not have their feet placed firmly in the commercial world in which corporates operates, then their audit or accounts product may well be no more than just a theoretically pure piece of compliance. Clients are faced by commercial challenges every day – more so since the financial and economic crisis of 2008, so they are looking not just for financial policemen and women, but people who can help them with a commercial perspective on their operations.

**Daigle:** Understanding the broader goals of an organisation or project is important before delving into an audit's finer details. While expert planning, technical, and analytical competencies are among the hallmarks of a successful auditor, the ability to apply a balanced perspective should

not be undervalued. This is especially true when auditing a construction project, where challenges often impact the original cost and schedule goals and the parities subject to scrutiny are critical in effecting solutions. So while an audit can be considered successful by revealing a discrepancy or giving an opinion, stakeholder value is added by explaining audit results with context. While this type of work is typically more consultative, many organisations seek the value of explanatory references and recommendations following a review.

**Jones:** An understanding of the commercial aspects of a business and the ability to view issues objectively and independently, providing appropriate challenge to managements' assumptions and plans in a constructive and thoughtful manner.

### 2. Do you have a case study example of best accounting and auditing practice?

**Lecot:** Plenty of cases can be developed but this lead us too far in a simple question and a simple answer.

**Daigle:** I view accounting as part of a larger process in achieving goals, so the best practices I see involve accountants working collaboratively with larger multi-disciplinary teams to achieve the best outcome. For example, accounting and auditing played pivotal roles in organisations that recovered from catastrophes such as a floods, earthquakes, or hurricanes.

But accountants can only claim part of the success story as engineers, project managers, lawyers, and technical experts work in concert to address the needs of identifying scopes of damage, measuring cost, proving entitlement or coverage, and negotiating successful outcomes.

### 3. Can you detail the best accounting practice and audit methodology for international audit engagements?

**Lecot:** Audit Methodology: The first process for the auditor is to identify whether the client has an effective system of corporate governance, whether there are enough safeguards in place to prevent possible fraud. After the preliminary phase, the auditor will check the quality of the financial information. For international clients it is important to provide the right assurance-based report in accordance with national and international GAAP. For multinationals additional consolidated financial reports must meet group requirements. Finally, the auditor can add value by assisting clients during the further set up of internal controls and improving the client's financial reporting processes.

**Jones:** Despite reservations, IFRS is now established as one of the major

reference points for GAAP, alongside US GAAP. Whilst there remains some work to be done including the critical work on the conceptual framework, there is a strong level of adoption across the economic world. In relation to audit methodology, the ISA requirements are setting a clear tone for a consistent methodology to be applied across jurisdictions.

### 4. What relevant modifications would need to be implemented in order to reflect your jurisdictions legislation and standards?

**Lecot:** Transparency, certainty of transaction or unchangeable transaction system, split between cash management and document management, traceability from input to output etc.

**Jones:** For the UK, the alignment with international standards is reasonably close with only minor amendments required. Maintaining a principles based approach is critical whilst encouraging companies and their advisers to provide explanations for unexpected variations.

### 5. How would the accounting model alter for emerging markets and economies in transition?

**Lecot:** Accounting is a tool to assist the management in better understanding their business process, to find out the weakness of the organisation and finance the projects in a comprehensive way.

**Stronach:** I don't think altering the accounting model would serve entities in emerging markets and economies well. What the quoted markets want these days, right down to corporate M&A in the OMB sector, is certainty and reliability. The more scope for discretion in GAAP, whether international or national, then analysts perceive this as giving more scope for legitimate manipulation of figures within the accounting regulations. This can cause real headaches when you are carrying out due diligence on a target's accounts, because before you get to the operational substance behind the figures, you have to understand different accounting policy choices that might have been applied when drawing up those accounts.

**Jones:** Within emerging markets and economies the biggest challenge is the speed of progression and growth

for individual entities and the need to have appropriate resource, systems and procedures in place to gather the information and to make the relevant disclosures. The differential between local accounting and IFRS can often lead to difficulties due to a lack of internal knowledge and a lack of preparation for the various detailed disclosures required.

### 6. Have there been any recent regulatory changes or interesting developments within the field?

**Knutson:** The global financial crisis put the role of the auditor under the spotlight. As a result, regulators in the UK and EU are currently debating a number of potential reforms, including: (1) expansion of the role of the auditor beyond the application of accounting rules to include a view on the overall "health" of a company; (2) moves to strengthen auditor independence and market choice through mandatory periodic audit tenders; and (3) increased cooperation between global regulators to improve audit quality and consistency. Despite some delays, it appears that periodic audit tenders will be the first of these reforms to pass, which should help to level the playing field for all firms to the benefit of companies and shareholders alike.

**Sacker:** Audit firms across Europe will need to re-tender for client engagements every five years under proposals issued by the UK Competition Commission, and expected to be adopted by the European Union (EU) to apply to all EU member states.

Currently, the Competition Commission is going through a consultation period. But the Commission's recommendations are being viewed by finance commentators as a "done deal".

The only thing that could change it now would be the response of the EU. Because of the way they've been through the process, and as their latest proposals are the second issue of what they think should happen, I suspect a lot of conversations have already been going on behind the scenes.

Retendering on all audit engagements for the 350 biggest listed companies, as proposed by the Competition Commission, will significantly increase demand on resources for both the audit firms and their clients.

## 7. What potential impact does technology trends impart on the accountancy profession?

**Lecot:** The impact is huge. For several years we declare the job of bookkeeper will disappear and that all transactions will be completely automatised. The accountant must now a days form a complete virtual office with his clients in order to exploit all data and to interpret them in a modern world where decision have to be taken fast, where communication is fast and where networking and social media is becoming a form of communication where it starts but you never know when it comes back, on what form and if it comes back.

**Stronach:** Some view technological progress with fear – that it will somehow undermine the professionalism of the product they deliver. The reality in the digital age, where we are seemingly only ever a few clicks away from the internet providing a solution to every want or need, is that clients expect their accountants to be responsive. The trend at the moment in all professional services is for transparency. Clients want to be able to see in real time what their lawyers and accountants are doing, and there are offerings in the market now that permit clients to

go to web based sites, log on, and post journals to their accounts.

**Daigle:** Accounting is data-intensive, where the accuracy, accessibility, and completeness of information affect not only the quality but also the cost of the analysis. Technology advances from improved accounting software to enterprise-wide operational platforms have positioned many organisations to improve the quality of information relied upon internally by executives and managers, and externally by stakeholders. However, optimising improved technology is not as simple as upgrading from a 2.0 to a 3.0. While seeking to reap significant benefits, blind spots can manifest, often around data integrity. Protocols used to input, classify, or update data are an important part of an overall management control or governance plan.

**Jones:** The expectation that information is readily available and can be easily disseminated provides a challenge to the accountancy profession. There is an increased reliance placed on gathering the correct information in the correct manner and being able to analyse the data quickly and effectively. The timeliness of producing information for decision making and the complexity of systems is having a significant

impact on the daily challenge for the accountancy profession.

**Sacker:** I think the next few year's advances in accounting technologies are going to be all about using the Cloud automating data entry systems and simplified accounting packages offering key performance indicators and financial dashboards that allow for quick, easy and accurate data manipulation.

The use of iPads and smartphones to collect data from clients or respond to queries will also increase exponentially as new, more sophisticated apps are released. We will be able to photograph a receipt and upload it directly into the accounting system with a few keystrokes.

An area that I think needs serious input from software developers is in practice managementsystems; the commercially available systems do not currently offer state of the art functionality or cover the increasing regulatory and legal issues that accounting firms grapple with on a daily basis.

**8. To what extent will we see the automation of accounting practices, given the increased amounts of available data and new analytical technologies?**

**Leyden:** There are already several accounting programmes that are linked to or can interact with outside systems such as supplier/customer ordering, inventory, banks etc. This is now flowing down the economy to smaller businesses. With increasing amounts of data in the Cloud it is likely to become an ever increasing feature – in the same way that manufacturing labour was replaced substantially by machinery in the industrial revolution, we are likely to see service/administrative labour replaced by IT systems and artificial intelligence in the information age.

**Stronach:** There are smart accounting packages on the market already that recognise patterns in text and figures and learn how to pre-populate accounts with suggested postings. Accountants who don't make use of these tools risk losing clients and being unable to attract younger, IT savvy entrepreneurs who want accounts administration to be streamlined and automated where it can be. But accountancy is still as much an art as a science. In the end the added value that clients want means having a commercial and experienced

eye look over the figures to turn them from a piece of administration into a valuable tool to help clients run their businesses.

**Knutson:** Automation will play an increasing role in both accounting and audit practices in the future. Its introduction and accelerated use is being driven by a number of competing criteria, such as the introduction of new accounting standards and regulations, increased corporate complexity, and accelerating timescales for corporate reporting versus a drive to minimise costs both internally and externally whilst improving the quality and insight available from the information produced.

The key to success will be ensuring automation is appropriately used throughout the entire process. Without a clear “start-to-finish” application, it merely runs the risk of shifting the manual work historically performed from one part of the process to another, without the necessary cost and efficiency gains.

**Sacker:** The more data there is to process, the more firms will need to make use of software in their own work. The skill will be in letting the software do what it can do better than

a qualified accountant and letting the qualified accountant do what the software cannot. That will also help to make our work more interesting, in the sense that we will become more problem solvers rather than mechanics. Automating accounting practices will require significant investment and that may be too much for many firms, so I expect we will see further divisions and mergers as a result. The rewards for those who succeed will be immense.

**9. How can a company ensure accurate transfer pricing and what are the potential tax compliance issues?**

**Leyden:** Transfer pricing, being the concept behind intra-group trading on commercial arm's length terms, is a key area of international tax planning. It has been used by tax authorities to ensure revenue flows to them and it has also been used by corporates to ensure that tax does not flow to the authorities – often by having a commercial arm's length price for royalties on IP. The most effective way to ensure the pricing is correct is to compare it with third party providers of products and services where applicable. In the absence of third party commercial providers being present, then a sensible gross or net profit margin should be considered.

**Singleton:** The best way to ensure accurate transfer pricing is to enter into advance pricing agreements under which HMRC will agree that the transfer prices on specified transactions conform with the arm's length standard. Establishing an appropriate arm's length pricing normally requires a degree of judgement and it is important to have an appropriate written basis as to how the transfer price is set. It is important to remember that transfer pricing can give rise to other tax costs for example irrecoverable VAT where the recipient is partially exempt and not in a VAT group.

**10. Can you outline the main accounting and auditing challenges and explore the potential solutions to these issues?**

**Leyden:** I see two main challenges ahead. Firstly, I believe that the number of accountancy firms being registered to do audits will reduce significantly over the next five years – increasing regulation is forcing many firms away from this core area. Secondly, I see the accounting requirements and reporting of small and micro businesses likely to decrease – this could have an adverse effect on their ability to obtain funding and credit.

**Lecot:** One of the main challenges will be to overlook the complex financial and organisational transactions while the economic world evolves into more complex structures. A balance needs to be found between strict national and international legislation (GAAP, tax, customs, human capital etc.) and economic flexibility. The accountant and/or auditor will have to be able to give service to the different subsidiaries in the countries where clients are operating and meet with local reporting requirements. By building up a large network of international clients, attending international panels the experts enable themselves to meet those requirements.

Another challenge will be to translate the continuous drive for cost efficiency into acceptable finance management. By understanding the client's needs, mapping the business and customising the report procurements, the accountant/auditor will be able to add value to his/her reporting services.

**Daigle:** Accounting and auditing challenges will vary depending on the organisation and industry. However, maintaining accurate and transparent financial and performance data often makes the short list. Take construction, a field I'm most familiar with, where the importance of accurate accounting and

project data can be profound. It affects the payment process between an owner, contractor, subcontractor, and supplier. Credible data is necessary to resolve project changes that require extensions of time and expansion of budgets. Data is also critical in validating that performance in areas of scope and quality stipulated by contract were in fact delivered. The best solution to this challenge is an effective project governance plan which uses accounting and management processes to balance objectivity and subjectivity around construction project results.

**Sacker:** Since the now, not so recent, disasters of the auditing scandals, such as Enron and WorldCom, the auditing profession has been under increasing scrutiny from legislators, regulatory bodies and standard setters. It's fair to say that the auditing profession now is completely different from what it was before 2006. Every cloud has a silver lining of course, and it has been suggested that auditors actually created more work for themselves and benefited from their clients failures.

So the main challenges which impact on the external audit function are fraud and audit failures and combatting these are new legislation, regulations and standards.

**11. In the United States alone, revenue in forensic accounting is expected to grow from USD4.3 billion in 2012 to USD6 billion in 2017 with a 7.0% increase expected for 2013. Why do you think there is an increase in demand for Forensic Accounting?**

**Leyden:** There has been a significant increase in forensic accounting in recent years and it will continue to grow – it happens every recession or downturn. Even with a growing economy over the next few years, many companies and individuals will still be suffering the effects of the downturn for a few more years.

Economic downturns have several effects:

- Companies are under greater pressure to show they are surviving and/or are profitable – they therefore manipulate figures to show the outside world what they think is required.
- Individuals are under greater financial pressure and fraud rises – whether minor expenses related fraud or more large scale fraud.
- Auditors and forensic accountants, whether internal or external, generally increase their focus on the possibility

that there may be fraud – therefore they uncover more of it – which in turn raises the focus on using them to save money on fraud.

**Lecot:** The demand for Forensic Accounting increased because of the need of legal expertise. This kind of accounting service focuses on litigation support. Today, more and more, companies are confronted with fraud and insurance claims, economic damages, insolvency etc. To give answer to the valuation of some of these mentioned topics the forensic accountants with their specific expertise are best qualified. They specialise in a specific field and use an out of the box methodology to gather, analyse and report data.

**Stronach:** In the US, the demand is being driven by increased financial regulation, with the consequent increased opportunities to “trip up” and failing to comply. There are also a lot of financial investigations going on in the wake of the post financial crisis recession. There is a “halo effect” from this in the UK, with senior management States-side concerned about what may be lurking in UK and European operations. Forensic IT has become big business as well, with the demand for IT specialists who can

deploy sophisticated analysis programs to look at voluminous amounts of data on servers increasing.

**Daigle:** My interpretation of forensic accounting is that it's another way of saying accounting done for investigative or litigation purposes. Putting aside inflation, a plausible reason for the increase is the surging demand to better understand financial information and apportion responsibility or entitlement. The catalysts for this demand may come from differences about purchase price, asset value, catastrophe recovery costs, bankruptcy proceeds distribution, or contract performance value to be paid or recovered. Economic pressures play a role as well, whether this means maximising profit or avoiding insolvency. And, for many organisations, forensic accounting can be used as part of an avoidance plan for all of the above.

**Jones:** With increasingly complex systems and procedures, management are increasingly seeking a level of assurance on specific matters, particularly where they may be dealing with a recent acquisition and are seeking to establish precise details of certain aspects of the acquired business.

## 12. What are the best methods for detecting, preventing and reporting internal and external fraud?

**Leyden:** Prevention is certainly better than having to detect fraud. Prevention is best done through two means – good controls and separation of duties. Controls around having more than one person authorise purchases and payments are essential and separating the responsibility for purchasing or sales from the responsibility for payment and collection of debts is highly recommended.

Detection is made easier through having good accounting software that does not permit transactions to be overwritten and requires control accounts to be reconciled.

**Lecot:** Beginning by documenting the client's corporate governance, documentation flow and authorisation scheme, the accountant/auditor gets an overview of the financial mechanisms throughout the company. Testing in the preliminary phase those documentation flows and authorisation structure, weaknesses are detected within the organisation system. Sometimes, an IT-expert/IT-auditor needs to analyse the electronic data to injure all interfaces and subsystems

work flawless. Afterwards, the auditor can formulate opportunities and solutions to solve the possible threats within the system. External fraud can be encountered by mapping stakeholder's activities and align with legislations and accounting principles. The expert needs to be up-to-date with all alterations within these fields. The client can only benefit from the control activities when comprehensible reports are procured and a frequently follow up of these control activities is in place. Value to the company can be added when detecting activities incline above the preventing activities.

**Stronach:** Fraud is a behavioural issue, so designing systems to help prevent and detect fraud is all about thinking how a potential fraudster can exploit systems loopholes. If yours is a business in a sector that is prone to fraud, then I would recommend regular systems reviews and health checks. Get a specialist who understands the fraud risk and the motives and behaviours of fraudsters to look over your system regularly and come up with recommendations for improvement in financial controls. If you have suffered a fraud, then specialist forensic accountants can help assess the losses and understand how and why the fraud was perpetrated.

**Daigle:** The information available around anti-fraud practices is voluminous. In my experience, detection and prevention are best accomplished through effective internal controls and well-communicated policies and procedures. Many fraud cases, especially occupational fraud, involve repeat infractions of individual dollar amounts that may not draw immediate attention, but can be quite substantial in the aggregate. Additionally, these schemes may be perpetrated for months or even years before detection. Effective governance and integrity monitoring programs will help keep honest people honest and provide the checks and balances to thwart those with intent. With respect to reporting fraud, the most common method I see is a whistle-blower or tip line within an organisation.

**Jones:** Having a clear review procedure established internally will ensure that fraudulent transactions are identified at the earliest opportunity. The existence of a thorough review process will provide a deterrent, and regular reporting of findings provides the environment whereby it is clear that management are focused on the issue of fraud.

### 13. What constitutes accounting negligence and how can this be avoided?

**Stronach:** Negligence is a legal concept, but as a layman a good start point when trying to assess whether your accountants have been negligent is to look at their engagement letter. What did you ask them to do, and just as importantly what did you not ask them to do? If you accountants have done what the contract required – no more or less – then it is going to be difficult to sue. Equally, accountants need to look at the scope of work they've been asked to undertake and ensure they are appropriately qualified and have the skills to deliver that work.

**Knutson:** As witnessed during the global financial crisis, accountants – in particular, auditors – shoulder a significant amount of expectation and responsibility. Whilst an accountant rightly owes a duty of care, the profession should not be expected to be all things to all people. Negligence should exist only where the accountant or auditor fails to exercise the skill and care of a reasonably competent professional. The accounting and auditing standards published by the profession's governing bodies give a clear picture of the level of competence required.

Nonetheless, some of the work performed requires the accountant or auditor to exercise professional judgement. In doing so, it is also important that a level of professional scepticism is incorporated into the work performed. A well planned and performed critical assessment of the information and evidence provided should support the advice given and thereby help to avoid potential negligence.

**Sacker:** Negligence claims against accountants usually happen when the accountant fails to comply with ethical and legal guidelines. In these cases the accountant has violated the trust placed in him and the expectation that he will act in the best interests of the client. A deliberate manipulation of financial results is a common form of fraud and is often the result of accounting negligence as well. All fraud has victims, whether these are clients, customers, employees, government and so on.

Fraud will never be avoided, and it often seems that the fraudsters are always one or more steps ahead. However, by rigorously applying current accounting and auditing practices and staying alert to the possibilities the damage can be minimised.

### 14. How can you assist an organisation in preventing liability for professional negligence resulting in a financial loss to a client or a third party to whom duty of care is owed?

**Lecot:** Procedures up to the size of the organisation must be put in place and controlled.

**Jones:** Providing input to internal systems and procedures established by an organisation and advice on where practical improvements can be made can assist in the prevention of professional negligence claims. Demonstrating that appropriate procedures are in place and are being adhered to, can support an organisation's defence that they fulfilled their duty of care.

### 15. How can bundled BPO play a key role in the current economic climate?

**Singleton:** Bundled BPO can play a key role in the current economic climate since it can offer cost savings over a single BPO and maximising cost savings is often the single most important criteria in the current climate. Bundled BPO can offer simplified procurement and governance, fewer transaction costs and economies of scale. With an optimistic eye to the future, bundled BPO is flexible so that it easily scaled during the eventual recovery.

**Sacker:** BPO, business process ordering is most commonly used by firms for back office tasks, such as HR, and customer related services, like call centres. These are often technology-based operations. Bundled BPO is simply the term used for putting together a number of outsourced tasks and getting these from the same provider. If the BPO provider is any good then the client can gain huge benefits, in reduced costs, the ability to scale up (or down) more easily and also geographical/time zone benefits by in effect facilitating around the clock operations, which can (at least) half response times. In the Philippines in 2012 BPO grew by 20%, and gross revenues of approximately \$25 billion

are projected by 2016, 10% of that country's GDP.

16. What key trends do you expect to see over the coming year and in an ideal world what would you like to see implemented or changed?

**Leyden:** I believe that as the economy grows there will be an increasing number of businesses going out of business – what generally happens is that as the economy recovers from recession, businesses that have managed to survive (just about) find it increasingly difficult to get credit and compete – and banks are more ruthless in killing businesses when they can see the bottom of the bad debt curve has passed.

**Daigle:** A perspective on trends is clearly predicated by one's vantage point. Accounting gives an "under the hood" view of trends and economic patterns, which I'll discuss at a higher level. While I see mostly large capital construction projects, I'm attentive to the industries that build them. I am currently following the trend of investment in infrastructure, energy, transportation, commercial, healthcare, and public works projects, whether to replace aging assets in developed countries or truly break new

ground in growth markets or areas with great need. I'd welcome more private investment and commercial projects, as well as public-private ventures that motivate and reward stakeholders appropriately for the risks involved, with the end goal of converting more plans to shovels in the ground. I'm interested in seeing the next chapter of construction contracting, where the demand for future growth, new technologies, and continued innovations in both how and what we build attract and appropriately reward those firms that invest the capital and talent to build.

**Sacker:** There are a number of key trends in accounting and auditing. A reduction in accounting and audit work as automated systems become more capable and audit requirements fall away for some companies as thresholds increase. Personal tax for many will be simpler and e-filing will allow taxpayers to do it themselves with minimal, or no, input from tax advisers. Completing tax returns will become even easier to bulk process and tax advisers will have to find new ways to add value.

The accountancy profession is, overall, an aging profession, and over the next two to five years I expect we will see an

increasing move to mergers among firms currently ranked 25 to 100 in the UK. I expect the top 25 will also shrink from mergers, we have already seen some of this recently with Tenon and PKF both disappearing.

Firms will have to take on new technologies and adapt to new working practices or they will rapidly fall behind others employing more modern business practices.



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