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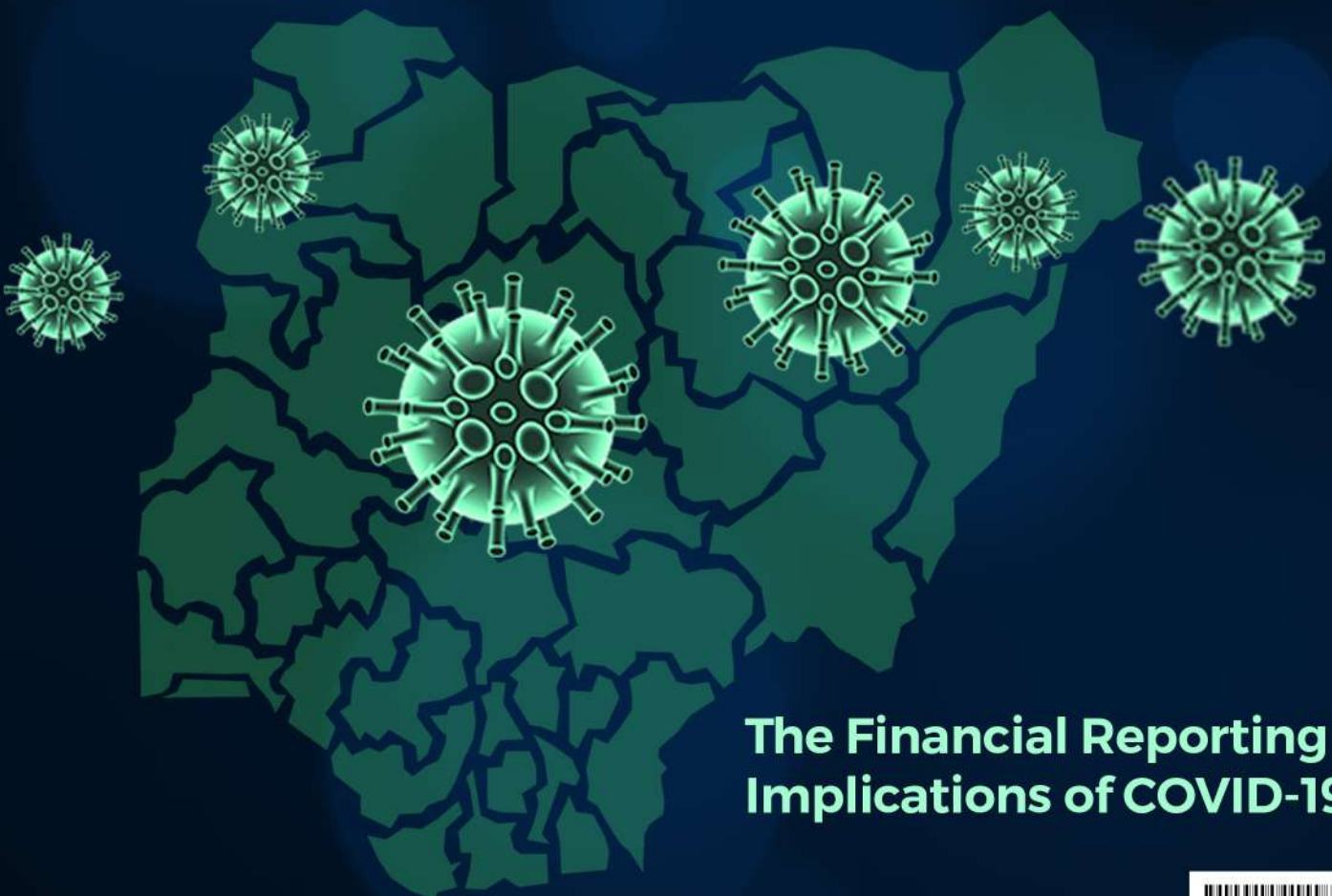
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COVID-19 and the Nigerian Economy.



**The Financial Reporting
Implications of COVID-19**





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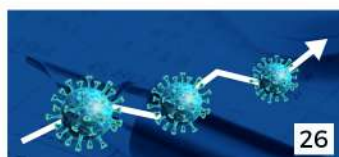
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There's no gain saying the fact that the COVID-19 pandemic has adversely affected the world's economy, to this end, the crisis and its economic effects has shown that investors and other stakeholders need high-quality financial information more than ever.

In order to allay the fears of investors, the International Federation of Accountants (IFAC), accountancy firms, regulators and others quickly made available advice and guidance on the accounting and financial reporting requirements to be considered in addressing the financial effects of Covid-19 when preparing financial statements

Our Lead article entitled **COVID-19 and the Nigerian Economy** is explicit about the effects of the corona virus pandemic on the nation's economy. It goes further to advise professionals on the steps that should be taken to ameliorate the effects.

Also another article on **The Financial Reporting Implications of COVID-19** touched on what is required to address the effects of Covid-19 while preparing financial reports.

At the beginning of year 2020, some predictions were made about how accounting and businesses would fare in the year. A paper entitled: **Accountancy in 2020: Are we there yet?**



Bunmi Owolabi

appraised the performance of accountancy so far in the year and raised a question on whether the practitioners are there yet or not, based on the predictions. Please read more.

Other articles in this edition include: **Accounting for Value Creation and Encouraging the Rise of the Chief Value Officer; How Automation Can Improve In Retail Accounting; Implications for audit Committees Arising from Covid-19; How far-sighted Companies Adapt to Last 100 years, etc.**

Apart from the various articles, we also serve you news about activities of the Institute and other professional bodies outside Nigeria.

On our health page, you will read about Mental Health for Chartered Accountants in Challenging Times. This, we consider very timely and apt for your reading pleasure and guide as we battle the COVID-19 pandemic.

Please continue to stay safe and observe the corona virus protocols as set out by government.

THE NIGERIAN Accountant

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FROM THE REGISTRAR



Prof. Ahmed M. Kumshe
Registrar/Chief Executive

This edition of The Nigerian Accountant is issued against the backdrop of profound changes in global economies. We are grateful to all our members and the general public for your support and understanding.

We had to make some swift adjustments to our programmes and activities since Nigeria recorded its index case of the novel coronavirus (COVID-19).

In this edition, we have provided important information on developments in the Institute in this quarter. We would also serve you interesting intellectual discourse on topical subjects. No doubt, the articles featured are interesting read for accountants and non-accountants alike.

The second quarter of 2020 was a challenging one all over the world. It witnessed increasing number of the coronavirus (COVID-19) cases across economies. A number of countries reported their index cases while others had an upsurge in the number of cases. The pandemic has negatively impacting existing businesses. The story is not entirely gloomy. A number of countries, such as Spain, Italy and China, were able to flatten the curve. The pandemic has also stimulated innovation, such as introduction of new business outlets, among others.

Remarkably, there have been modest breakthroughs in research aimed at finding a cure to the disease, though most of them are still at clinical trial stages. We are hopeful there are prospects of a cure for the disease. As an Institute, we wish to express our appreciation once again to all the medical practitioners and researchers who are working assiduously to keep us safe.

The Presidential Task Force on COVID-19 in Nigeria, together with other agencies of government and private sector players, are making progress to flatten the curve of the pandemic in the country. The increasing number in the country (over 21,000 reported cases as at June 24, 2020) led to the closure and phased re-opening of the economy. This policy has varying degrees of impact on different sectors of the economy.

The accounting profession is having its fare share of the disruptions caused by the pandemic. The International Federation of Accountants (IFAC), International Financial Reporting Standards (IFRS) and other standard setters issued guidance for Chartered Accountants and other financial experts. This is to ensure that the pandemic does not impact negatively, the quality of financial reporting, auditing, tax systems, consulting among others. At ICAN, we also provided

guidance for our members through the Practice Alert and the COVID-19 Resources launched and hosted on the Institute's website.

To keep ICAN members abreast of developments in the new normal, the Faculties organised webinars on the different areas of specialisation. To intensify our advocacy in the new realities, we had an Economic Discourse in May 2020 on **Post COVID-19: Strategies for Mitigating Economic Crisis in Nigeria**. The Discourse dimensioned the Nigerian economy vis-à-vis the emerging global developments and with over 1,200 participants.

We are leveraging technology to ensure the capacity building mandate of ICAN is not compromised by the pandemic. Members and non-members can now subscribe to the online trainings of the Institute. The participation at these programmes has so far been encouraging. The Institute is reviewing the various policy pronouncements of governments for the opportune time to resume its examinations.

We encourage all our students to take advantage of the ICAN's online resources as they prepare for their examinations. The safety and health of our stakeholders are paramount to us in these trying times.

To improve our communications with students, members and the general public, we launched new help lines. The Institute can now be more effectively reached through the Help Centre and our Chatbot on Facebook Messenger.

We understand the impact of COVID-19 on businesses across the world. We assure our member firms of our unrelenting partnership. We feel the pains of these firms, especially the Small and Medium Practitioners (SMPs) and we would continue to provide the necessary. Let us quench our thirst for knowledge with the contents of this edition of the Nigerian Accountants.

Thank you.

Prof. Ahmed M. Kumshe
June 2020

Finance Act 2019: Clarification on Significant Economic Presence

- By Deloitte Nigeria



Background

The Honourable Minister of Finance, Budget and National Planning, Mrs Zainab Ahmed, recently issued the Companies Income Tax (Significant Economic Presence) Order, 2020 (the Order) to clarify the meaning of Significant Economic Presence (SEP) as contained in Finance Act 2019 (FA19). The Minister issued the Order in line with Section 13(4) of Companies Income Tax Act (CITA), as amended by FA19. The Order has a commencement date of 3 February 2020, although it was made public on 29 May 2020.

FA19 introduced the SEP concept into CITA under Section 13(2) (c) and (e). SEP qualifies the scope of profits of non-resident/foreign companies (NRCs) that are deemed to be derived from, and therefore taxable in Nigeria. Before SEP was introduced, an NRC's profits were deemed to be derived from Nigeria if the NRC had any of the following: a fixed base in Nigeria, a Nigerian dependent agent empowered to conclude contracts on its behalf, execution of a turnkey project in Nigeria or a related party transaction that was not at arm's length.

Meaning of SEP

In explaining the SEP concept, the Order categorised NRCs into two. The first category

captures NRCs that operate in the digital economy (hereafter referred to as Digital NRCs). The second category encompasses NRCs that provide services that are not necessarily digital (hereafter referred to as Service NRCs).

As provided in the Order, a Digital NRC will have an SEP in Nigeria, and therefore liable to tax, where it:

a. Derives gross turnover of more than N25million (or foreign currency equivalent), in an accounting year, from any combination of the following:

- Streaming or download- ing services of digital contents, including but not limited to movies, videos, music, applications, games and e-books to any person in Nigeria,
- Transmission of data collected about Nigerian users which has been generated from such users' activities on a digital interface including websites and mobile applications,
- Provision of goods and services, directly or indirectly, through a digital platform to Nigeria, other than those provided by connected persons¹, or
- Provision of interme- diation services through a digital platform, website or other online applica- tions that link suppliers and customers in Nigeria;

b. Uses a Nigerian domain name (.ng) or registers a website in Nigeria; or

c. Has a purposeful and sustained interaction with persons in Nigeria by customising its

digital Nigeria, including reflecting the prices of its products or services in Nigerian currency or providing options for billing or payment in Nigerian currency.

The Order mentions that where Nigeria has a multilateral or consensus agreement to address the tax challenges arising from the digitalisation of the economy, the provisions of such agreement shall override the provisions of Section 13(2)(c) of CITA, from the effective date of such agreement. This exemption only applies to Digital NRCs.

With respect to Service NRC, it will be deemed to have an SEP in Nigeria where it earns income or receives payments from a person resident in Nigeria or the fixed base of another NRC. This is in connection with carrying on the trade or business of providing consultancy, technical, management or professional services. It is important to note that the N25m threshold applicable to Digital NRCs does not apply Service NRCs. As provided under Section 13(2)(e) of CITA, the income of Service NRCs will be subjected to withholding tax (WHT), at 10%, which in this case is the final income tax.

Exclusions

The following are excluded in the determination of SEP of a Service NRC:

1. Payments made to NRCs for teaching in an educational institution or for teaching by an educational institution are exempted from the scope of SEP.
2. Payments made by a foreign fixed base of a Nigerian company to an NRC.
3. Payments made under an employment contract.

Implications

NRCs that have an SEP in Nigeria, by virtue of this Order, will be required to register for income taxes, make up financial statements for their Nigerian income and file income tax returns, as provided by Section 55 of CITA.

2. Resident taxpayers are required to deduct WHT from income earned by/payment made to Service NRCs covered under Section 13(2)(e) of CITA. With respect to Digital NRCs, resident taxpayers have to, on a case by case basis, examine the requirement to deduct WHT from payments made.

Safeguards for NRCs

Double Tax Agreement:

- a. Service NRCs that are resident in countries that have Double Tax Avoidance Agreement (DTA) with Nigeria appear shielded by the SEP concept, as the provisions of DTAs overrides the provision of Section 13(2) of CITA. The conventional permanent establishment (PE) concept for taxing business profits in those DTAs will continue to be the basis of determining whether an NRC is subject to tax in Nigeria until those DTAs are renegotiated.
- b. The above notwithstanding, all NRCs that seek to rely on the provision of the relevant DTAs may need to engage FIRS prior to claiming treaty benefits. The NRCs need to be mindful of this – as soon as they execute agreements that would benefit from the DTAs.

Administrative Concerns

It will be interesting to understand how Federal Inland Revenue Service (FIRS) intends to enforce compliance, particularly for Digital NRCs, without burdening their local customers with any WHT cost.

It will be interesting to understand how Federal Inland Revenue Service (FIRS) intends to enforce compliance, particularly for Digital NRCs, without burdening their local customers with any WHT cost.

Another administrative concern relates to the effective date of the Order (3 February 2020). Considering that it was just made public on 29 May 2020, we trust the Minister and FIRS would issue administrative circulars to ensure all transaction/payments that had been completed before the public release of the Order would not be subject to adverse review or imposition of penalties.

Accountancy in 2020: Are we there yet?

- John Stokdyk



The new decade won't actually start until 1 January 2021. But if we put aside the mathematical objections, the New Year gives us an opportunity to look back at the predictions made for accountancy and business in the 2020s.

Let's start with some of the most trenchant predictions made over the past few years:

- "The next decade will see society transition to a cloud-enabled world of anytime, anywhere, global work," predicted Intuit in a 2013 study on the "Future of Accountancy", repeating similar claims in an earlier "Intuit 2020 Report, published in 2011.
- Other sources went further. In 2018, CPA Australia and the McKinsey consultancy predicted that, by 2020 (or soon after), labour-intensive tasks such as tax preparation, payroll, audits and banking will be fully automated.
- EY, too, saw the machines taking over and predicted a fall in graduate recruitment into accountancy by as much as 50% by 2020 due to the impact of artificial intelligence (AI). ICAS published a report in 2016 along similar lines called "The End of Accountancy as We Know It", but only faint traces of it can now be found out on the net.

• Accountants will be affected by intergovernmental tax action to limit base erosion and profit-shifting, predicted IFAC researcher Dr Muhammad Azizul Islam in a 2017 article on the future of the profession.

Easy potshots

It's easy and enjoyable to take potshots at mystics who fall short in their predictions. But one of the secrets of good forecasting is to use new data to adjust your projections. This article sets out to explore where the underlying assumptions may have gone awry so accountants can be better prepared for the reality they are likely to face in 2020.

Digging deeper into the past to look for clues to the future, the ICAEW published a study in 1996 entitled *The Shape of Things to Come*. It predicted: "Technology, competition and deregulation will force severe changes on practice members who, in the face of a mature audit market, persist in offering merely the routine traditional aspects of an accountant's work."

It's hardly the most radical of predictions, but 23 years later few could argue with the premise, even if the legacy of self assessment and ongoing tax changes have sustained the profession's compliance-first mindset as it migrates into the digital sphere.

The availability of “real-time information on company performance”, meanwhile, would lead clients to question the value of annual audited information and further reduce what they are willing to pay, the ICAEW committee concluded.

Audit work has indeed declined, due in part to technology-fuelled deregulation. Probably more significant, however, are procedural shortcomings, misplaced expectations and repeated failures of auditors to spot trouble or raise alarms over a series of high profile business failures, most spectacularly in 2007-8 as leading investment banks collapsed under the weight of their sub-prime mortgage instruments.

The Economic Backdrop

Accountancy is driven by business activity. If we are going to reset our radar for accountancy's new decade, we'll have to start by looking more closely at the factors affecting the wider economy.

The global financial crisis provided a backdrop both for professional reforms and the economic recession that shaped the 2010s. There was a recovery in 2011-12, prompting predictions from Intuit's 2020 report and Xero's Gary Turner that technology would lower barriers to entry and stimulate a big surge in business startups. In 2018, for example, Turner predicted the number of UK companies would double to 10m+ over the next 20 years.

The short-term portents are doubtful for this entrepreneurial boom. The UK company register increased by 4.1% year-on-year to 31 March 2019 and has been doing so in a linear fashion since 2012, “albeit at a slower growth rate in recent years,” Companies House reported.

Across the Atlantic, formations fell by 2.6% since last year.

The Intuit 2020 study also noted that 80% of large corporations were planning to increase the flexibility of their workforces.

As the economy recovered, traditional employment would no longer be the norm as “contingent” workers would take on more of the work previously carried out by full-timers.

This was written not long after Uber was founded and before the boom in smartphone delivery apps accelerated what we now know as the gig economy. With zero-hour contracts now commonplace in the UK, the government and tax authorities still haven't resolved the grey areas of employment status, nor the 20-year old arguments that the 1999 IR35 Budget press release was supposed to address. There are no prizes on offer for predicting that we'll hear a lot about these issues in 2020.

The advisory shift

Back in the world of accountancy practice, multiple sources cited by accountancy blogger Elena Meskhi expected 90% of small businesses to embrace cloud accounting by 2020. This, in turn, would encourage more offshore accounting and take practitioners towards their ultimate destination of becoming “trusted advisors”.

Cloud computing definitely planted the seeds for that change, but it hasn't taken off as quickly as the experts predicted.

MTD accelerated cloud usage among practitioner entrants to the Accounting Excellence Awards from 42% in 2015 to more than 80% in 2017-18. Cloud-using practitioners also showed up in large numbers in our 2019 survey sample of 2,500 accounting software users. But business users lagged behind, reducing the overall cloud accounting average to 69%.



Putting aside the pace of that change, the prevailing consensus is that business advisory will still become the dominant model for accountants in the next decade.

Thomson Reuters tax product manager and 2017 Software Pioneer of the Year Mark Purdue commented, "With new systems taking the heavy lifting out of processing, firms should now be able to concentrate their resources on expanding their roles as trusted advisors."

Purdue clearly underestimated the way Making Tax Digital would distract practitioners from more strategic advisory efforts. Nevertheless, he argued, "The introduction of real-time [tax] data is going to be helpful for planning purposes... and an opportunity to change how everyone works."

In 2015 Paul Shrimpling weighed into the debate. "Business advisory has lots of upsides and the tech-threat is real," he wrote. "However, business advisory is worthless in a lot of firms because the partners and managers advise but don't charge for the privilege and yes, business advisory is hard to scale."

The tech-threat is one thing, but change-resistant humans can derail the smoothest adoption curve. Accountants who have been concentrating on compliance deadlines for the past year or two and want to resuscitate their advisory efforts in the new decade may find the bar a little higher and suitable clients harder to find.

Technology Impacts

If there is a growing obsession with knowing what the future holds, there is an obvious culprit – the rampaging changes brought about by successive, overlapping technology advances from ecommerce and big data through mobile computing, social media and artificial intelligence.

By 2020, "Technology will be woven into the profession's fabric,"

Intuit predicted in 2013. Cloud connected smartphones and tablets will pave the way for real-time client support. "Accounting firms will use these tools to 'appify' their practices and provide clients with an 'accountant in their pocket' accessible anytime, anywhere," the Intuit team wrote.

Intuit's investments in AI and new human-computer interfaces have been driven by the expectation that tech-oriented millennials will interact with accountants through online, digital means. The Alexa Professional adviser hasn't arrived, yet, but the demand for faster responses and self-service enquiry tools is evident among the entrants to our Accounting Excellence Awards and on Accounting WEB's Any Answers page.

Accountants can't beat the internet revolution, so they need to join it and find ways to combat the threat of do-it-yourself advice from Google, blogger Elena Meskhi predicted in 2018.

"Accountants will also have to use social media more and more, both to enrich their presence and as a way of connecting with their clients and remaining relevant in the modern era."



Demographics and people issues

Such millennial challenges take us into less predictable demographic waters. Back in 1996, the ICAEW was already warning about an "over-abundance of accountants" at home and abroad, making it harder for chartered accountants to find lucrative employment. With automation looming, EY and Intuit bought into that doom scenario too. Yet the profession has so far defied the predicted robo-apocalypse.

Numbers of UK qualified accountants have grown at a compound annual growth rate of 2.2% over the past five years to 366,544 at the end of 2018, the FRC reported in its 2019 key facts and trends report.

But what about the intake? UK trainee numbers peaked at in 2010 at 172,241 and dropped to its lowest ebb four years later. The growth rate since then has been anaemic, with the FRC reporting 164,210 students in the UK and Ireland in 2018 – up 0.2% on last year. There are signs that the profession may be reaching a plateau, but anyone looking to recruit accountants in 2020 will view the “over-abundance” claim as an alarmist headline-grabber.

In spite of predicting 50% cuts in graduate recruitment, EY took on 2,600 new recruits this year – more than double the number in 2017-18.

What's holding the future back?



Some of the big picture predictions laid out at the start of this article are taking shape as we head into 2020, but true to form they're not happening as quickly as expected. That's probably because forecasters tend to extrapolate their trends in straight lines, which diminishes the effects of the human and economic setting in which the trends are taking place.

On the economic front, we may have dodged the classic boom-bust cycle over the past decade, but growth has been stagnant. Continuing uncertainties around Brexit are stalling UK business investment decisions as we head into 2020.

Election slogans will not resolve those ambiguities for another year at least, when the full trading and economic impacts of leaving the EU will become more apparent. In such a defensive setting, businesses are less interested in dreaming up new strategies and probably more open to hearing about ways to manage costs and credit control.

Advisers, meanwhile, are preoccupied the latest wave of compliance changes or buried under the annual cycle of self assessment returns as we approach the New Year.

In the three years since the 2016 Brexit vote, this maintenance mode has cramped accountancy's development. Yet slow economic growth and narrowed horizons aren't the only counterweights holding back professional trends for 2020.

Women were one of the growth drivers identified by Intuit in 2013, with 1bn joining the global workforce in the decade to 2020. At the time of the report, they were starting new businesses at twice the rate of men, which prompted the researchers to predict that the gender pay gap would approach parity by 2020. Not quite – in the UK the figure was 22.0% in 2009 and fell to 17.3% in 2019, the Office for National Statistics reports.

Within the UK accounting profession, meanwhile, the percentage of female members rose steadily from 34% in 2010 to 37% in 2018 – again, hardly the game-changing leap forward we were led to expect. Like economic growth, the indicators are moving towards equality, but very slowly.

Alongside gender equality, the Intuit 2020 study talked of a “participatory economy” fuelled by social and technological changes that would “shift power from institutions to people, eliminating constraints on social and economic organisation”. The US was going to relearn the power of community, and invest in the places they live to make them better, the report predicted.

The reality couldn't be more different in 2020. Such touchy-feely optimism is typical of Silicon Valley, but many trend radars failed to pick up the impacts of the monopolies coalescing around the West Coast “FAANG” platforms – Facebook, Amazon, Apple, Netflix and Google.

There's still room for digital startups, but any of them that get too successful soon get absorbed into the mothership. For some entrepreneurs, that's the foundation of their business model.

In our little world, Intuit and Xero now see themselves as similar platforms for business, supporting third-party marketplaces – but also acquiring up some of the more successful apps to build out their cloud accounting infrastructures.

Nor did the pundits predict the disorienting, distracting effects of the always-on digital culture. So many changes are happening that many professionals are struggling to keep up with them all. The volume of messages and stimuli they need to track has exploded, making it harder to focus on what matters or to detect the meaningful signals amid all the noise.

While his 2018 claims on business formation are looking a little over-optimistic, Xero's Gary Turner recently tempered his outlook by highlighting VUCA – volatility, uncertainty, complexity and ambiguity – as prominent factors affecting businesses in 2020. In the face of these diffuse challenges, "Responsiveness, real-time performance management and situational awareness will be the defining management disciplines," Turner said.

Staying connected with what's happening on all these different fronts, but remaining focused and effective is easier said than done. As a result organisational impacts are lagging behind the technological possibilities.

A couple of points raised by our accounting soothsayers over the years are relevant to this conundrum:

- ICAEW 1996: "Accountants will suffer if they prove unable to adapt and play a leading role in change management and forming corporate strategy."

- Islam (IFAC 2017): "The regulatory concern for different social and environmental issues, along with the associated measurement and reporting complexities of these issues, has allowed accounting professionals to open their minds to the possibility that accounting has the capacity to change. The important implication is that all professional accountants will be expected to look beyond the numbers."

In the year ahead, forward-looking accountants need to step out of the raging torrent on a regular basis to see where changes are happening and make the decisions needed to accommodate them.

Our review of the 2020 predictions confirms once again that people are the biggest barrier to change. But people behave differently when huge, uncontrollable changes happen to them compared to taking the initiative to adjust to them.

The professionals who are going to thrive in the emerging world of automated accountancy in the next decade will have to work together effectively in more collaborative, networked environments where everyone understands and supports what is trying to be achieved.

Mr. John Stokdyk is the Editor in Chief of Accounting WEB since 1999 to date.



Accounting for Value Creation and Encouraging the Rise of the Chief Value Officer

- Kevin Dancey and Charles Tilley



Accounting is a time-tested discipline. It's been around since Luca Pacioli invented double entry bookkeeping over five centuries ago. It is the means to capture the monetary value that has been realized through transactions. For the better half of the last millennia, accounting has been the language of business, governments, trade and capital markets.

Accounting for value creation needs rethinking. Value is created through knowledge and creativity. Digital disruption is threatening entire industries. Financial markets are fraught with geopolitical and economic volatility. The deepening climate emergency, and other environmental issues such as water and land use, mean that business as usual is not an option.

In this world, achieving a resilient and sustainable business model has never been more challenging. Viewing value creation only through the lens of shareholders means undermining trust in the organization, compromising its reputation, and even threatening its license to operate.

A broader set of data, information and insights is needed to provide a bigger picture of how value is created.

(For more, visit IFAC's Point of View on enhancing corporate reporting). This is a significant challenge for organizations and their stakeholders. For the accounting profession, it represents a unique opportunity.

The Rise of the Chief Value Officer

In contrast to financial reporting, integrated reporting provides a broader foundation for accounting for value creation. It enables greater corporate accountability, communication, and transparency. It allows the organization to better understand and communicate value creation.

Importantly, we know that adopting integrated reporting enables an organization to think in an integrated way, which leads to better business outcomes. Too often, information is siloed, and decisions are made without complete knowledge or context for their ramifications. The more that this integrated thinking is embedded into an organization's activities, the better the connectivity of information flow into management reporting, analysis, and decision-making.

Integrated thinking requires the Chief Financial Officer (CFO) and their finance team to move from accounting for the balance sheet to accounting for the business and value creation. As Mervyn King, Chair Emeritus of the International Integrated Reporting Council, put it,

“the CFO should be known as the CVO – chief value officer.” She or he must be a change-maker inside the company.

The CVO role must ensure that all relevant aspects of value creation and destruction are accounted for and communicated to boards, management, and external stakeholders. To achieve this, the CVO will require deep knowledge and insights about the business to inform discussions on purpose, values and strategy, risks and opportunities, the business model, and relevant resources or capitals that the business depends on or affects.

It will require that material information on value creation is reliable, relevant, and comparable, whether it is derived from financial statements (i.e., “non-GAAP” or “non-IFRS” measures), key performance indicators, or other information related to value creation, such as intellectual capital, sustainability, or environmental, social, and governance factors. Much of this information is generated outside of the business.



Developing a Framework for Integrated Value Creation

We are determined to support the evolution of CFOs to CVOs, if not in name, at least in mindset. To support the role of chief value officer, IFAC, the IIRC and AICPA/CIMA are developing an integrated value creation approach that guides CFOs as they focus on the information, decisions, and trade-offs that matter to the organization and its potential to create long-term value.

The International Standards Organization (ISO) 37000 project “Guidance for the Governance of Organizations” has already incorporated this value creation framework as a distinct part of its work.

The integrated framework has four dimensions to create and communicate value:

1. Defining value.

How value is defined is framed by an organization’s purpose, values, strategy and measures of success. Value itself, as well as priorities for value creation, are defined in the context of meaningful engagement with material stakeholder groups, including customers, investors, employees, suppliers, regulators and others. It is also influenced by the opportunities and threats facing the business. Defining value involves establishing and prioritizing stakeholders, understanding how they are relevant to the organization’s purpose and strategy, and assessing how to balance their respective needs and expectations.

Insights on stakeholder value inform strategy, goals, metrics, and incentives. Value created needs to be measured and tracked by integrated financial and non-financial value aligned performance and risk metrics. Incentives should then be aligned to drive behaviors in line with purpose, strategy and values.

2. Creating value.

How value is created involves the organization’s strategy and business model, which need to take into account all resources and capitals in an integrated way. Ensuring that value is created over time involves significant decisions on where the business competes (e.g., markets, geography, segments), identifying the principal opportunities and risks related to the business model, ensuring products and services meet customer needs and respond to societal challenges, and collaborating with critical partners in value creation.

Value is created and sustained through strategic choices and investments in the resources and relationships that lead to, or enhance, strategic and competitive capabilities and assets. These assets include people, innovation, infrastructure, brand and intellectual property, etc.

In capital allocation, the priorities and perspectives of different stakeholders might be misaligned.

For example, investors might have a preference for the short-term deployment of capital, whereas the board might have a preference for long-term projects.

Consequently, it is important to understand and communicate how short-term expectations from different stakeholders might influence long-term choices and prospects. This provides the basis for communicating how short- and long-term and trade-offs are managed.

3. Delivering value.

How value is delivered to customers, governments, and society through responsible products, services, and channels to market. This involves leveraging technology, data, and intangible assets to deliver value in new and more effective ways. It also requires delivering value at an appropriate price, cost, and level of performance. Delivering value requires integrated and relevant strategic, operational, and risk information that takes into account the changing external environment and ensures that performance is aligned to value creation objectives.

4. Sustaining value.

How value is sustained by retaining value internally in the organization and distributing value externally to shareholders and stakeholders. Capturing value distribution, outcomes, and impacts in a transparent manner enhances accountability.

Value delivered to shareholders, whether through dividends or other financial returns, may satisfy their needs in the short-term. But, if that value is being created at the expense of others and the environment, the company will fail quickly. The company needs to have sufficient resources to be both resilient and adaptable over the long term.

The factors to consider when sharing value with material stakeholders include ongoing priorities for use of cash (e.g., dividend policy, returns to shareholders and capex), tax strategy, desired capital structure, remuneration

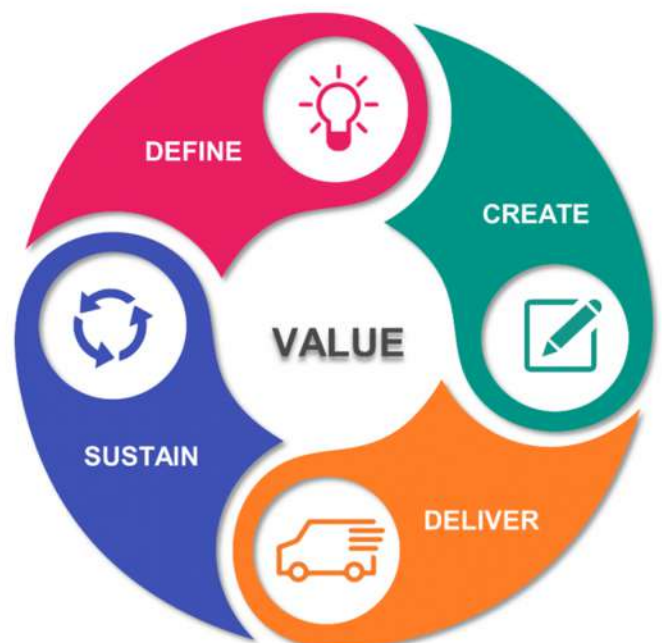
job creation) and environmental (e.g., enhancing nature) outcomes.

This value creation framework aims to move the corporate mindset from short-term share value to long-term value creation. We intend to develop guiding questions for each dimension to guide CFOs and their finance teams as they focus on understanding and communicating value.

Creating and preserving value over time is at the heart of business success. Maximizing long-term cash flows requires responsibly managing relationships with key stakeholders. A company with a comprehensive, well-defined, and sustainable perspective on value creation will have stronger relationships and greater trust with all its key stakeholders. This must be the agenda of the chief value officer and CFO of the future.

Kevin Dancey is IFAC's Chief Executive Officer since January 2019 while Mr. Charles Charles Tilley currently serves as Interim CEO of the International Integrated Reporting Council (IIRC).

Integrated Value Creation





Introduction

The COVID-19 pandemic is a global crisis with widespread historic impact. As with previous crises, the corona virus pandemic triggered a supply and demand shock in China which has now caused a global shock. Most developing economies, especially in Africa, are yet to recover from trade tensions and are now struggling with a viral disease which is steadily leading to the prospect of global financial shock and recession. Steady growth, sound macroeconomic policies, and prudent financial regulation have equipped many Africa countries to deal with normal shocks. But we are witnessing an unusual combination of disruptive and mutually reinforcing events. Significant economic discomfort seems unavoidable in all countries and the risk of financial instability is high, especially in countries with excessive indebtedness. This exceptional situation requires an exceptional response: bold national action, deeper regional and global cooperation, and significant external assistance.

The projections for annual global GDP growth for 2020 have dropped by half a percentage point to 2.4 % due to the corona virus outbreak. However, a longer lasting and more intensive corona virus outbreak could slow global growth to 1.5%. The report underlines the importance for governments to act swiftly and decisively to overcome the virus and its economic impact. Currently, the virus has further spread, with stock exchange

and oil prices responding negatively to heightened uncertainties (OECD).

Negative Impact of COVID-19 in Nigeria

a. Food Supply:

The prioritization of health-related expenditure will have a consequence on other sectors – agriculture, education, manufacturing, etc. If the restrictions continue, farmers won't have access to markets to buy quality seeds and fertilizers (World Food Program, 2020). Distribution of foods are also affected by the restrictions to movement as Nigeria has not developed its agricultural value chain sufficiently to keep perishables beyond a certain period;

b. Internally Displaced Persons:

Kestler-D'Amours at Al Jazeera highlights the particular dangers in Africa's refugee camps: "Scary, distressing, catastrophic: A bleak assessment by experts, humanitarians and epidemiologists on what a severe coronavirus outbreak would look like in countries across Africa sheltering millions of refugees and other vulnerable people."

Nigerian government's humanitarian efforts to the Internally Displaced Persons (IDPs) may further be limited. Many Non-Governmental Organizations have stopped sending their employees to camps to prevent a potential spread of the virus. Many NGOs have launched global appeal for funds to respond to the coronavirus in refugee camps and other vulnerable communities (Kestler-D'Amours 2020);

c. Shortage of Supplies: Nigeria is an import dependent economy (with about 70% being secondary/manufactured goods) imports. With the human resource challenges arising from the need to down tools in factories all over the world, as well as the travel bans and total country lockdowns as a result of the pandemic and the struggle to control its spread, KPMG (2020) speculates there will be more pressure on inflation going forward as total cost of local production rises.

d. Falling Domestic Demands: KPMG (2020) further estimates that domestic demand is likely to fall as a result of domestic policy response of restriction of movement, closure of businesses and lockdowns. The fall in demand is expected to lead to laying off workers further worsening the (23.3% unemployment rate in the country;

e. Falling demand for crude oil: Nigeria's major export, oil, will also suffer decreased demand. Except in China, where virus related travel restriction are being lifted, most people in the world are not moving. Oil is for moving. Analysts have projected an as much as 30% fall in crude prices, the worst dive ever. Below are some graphs showcasing how oil prices have reacted in the face of the COVID-19 pandemic. According to van Lierop (2020) late February 2020, as stock markets tumbled and Asian oil demand evaporated, Russia and OPEC were still coordinating production levels under an OPEC+ agreement - ostensibly formed to counter the American shale oil boom. In early March, Saudi Arabia proposed that OPEC+ slice production by 1 million barrels, with Russia shouldering half the cut. Russia refused, consequently, Saudi Arabia retaliated by starting a price war. Due to the above, crude is trading around USD\$25 per barrel. The above situation is further aggravated because the largest oil consumers chief among them China, Iran, Italy, and so on, being hard hit by the pandemic and consequently not in need of the product due to restrictions.

One of the assumptions of the 2020 budget was an oil price benchmark of US\$57. This does not bode well for the Nigerian economy;

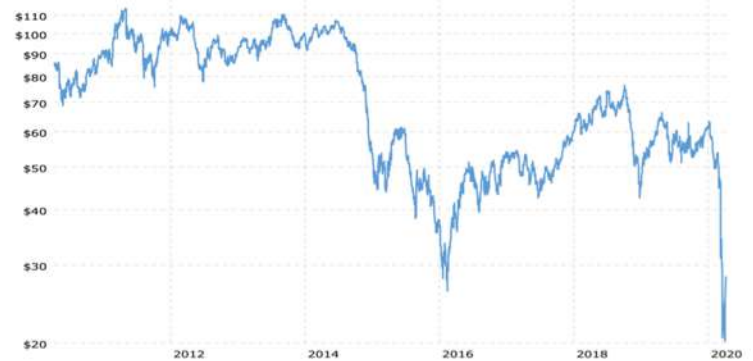


Figure 1: World Crude Oil Prices 2010 to 2020

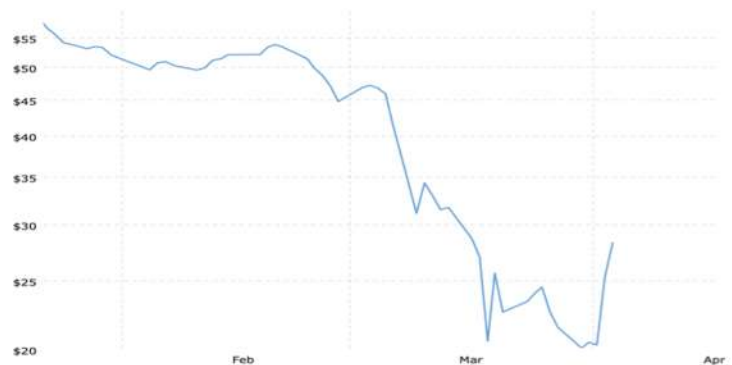


Figure 2: World Crude Oil Prices (January to April 2020)

f. KPMG (2020) also identified the financial channel as a source that will be impaired by the economic situation. Foreign Portfolio Investment (FPI) is a major source of investment in the Nigerian capital and fixed income markets, as well as being a critical source of foreign exchange inflow to the economy. Depressing global capital flows will put significant pressure on Nigeria's foreign exchange reserves and exchange rates. The banking sector's access to trade lines from international banks will also be restricted, impacting external trade activities in the domestic economy

Palliative Measures in Nigeria.

Fiscal and economic stimulatory measures recently put in place by the various levels of government aimed at ameliorating the impact of COVID-19 on taxpayers and save the economy from collapse:

- i. The House of Representatives on Tuesday 24 March 2020, passed an economic stimulus bill which seeks to:
 - a. Protect employees from loss of jobs as a result of COVID -19- Any employer registered under the Companies and Allied Matters Act Cap C20 LFN this relief.
 - b. Introduction of new moratorium on mortgage obligations of Nigerians under the National Housing Fund- Relief applies to mortgage payments under the National Housing Fund. The Bill provides that all payments of mortgage obligations on residential mortgages obtained by individual contributors to the National Housing Fund will be deferred for a period of 180 days effective from 1 March 2020. This may be extended by the President for a further period not exceeding 180 days subject to a majority vote by members of the National Assembly.
 - c. Suspension of import duties on medical equipment- Effective from 1 March 2020 to 31 December 2020, the Act will grant waiver of import duty on medical equipment, medicines, personal protection equipment and other medical /necessities required for the treatment and management of Covid-19 disease in Nigeria. The import duty waiver period may be further extended by the President in exercise of his powers under the Customs & Excise Tariffs etc (Consolidated) Act.
- ii. The Apex bank made the following
 - a. Grant of a further moratorium of one year on all principal repayments, effective March 1, 2020;
 - b. Interest rate on all CBN intervention facilities reduced from 9 to 5 percent per annum for 1 year effective March 1, 2020;
 - c. Facility through NIRSAL Microfinance Bank for households and small- and medium-sized enterprises (SMEs) that are particularly hard hit by COVID-19 through the provision of fifty billion naira targeted credit facility;
 - d. Loans to pharmaceutical companies intending to expand/open drug manufacturing plants in Nigeria, as well as to hospital and healthcare practitioners who intend to expand/build the health facilities to first class centers, in addition to growing the size of existing interventions to agricultural and manufacturing sectors in Nigeria;
 - e. Grant all DMBs leave to consider temporary and time-limited restructuring of the tenor and loan terms for businesses and households most affected by the outbreak of COVID-19 particularly oil and gas, agriculture, and manufacturing;
 - f. Suspension of the payment of interest on debts owed by the state governments ;
- iii. The President made the following statements:
 - a. Engagement of 774,000 Nigerians on special public works programme (one thousand from each of the 774 local government areas of the country) with N60 billion earmarked for the initiative ;
 - b. A three month repayment moratorium for all TraderMoni, MarketMoni and FarmerMoni loans be implemented with immediate effect;
 - c. Moratorium be given to all Federal Government funded loans issued by the Bank of Industry, Bank of Agriculture and the Nigeria Export Import Bank;
 - d. For on-lending facilities using capital from international and multilateral development partners, the directed development financial institutions to engage these development partners and negotiate concessions to ease the pains of the borrowers;
 - e. Conditional cash transfers for the next two months be paid immediately to the most vulnerable. Our Internally displaced persons will also receive two months of food rations in the coming weeks.

- iv. On 24 March, the Securities and Exchange Commission Nigeria (SEC) makes market-focused adjustments. This includes filing of all applications and returns, for the time being, electronically. Fresh applications for registration of Capital Market Operators are suspended until further notice. The commission has approved a 60 day extension in the first instance for public companies and capital market operators to file their 2019 annual reports and Q1 2020 reports.

Conclusion

The Novel Coronavirus has impacted the economy in ways that were not anticipated. Even developed economies – like the United States, United Kingdom and so on, were not prepared for the outbreak and its ripple effects. The depth and duration of the economic downturn will depend on the behaviour of the virus itself, public health responses, and economic interventions. The palliative measure in Nigeria, though well intentioned, are still shrouded with uncertainty with respect to implementation parameters. However, even the fiscal and monetary policymakers in the developed economies, given the extraordinary nature of the pandemic-induced crisis, are working without a playbook.

By Research and Technical Directorate, ICAN



Revisiting the Question “Should a CFO be an Accountant?”

- Stathis Gould

The Chief Financial Officer (CFO) is an important role – and one that continues to expand and transform. As growing uncertainty and risk

permeate every organization, and businesses begin to think about value beyond a shareholders' perspective, the CFO role is an increasingly central one.

These changes beg an important question: should the CFO be a professional accountant?

Where Are we Now?

I attempted to answer this question in 2014. At that time, the data showed that having an accountant in a CFO role was far from universal. This trend has only deepened over time.

A recent survey of the 1,000 largest U.S. public companies found that the proportion of CFOs who are certified public accountants fell to about 36% in 2019. This is the lowest figure in six years, down from 46% in 2014.

The analysis suggests that, in the U.S. at least, the pendulum has swung again from the significant pressure to have technically competent, accounting-literate CFOs following high-profile corporate failures and the Sarbanes-Oxley Act of 2002, to a preference for CFOs focused on capital markets, equity and debt financing, and externally communicating to the market.

Consequently, senior accounting and controller positions are typically occupied by accountants.

In the UK, on the other hand, an accountancy qualification is typically required to become the CFO of FTSE 100 companies.

An accountancy background is also a good route to the top with a fifth of FTSE 100 CEOs being accountants.

There are time-tested benefits to choosing a CFO who is a professional accountant and a member of a professional accountancy organization.

In addition to their continuing professional development obligations, professional accountants must adhere to the Code of Ethics for Professional Accountants, which is anchored by the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. If a professional accountant breaches the Code of Ethics, they face consequences such as financial penalties or losing their membership to the profession.

The CFO of a public interest entity is, in many countries, responsible for a company's financial management and signs off on its financial statements. This inherently represents a public interest responsibility and a professional accountant in this role provides confidence to the market and stakeholders.

The question of whether a CFO should be an accountant – while important – misses a larger point about the future of the accountancy profession and what motivates people to join it.

The reality is that most professional accountants do not necessarily strive to be CFOs when they “grow up”. Career paths are no longer linear and hierarchical.

Changing Career Paths

With the expectations on CFOs and their finance teams changing, many new roles and opportunities are on offer. Accountancy is now seen as a pathway to a career in business – and securing the CFO position is not often the end-goal. Many accountants apply their business and finance skills in commercial or operational roles. Others assume strategy and planning-based roles. And many hold senior positions beyond finance and accounting.

Career pathways for Accountants are increasingly non-linear. The ACCA report, *Future ready: accountancy careers in the 2020s*, shows how career paths in the profession will become more diverse as technology blurs the work divide between humans and machines.

The research shows that career pathways are, and will be, less anchored on the traditional hierarchical and pyramid-shaped organizations. This means that lattice career trajectories will prevail as organizational structures become more fluid and traditional hierarchies are reimagined.

In flatter organizations, upward progression is not as important as it once was. Indeed, new approaches to securing needed talent and a distributed workforce will mean more contingent or contract work.

Accounting and finance professionals are already working within organizations to improve decision-making and business performance in a range of settings – a trend we expect to continue in the future.

Accountants now work in a variety of areas, including financial planning and analysis (FP&A), information systems, technology and data, commercial or business analysis, planning, appraisal, cost, risk, project and sustainability management. Accounting professionals also contribute uniquely through specialist roles, such as in treasury, reporting or investor relations.

The Rise of the Chief Value Officer

In addition to evolving accounting roles, today's CFOs are experiencing another kind of transformation. CFOs and their teams must increasingly focus on accounting for value creation beyond a balance sheet or shareholder perspective.

IFAC believes that the CFO role will evolve into a "Chief Value Officer" (CVO) role, which will focus on accounting for the business and value creation. The CVO must ensure that all relevant aspects of value creation and destruction are accounted for and communicated to boards, management, and external stakeholders.

This transition will lead to a greater diversity of professionals occupying the CFO seat. And the more experiences and competencies these professionals bring to the table, the better they will be able to deal with a broad set of stakeholders, and to address a wide array of opportunities and risks facing the organization.

Revisiting the Question "Should a CFO be an Accountant?"

The initial question I raised yields no specific answer, but instead reveals two important points:

1. The evolution of the CFO and finance function is inevitable and represents a great opportunity for professionals – whether they are accountants or not; and
2. The skills that professional accountants possess transcend disciplines and functions – which is important as skills become more diffuse and must support value creation and protection.

The attraction of accountancy is that it provides a range of challenging and unique opportunities in business and the public sector. With a focus on solving business problems and preparing for future challenges, it is not only the CFO role that provides accountants with a platform to make a difference.

Stathis Gould is Director, Advocacy, IFAC. He heads up the development of international services for professional accountants working in business and industry at IFAC.

How Automation Can Improve In Retail Accounting

- Paul Gosling



Retail finance leaders are modifying or changing little in their financial operations despite profound and accelerating changes in the retail landscape worldwide, according to research by EY and the Retail Industry Leaders Association, a US trade association.

Empowered by digital technology, consumers are increasingly shopping online and competitors are springing up with disruptive business models. Well-known brick-and-mortar brands have gone bust, while many more will be able to survive only if they can move online in ways that complement their physical presence. But few of the finance executives who participated in the 2018 Retail Accounting Policy Survey have begun to automate their finance functions. Finance executives of 40 retailers participated in the survey.

To keep pace with this quickly changing retail landscape, investment in technology and automation that connects all of the moving parts will be essential for finance functions to add value to their organisations.

Also, the skill set of the accounting expert has been shifting in the last few years and will continue to do so in the future. Retailers' accounting teams will be required to have

"This mindset shift has happened in some retailers, but not all," said Cecilia Locati, FCMA, CGMA, an internal controls and fraud prevention consultant.

Resistance to change may come from an old school of thought, where finance is seen as a compliance, must-have requirement rather than a business partner able to add value on strategic decisions, she said.

It may also come from a reluctance to invest heavily into IT, project and change management, and training, Locati said. A struggling retailer may not prioritise improved accounting practices, even though it would help with strategic decision-making. Thriving retailers may not have an incentive to fix what appears to not be broken, she added. And some finance departments of quickly expanding retailers may be just keeping up by managing emergencies.

Also, Locati said, improvements and benefits brought by highly automated systems are difficult to quantify in terms of return on investment (ROI). Cost savings can be calculated, but it can be difficult to factor into the ROI calculation a quantification of the competitive advantage that can be achieved by being able to make better strategic decisions. An example would be optimising inventory purchasing decisions based on real-time customer data.



Top Retail Accounting Challenges

Locati, who consults for manufacturing, retail, entertainment, and media production businesses, and EY consider these the top challenges for retailers:

- Failure to implement tools such as robotics, machine learning, and artificial intelligence.

These tools could automate repetitive, time-consuming tasks in the finance function and help management accountants and finance professionals get a handle on the impact the e-commerce explosion is having on their brick-and-mortar businesses. This could free them to come up with data-based strategies that develop new revenue streams. But only 15% of respondents in the EY survey allocate online sales to specific stores, for example, the shop closest to the address of the customer. And just 15% of respondents use robotic process automation, and 17% said they use radio-frequency identification to update inventory quantities rather than count them manually.

- Continuous growth in e-commerce will raise the overall number of transactions, which will challenge the finance functions as the volume of data to be processed, analysed, and reconciled will be higher. Without investments in process automation, this increased volume will translate into increased costs to manage data and a higher likelihood of accounting errors.

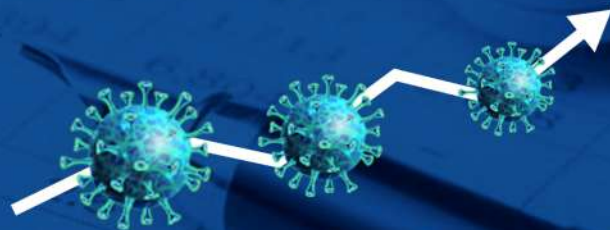
- High transaction volume combined with low automated processes is an area of risk. Investing in process automation would help decrease the risk of inaccurate financial statements and the consequential issues caused by it, such as increased scrutiny by auditors, errors, frauds, financial scandals, and fines.
- Interfacing systems with vendors and other third-party systems to exchange data as businesses increasingly automate their systems. To ensure accurate accounting data, strong controls around system interfaces and manual download/upload of data between systems should be implemented.
- Retailers with more basic IT systems might not be able to provide granular real-time accounting data to their business partners. This might cost them strategic partnerships and a loss of competitive advantage.
- Developing the skill set of the finance talent internally or recruiting new talent.

Paul Gosling is a writer based in the UK. He writes for FM magazine.



The Financial Reporting Implications of COVID-19

- By Stathis Gould and Christopher Arnold



The COVID-19 pandemic crisis and its economic effects mean that investors and other stakeholders need high-quality financial information more than ever.

To this end, accountancy firms, regulators, IFAC member organizations and others have quickly made available advice and guidance on the accounting and financial reporting requirements that will need to be considered in addressing the financial effects of COVID-19 when preparing financial statements. Many of these resources are conveniently available through

IFAC's COVID-19 Resource Center

To help consolidate the highlights of this guidance, a summary of key areas to consider is outlined below together with links to key references on the IFAC website.

There will be issues to consider for this year's reporting as well as in future years. Some companies may first report financial effects in interim financial statements (in accordance with IAS 34 – Interim Financial Reporting), which will likely involve the greater use of accounting estimates. However, information must be reliable and all material financial information relevant to an understanding of the financial position or performance of the company should be appropriately disclosed. There may also be differences in approach depending on whether financial statements are prepared using IFRS or national GAAP.



How Should Companies Assess COVID-19 Events After the Reporting Period?

IAS 10 Events after the Reporting Period contains requirements for when adjusting events (those that provide evidence of conditions that existed at the end of the reporting period) and non-adjusting events (those that are indicative of conditions that arose after the reporting period) need to be reflected in the financial statements. Amounts recognized in the financial statements are adjusted to reflect adjusting events, but only disclosures are required for material non-adjusting events.

Judgment is required in determining whether events that took place after the end of the reporting period are adjusting or non-adjusting events. This will be highly dependent on the reporting date and the specific facts and circumstances of each company's operations and value chain.

Management may need to continually review and update the assessments up to the date the financial statements are issued given the fluid nature of the crisis and the uncertainties involved.

With respect to reporting periods ending on or before 31 December 2019, there is a general consensus that the effects of the COVID-19 outbreak are the result of events that arose after the reporting date (e.g., in the UK, the Financial Reporting Council has stated that COVID-19 in 2020 was a non-adjusting event for the vast majority of UK companies preparing financial statements for periods ended 31 December 2019).

For later reporting dates (e.g. February or March 2020 year ends), it is likely to be a current-period event which will require ongoing evaluation to determine the extent to which developments after the reporting date should be recognized in the reporting period.

If management concludes the impact of non-adjusting events are material, the company is required to disclose the nature of the event and an estimate of its financial effect. If it cannot be reliably quantitatively estimated, there still needs to be a qualitative disclosure, including a statement that it is not possible to estimate the effect.

Examples of non-adjusting events that would generally be disclosed in the financial statements include breaches of loan covenants, management plans to discontinue an operation or implement a major restructuring, significant declines in the fair value of investments held and abnormally large changes in asset prices, after the reporting period.



How Should Companies Assess Going Concern

IAS 1 Presentation of Financial Statements requires management to assess a company's ability to continue as a going concern. The going concern assessment needs to be performed up to the date on which the financial statements are issued. The assessment relates to at least the first twelve months after the balance sheet date, or after the date the financial statements will be signed, but the timeframe might need to be extended.

Material uncertainties that cast significant doubt on the company's ability to operate under the going concern basis need to be disclosed in the financial statements. It is highly likely that many companies large and small, and particularly in certain sectors, will have issues relating to the current situation that need to be considered by management.

There will be a wide range of factors to take into account in going concern judgments and financial projections including travel bans, restrictions, government assistance and potential sources of replacement financing, financial health of suppliers and customers and their effect on expected profitability and other key financial performance ratios including information that shows whether there will be sufficient liquidity to continue to meet obligations when they are due.

Given the significant uncertainty, disclosure should include those significant assumptions and judgments applied in making going concern assessments. Assessments will likely need to include different scenarios with varying assumptions which can be updated to take into account the evolving nature of uncertainties.

Management should assess the existing and anticipated effects of COVID-19 on the company's activities and the appropriateness of the use of the going concern basis. If it is decided to either liquidate or to cease trading, or the company has no realistic alternative but to do so it is no longer a going concern and the financial statements may have to be prepared on another basis, such as a liquidation basis.

What are Other Significant Effects on Accounting and Reporting to Evaluate?

Throughout 2020, companies will need to review all areas of the accounts that are subject to judgment and estimation uncertainty. The use of forecast information is pervasive in assessing a range of effects in addition to going concern including the impairment of financial and non financial assets, expected credit losses, and the recoverability of deferred tax assets.

Fair value measurements (IFRS 13 Fair Value Measurement - FVM)

A change in the fair value measurement affects the disclosures required by IFRS 13, which requires companies to disclose the valuation techniques and the inputs used in the FVM as well as the sensitivity of the valuation to changes in assumptions. Disclosures are needed to enable users to understand whether COVID-19 has been considered for the purpose of FVM. A key question is what conditions and the corresponding assumptions were known or knowable to market participants at the reporting date.

For 2020, fair value measurements, particularly of financial instruments and investment property, will need to be reviewed to ensure the values reflect the conditions at the balance sheet date. This will involve measurement based on unobservable inputs that reflect how market participants would consider the effect of COVID-19 in their expectations of future cash flows related to the asset or liability at the reporting date.

During the current environment, the volatility of prices on various markets has also increased. This affects the FVM either directly - if fair value is determined based on market prices (for example, in case of shares or debt securities traded on an active market), or indirectly - for example, if a valuation technique is based on inputs that are derived from volatile markets.

Consequently, special attention will be needed on the commodity price forecasting that's used in developing fair value conclusions.

Impairment of non-financial assets subject to the requirements of IAS 36 Impairment of Assets. In addition, other relevant standards to consider for management estimates include IAS 16, Property, Plant and Equipment, IFRS 16 Leases, and IAS 37, Provisions, Contingent Liabilities and Contingent Assets

IAS 36 ensures that a company's assets are carried at not more than their recoverable amount (the higher of fair value less costs of disposal and value in use) and requires companies to conduct impairment tests when there is an indication of impairment of an asset at the reporting date.

Indicators of impairment include significant changes with an adverse effect on the company that have taken place during the reporting period or will take place soon in the market or economic environment in which the company operates.

The scope of assets subject to the requirements in IAS 36 is broad. It includes property, plant and equipment (carried at cost or revalued amount), intangible assets (carried at cost or revalued amount), goodwill, right of use assets (if carried at cost), investment property (if carried at cost), biological assets (if carried at cost) and investments in associates and joint ventures accounted for using the equity method.

Companies will need to assess whether the impact of COVID-19 has potentially led to an asset impairment. For most companies, the economic effects are likely to trigger an impairment test for long-lived assets and other asset groups. Estimates of future cash flows and earnings are likely to be significantly affected by direct or indirect impacts.

Asset impairment may also reduce the amount of deferred tax liabilities and create additional deductibles. Ongoing identification and evaluation and re-evaluation are essential to understand the extent of the need for recognition and for what periods

Valuation of inventories is subject to IAS 2 Inventories, and inventories are measured at the lower of their cost and net realizable value (NRV). In the current environment, the NRV calculation will likely require more detailed methods or assumptions e.g. companies may need to write-down stock due to less sales. Interim inventory impairment losses should be reflected in the interim period in which they occur, with subsequent recoveries recognized as gains in future period.

Measuring expected credit loss assessments (ECLs) under IFRS 9 Financial Instruments

The COVID-19 impact on credit risk will be more severe and immediate in various sectors. The IASB has published a document responding to questions regarding the application of IFRS 9, which requires companies to incorporate reasonable and supportable information about past events, current conditions and the forecast of future economic conditions into the assessment of ECLs for financial assets not measured at fair value through profit or loss. Such an assessment should be based on information at the reporting date and adjusted for subsequent available information. The increased credit risk faced by banks and lenders is related to exposures to borrowers in highly affected sectors.

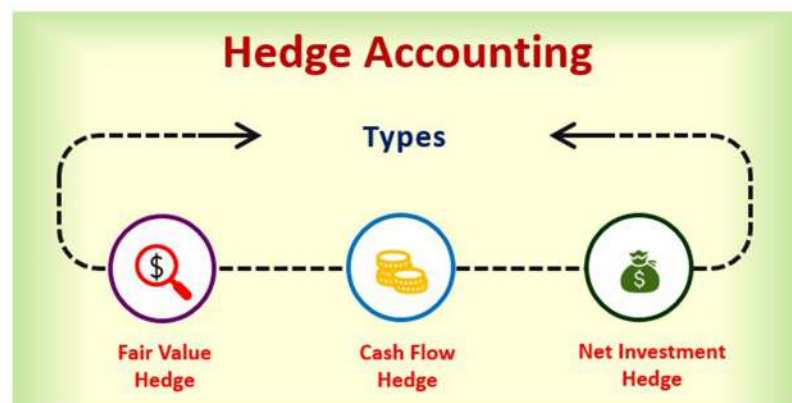
Provisions need to be estimated based on the ECL for the entire remaining life of a financial instrument, such as loans to borrowers whose credit risk has increased significantly since origination.

Regulators such as The European Securities and Markets Authority (ESMA) are issuing guidance to help ensure companies faithfully represent ECLs and apply IFRS 9 consistently. The measurement of ECL applies to companies across industries other than financial services but specific considerations and ECL guidance for lenders and banks is available.

ECL is a probability weighted amount that is determined by evaluating a range of possible outcomes. Qualitative and quantitative disclosure enables users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows.

This includes the basis of inputs and use of assumptions and estimation techniques.

Hedge accounting - where a company applies hedge accounting as part of its risk management strategy under IFRS 9 Financial Instruments



COVID-19 may reduce the probability of a hedged forecast transaction occurring or affects its timing.

Consequently, the hedge accounting criteria in applicable financial reporting standards may no longer be met, for example if a hedged financial asset becomes credit impaired.

If a hedged forecast transaction is no longer highly probable to occur, hedge accounting is discontinued and the accumulated gains or losses on the hedging instrument need to be reclassified to profit or loss.

Hedged items in a cash flow hedge that could be affected due to COVID-19 include: Sale or purchase volumes that fall below the levels originally forecasted; planned debt issuances that are delayed or cancelled such that interest payments fall below levels originally forecasted; business acquisitions or disposals that are delayed or cancelled.

Additional disclosures might also be required. For example, IFRS 7 Financial Instruments: Disclosures requires disclosure of defaults and breaches of loans payable, of gains and losses arising from derecognition or modification, and of any reclassification from the cash flow hedge reserve that results from hedged future cash flows no longer being expected to occur. Disclosures include quantitative data, for example about liquidity risk, and narrative disclosure, for example how risk is being managed.

Other considerations

Other accounting and reporting considerations to take note of are covered in the references below and include revenue recognition and contract modification related to variable consideration (linked to IFRS 15 Revenue from Contracts with Customers).

Although revenue is accounted for when it happens, there could also be an effect on the assumptions made by management in measuring the revenue from goods or services already delivered. For example, reduced demand could lead to an increase in expected returns, additional price concessions, reduced volume discounts, penalties for late delivery or a reduction in the prices that can be obtained by a customer.

A company may also modify its enforceable rights or obligations under a contract with a customer such as granting a price concession in which it is necessary to consider whether the concession is due to the resolution of variability that existed at contract inception or a modification that changes the parties' rights and obligations.

Stathis Gould is Director, Advocacy, IFAC while Christopher Arnold is the head of SME/SMP and Research at IFAC



Minister of Finance releases VAT Modification order 2020

- By Deloitte Nigeria

Background

The Honourable Minister of Finance, Budget and National Planning (the Minister), Hajia Zainab Shamsuna Ahmed, has issued a Value Added Tax (VAT) Modification Order (the Order), to provide clarity to the interpretation of goods and services exempt under the VAT Act. The Order has been issued in line with Section 38 of the VAT Act, which empowers the Minister to amend, vary or modify the list of goods or services exempt from VAT.

This is not the first time modification orders have been issued by the Minister pursuant to the powers bestowed under Section 38 of the VAT Act. For instance, Value Added Tax (Exemption of Proceeds of the Disposal of Government and Corporate Securities) Order, 2011, and Value Added Tax (Exemption of Commissions on Stock Exchange Transactions) Order, 2014, are modification orders issued in recent years.

The Order was issued to provide clarity regarding the scope of goods and services listed as tax-exempt in the VAT Act. Though the Finance Act, 2019, provided clarity with regards to the interpretation of some exemptions in the VAT Act, It appears the Minister has now deemed it necessary to provide clarity regarding the entire scope of tax exemptions.

In this paper, we evaluate key changes and clarifications provided by the Order, as

well as new issues that may have been created by the Order.

Commencement Date

The Order has a commencement date of 3 February 2020. This date does not align with the commencement date of the Finance Act i.e. 13 January 2020 or pronounced date of the VAT rate increase i.e. 1 February 2020. Whilst the dates do not have to align, a cohesive start date helps prevent potential uncertainties or disputes around implementation.

Clarification on tax-exempt goods

Basic food items

The Order adopts all but one description of basic food items provided in Finance Act, 2019. Specifically, the scope of table water as a basic food item has been clarified to exclude, in addition to sparkling and flavoured table water, table water sold in restaurants, hotels, eateries, lounges and other similar premises. This exclusion also includes table water sold by contractors, caterers and other similar vendors. This amendment comes as no surprise, with previous administrations often pondering over the idea of taxing items or behaviours that are deemed luxury. The Minister appears to have deemed the purchase of table water from restaurants, hotels, eateries, lounges and other similar premises where table water is sold, as luxury behaviour.

Baby Products

Baby products have been clarified to mean products made for use by babies from ages 0 to 36 months. These products have been described to include raw materials for the production of baby diapers and sanitary towels.

This clarification introduces some practical challenges with the implementation of the tax exemption. Specifically, how would enforcement of this particular provision apply, when certain baby products can be used by both children below and above the 36-month threshold? This could potentially lead to disputes between taxpayers and the tax authority.

Lease and Rental of Residential Accommodation

The Order indicates that tax exemption on 'lease and rental of residential accommodation', is restricted to lease or rentals by unincorporated entities.

Since the Order does not indicate that these items have recently been introduced to the exempt list, does it mean that these items were VAT exempt prior to the Order?

Does it mean that VAT Modification Order 2018, was enforceable albeit not published in the gazette? Should tenants who made VAT payments on rented residential accommodation seek a refund?



Clarification on tax-exempt services

Medical services



The Order clarifies that 'medical services' refers to healthcare-related services for both humans and animals rendered by a qualified health practitioner. Importantly, the Order makes the note that cosmetology, spa, gymnasium and similar services are not tax-exempt.

Shared passenger road-transport service



The Order indicates that 'shared passenger road transport service', which is available for use by the general public is tax-exempt. Specifically, the Order indicates that hired or rented vehicles for private use would be subject to VAT.

Similar to the case of 'lease and rental of residential accommodation', if the Order does not indicate that these services have recently been introduced to the exempt list, does it mean that these services were VAT exempt prior to the Order? Does it mean that VAT Modification Order 2018, was enforceable albeit not published in the gazette? Should passengers who made VAT payments on shared transport services seek a refund?

Explanation of terms

To make for better understanding of the VAT exemption list, the Order has introduced explanatory definitions of terms used in the VAT Act. These are downstream gas utilization; educational books; educational

materials; equipment; farming machinery and implements; farming transportation equipment; fertilizers; locally produced agricultural and veterinary medicines; locally produced animal feeds; machinery; medical equipment; medical products; pharmaceutical products, plant and purchase.

Some of these definitions are discussed below:

Educational Books



Item 3 of the first schedule to VAT Act specifically exempts 'books and educational materials' from VAT. With the Order separately defining 'educational books' and 'educational materials', does this suggest that non-educational books are subject to VAT? The Order does not specifically amend Item 3 of the first schedule to VAT Act, hence we expect all books to continue being VAT exempt. The definition of educational books may, therefore, appear irrelevant.

Medical Products



In the definition of medical services for VAT exemption purposes, the Order clarified what constitutes medical equipment for VAT purposes. The Order clarified that cosmetology, spa, gymnasium and similar services are subject to VAT. Similarly, the Order has also excluded cosmetology or fitness devices from VAT exemption.

Pharmaceutical products



The proliferation of traditional medicine necessitated the need to provide clarification around the application of VAT exemption to this category of products. The Order has now clarified that traditional medicine that has been approved by the local regulatory authority - in this case, the National Agency for Food and Drug Administration and Control (NAFDAC), would be VAT exempt.

Locally produced animal feeds



The Order defines locally produced animal feeds but does not provide further clarification as to the VAT exempt status. While it appears that the intention is to exempt locally manufactured animal feeds from VAT, the wording of the Order does not explicitly grant this tax exemption. To provide certainty for taxpayers in this space, we expect further clarification from the Minister.

Other issues

The Order appeared to confirm the validity or otherwise of previously issued orders. For instance, the Order clearly outlined the scope of goods exempted from VAT vide an extended list in the schedule. Certain goods, which were previously exempt from VAT albeit only by previously issued and contested modification orders, have now been excluded from or included in the extended list. The extended list has now put to bed the exemption status of these items.

Furthermore, as noted in 'lease and rental of residential accommodation' and 'shared passenger road- transport service', what is the status of VAT Modification Order 2018, where these items were first introduced? If the 2018 order was not enforceable prior to the Order, then these items are not VAT exempt unless the Minister issues a modification order to specifically exempt them.

Conclusion

The release of the Order is a welcome development, as taxpayers have further clarity and can plan their tax affairs accordingly. We expect that the Minister will continually review the exempt list and amend where necessary to adapt to economic exigencies and/or close any window for mischief or tax dispute.

Federal High Court affirms that import duty does not apply on passengers' personal effects

- By Deloitte Nigeria



A Federal High Court (FHC), sitting in Abuja, has ruled that payment of import duty on goods/personal effects contained in a passenger's baggage is unlawful. This ruling was delivered in the case of Kehinde Ogunwumiju SAN Vs Nigeria Customs Service & Anor[1]. The Nigeria Customs Service (NCS) had demanded and collected import duty and other related charges from the Plaintiff in respect of personal effects i.e. a Louis Vuitton laptop bag brought into Nigeria in passenger baggage.

In determining the case, the FHC stated that under Section 8 and Schedule 2 of the Customs, Excise Tariff, Etc. (Consolidation) Act, personal effects contained in a passenger's baggage are exempt from import duty provided that the personal effects are not intended for sale, barter or exchange.

The FHC also noted that NCS could only lawfully demand and collect import duty and other related charges on personal effects if it can establish, vide clear and credible evidence, that the personal effects are meant for sale, exchange or barter.

The Nigeria Customs Service (NCS) had in October 2019 stated that imported items above N50,000.00 would attract import duty, as they would be deemed as merchandise in baggage i.e. goods for sale, which are imported in a traveller's baggage. The FHC, however, has found this assertion to be inaccurate, as the extant laws do not specify a threshold for determining merchandise in baggage.

This notwithstanding, there is a genuine issue of tax evasion by travellers who bring in merchandise in personal baggage. These travellers claim the merchandise are personal effects and gain an unfair advantage over contemporaries bringing in the same merchandise vide the seaports – where these goods are more likely to have duties and other related taxes imposed on them. This ruling throws a positive challenge to NCS to develop a legitimate approach to arrest potential revenue leakage for passengers who choose the route of personal effects to avoid import duty and level the playing field for competition.



2020 Merit Award: ICAN Honours Magu, Akpata, Asaolu, Oyediran, Okufi, Others



The Institute has bestowed the acting Executive Chairman of the Economic and Financial Crimes Commission, EFCC, Mr. Ibrahim Magu; Country Senior Partner for PriceWaterhouseCoopers (PWC), Mr Uyi Akpata; Professor of Accounting at Obafemi Awolowo University, Professor Taiwo Asaolu; a Past President of the Institute, Mr. Cecil Oyediran and former Registrar/Chief Executive of the Institute, Mr G.M. Okufi with the prestigious ICAN 2020 Merit Award.

Other awardees include Managing Partner, Kalu Kalu & Co, Elder Kalu. Uke Kalu; Chairman, Megastar Construction Company, Architect Harcourt Adukeh. Two Corporate Organisations, Nigerian National Petroleum Corporation (NNPC) and the University of Calabar were also honoured at the event.

The awards were presented to the beneficiaries by the 55th ICAN President, Mazi Nnamdi Okwuadigbo on Saturday May 16, 2020 through electronic video conferencing system, the first of its kind in the history of ICAN.

Speaking at the occasion, Okwuadigbo said the annual awards ceremony was an occasion to recognise members, non-members and corporate bodies that had demonstrated an unwitting commitment to the ideals and public interest mandate of the accountancy profession.

He therefore urged the awardees to double their efforts to ensure that they sustain the enviable attributes that qualified them for the awards, adding that their awards were approved by ICAN Governing Council after painstaking scrutiny of their contributions to the Accounting profession and the country as a whole.

The Special Guest of Honour at the occasion, Otunba Olutola Senbore described the award recipients as a steadfast, disciplined and worthy ambassadors of ICAN and Nigeria as a country due to their immense contributions to the accountancy profession and socio-economic well-being of the country. He urged them not to rest on their oars as the country still expects more from them.

In their various responses, the awardees expressed appreciation to the Council of the Institute for counting them worthy for such prestigious recognition, promising that they would not be complacent and very ready to contribute more to national development.

The Award was earlier scheduled to hold on April 25, 2020 but was postponed due to the ravaging Covid-19 scourge across the world.

ICAN Advises New Fellows to Keep Abreast of Emerging Developments

The Institute has advised its newly conferred Fellows to guard jealously their professional conduct and competence, as well as keeping abreast of emerging developments in a rapidly changing world in which they find themselves.

This was made in Lagos on Thursday May 5, 2020, by the 55th President of the Institute, Mazi Nnamdi Okwuadigbo while conferring fellowship status on 1,325 members of the Institute.

According to him, challenge was the coronavirus (COVID-19) pandemic. In response to these developments, accounting standards setters are releasing update on a regular basis. It is your duty as professionals to keep abreast of these updates in order to provide topnotch services to your clients," he said.

He explained further that these are challenging times for the whole world of which accounting profession is not immune to the realities of the period. He assured that ICAN would continue to evolve novel approaches in order to meet the needs of its members.

"What started as a health issue has now evolved to become economic, social and political crises. This is forcing organizations to redefine the way stakeholders' expectations are met.

The Governing Council of your Institute is aware of the watershed occasioned by COVID-19. While the mandates of the Institute remain unchanged, the model of discharging these mandates are no doubt changing".

"We have deployed technology to ensure our members are not disadvantaged in their pursuit for continuous professional development. Since the outbreak, we have issued various materials to aid members' professional practices. There is a dedicated page on our website where we house **COVID-19 Resources** from the Institute and other renowned accounting organisations. These are relevant information and guidelines on how Accountants would navigate the pandemic while providing excellent services to clients."

As a Fellow of ICAN, you have the prestigious mandate to remain ambassadors of Accuracy and Integrity as espoused in our motto," he declared.

In his keynote address entitled **"Recognising and Rewarding Diligence"**, the former Registrar/Chief Executive of ICAN, Mr. G.M. Okufi opined that some people ascended to heights which some considered unattainable, due to their frame of mind, thoughts and ideas they express.

He said that definite attributes of any profession, was the availability of a professional gate-keeper, a coordinating professional body that assures that the ideals and objectives of the Profession are always kept under constant vigilance. This, he said accounted for why ICAN

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He said that definite attributes of any profession, was the availability of a professional gate-keeper, a coordinating professional body that assures that the ideals and objectives of the Profession are always kept under constant vigilance. This, he said accounted for why ICAN recognizes and rewards diligence.

“Each one of us has come through the purifying furnace that has made it possible to call ourselves Chartered Accountants. We all passed through the purifying process and come out bold, solid and confident,” he concluded.

“There is only one straight and narrow gate, and each one of us has, at one point or the other, passed through that checking gate, when the Institute tells you sometimes that you have failed to satisfy the Examiner. There are no quota systems, federal character, catchment area, disadvantaged area or gender qualification. The standard is not subject to variation or sympathy”.



ICAN 55th President, Mazi Nnamdi Okwuadigbo at the 18th Conferment of Fellowship status ceremony held on May 18, 2020 via zoom

Distinguish Yourself As a Professional, ICAN Charges New Members



The Institute has called on its newly inducted members to always distinguish themselves as professionals in the field of accounting practice, to achieve greater success.

This admonition was handed down by the 55th President of the Institute, Mazi Nnamdi Okwuadigbo during ICAN's 65th induction ceremony for 1,210 members conducted online on Wednesday, May 20, 2020, first of its kind in the history of the Institute.

He congratulated the inductees on the successful completion of ICAN examinations, which according to him, was a demonstration that they were all stars. He encouraged them to shine brightly as they begin a new phase of their vocation.

"As you begin this journey, you should set yourself apart by utilising the rich professional guidance and technical resources from the Institute and the various organisations we are affiliated with. Opportunities for knowledge acquisition are now broad and the channels to quench your thirst for knowledge are now expanded. You should open your mind and be receptive to new developments in a rapidly changing world".

"You will be appraised by your ability to bring to fore the technical skills acquired in the process of writing your professional examinations. You need to enhance your capacity to

translate these skills to measurable deliverables. Not only that, we expect you to imbibe the culture of Accuracy and Integrity. This would distinguish you as professionals, in addition to your practical proficiency," he stated.

While explaining that ICAN certificate has placed the inductees at a vantage position, he reminded them that they still need to complement that with regular update of their skills through the ICAN Mandatory Continuing Professional Development (MCPD) programmes which are platforms created by the Institute for members to remain at the cutting-edge of knowledge in the profession. He encouraged them to subscribe to the various trainings under the MCPD.

Explaining why the induction was conducted online, Okwuadigbo said it was a clear indication of the undeniable current experience across the world. COVID-19 has unarguably introduced novel dimensions to how institutions should function.

And while it's tempting to read every piece of news and watch every broadcast going to air, it's better to limit your news intake – especially if you or your family find it scary or upsetting. Try visiting a reputable news website once a day, and then switching off.

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There are also many reliable websites provided by governments and bodies such as the World Health Organisation providing up-to-date information that's not sensationalised and can provide the resources you need to get on with your day and help clients, family and friends.

Maintaining a business outlook

And while it's tempting to read every piece of news and watch every broadcast going to air, it's better to limit your news intake – especially if you or your family find it scary or upsetting. Try visiting a reputable news website once a day, and then switching off.

"Check in with all your clients for five minutes, make sure they are OK, and then schedule a longer video meeting when it's convenient," says Hayes. "Game plan the worst-case scenario and then rip the band-aid off. "It's important as an accountant not to take on the fears and anxieties of your clients."

Shoebridge says she employs techniques such as meditation and getting out into the environment (in small groups, naturally) to help her maintain perspective. She's also a keen surfer and said while many beaches have been closed for reasons of social distancing, there are remote locations where it's possible to get in the water and catch some waves.

"I had a couple of surfs in the last few days and it was the highlight of my week," she says. No matter what works for you, the lesson is clear – within reason, do something you enjoy, and do something for yourself to maintain your mental health.

"I had a couple of surfs in the last few days and it was the highlight of my week," she says.

No matter what works for you, the lesson is clear – within reason, do something you enjoy, and do something for yourself to maintain our mental health.



Cross section of ICAN members at a programme

Experts Urge FG to Increase Support for SMEs

To mitigate the impact of COVID-19, financial experts have advised the Federal Government to go beyond the 3.83 per cent aggregate stimulus response for Nigeria economy. They urged authorities to increase support for the Small and Medium Enterprises (SMEs) that constitute over 70 per cent of the economy to keep them afloat.

The experts made the call during a webinar, entitled: "CoVID-19: Strategies for mitigating economic crisis in Nigeria," organised by the Institute as part of its economic discourse series. The virtual forum was attended by ICAN past presidents and members as well as other professionals.

The guest speaker, Dr Biodun Adedipe, said the whole world was in disarray as a result of the COVID-19 pandemic, almost leading to total collapse of macro-industries like aviation, hospitality and tourism, logistics and general business owners on the micro level, causing massive jobs losses across the world and attendant impacts on individual finances.

Adedipe, who was the former Senior Special Assistant to former President Goodluck Jonathan on Financial Sector Development, decried that the federal government's stimulus response for the economy was too small to cushion the effects of COVID-19, whereas in many countries, the stimulus package ranged from 5 to 10 per cent, with plans underway to increase such programmes.

"When we aggregated the various stimulus programmes and responses of government, we got an estimate of 3.83 per cent of the Gross Domestic Product. That is also an area, which we will advise our government to still look at. The United States of America looks likely to hit 20 per cent if the current \$3trillion being discussed actually works out.



India at the beginning was doing about three per cent, but government responded to the 10 per cent advice given. They came up with new interventions. We need to give some attention to SMEs that dominate our economy so that COVID-19 doesn't do much damage," he said.

He explained that the pandemic has imposed on the world a choice between economy and life, noting that the development has changed the concept of globalisation, which is already dying while nationalism is becoming popular.

Adedipe said the global economy is already in recession, as reflected in China's economic downturn in Gross Domestic Product (GDP), which fell by about 6.8 per cent for first time in 44 years, and United States economy seeing a drop to about 4.8 per cent.

He further observed that six sectors, which include, manufacturing, trade, agriculture, ICT, real estate, mining and quarry have dominated the Nigerian economy in the last seven years, and accounted for about 80 per cent of the GDP. He said that gives a true picture of what the economy should be focusing on, to avert collapse and create jobs that are sustainable.

The President of ICAN, Nnamdi Okwuadigbo, said the peculiarity of the COVID-19 pandemic rests

on the fact that its aim is unpredictable, and will undoubtedly necessitate developing new business models for growth prospects.

“One thing that runs through the various submissions of experts in the past weeks is that each country will need to develop homegrown strategy for surviving the pandemic both during and after the crisis. COVID-19 has forced nations to revisit their growth strategies in line with the current experiences. They have realised that there is a need to review policy to identify the threats and the opportunities”.

Earlier in her opening remarks, the first Deputy Vice President and Chairman, Technical Research and Public Policy Committee of ICAN, Mrs Comfort Olu Eytayo,

said it was now crucial that the country adopts a multidisciplinary approach to addressing the unique nature of the COVID-19 crisis. This, according to her would help to revamp the fallen economy occasioned by the pandemic.

Other speakers at the event include Mr. Babajide Ogunsanwo of Channels Television, who spoke on Post Covid-19: Evaluation of the Opportunities for Nigeria; Mr. David Brown of Dbrown Consulting, who spoke on The Changing Work Pattern and Investment and Investment Potentials. Dr. Biodun Adedipe spoke on Dimensioning the Economic Crisis Imposed by COVID-19 while Dr. Ayodele Fashogbon spoke on Creating as a Tool for Navigating the Economic Crisis.



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IAASB Proposes Modernization Of Group Audits Standard In Support Of Audit Quality

The International Auditing and Assurance Standards Board (IAASB) today released the exposure draft of proposed International Standard on Auditing (ISA) 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).

Proposed ISA 600 (Revised) deals with special considerations for audits of group financial statements (group audits). Group audits are often more complex and challenging than single-entity audits because a group may have many entities or business units across multiple jurisdictions, and component auditors may be involved. h in check in these challenging times?

“This proposed standard is critically important as many of today’s audits are group audits, including audits of the largest and most complex organizations around the world,” said Tom Seidenstein, IAASB Chair. “The proposed revised standard addresses quality risk issues identified by audit regulators and benefits from the input of a wide range of stakeholders.”

The proposed standard introduces an enhanced risk-based approach to planning and performing a group audit. This approach appropriately focuses the group engagement team’s attention and work effort on identifying and assessing the risks of material misstatement of the group financial statements, and designing and performing further audit procedures to respond to risks of material misstatement of the group financial statements, and designing and performing further audit procedures to respond to those assessed risks. The proposed standard recognizes that component auditors can be and often are, involved in all phases of a group audit.

In these circumstances, the proposed standard highlights the importance of the group engagement team’s involvement in the component auditor’s work.

In addition, the proposed standard:

- Clarifies the scope and applicability of the standard.
- Emphasizes the importance of exercising professional skepticism throughout the group audit.
- Clarifies and reinforces that all ISAs need to be applied in a group audit through establishing stronger linkages to the other ISAs, in particular to proposed ISA 220 (Revised), ISA 315 (Revised 2019) and ISA 330.
- Reinforces the need for robust communication and interactions between the group engagement team, group engagement partner and component auditors.
- Includes new guidance on testing common controls and controls related to centralized activities.
- Includes enhanced guidance on how to address restrictions on access to people and information.
- Enhances special considerations in other areas of a group audit, including materiality and documentation.

In consideration of COVID-19’s impact, the IAASB is departing from the Board’s normal 120-day comment period for public consultations. Therefore, the exposure draft of proposed ISA 600 (Revised) is open for public comment until October 2, 2020.

The IAASB invites all stakeholders to comment on the Exposure Draft via the IAASB’s website



**International Auditing
and Assurance
Standards Board**

As Financial Crimes Grow During The Pandemic, Accounting Groups Address Key Piece Of AML Action

As a result of the COVID-19 pandemic and the unprecedented sums of relief money moving across the global economy, the threat of financial crimes and malfeasance continues to grow. In this context, CPA Canada and the International Federation of Accountants (IFAC) today published a report that explores a key facet of uncovering and fighting illegal activities: beneficial ownership transparency.

The fight against money laundering, corruption and tax evasion requires the participation of several stakeholders, including accountants, who rely on strong legal frameworks and accurate information.

“Beneficial ownership information, which identifies who has controlling ownership of an entity, is important to the discovery of financial crimes,” said CPA Canada President and CEO Joy Thomas. “Enhancing the transparency of this information should strengthen anti-money laundering regimes and help in seeking out lawbreakers and their proceeds of crime.”

The report, “Approaches to Beneficial Ownership Transparency: The Global Framework and Views from the Accounting Profession”, contributes to the global conversation as countries grapple with questions regarding the extent to which, and by whom, beneficial ownership information is collected, reviewed and made available. Central to this discussion is the concept of beneficial ownership registers and registries.

In examining how various countries are complying with the recommendations from the Financial Action Task Force (FATF) on transparency and beneficial ownership information, and with the perspectives of senior accounting leaders across the globe, the report finds that:



- Establishing a public beneficial ownership registry does not immediately ensure that a country's law enforcement and other agencies have access to accurate information in a timely manner.
- In several jurisdictions, the move to a public registry has been a phased approach, starting with non-public registries and then transitioning to public registries; and
- Verifying information and ensuring appropriate levels of access are key factors in registry's efficacy.

“The global accountancy profession, with its strong public interest mandate, is a committed partner in the fight against financial crime,” said Kevin Dancey, IFAC CEO. “We are eager to advance important policy conversations, including those over beneficial ownership, and to work meaningfully alongside governments, law enforcement and other stakeholders to combat financial crime in all its forms.”

With this report, the authors offer considered insights on the most effective ways to comply with international anti-money laundering standards. To view the first report,

visit: cpacanada.ca/beneficial-ownership.

Valedictory Address

- By Mazi Nnamdi Okwuadigbo, B.Sc., FCA
55th President

The Institute of Chartered Accountants of Nigeria



Mazi Nnamdi Okwuadigbo FCA

INTRODUCTION

1. We are grateful to the almighty God for His protection over the lives of members of our great Institute, The Institute of Chartered Accountants of Nigeria, and Nigerians as a whole. Since the outbreak of the novel coronavirus (COVID-19), we have all been extremely challenged, individually and corporately. In all, the crisis has elicited the creativity and ingenuity in us as Chartered Accountants and professionals. This Investiture programme is one of the ways we have remained undaunted by the present crisis.

2. It is instructive that, in the 55 years history of ICAN, this is the first time we are deploying an online channel to hold our investiture programme. This is telling of the fact that the global community is witnessing fundamental changes. At ICAN, we have demonstrated our resilience in adjusting to emerging trends.

3. Let me start by stating that my Valedictory Address is dedicated to the memories of those who have lost their lives to the COVID-19 pandemic. I wish to especially commiserate with their families and pray for the courage to accept this irreplaceable loss. I also wish to dedicate this Address to our health workers and the security agencies who continue to sacrificially fight the COVID-19 battle in order to guarantee that we all have a

safe society to operate. Our earnest prayer is that all their efforts to tackle the worrying impact of the pandemic would soon yield desired results.

4. The outgoing Presidential Year enjoyed the enormous support of the over 50,000 members of our great Institute. We were encouraged by members when the challenges appeared almost insurmountable. As the COVID-19 compelled us to adjust some of our programmes, our esteemed members demonstrated their uncommon understanding and accepted the changes, even at very short notices.

5. I wish to express my deep appreciation to the revered Body of Past Presidents of ICAN for their constant words of admonition. They availed us their rich experiences as we focus on sustaining ICAN as a truly global professional body.

6. The humble achievements in the course of the year were the result of collaborative efforts among my colleagues in the Governing Council of the Institute. We worked as a team to ensure the realization of our strategic focus for the year. When we had differences in opinions, we allowed the overall interest of the Institute to override individual differences.

7. The Secretariat staff were the army of committed workforce that ensured the accomplishment of our lofty objectives. I thank the immediate past Registrar/Chief Executive, Mr. John Evbodaghe, FCA and the incumbent, Prof. Ahmed Kumshe, FCA for providing this excellent leadership at the Secretariat.

ACTIVITIES OF THE YEAR

8. I am pleased to provide highlights of some of the activities we embarked on in the 2019/2020 Presidential Year. More importantly, I would mention few of our innovative ideas in our bid to minimize the impact of COVID-19 on the Institute's programmes.

9. The promotion of high ethical and professional conduct among members of the Institute was paramount in our activities for the year. The COVID-19 crisis raised new ethical issues in the profession. We followed developments on these ethical issues and provided guidance for our members as may be required. We also created a COVID-19 Resource Centre on our website. We equally strengthened the various disciplinary mechanisms of the Institute and made sure that cases of infractions were speedily resolved.

10. We used our engagements with stakeholders to project the Institute and its members' contributions to the growth of the economy. We also advocated the need to involve more Chartered Accountants in critical financial and economic policies decisions. We were able to reach some understanding with governments and private sectors' players.

11. The integrity of the Institute's examinations was guarded jealously in the course of the year. Council approved the annual three-diets professional examinations and arrangements were concluded to commence in March, 2020. However, we had to postpone the examinations due to the pandemic.

12. The students and membership drive was reinforced through various initiatives that led to increase in the number of the Institute's members. Presently, we have over 30,000 financial members. We had to take tough decisions to ensure members of the Institute are financially committed. Some of these decisions were the suspension and delisting of non-financial members which resulted in bringing more members into the financial members net.

13. We provided support for our students through scholarships and commenced the use of a new syllabus in the November 2019 diet of the examinations. For instance, as part of the activities to mark the centenary birthday celebration of the Doyen of the accounting profession in August 2019, Mr Akintola Afolabi Williams, FCA, we awarded

scholarship to eight students across various tertiary institutions in the country.

14. Our District Societies remained one of the robust channels of connection between members and the Institute. We supported a number of these District Societies through the ground breaking ceremonies we performed for ICAN Resource Centres.



Mazi Nnamdi Okwuadigbo FCA

15. One of the major initiatives of the Institute to improve the management of public sector finance is the ICAN Accountability Index (ICAN-AI). This initiative enables government, in the three tiers, to appropriately manage their financial resources. The launching of the second report was disrupted by the pandemic. The 2nd assessment covers the 774 local governments across the Federation and the Area Council in the Federal Capital Territory (FCT). This is a major improvement from the first edition of the assessment that only covered the Federal Government and the 36 States governments.

16. We fulfilled our obligations to the various international bodies we belong including the International Federation of Accountants (IFAC), the Chartered Accountants Worldwide (CAW), the Pan African Federation of Accountants (PAFA) and the Association of Accountancy Bodies in West Africa (ABWA).

17. We were not deterred by COVID-19 in our capacity building drive. We leveraged technology to ensure members' needs

- The Impact of COVID-19 on Accounting and Financial Reporting and Going Concern Issues
- Effects of the Global Pandemic on Interim Financial Statements IAS 34.
- Events After the Reporting Period IAS 10 – Adjusting and Non-adjusting Events.
- Leveraging Technology to Mitigate the Impact of COVID-19 on Business
- The Financial Impact of COVID-19: Potential Audit Challenges, Fraud Risk to Watch Out for and Disclosure Requirements.

18. We also had two Economic Discourse Series in December 2019 and May 2020. These Discourses centred on topical issues in the profession and the economy. The recommendations that emanated from these programmes were widely published and circulated to relevant individuals, agencies of government and private sectors players.

19. Our investment in technology also assisted us to nimbly maneuver the crisis created by the pandemic with respect to other statutory programmes of the Institute. We conducted most of our scheduled programmes online. For instance, the following programmes were held remotely for the first time in ICAN history:

- Since March, 2020 all the Council, Committees and sub-committees' meetings were held online.
- 18th Conferment of Fellowship Status Ceremony held on May 14, 2020 with a total number of 1353 members conferred with the Fellowship Status of the Institute.
- 2020 Annual Merit Awards held on Saturday, May 16, 2020.
- 65th Induction Ceremony held on Wednesday, May 20, 2020. A total number of 1,212 members were inducted as Associates of the Institute.
- The 2020 Annual General Meeting held online on Thursday, May 28, 2020.

CONCLUSION

20. Your Excellencies, distinguished ladies and gentlemen, the above are some of the result of our pledge when we took the mantle of leadership in June 2019 to build on the legacies of the founding fathers of the noble ICAN. It was an invaluable opportunity for me and my colleagues in Council to be entrusted with the leadership of the Institute for one year.

21. It was a challenging and equally rewarding experience. I thank God for the privilege to serve the 51,458 Chartered Accountants of one of the most respected Professional Accountancy Organisations (PAOs) globally.

Recognising and Rewarding Diligence

- By G.M. OKUFI, FCA



Some people ascend to heights which some of us consider unattainable. In the climb to this higher frame of mind, their thoughts, ideas they express and the effect these have on their contemporaries raise issues of: How did they think beyond their colleagues?, Why are they quoted or referred to? Shakespeare made an attempt to offer an explanation. He said "Agents are these events to prove the purity or otherwise of our existence".

A small oak seed is now a giant-oak tree and in the motto of the Royal Air Force- "Ad Astra"- Towards the Sky.

I say congratulations to the members of Council, the Body of Past Presidents, members and staff of the Institute's Secretariat for this catalogue of achievements. The Institute is a place to stay for cheerfulness to break in.

May I, at this point congratulate Prof. Ahmed M. Kumshe, F.C.A on his appointment as the Registrar/Chief Executive of our great Institute. Your appointment is an honour, an opportunity and a great privilege. I wish you a happy, fulfilling,

rewarding and successful tenure, lined with great land mark achievements.

Every enduring edifice is dependent on the strength of its pillars. Individually and collectively, we are saddled with the responsibility of sustaining and strengthening the pillars of the Institute at different levels by our behavior, pronouncements, character, statements and conduct.

The Institute under whose umbrella we gather, seeking shade, refuge, protection, shelter and comfort is not a Cultural Association. It is not a Syndicate, it is a Professional Body. The Institute has a trail of memorable past, successful present and an expectant future.

Prof. Tunji Olaopa of Ibadan Business School, is of the opinion that one of the definite attributes of any profession, is the availability of a professional gate-keeper, a coordinating professional Body that assures that the ideals and objectives of the Profession are always kept under constant vigilance.

The Institute of Chartered Accountants of Nigeria having been brought into existence by an Act of Parliament No.15 of 1965, is not afraid of greatness. Our forefathers are achievers and actualisers. An actualiser is resilient, trudging on in the face of stiff resistance and have there not been road blocks? Look back over the years knowing fully well that every setback is a step-up for a come-back. The position in which the Institute is today, has not been an automatic right, it is an earned honour.

The Olympic Games will come up in 2021, I am told that in the Olympics, there are Gold, Silver, and Bronze Medals, but there are no Olympic Medals for luck. You win a Medal, by dint of hard work, dedication and unwavering courage. If you stick your courage to the sticking place, you will not fail.

The Institute is not a monument but a movement that must continue to move forward, improve on its performance and image so as to continue in its

giant strides that leave others grasping far breadth. It is an Institute that gives continuity in a world where nothing is constant.

Nigerians have a tendency for short cuts or make belief. The first contact of each one of us is at the point of Registration to be a student of the Institute. There is a sifting process; there are conditions to be met. There is only one straight and narrow gate, and each one of us has, at one point or the other, passed through that checking gate, when the Institute tells you sometimes that you have failed to satisfy the Examiner. There are no Quota System, Federal Character, Catchment Area, Disadvantaged Area or Gender Qualification. The standard is not subject to variation or sympathy.

Each one of us has come through the purifying furnace that has made it possible to call ourselves Chartered Accountants. We all passed through the purifying process and come out bold, solid and confident.

A Greek proverb has it that a Society grows great when old men and women plant trees whose shade they know that they shall not sit in. Our forefathers have given us a legacy which we take pleasure and pride in. A legacy is not leaving something for people; it is leaving something in people.

Mr. Akintola Williams the Foundation President represents the first and best values in human Society and the Accountancy Profession. Our forefathers are men and women of formidable talents. Paul of Tarsus advised that things must be done properly and orderly. This golden advice has restrained members from turning the Annual General Meeting of the Institute into a Boxing Arena, chairs have not been used as weapons of mass destruction. Nobody puts himself up to be our President. Our President emerges and that is the beauty of the Accountancy Profession.

Even where we disagree, we have a way of giving polite expression to issues that may

separate or divide us. We are not only well informed but also educated and that is the difference between us and the rest.

When the late Chief Ebenezer Folorunsho Oke B.Sc, FCA became the President of our Institute in 1988/89, he introduced many new ideas and resuscitated dead ones.

Induction Ceremony and today's ceremony started from his Presidency, The ATS Examination to mention a few

The Institute by its other activities brought innovative ideas into its life and it is now growing at a rate that the others cannot understand but appreciate. Let us recognize and appreciate the innovative spirit and outstanding leadership of all our Past and Present Leaders.

May God continue to bless them with strength, courage and wisdom.

Every person likes to be appreciated. Praise is good for the ears. That is why all over the world, men and women are singled out for recognition. In our different Societies, you may be an Otunba, Chief, Igwe etc. Such distractions are not achieved by sitting on our hands, you have to work hard and be consistent. We are rewarded with promotion in our Organizations. That too, is appreciation.

Success is not always about greatness, it is about consistency, consistent-hard work leads to success, then greatness will come, so said Dwayne Johnson. Charles de Gaul once said – "Nothing great will ever be achieved without great men and women. Men and women are great only if they are determined to be".

Today, we are celebrating shared successes. Appreciation is a wonderful thing. It makes what is excellent in others belong to us as well.

Life is the most difficult examination. Many people fail because they try to copy others, not realizing that everyone has a different Question paper.

The Institute is, as always, recognising and rewarding people who push beyond their limits to achieve greatness.

Distinguished Awardees, we are gathered here this morning to give you honour, rejoice with you, your families and friends. The Institute is celebrating your worthiness excellence and greatness. It is not proper for any Society or Organization to honour a man or woman whose character is under a cloud.

Your Institute is celebrating what its life and situation have given to it. Each one of you deserves the accolades showered on you today. The Institute is proud of you and that is why it has brought you before the World to see as men and women of distinction and greatness in its body. It has rolled out the red carpet and brought out the drums.

This is a popular way to mark the people and events that shape our profession. The Fellowship rank you are given today denotes excellence in the Accountancy Profession and confers Leadership on all of you who have been elevated.

You will have to abide by the values of professional conduct including comportment relationship with the Institute, Clients, Colleagues and Members of the public.

You must continue to add values and hold on to them. Above all, you must be Role Models.

I wish all of you, many more years of effective performance, valuable contributions and the applause of an appreciative audience.

Paper Presented by MR. G.M. OKUFI F.C.A on the Occasion of the Conferment Ceremony of Fellowship Status by the Institute of Chartered Accountants of Nigeria on Thursday 14th May, 2020.



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DISCIPLINARY TRIBUNAL HOLDEN AT VICTORIA ISLAND, LAGOS

CHARGE NO: ICAN/LEG/D.T/016657/2018

**BETWEEN
ICAN - COMPLAINANT AND OLAJIDE GEORGE
(MN. 016657) - RESPONDENT**

29TH DAY OF JANUARY, 2020

JUDGMENT

The Respondent was charged before this **2ND COUNT:**
Tribunal on two (2) counts as follows:

1ST COUNT:

STATEMENT OF OFFENCE:

PROFESSIONAL MISCONDUCT contrary to Paragraph 1.2.0 (a) and (e) of Chapter 1 of the Professional Code of Conduct and Guide for Members of the Institute, 2009 and punishable under the said Code of Conduct and Section 12(1) (a) of the Institute of Chartered Accountants of Nigeria Act, Cap. 185 Laws of the Federation of Nigeria 1990.

PARTICULARS OF OFFENCE:

That you OLAJIDE GEORGE (M), a Chartered Accountant on or about 17th April, 2015 behaved without integrity and unprofessionally while acting in your capacity as the Regional Stock Controller in the employment of Globacom Limited, irregularly resigned from your employment and abandoned your duty post without proper handover of stock entrusted in your care, contrary to Paragraph 1.2.0 (a) and (e) of Chapter 1 of the Professional Code of Conduct and Guide for Members of the Institute, 2009 and punishable under the said Code of Conduct and Section 12(1) (a) of the Institute of Chartered Accountants of Nigeria Act, Cap. 185 Laws of the Federation of Nigeria 1990.

STATEMENT OF OFFENCE:

PROFESSIONAL MISCONDUCT contrary to Paragraph 1.2.0 (a) and (e) of Chapter 1 of the Professional Code of Conduct and Guide for Members of the Institute, 2009 and punishable under the said Code of Conduct and Section 12(1) (a) of the Institute of Chartered Accountants of Nigeria Act, Cap. 185 Laws of the Federation of Nigeria 1990.

PARTICULARS OF OFFENCE:

That you OLAJIDE GEORGE (M), a Chartered Accountant on or about 17th April, 2015 behaved without integrity and unprofessionally when you failed, refused and/or neglected to give proper account of the stocks and goods entrusted in your care in your capacity as the Regional Stock Controller in the employment of Globacom Limited which said act or omission resulted in the loss of your employer's stock or goods in the sum of N41,571,000.00 (Forty One Million, Five Hundred and Seventy One Thousand Naira) contrary to Paragraph 1.2.0 (a) and (e) of Chapter 1 of the Professional Code of Conduct and Guide for Members of the Institute, 2009 and punishable under the said Code of Conduct and Section 12(1) (a) of the Institute of Chartered Accountants of Nigeria Act, Cap. 185 Laws of the Federation of Nigeria 1990.

The Respondent was arraigned in absentia on the 26th day of February 2018 and a plea of 'not liable' was entered on his behalf in respect of the two counts, though he had legal representation. Trial commenced same day with evidence of the Prosecution's 1st witness, Mr Samuel Awojulu, Head of Internal Audit Department of Globacom (PW1). Thereafter, Respondent's Counsel commenced his cross examination right away (that is, same day - the 26th of February, 2018) but did not conclude the cross examination, as midway, he sought adjournment to enable him continue with the cross examination of PW1.

The testimony of the Prosecution's witness before this Honourable Tribunal is as follows:

(i) The Respondent, a member of the Institute was the Regional Stock Controller of Globacom Limited for Owerri Region until he hurriedly and irregularly resigned his appointment at around 8:00pm on 17th April 2015 via email.

(ii) That by virtue of his position as the Regional Stock Controller, he was the custodian of the vault and held the keys containing the company's stock and goods.

(iii) That on 18th April 2015, Auditors and warehouse officials from the company's Head Office arrived Owerri for the handover of the goods and stock entrusted to Respondent but the Respondent had disappeared and was nowhere to be found.

(iv) That when his residence was checked, the company learnt that Respondent had hurriedly moved out three (3) days earlier and that till date the company has not seen him.

(v) That the company approached his guarantor who undertook to indemnify the company in the event of any loss and that the guarantor (the Respondent's mother) was only able to repay the sum of N5million to the company.

(vi) That at the Institute's Investigating Panel, Respondent denied the allegations, although he did not appear before the Panel in person; he was represented by his Counsel, Mr T. Opaleye.

(vii) That the Panel referred the matter to the Tribunal.

(viii) The witness identified the affidavit and other documents exchanged between the parties and tendered the company's Standard Operating Procedure Manual, which was admitted in evidence as Exhibit 1.

Under cross examination, PW1 testified as follows:

(i) That he is one of the originators of the company's Standard Operating Procedure Manual wherein it was provided that Chartered Accountants be employed as Stock Controllers in the company.

(ii) That the Respondent, as the Regional Stock Controller for Owerri Region was the sole custodian of the keys to the vault containing the company's stock in the region.

(iii) That due to limited staff strength, the company's stock in the respective regions are audited once every 4-5 months.

(iv) That Owerri region was audited last in October 2014 and that before another audit could be carried out in April 2015, the Respondent resigned in a most bizarre and abrupt manner.

(v) He denied that monthly audit of stock is carried out by the company and stated that there is no document in existence to that effect.

(vi) He denied that the Respondent's mother was forced to make a refund of N5million and that it was when the Respondent's mother, as his guarantor, came to the Legal Department of the company and was confronted with the facts showing that her son misappropriated the company's stock worth N41million, that she made the repayment in three (3) installments.

(vii) He stated that the natural consequence of being a guarantor is to reimburse the company when the guaranteed fails to do so.

On December 13, 2018, the matter was adjourned at the instance of Respondent's Counsel. When the matter came up again on February 11, 2019, neither the Respondent nor his Counsel was present. On March 11, 2019, the matter was again adjourned at the instance of Respondent's Counsel.

On April 18, 2019, the Tribunal was informed, via a letter received same day from one Kehinde Osibona, Esq. (of Kehinde Osibona and Co) of the demise of Respondent's Counsel, Mr T. Opaleye on 30th March 2019. Mr Osibona stated further that the firm was not in a position to take over the prosecution of the case and therefore requested for adjournment to hand over the case file to the Respondent to enable him engage the services of another Counsel of his choice.

On September 20, 2019, the Respondent was absent and he was not represented by Counsel. Consequently, Respondent's right to cross examine PW1 (the 1st Prosecution Witness) was foreclosed, the Prosecution closed its case and the Respondent was ordered to open his defense.

On November 8, 2019, the Respondent was absent and he was not represented by Counsel. Having earlier informed the Respondent of his right to get another Counsel to handle his case and Respondent having failed to do so, his right to defend himself in the matter was foreclosed. The Respondent did not adduce any evidence in his defense and Written Addresses were ordered.

In addressing the Tribunal, the Prosecution filed a Final Address dated 5th December 2019 wherein she raised one issue for determination: Whether in all the circumstances of the case the Respondent is liable as charged before this Honourable Tribunal. The Prosecution submitted that the above issue for determination deserves to be resolved in the affirmative.

those facts stand uncontroverted and unchallenged before this Honourable Tribunal. She argued that despite series of adjournment at his instance, the Respondent refused and neglected to continue with the cross examination of PW1 or enter a defence to the charge preferred against him. She therefore, called on the Tribunal to hold that the Respondent had no defence to the allegations against him. She relied on the case of **CHIME Vs. CHIME (2001) 3 NWLR PART 701 PAGE 527 AT 554 PARAGRAPHS E-G** where it was held that where evidence is unchallenged and uncontradicted, the Court is right to act upon it. She further cited the case of **AKERELE KAYODE OYE-WOLE Vs. GBENGA OYEKOLA & 4 OTHERS (1999) 7 NWLR PART 612 PAGE 560 AT PAGE 564 PARAGRAPHS F-A** where it was held that the better view is that the Plaintiff in a case is to succeed on the strength of his own case and not on the case of the Defendant or failure of the Defendant to call or produce evidence. This position of the law notwithstanding, she argued that the little defence which the Respondent tried to put up in the course of the cross examination of PW1 does not in any way shake the evidence of PW1 and urged the Tribunal to find the Respondent liable for professional misconduct as charged.

Having considered all the facts and evidence before it in respect of this matter as well as the issue raised at the trial, the Tribunal holds that the Respondent was availed ample opportunity to conclude the cross examination of PW1 and also to defend his case but he refused to do so. This Tribunal is of the opinion that the Prosecution has led unchallenged, uncontradicted and uncontroverted evidence before the Tribunal touching on the essential ingredients that constitute the offences for which the Respondent is charged. The Prosecution has proved its case beyond reasonable doubt. The evidence before this Tribunal is as contained in Exhibit 1 tendered by the Prosecution and the oral evidence given by the Prosecution Witness, Mr Samuel Awojulu before the Tribunal. The issue raised by the Prosecution has not been challenged and therefore confirms the charges against the Respondent. See the case of **CHIME Vs CHIME (2001) 3 NWLR PART 701 PAGE 527 AT 554 PARAGRAPHS E-G** (supra). The Tribunal finds the Respondent liable on Counts 1 and 2 as charged.

This Tribunal frowns at the conduct of the Respondent, who did not exhibit integrity as is expected of a Chartered Accountant. The Tribunal has the duty of ensuring that members of the Institute maintain ethical standards, thus protecting public interest against unwarranted actions of members. I refer to the case of **MEDICAL AND DENTAL PRACTITIONERS DISCIPLINARY TRIBUNAL VS. DR. JOHN EMEWULU NICHOLAS OKONKWO (2001) 2 M.J.S.C. PAGE 67 AT PAGE 78.**

The Respondent acted in breach of Paragraphs 1.2.0 (a) and (e) of Chapter 1 of the Professional Code of Conduct and Guide for Members of the Institute, 2009 which provides as follows:

1.2.0 (a) A Chartered Accountant should be straightforward and honest in all professional and business relationships. Integrity implies not merely honesty but fair dealing and truthfulness.

1.2.0 (e) A Chartered Accountant should comply with all relevant laws and regulations and should avoid any action that discredits the profession.

A member should conduct himself with courtesy and consideration towards all he comes in contact with during the course of performing his work.

Consequently, the Tribunal shall apply its discretion as is provided for under Section 12(1) (a) of the ICAN Act.

The Tribunal's judgment is as follows:

(i) The Respondent is hereby removed from membership of the Institute.

(ii) The Registrar/Chief Executive is hereby ordered to strike out the Respondent's name from the Register of members.

(iv) This shall be the judgment of the Tribunal and same shall be published in the Institute's Journal

(iii) The Respondent is hereby ordered to return his Membership Certificate to the Institute forthwith.

MAZI NNAMDI OKWUADIGBO, FCA
CHAIRMAN, ACCOUNTANTS' DISCIPLINARY
TRIBUNAL



Corporate Financial Intelligence and the Performance Logic

- By Osaretin Kayode Omoregie



A business is a vehicle for creating value for shareholders and other relevant stakeholders in an ethical and sustainable way.

Executives and managers, under the direction and control of the board of directors are primarily charged with the responsibility of taking decisions that will achieve these objectives of the business in an efficient, effective and sustainable manner.

Managers generally identify opportunities, develop a strategy to pursue the opportunity, design and specify the scope of operations and investments required to support the business. Finally, managers take decisions on how to finance the entire operations using a mix of debt and equity.

Corporate financial intelligence is premised on a number of assumptions about the organization and its quest for superior performance. These assumptions are:

1. A business exists to create value for its shareholders on a sustainable basis, while delivering commensurate value to its other relevant stakeholders
2. All business operate on the basis of a universal or unifying performance logic

3. Managers are responsible for taking decisions that will improve the performance of the organization and create value for shareholders and stakeholders

4. Improved organizational performance can be opportunistic or orchestrated

5. All managerial decisions have financial implications, irrespective of the domain of origination within the organization.

6. No managerial decision is entirely domiciled in any one function of the business irrespective of its domain of origination.

The corporate performance logic implies that managers should take decisions that increase shareholder value.

$$\text{Performance} = f(\text{QMD}) = f(\text{CC} \times \text{QI} \times \text{T} \times \text{F})$$

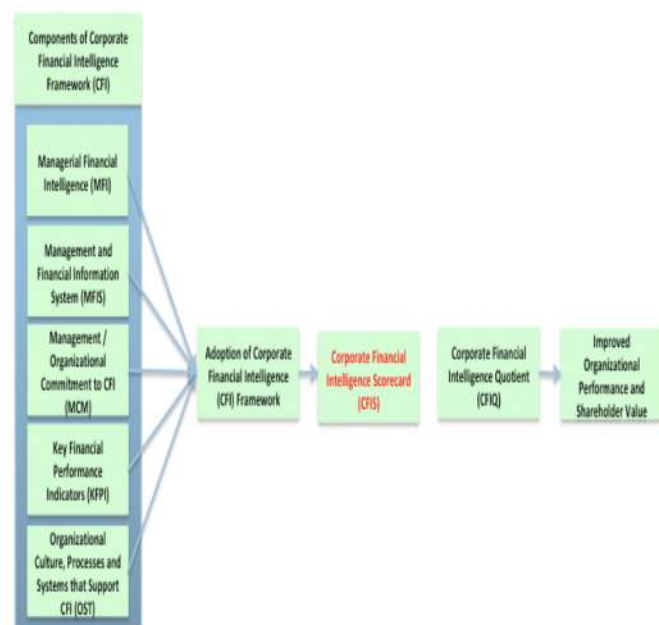
Corporate performance is thus a function of the quality of managerial decision (QMD), which is in turn a function of the cognitive capacity (CC) (knowledge and skills) of the manager, the quality and relevance of information about the problem and possible solutions (QI), the time available within which to solve the problem (T) and the degree of flexibility (F) that the manager has in either delaying the decision without adversely affecting the decision outcome (time flexibility) and or the flexibility to change the scope of the decision parameters to improve the likelihood of a favorable outcome (scope flexibility).

Corporate performance can thus be opportunistic, circumstantial, or it can be orchestrated. It is opportunistic or circumstantial when a company delivers stellar performance that is not directly attributable to the skillful management and decisions of the managers, but is due to the results of favorable operating conditions, and benign competitive conditions.

Performance is orchestrated when stellar results are a result of the deliberate, consistent and effective high quality decisions by the managers, whether or not the operating and competitive conditions are favorable or not.

• *The Corporate Financial Intelligence Framework (CFI™) is the design of a corporate policy, system, culture and organization that deliberately employs financial information and techniques as critical tools in evaluating business opportunities, strategies investment and financing decisions, risk evaluation, performance analysis and reward.*

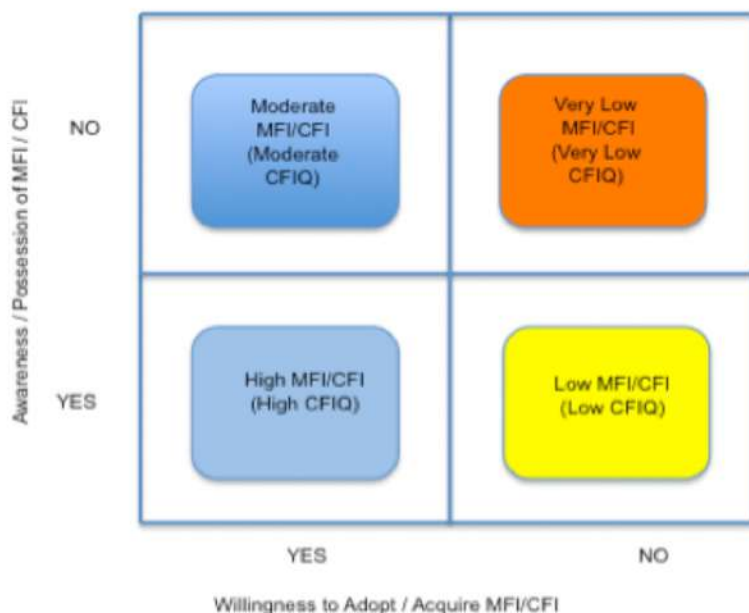
Organizations with a well-established Corporate Financial Intelligence Framework have high corporate financial intelligence quotient (CFIQ™) and are likely to deliver consistently better performance relative to those with low corporate financial intelligence quotient (CFIQ™).



Components of the CFI Framework are:

- **Managerial Financial Intelligence**, a situation in which all managers responsible for taking decisions that impacts on the performance of the business are aware of the financial implication of these decisions, and have sufficient level of financial skills and knowledge to enable them read and understand basic financial statements, and use financial tools in problem analysis, proposing solution options, making informed choices and evaluating decision outcomes.

An evaluation of a sample of Nigerian managers suggests a generally low level of managerial financial intelligence and weak adoption conditions and intentions for corporate financial intelligence framework within the organizations they manage.



- The design and implementations of **Managerial Financial Information System (MFIS)**, for gathering, storing and distributing relevant financial information from within and outside the organization to relevant decision makers within the firm.

- There needs to be a high level of **commitment from top managers / executives** and the entire organization to the institution and adoption of corporate financial intelligence framework on a consistent basis.

- The design and implementation of firm specific, process and function specific **key financial performance indicators (KFPI)**.

The KFPI must comprise of both leading indicators that will direct and reward actions towards improving performance in a measurable way, and lagging indicators that will measure the results of such actions, as a basis for rewarding and sustaining performance.

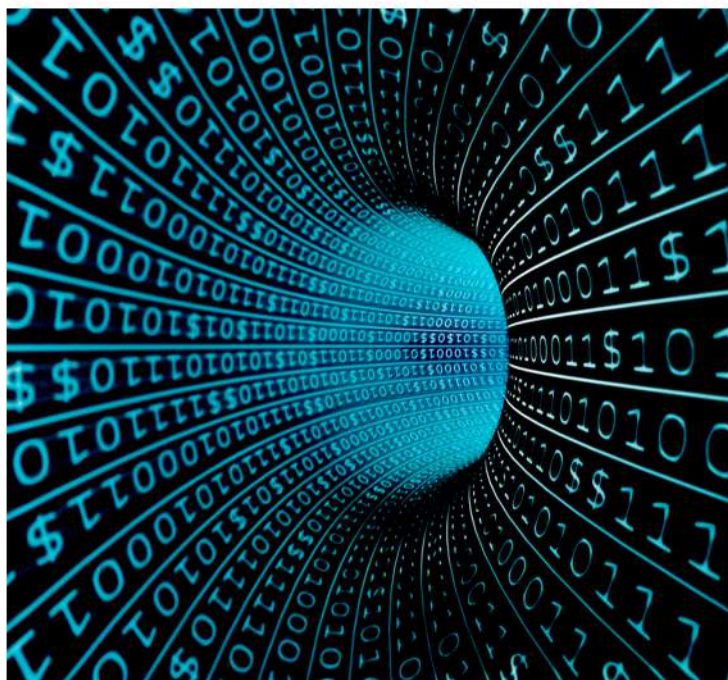
- The institution of **processes, systems and culture** that promote and support corporate financial intelligence in the organization. A corporate strategy and operation built around corporate financial intelligence.

Corporate financial intelligence should be driven by the leadership of the corporation, that is, the board of directors and the chief executive of the organization and cascaded through the entire organization.

Following the adoption of the corporate financial intelligence framework, the organization can develop a corporate financial intelligence scorecard, which will help define, communicate, monitor and measure the execution of corporate financial intelligence of the business over time, enabling the measurement of the corporate financial intelligence quotient (CFIQ™) of the organization.

The design and committed adoption of the corporate financial intelligence framework, leads to high corporate financial intelligence quotient (CFIQ™) for the organization and measureable improvement in corporate performance and shareholder value on a sustainable basis. It is conceivable that corporate financial intelligence can serve as a basis of competitive advantage for the organization.

This article was first published in the LBSINSIGHT segment of the Guardian Newspaper, 2 September 2019 edition and is reproduced with permission.





Our Condolences

On behalf of the Governing Council, Members, Management and Staff of The Institute of Chartered Accountants of Nigeria (ICAN), we commiserate with the family of **Late Chief Richard Akinjide, SAN** on his demise at the ripe age of 88 years.

We join well meaning Nigerians to celebrate the simple but worthy life of an accomplished professional, astute administrator and a role model who contributed his part to the development of his Fatherland, Profession and Humanity.

His contribution to the Accounting Profession in Nigeria is unquantifiable. As the former Minister of Education in the First Republic during the government of Late Alhaji Tafawa Balewa, Chief Akinjide contributed his humble quota to the founding and enviable stature of our Institute. He handed over the Institute's Charter to our first President, Late Chief F.C.O. Coker in 1965.

Chief Akinjide was a recipient of our Institute's MERIT AWARD in the non-members category in 2015

The footprint of his accomplishments will remain indelible on the sands of time.

While we pray for the repose of his soul, we also pray that God will grant his family the fortitude to bear this great loss.

May his Soul rest in perfect peace.

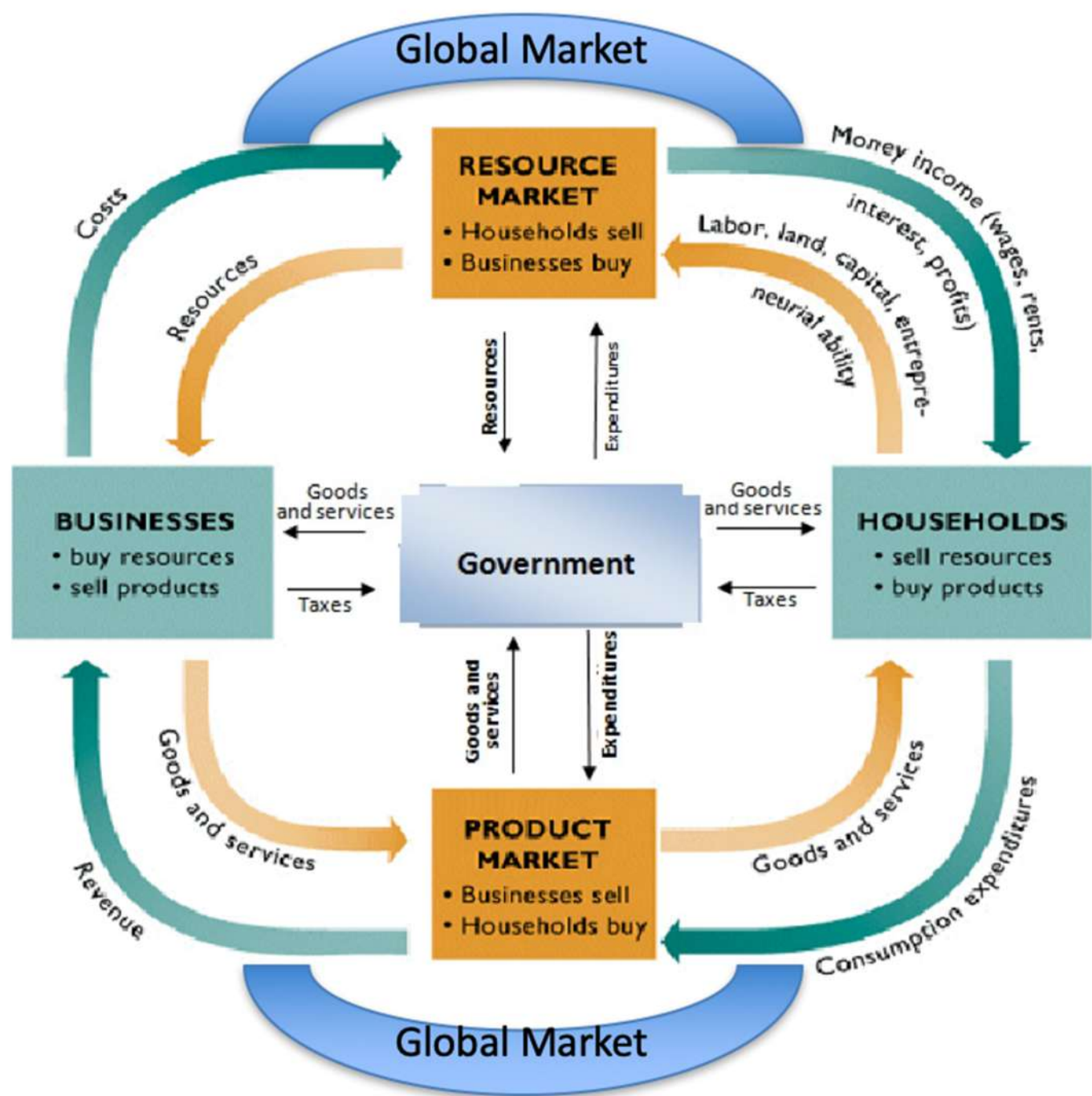
Mazi Nnamdi Okwuadigbo FCA
President



Late Chief Richard Akinjide presenting the ICAN Charter to Late Mr. F.C.O Coker in 1965

ICAN ECONOMIC DISCOURSE SERIES:
Post COVID-19: Strategies for Mitigating
Economic Crisis in Nigeria:
Evaluation of Opportunities for Nigeria

By: Ayodele Fashogbon PhD



The Twin Covid-19 and Oil Shocks

- Covid-19 cases and fatality on the increase
 - Lockdown across the country
 - Restricted interstate movement to its other relevant stakeholders
- Oil price slashed by 75%
- Cuts in Budget fundamentals
- Oil price benchmark from #57 to #20 per barrel
- Oil output projection 2.3 to 1.8 million barrels a day
- Exchange Rate from #306 to N360/US\$
- Economic growth projections went from +2.9 to - 3.4 percent
- annual inflation projections were raised from 10.8 to 14.1 percent

IMPACTS

- Losses of income – across sectors – retail, trade
- **Losses in non-labor income:** domestic remittances + external remittances.
- **Disruption to markets and supply chains**
- **Disruptions of basic services** from lockdown and social distancing measures
- **Reduction in food intake for poor households.**
- Increase in out-of-pocket health expenditures for household contracting the virus
- **Gender inequality in access to economic opportunities is likely to be wider.**

Evaluation of Economic Opportunities

Protecting lives, livelihood and Improving human capital	Pros	Cons
Household Response and resilience: <ul style="list-style-type: none"> - Behavioral change – health, social, economical - Improving human and social capitals - Building socioemotional/Character/Emotional intelligence skills - Improve communication and awareness - Diversify livelihood - Unlock inactive labor – discouraged labour force Firms: ? New type of Jobs + new windows of credit	Survival and growth Budget support COVID-19 RESPONSE FUND: <ul style="list-style-type: none"> -Healthcare -Public Works -Social Programs CBN STIMULUS PACKAGES Subsidized credit facilities for: Healthcare institutions-Households / MSMEs –Infrastructure	High risk of Covid-19 Destabilization in Oil Market Inertia Governance – transparency, accountability
Government: Credits and Spending Health Education Credit Finance Bill - declare and pay taxes online. Essential economic activity Developing Non-Oil sector Private refineries	FEDERAL SUPPORT TO STATES <ul style="list-style-type: none"> -Debt service rescheduling - COVID-19 Response and Recovery Program 	

Managing Performance for Super Results

By: Steve Olayinka



One of the biggest challenges in today's business world is organizations finding how to manage the contributions of their employees in the most efficient and mutually rewarding manner. An unpublished research insinuated that more than seventy-five percent of people working in organizations are not particularly bothered whether those organizations succeed in their business endeavours. This figure is alarming if actually confirmed. But confirmed is the fact that most companies are operating at below fifty percent of their capacity simply because their employees are not giving their best effort to performance at work. The assertion by John C. Maxwell – (the veteran leadership teacher and advocate) that everything in the organization rises and falls on leadership is not only apt but also irrevocable. But what most people do not understand is that leadership is essentially about the people; the quality of direction and motivation given to the people to get them engaged on their work. That is leadership pure and simple. of a universal or unifying performance logic

How then can a business manage its people's performance for the kind of result that one can call super? How can leadership in an enterprise inspire superior engagement leading to extra-ordinary performance from the followers towards this type of outcome?

DEFINITION

Performance management is a branch of leadership which promotes the mutual platform for the organization and its people to achieve fulfilment on both sides of the divide.

There is a general misconception that performance management is all about achieving set organizational results. That it does not matter what the individuals end up with as long as corporate objectives are achieved. In fact, this belief is the basis for most lackluster performance of employees at work. It generates the proverbial "monkey dey work, baboon dey chop" conundrum and almost everybody develop the 'I don't care attitude.'

The real performance management system factors the employee expectations into its equations. Difficult as it could be to input individual expectations into a big organizational performance agenda, a responsive HR game plan will aggregate its people's anticipations for this purpose.

VIEWPOINT OF ABRAHAM MASLOW

As far back as in 1940, a notable researcher into human behaviour as it pertains to organizational performance, Abraham Maslow developed some needs that are generic to humanity across race, tribe and culture.

Human beings are motivated by their needs. Maslow proposed that:

- a. Needs are arranged in a hierarchy from the physiological to those of self-actualisation.
- b. When any need is satisfied it ceases to motivate, motivation then results from promoting of the next highest need in the hierarchy.
- c. The five groups of needs develop in a chronological sequence e.g. the survival of needs are with us at birth.



Maslow suggested that the higher-level needs overlap to some extent, each emerging before the next lower level has been completely satisfied. He also stated that individuals might jumble around the order and importance of the higher needs.

Taking Needs to Work

The needs of the individuals serve as driving forces in human behaviour and it is as well to recognise that each person brings all of these needs to the work situation. The fact that some or many needs are not being met at work can lead to such situations as frustration and resultant hostility. The manager seeking to motivate members of staff is faced with these facts.

It is also no use trying to motivate a member of staff by offering a chance to satisfy a need that is already satisfied; neither is there any point in offering satisfaction of a higher need than the most pressing one, it would be seen as a pointless challenge that may well increase the degree of need at the lower level.

This is the juncture for leaders to distinguish themselves from mere managers. Good leaders will show sensitivity for their people, what level of the needs they are and what is the next level of their motivational needs. There was another leadership expert called John Adair. His position is that everyone within the organization should develop and grow leadership ability as they move up in the ladder of the business.

John Adair

John Adair claimed that people can be trained for leadership as a transferable skill and that leadership is not a matter of inborn aptitude. The central skills are decision-making, communication, and the ability to manage time. In his action-centred learning model he argues that working groups share three areas of common needs: the need to accomplish a common task, the need to be maintained as a cohesive social unit or team, and the sum of the group's individual needs. The functions of leadership are: planning and initiating, controlling and supporting, informing and evaluating. He identified 7 qualities of leadership

Seven qualities of leadership:

- 1. Enthusiasm** – it's contagious
- 2. Integrity** – adherence to values; consistency
- 3. Toughness** – resilient; tenacious
- 4. Fairness** – treat individuals differently but equally
- 5. Warmth** – engages heart as well as mind
- 6. Humility** – good listener; not arrogant
- 7. Confidence** – self belief

He also set out the actions that business leaders need to take to get the best out of their teams. These are tabulated below;

KEY RESPONSIBILITIES	ACHIEVING THE TASK (hard skills)	BUILDING AND MAINTAINING THE TEAM (hard skills)	DEVELOPING THE INDIVIDUAL (soft skills)
Setting Direction	Define objectives within strategy Identify task, constraints and deliverables	Involve team Establish shared vision/values Agree team purpose/goals	Clarify understanding of direction Clarify contribution
Planning and Resourcing	Establish priorities Establish programme, milestones and schedule Identify and acquire resources (people, tools, materials) Manage and implement change Set performance/conduct standards Identify, acquire and allocate resources (people – provide them with necessary tools and materials) Recruit if appropriate	Consult with team Encourage ideas and actions Develop suggestions system Gain commitment to standards Assess skills (carry out skills audit) Build team and co operation Resolve conflicts	Assign tasks and goals (delegate clear authority and responsibility) Clarify role Sell roles/jobs to individuals Manage aspirations Manage any resistance to change
Communicating/ Briefing	Brief the team. Check understanding Establish two-way communication process	Provide information Obtain feedback Answer questions	Provide information Obtain feedback Enthuse
Supporting and Monitoring Performance	Report progress Maintain standards and discipline Achieve objectives/results	Co ordinate activities Review team effectiveness Provide regular feedback Reconcile conflict Motivate team Encourage innovation	Provide regular feedback. Guide, assist, advise, reassure, motivate, counsel. Recognise effort and good performance Coach and develop
Taking Corrective Action	Modify plans, priorities, milestones, schedules and resources if necessary	Encourage problem solving Negotiation within teams Negotiation between teams	Manage and correct poor performance Discipline if appropriate Coach and develop

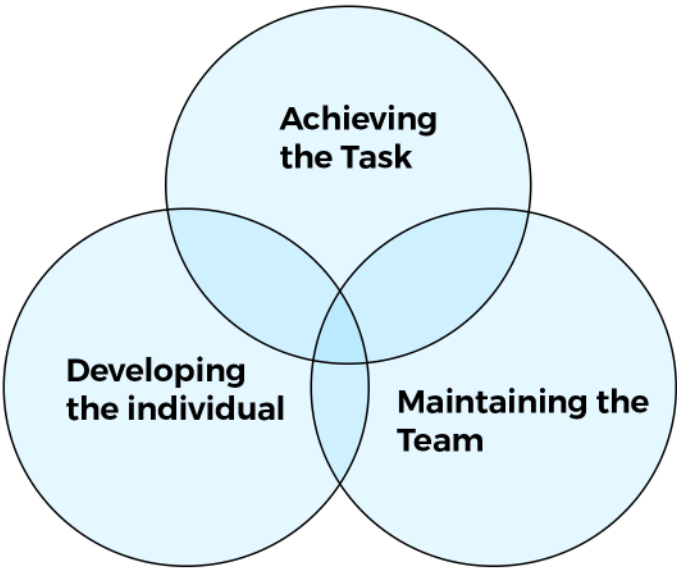
Evaluating and Reviewing	Summarise achievements/failures Review objectives Re-plan if necessary	Recognise and celebrate success Learn from failure Identify and action training and development needs Evaluate effectiveness of training and development against objectives	Assess/appraise performance Identify and action training and development needs Evaluate effectiveness of training and development against objectives
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From the table, it is easy to understand that for every hard skill mentioned in each stage, two soft skills are required. This is to point out that performance management is largely a soft skill business. Irrespective of the nature of job under review, the process must be nurtured with double dose of soft skills.

The above activities are the hallmark of an efficient performance management system and they stem from a robust leadership platform put in place across the rank and file within the organizational organogram.

CONCLUSION

The diagram below paints the ultimate picture of a successful performance management program. A closer look at the picture tells a beautiful story upon which I will wrap up this piece.



Yes, it is desirable to achieve assigned task of the business, the individual engaged in the cause achieving the task must be developed to do more next time. This action speaks to the heart of the individual and it registers the point that truly his/her contribution matters to the business. The last circle oils the social need of all humans. Keeping the team membership attractive and socially viable is needed to make employees ready to raise their game. This is central to the concept of going concern of any business.

Steve Olayinka is the CEO of Fuller Yield Venture

Mental Health For Chartered Accountants In Challenging Times

- By Joshua Gliddon



Your clients are anxious, all your family is working from home, and the beach is shut. How do you stop yourself panicking?

IN BRIEF

- The spread of coronavirus is creating panic and economic stresses that are harmful for mental health.
- As accountants, it's important not to take on all the fears and anxieties of your clients.
- To stay stable, try to limit your news intake to one reputable source per day, and remember to do something for yourself each day.

"My clients are incredibly panicked," says Holly Shoebridge, principal of Oceans Accounting on Sydney's Northern Beaches. "People are winding up their businesses, they've lost hundreds of thousands in income, they can't pay their mortgage or their rent, and they can't feed themselves."

Shoebridge's experience is probably similar to what other Accountants are facing during the COVID-19 pandemic. Clients are beside themselves, and they're coming to you to try to get some sort of plan together. The coronavirus doesn't discriminate. So how do you keep your mental health in check in these challenging times?

Perspective and personal space

Zachary Hayes, business director at HA Accounting and a small business mental health advocate, takes this approach to maintain stable mental health.

"You need to have a sense of release, so do something for yourself – go for a walk, do some meditation, get in the ocean, whatever it takes," says Hayes.

"You need to have a sense of release, so do something for yourself – go for a walk, do some meditation, get in the ocean, whatever it takes." Zachary Hayes, HA Accounting

"You also need to release your own fear and anxiety and then try to move away from a feeling of being overwhelmed."

Mental health organisation Beyond Blue has tips anyone can apply to their lives to gain a break from the constant stream of bad news.

A Beyond Blue spokesperson told Acuity it's important to try to maintain perspective. It is perfectly reasonable to be concerned, they said, but it's also important to know medical experts and governments are doing their best to contain the virus, and to create a vaccine protecting everyone.

There are also many reliable websites provided by governments and bodies such as the World Health Organisation providing up-to-date information that's not sensationalised and can provide the resources you need to get on with your day and help clients, family and friends.

As accountants, your clients are probably banging on the doors at the moment, but Hayes says it's important to take a step back, take a deep breath and only do what you can. There are only so many hours in the day, and with so many people working from home, technology can also become a challenge – as well as an opportunity.

"It's important as an accountant not to take on the fears and anxieties of your clients," Shoebridge says she employs techniques such as meditation and getting out into the environment (in small groups, naturally) to help her maintain perspective. She's also a keen surfer and said while many beaches have been closed for reasons of social distancing, there are remote locations where it's possible to get in the water and catch some waves.

Called from activitymag.com





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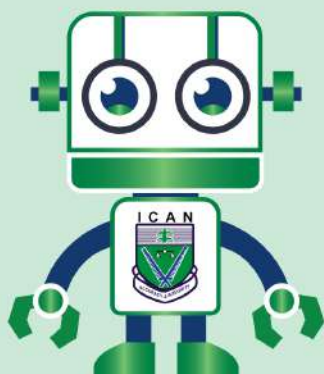
For more effective service delivery to our stakeholders, we have launched new help lines to address your concerns.



Our Help Centre:

01-7100311, 07050180122, 016309354
or contactcentre@ican.org.ng

Available **Monday** to **Friday** from **8am -5pm**



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