THE GROWING THREAT OF CYBERCRIME TO ACCOUNTANCY PRACTICES

Conal Kennedy writes:

Imagine this situation: you arrive into your office one morning and switch on your computer. The screen displays a message from criminals that your system has been subject to a ransomware attack. The same message appears on every computer in the office. You are locked out of all access to the system and data, both your own and that of your clients. The message on screen tells you to pay a number of bitcoins, which represents several thousand pounds or euros, to an offshore recipient, or your data will be permanently destroyed within one week. A clock in the corner of the screen counts down the time left to this event, and the amount of money you must pay to free your system steadily increases. The criminals are safely resident in an unstated offshore location and are well beyond the scope of law enforcement.

Do you think that a cyberattack is a remote possibility? Events similar to this have actually happened recently to accountancy firms in Ireland. Firms in this situation are faced with the dilemma of whether to make the payment, and indeed how, in practical terms, to make the payment. Even with the best outcome, days or weeks of worktime have been lost. The firms then had to deal with the consequences of the unauthorised access to personal information of their own and that of their clients.

How did this happen? The malware behind the attack may have arrived through a malicious link on an email sent to the firm. It could have been downloaded through a game or a streaming website. It may have been on a USB memory stick that was left behind by a criminal to be picked up and used by an unsuspecting staff member. There are many possibilities.

Cybercrime poses a range of risks to your practice besides the ransomware attack described above. Criminals may attempt to steal personal or business data, banking details, or money. Your system may be a victim of a virus attack or your server and system may be used to assist in other criminal activity. As technology permeates more and more of our lives, and as criminals become more sophisticated, we can expect cybercrime to pose an ever greater risk. Accountancy practices of all sizes may well be attractive targets, as they hold a range of business and personal data about clients, as well as being engaged in significant web and email activity with those clients, especially with the growing popularity of cloud accounting.

What can you do to minimise the risks of this happening to you? There are some basic housekeeping rules. Be very cautious about opening an email unless you recognise the sender. Never comply with a request sent by email to send banking details or personal details. Do not click on links unless you fully trust them. Never use a USB memory stick, unless you are sure of its source.

Consider taking the following measures:

- First, accept that cybercrime is real and could affect your practice;
- Give appropriate and detailed IT education to staff;
- Put good procedures in place and ensure that these are followed, with regular monitoring;
- Ensure that employees change passwords frequently;
- Encrypt your data;

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- Ensure that employees change passwords frequently;
- Encrypt your data;
• Make regular and consistent back-ups of your system and data;
• Use additional layers of IT security for those accessing data remotely from home or clients’ premises;
• Ensure that IT is properly managed and overseen by an appropriate person in the firm with adequate support from IT professionals;
• Review your IT and cyber security policies and procedures on a regular basis to ensure that they are up to date and effective;
• Make a plan for what you would do if your system is subjected to an attack, and review it regularly; and
• Ensure that you have adequate insurance against cybercrime.

This last point is important. The loss of earnings resulting from an attack to your system may be considerable. Don’t assume that your existing insurance and PII policies will cover this risk. In all probability they will not, unless you have specifically arranged this.

In summary, you should take the threat of cybercrime seriously. Take every reasonable measure to protect yourself, but plan for how you would deal with a serious incident.

NAME CHANGE FOR CARB - PROFESSIONAL STANDARDS

From 1 January 2017, the department responsible for regulation and discipline will change its name from CARB to ‘Professional Standards’.

As flagged in the December issue of Accountancy Ireland, the recent revisions to the Institute’s Principal Bye-Laws mean that responsibility for regulatory and disciplinary functions revert to the Institute, while an independent board (the CARB Board) is responsible for oversight and supervision of how the Institute discharges these functions.

Over the coming months, members will see changes in official documentation as references change from CARB to Professional Standards and Chartered Accountants Ireland. Our correspondence and other communications will bear the new description ‘Professional Standards’ and use the Institute logo.

For now, you’ll still be able to reach your contacts within the Professional Standards team using their existing CARB email addresses, however, over time, ‘charteredaccountants.ie’ will become the main contact address. Similarly, the website will change over time. Postal addresses will remain unchanged.

The CARB name and logo will be reserved solely for matters concerning the CARB Board itself, including its Annual Report and Regulatory Plan.

Implementing the changes fully will take a little time and so for the avoidance of doubt, where standard documents/forms require declarations or confirmations from members or firms/member firms that are currently to CARB, this has the same effect as such declarations/confirmations being made directly to the Institute.

If you have any questions or queries regarding the above changes please contact Aidan Lambe, Director, Professional Standards.

TAX MATTERS

The Chartered Accountants Ireland Tax Department writes:

NORTHERN IRELAND TAX DEVELOPMENTS

Autumn Statement 2016 and draft Finance Bill 2017

Chancellor Philip Hammond delivered the Autumn Statement to Parliament on 23 November last. New tax announcements were few and far between compared to previous Budgets and Autumn Statements. For Northern Ireland, the switching on of the NI corporation tax rate still remains subject to the NI Executive “demonstrating it has placed its finances on a sustainable footing”.

The Autumn Statement was followed up with the publication of a draft Finance Bill 2017 on 5th December 2016. The draft Bill is open to consultation until 1 February 2017. Numerous supporting policy papers and guidance were also published on www.gov.uk on 5 December last including a paper titled Northern Ireland rate of corporation tax: changes to small and medium-sized enterprise regime.

NI Tax Committee update and recent developments

In 2016, the Northern Ireland Tax Committee was very active on behalf of members and made 14 submissions on tax matters, including 5 submissions on Making Tax Digital. These can be viewed under the Tax Representations section of www.charteredaccountants.ie.
Change to NI corporation tax regime welcomed by NI Tax Committee

In December 2016, HMRC announced that the Corporation Tax (Northern Ireland) Act 2015 is to be amended so that SMEs who do not meet the SME test in the legislation will be able to avail of the regime for large companies if they have a Northern Ireland regional establishment ("NIRE"). The proposed change is welcomed by the NI Tax Committee who made this recommendation in its submission on the draft Northern Ireland Corporation Tax legislation in 2015.

Legislation will be introduced in Finance Bill 2017 to give an option for an SME which is not a NI employer but has a NIRE to elect to use the large company rules for identifying profits and losses to which the NI rate applies. The UK government will commence the Act and devolution of the power will be completed once the Northern Ireland Executive "demonstrates its finances are on a sustainable footing". The Northern Ireland Executive has committed to setting a rate of 12.5% due to commence on 1 April 2018.

Chartered Accountants Ireland’s briefing note on the legislation is available on our website. Note that this briefing note will be amended in due course once the detail of the proposed changes for SMEs is known and has been enacted.

Joint submission on Making Tax Digital
Chartered Accountants Ireland and the Institute of Chartered Accountants of Scotland have jointly written to the Financial Secretary to the Treasury to express concern about the Making Tax Digital ("MTD") proposals.

Key points made in the letter were:-

- Both Institutes have significant reservations about the timescale and the mandatory approach of the project, particularly for small and medium businesses
- A "digital" approach should form part of the UK regime, but only where it is proportionate and only for those who are digitally enabled and choose to do so. The process of digitisation of tax administration should not start with mandation
- The timetable is too ambitious
- Heaping the MTD proposals on top of existing additional workloads in the context of Brexit may be damaging
- The proposals will have a disproportionate impact on smaller business - the £10,000 exemption proposed by the consultations to exempt smaller businesses is neither realistic nor sufficient

Both Institutes are calling for the introduction of MTD to be scaled down and better phased in order to allow business, HMRC and software providers time to properly consider the scale and impact of the proposals and prepare and test the various systems extensively.

Tax Enquiries: closure rules

In its response to the consultation "Tax Enquiries: closure rules", the NI Tax Committee recommended that the power to close an enquiry should not be unilateral and that taxpayers should be afforded equal rights in this area. Draft legislation which will implement partial closure notices for enquiries and a technical note have now been published which confirm that the Committee’s recommendation is to be implemented. A reciprocal power for partial closure notices is included therein.

REPUBLIC OF IRELAND TAX DEVELOPMENTS

PAYE Modernisation

CCAB-I, of which Chartered Accountants Ireland is a member, recently responded to the public consultation on the modernisation of the PAYE system in Ireland. The consultation generated a lot of interest and we understand that Revenue received over 70 submissions and it plans to publish an overview of responses received in March this year. We understand that Revenue will continue to engage directly with relevant representative bodies on PAYE Modernisation, particularly as the detailed arrangements underpinning PAYE Modernisation are still being developed. The modernisation project was announced by the Minister for Finance in his Budget 2017 speech, whereby he noted "... that is intended to lead to a fundamental redesign and modernisation of the PAYE system."

The CCAB-I’s submission is available on www.charteredaccountants.ie in the Tax Representations section. The submission includes suggestions on how the system should operate for both employees and employers, highlights that the costs for users of implementing such a system should not outweigh the benefits and calls on Revenue to put a well-equipped support team in place to deal with queries from users to facilitate the ease of use of the system.
Companies (Accounting) Bill 2016 - update

As noted in various Institute publications, the Companies (Accounting) Bill 2016 ('the Bill') was published in August last. The October issue of Accountancy Ireland in particular carried a quite detailed article by Mark Kenny, Director, Representation and Technical Policy, on the key aspects of the proposals in the Bill from a reporting and filing perspective.

Chartered Accountants Ireland’s technical committees have given careful consideration to the provisions of the Bill and have made a submission to the Department of Jobs, Enterprise and Innovation (DJEI) in this regard.

At the time of writing, the Bill has not yet been enacted but continues to make its way through the various stages of the legislative process. It reached Committee stage in November - Select Committee on Jobs, Enterprise and Innovation - and the Bill, as amended in the Select Committee, is available on the Oireachtas website. The next stage is 'Report Stage'. We have been in contact with DJEI and no date is set for this as yet.

Following enactment of the Bill, the Institute will update the financial reporting guidance document 'Technical Release TR 02/2015 – Companies Act 2014 - Financial reporting and related issues' to reflect, as applicable, the provisions of the new Act. We will keep members informed in due course through the usual Institute communication channels.

New Technical Releases and Alerts

In recent months a number of technical publications have been issued by Chartered Accountants Ireland to provide guidance to members. The most notable of these are:

- Technical Alert 05/2016, Update on prescribed enactments for the purposes of section 27B of the Central Bank Act 1997;
- Technical Release 13/2016, Guidance for auditors of insurance undertakings in Ireland; and

These technical documents are available in the "Technical" section of our website and on CHARIOT.

Technical Alert 05/2016 Update on prescribed enactments for the purposes of section 27B of the Central Bank Act 1997 ("TA 05/2016") supplements the legislative references listed in Appendix 1 of Miscellaneous Technical Statement 46 Reporting to the Financial Regulator under The Central Bank and Financial Services Authority of Ireland Act 2004 (Revised Jan 2008) ("M46"). TA 05/2016 alerts auditors of entities regulated by the Central Bank of Ireland ("the Central Bank") to the notification in Iris Oifigiúil on 30 September of additional prescribed enactments in relation to which the auditor has duties to report to the Central Bank pursuant to section 27B of the Central Bank Act 1997 ("CBA 1997"). Auditors of relevant entities regulated by the Central Bank are required by section 27B of the CBA 1997 to make an annual confirmation to the Central Bank as to whether or not circumstances have arisen that require the auditor to report to the Central Bank under a prescribed enactment, and where applicable, to specify those circumstances. Auditors affected in this regard include those reporting on Undertakings for Collective Investment in Transferable Securities (UCITS), Irish Collective Asset-management Vehicles (ICAVs), payment services providers (as defined by the European Communities (Payment Services) Regulations 2009) and electronic money institutions.

December also saw the publication of Technical Release 13/2016 Guidance for Auditors of Insurance Undertakings in Ireland which provides guidance to auditors engaged by an insurance undertaking to carry out an audit of the undertaking’s financial statements and, where applicable, to provide a reasonable assurance opinion in relation to the relevant elements of the Solvency and Financial Condition Report (SFCR) of that undertaking. Previous guidance for the auditors of Irish insurance undertakings was contained in the Auditing Practices Board’s Practice Note (PN) 20 (I) The audit of insurers in the Republic of Ireland issued in 2002. That PN was withdrawn by the Financial Reporting Council ("FRC") in January 2016. Auditors of insurance undertakings not subject to the Solvency II regime continue to refer to Chartered Accountant’s Ireland’s Technical Alert 01/2016, Reporting on regulatory returns of insurers: Extract from PN 20(I), in relation to guidance for auditors reporting on the regulatory returns of insurers not subject to SI 485 of 2015.

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For the purposes of this Technical Release, an insurance undertaking includes Solvency II Undertakings authorised under the EU (Insurance and Reinsurance) Regulations 2015, and Non-Solvency II Undertakings authorised under the EC (Life Assurance) Framework Regulations 1994, the EC (Non-Life Assurance) Framework Regulations 1994 or the EC (Reinsurance) Regulations 2006. It is observed that most insurance brokers are unlikely to come under the scope of these authorisations. If you are in any doubt as to the status of a client, you should consult with the Central Bank of Ireland.

IAASA and the auditing framework for Ireland

As highlighted in news items in recent months, the Irish Auditing and Accounting Authority (IAASA) has been given responsibility, by virtue of a provision in Statutory Instrument No. 312 of 2016, for the adoption of auditing and ethical standards in Ireland. Since 17 June 2016 the UK’s Financial Reporting Council (FRC) is no longer the auditing standard setter for Ireland. In the December edition of Practice Matters we drew your attention to the three options being considered by IAASA for the future auditing framework for Ireland as set out in its October consultation paper. Chartered Accountants Ireland response to that consultation is available in the “Representations” section of our website as Rep 14/2016.

IAASA is currently considering the appropriate course of action for the long-term auditing framework in Ireland and has indicated that a temporary suite of standards will be issued while that consideration is ongoing. However, until such time as those temporary standards are issued by IAASA, there remains no applicable audit framework in place governing the conduct of Irish statutory audits in relation to financial periods beginning on or after 17 June 2016. This is of most immediate concern for statutory auditors and audit firms undertaking statutory audits of, and reporting on, financial statements for short financial periods beginning on or after 17 June 2016, e.g. the statutory audit of financial statements covering the period 1 July 2016 to 31 December 2016. Chartered Accountants Ireland continues to engage with IAASA in this regard.

Other Representations

In addition to the response to IAASA’s consultation on the future auditing framework for Ireland noted above, we have also made the following submissions, all of which are available to read in the “Representations” section of our website:

- Representation 17/2016, Chartered Accountants Ireland response to FRC’s consultation document: Triennial review of UK and Ireland accounting standards – Approach to changes in IFRS.
- Representation 16/2016, Chartered Accountants Ireland response to the FRC’s consultation on Exposure Draft Practice Note 20 (Revised), The Audit of Insurers in the United Kingdom.
- Representation 13/2016, Companies Accounting Bill 2016

Looking for Institute bye-laws and professional standards on CHARIOT?

You have read in this Practice Matters and recent news items, that the Institute department responsible for regulation and discipline has changed its name from CARB to ‘Professional Standards’ to reflect a recent revision to the Institute’s Bye-laws. Professional Standards’ suite of bye-laws and regulations can now be found on CHARIOT under the category heading “Bye-laws and professional standards”.

Revised Code of Practice for the Governance of State Bodies

Auditors of state bodies take note that the Revised Code of Practice for the Governance of State Bodies, 2016 (the “2016 Code”) is effective from 1st September 2016. In this regard, State bodies are expected to be fully compliant in relation to financial reporting periods beginning on or after 1st September 2016. State bodies have two options in relation to financial statements for financial reporting periods beginning before 1st September 2016 (a) early adopter - State bodies may choose to adopt the provisions of the new Code in relation to 2016 (e.g. in relation to the financial reporting periods commencing between 1st January 2016 and 31st August 2016) or (b) continue to apply the 2009 version of the Code of Practice for the Governance of State Bodies. The Chairperson’s report to the Minister for 2016 should set out which approach it has adopted.
PRACTICE TOOLKITS - ROI

PQAs for Insurance Brokers 2016 – Republic of Ireland

The Procedures for Quality Audits (PQAs) for Insurance Brokers 2016 RoI toolkit is now available for purchase. The toolkit aims to assist in the direction and documentation of your firm’s audit of insurance brokers and can be used to develop a work programme suitable for the particular needs of an individual insurance broker client.

The updated procedures are compliant with FRS 102 and the latest regulatory requirements. The toolkit now includes many familiar features of the PQAs, including the Audit Conclusion Summaries (“Traffic Light” Prompts) at the end of each work programme and the list of options from which to choose in the Going Concern and Auditor’s Report sections. The whole audit programme focuses on insurance brokers. Every section of the file has been tailored, leaving no irrelevant questions, checklists or work programmes.

The toolkit is available for just €230, or €199 if you are a paid PQA licence holder (plus VAT, post and packaging).

Tax compliance gets harder every year

…… so say our members who deal with tax returns for companies and individuals. They also tell us that getting the information from the client can be a difficult task. So why not start off 2017 with a toolkit that will take some of that work off your shoulders early in the year so you can be well prepared for the deadlines coming up later in the year?

The new 2016 version of Tax Gather & Check is now available!

A series of user-friendly checklists, Tax Gather & Check is designed to help you streamline your procedures and assist you in asking the right questions to capture essential details for Personal Tax and Corporation Tax Returns in the Republic of Ireland.

The toolkit contains four checklists – two for personal tax and two for corporation tax.

The Personal Tax Return Checklist for the 2016 tax year and the Corporation Tax Return Checklist for companies with accounting periods ending in 2016, outline personal tax/ corporation tax details a client must provide to help ensure the full and complete return of income and capital gains, and claims for allowances & reliefs for the tax year 2016/ accounting periods ending in 2016. They can be completed by your client, or used by the tax practitioner in a meeting with the client.

The Personal Tax Return Reviewer’s Checklist and the Corporation Tax Return Reviewer’s Checklist prompt compliance issues to be explored before final signoff of a tax return and computation.

Available in an easy to use format, as PDF documents on CD, the checklists can be printed, completed and kept on client files. Also included on the CD is a schedule of Common Tax Rates and Bands for 2016 & 2017.

So, why invest valuable staff and partner time writing your own personal and corporation tax return checklists when you can have this pack for just €90, or €79 if you are a paid PQA licence holder (plus VAT, post and packaging)?

Find out more about both of these toolkits in the members in practice area of our website at the following link: www.charteredaccountants.ie/publications/ or email Bernie Walsh at practicemembers@charteredaccountants.ie