



The Professional Journal of The Association of International Accountants

# INTERNATIONAL ACCOUNTANT

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## Sustainability reporting: the Voluntary Standard for SMEs in Europe

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**Failure to Prevent Fraud: the UK's new corporate offence**

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*Raising the quality of auditing in India*

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*How effective onboarding builds a lasting client relationship*



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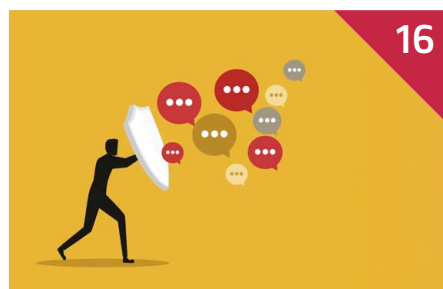
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## Practice management

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Eva Mrazikova (IRIS) argues that effective onboarding sets the tone for lasting client relationships. Accountants can use onboarding to build confidence, trust and loyalty while creating opportunities for growth and referrals.



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Editorial Information  
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International Accountant  
Staithes 3, The Watermark,  
Metro Riverside, Newcastle Upon Tyne  
NE11 9SN United Kingdom

+44 (0)191 493 0277  
www.aia worldwide.com

Editor  
Angela Partington  
E: angela.partington@lexisnexis.co.uk  
T: +44 (0)20 8401 1810

Advertising  
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Subscribe to  
International Accountant  
subscriptions@aia worldwide.com

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# WELCOME

## A profession at the crossroads

Angela Partington Editor, IA

**A**s the pace of change accelerates in both regulation and technology, the role of accountants and financial professionals has never been more pivotal. The features brought together in this issue highlight just how wide-ranging – and pressing – the challenges are: from building sustainable business practices to navigating new fraud legislation, from embracing artificial intelligence to rethinking how we serve clients.

Several contributors remind us that sustainability is no longer a niche concern. Martta Ääri underlines how SMEs, long exempt from complex disclosure rules, are increasingly expected to supply environmental and social data to banks, clients and consumers. Accountants, with their trusted role and data-handling expertise, are uniquely placed to translate daunting frameworks into practical action for these businesses.

Sunita Devi, meanwhile, sounds a sharp warning about the EU Omnibus – legislation that may simplify requirements, but risks diluting accountability at a moment when climate urgency is peaking. Taken together, these pieces argue that our profession is not a passive observer of sustainability change but a central actor in ensuring it has teeth.

Another strong theme is trust. Caroline Black's analysis of the new UK corporate offence of 'Failure to Prevent Fraud' lays out the high stakes for large organisations.

No longer can firms treat fraud prevention as a compliance afterthought: regulators expect documented risk assessments, training and top-level commitment to integrity. The message is clear – as enforcement is tightening, prevention must become part of business DNA.

If regulation is one side of the coin, innovation is the other. Dylan Brown explores how AI virtual assistants are reshaping professional services, offering speed and efficiency gains that can free human expertise for higher-value work. Yet he cautions against blind enthusiasm. Without governance, training and proper measurement, these tools could introduce new risks rather than reduce them. Responsible adoption will determine whether AI is an asset or a liability.

But amid all this change, one constant remains: the client relationship. Eva Mrazikova reminds us that onboarding is the foundation of lasting partnerships. In a digital-first, regulated world, first impressions count more than ever. Thoughtful communication, streamlined processes and human reassurance can transform onboarding from a burden into a strategic advantage.

The threads woven through these contributions – sustainability, integrity, innovation and client trust – show a profession at a crossroads. External pressures are mounting, but so too are opportunities to lead. Accountants are not simply responders to regulatory shifts; they are shapers of more sustainable, ethical and efficient economies.

## Contributors to this issue

### MARTTA ÄÄRI



Martta Ääri is the Co-Founder of Aila, a company developing digital tools that make sustainability reporting accessible for SMEs.

### CAROLINE BLACK



Caroline Black is a recognised leader in business crime and corporate investigations, and a consultant at Gherson Solicitors LLP.

### DYLAN BROWN



Dylan Brown has over 12 years' experience in content marketing and thought leadership for LexisNexis Legal & Professional.

### SUNITA DEVI



Sunita Devi is a Certified Sustainability Reporting Specialist at Devcom Trends, working with public listed companies to adhere to reporting standards.

### ANNA GOODWIN



Anna Goodwin at Anna Goodwin Accountancy has 30 years of experience in accountancy, supporting businesses, accountants and individuals.

### EVA MRAZIKOVA



Eva Mrazikova is a Director of IRIS Product Marketing, and practicing accountant with 20 years' experience in industry and the practice environment.

## ARTIFICIAL INTELLIGENCE

## Auditors warned about weak oversight of AI tools

The Financial Reporting Council (FRC) has issued a warning to large audit firms after publishing its 'Thematic review on the certification of automated tools and techniques' (ATTs), which exposed shortcomings in how firms validate and monitor AI-enhanced technology in audit work.

The review, covering the six largest UK firms – BDO, Deloitte, EY, Forvis Mazars, KPMG and PwC – found that although procedures exist to certify ATTs before deployment, their quality varies significantly. Most concerning was the absence of formal metrics or key performance indicators linking ATT use to audit quality outcomes.

Certification is usually handled centrally for widely deployed tools, while bespoke applications are certified at engagement level. However, some firms lack formal policies and often fail to conduct UK-specific re-certification of

global tools. Maintenance and monitoring also remain limited: oversight typically measures usage statistics, such as licensing, rather than whether tools improve audit quality. No firm has yet introduced robust systems to assess quality impact, and recertification tends to occur only when tools are updated, rather than following a regular review cycle.

The FRC emphasised that the rise of AI within ATTs — such as machine learning for journal entry analysis or generative help tools — brings fresh risks around bias, transparency, training, explainability and model provenance. It urges firms to reinforce their certification frameworks, incorporate AI-specific checks, and ensure audit teams understand tool limitations.

For practitioners, the message is clear: incorporating automation and AI into audits carries opportunity, but must be matched with strong governance, ongoing evaluation and documented risk controls.

## SINGAPORE

## Singapore expands reduced disclosure option

Singapore's Accounting and Corporate Regulatory Authority (ACRA) and Accounting Standards Council (ASC) have announced a significant amendment to FRS 119, broadening the scope of entities eligible to apply reduced disclosures in their financial statements.

The revised standard, 'Subsidiaries and small entities without public accountability: disclosures', was issued on 8 September 2025 and will apply to annual reporting periods beginning on or after 1 January 2027, with earlier adoption permitted.

Previously, FRS 119 was available only to subsidiaries that were not publicly accountable and whose parent company produced consolidated financial statements. Under the new guidance, small entities without public

accountability will also be able to opt in, provided they satisfy at least two of three criteria for the two preceding years: revenue of S\$10 million or less; total assets of S\$10 million or less; and 50 or fewer employees.

The move is intended to ease compliance costs while maintaining the integrity of financial reporting. For many small or less complex businesses, full FRS disclosure requirements can be burdensome, producing lengthy reports of limited relevance to users. By allowing simplified reporting, regulators hope to strike a better balance between transparency and efficiency.

ACRA noted that take-up of the Singapore Financial Reporting Standard for Small Entities has been relatively low, with many small firms choosing to prepare full FRS financial statements instead. The revised FRS 119 is designed to provide a 'middle ground', offering the recognition and measurement principles of full FRS with a lighter disclosure load.

## AUDIT

## Audit reform stalls again in the UK



Plans to establish the Audit, Reporting and Governance Authority (ARGA), the long-promised successor to the Financial Reporting Council (FRC), have been delayed once more after the government confirmed that the draft Audit Reform and Corporate Governance Bill will not progress to pre-legislative scrutiny this parliamentary session.

ARGA was first proposed in 2018 following the Kingman Review, which concluded that the FRC lacked sufficient independence and powers to tackle systemic failings exposed by collapses such as Carillion and BHS. The new regulator was expected to have enhanced enforcement powers, including the ability to sanction company directors, expand oversight to large private firms, and strengthen governance requirements across the market.

However, ministers told the Business & Trade Committee in July that 'the volume of legislation before Parliament' meant the bill could not be prioritised. Instead, the government will launch further consultations with stakeholders, leaving the timetable for reform uncertain. Industry observers now believe ARGA may not be operational until 2026 or later.



INDIA

## Finprov Learning to be AIA's new study provider in India

AIA welcomed Anand Kumar, CEO of Finprov Learning, and Sharon Jandu, AIA Council member, to the AIA Head Office to solidify an agreement that will bring AIA qualifications to more students across India. This important step builds on AIA's recent visit to India and reflects a shared commitment to making high-quality accountancy education more accessible. The agreement confirms Finprov Learning as an approved AIA study provider, allowing students in India to study for AIA's globally recognised qualifications through a trusted local partner.

Finprov Learning is a respected education provider in India, known for its practical, career-focused training in finance and accounting. AIA and Finprov discussed how they can work together to support students and professionals through innovative learning, international collaboration and a shared focus on high standards.

This partnership is part of AIA's wider strategy to grow its global network and create real value for students and members through strong international relationships.

## AIA NEWS

# AIA NEWS

### MONEY LAUNDERING

## AASG Risk Outlook: Anti-Money Laundering Guidance Update

The Accountancy AML Supervisors' Group (AASG) has published its latest 'Risk Outlook – High Risk Circumstances', dated 22 September 2025, outlining the evolving landscape of money laundering, terrorist financing and proliferation financing risks in the UK accountancy sector (see [tinyurl.com/bde2scmt](https://tinyurl.com/bde2scmt)).

AASG is comprised of the 13 accountancy professional body supervisors (PBSs) who are supervisory authorities under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR17). These bodies work together to develop consistent policies and best practices for anti-money laundering and counter-terrorist financing supervision in the accountancy sector.

The impact of money laundering is devastating. It enables serious organised crime such as modern slavery, drugs trafficking, fraud, corruption and terrorism. By knowing and understanding the risks to which the accountancy sector is exposed, the government, law enforcement and professional body supervisors, as well as the accountancy firms themselves, can work together to ensure that criminals find it difficult to exploit accountancy services.

This updated guidance is essential reading for all AIA members, particularly those working in external accounting, tax advisory, and trust or company services. It highlights:

- **emerging threats**, such as cryptoasset misuse, AI-driven fraud and sanctions evasion;

- **high-risk services**, including payroll, tax advice, company formation and accountants' certificates of confirmation;
- **red flag indicators** for client behaviour, including secrecy, complex ownership structures and links to high-risk jurisdictions;
- **sector-specific vulnerabilities**, including cash-based businesses; and
- **new obligations** around identity verification for Companies House.

The document also reinforces the importance of professional scepticism, robust AML policies and tailored risk assessments. Firms are reminded to regularly review their exposure and update procedures accordingly.

David Potts, AIA Director of Policy and Regulation and MLRO, said: 'This is a vital resource for AIA members. It reflects the increasingly complex threats facing the accountancy sector, from cryptoassets and AI-driven fraud to sanctions evasion. All firms should review the guidance and ensure their AML policies and risk assessments are updated.'

AIA members are strongly encouraged to read the full AASG Risk Outlook and integrate its findings into their firm-wide risk assessments and AML controls. The document complements the UK's National Risk Assessment (NRA) and should be used alongside it. Additional supplementary guidance has also been released relating to verifying the beneficial owners of clients. Further guidance is available for AIA members by logging in and accessing the AML hub.



## VOLUNTEERING

## Celebrating 18 years of volunteering excellence



Muhammad Bilal FAIA

At AIA, we are proud to champion members who embody the highest standards of the accountancy profession not only in their professional work, but in the positive impact they make in their communities. One such inspiring

figure is Muhammad Bilal, a dedicated accountant, AIA Fellow, and tireless volunteer who has devoted the past 18 years to charitable service.

From leading fundraising campaigns and providing retail support to offering expert bookkeeping for charitable organisations, Bilal's contribution has been as varied as it is impactful. His work has earned him multiple honours, including the Flame of Hope Award and the Shipley Community Award.

Bilal sees volunteering not just as a personal passion but as a civic duty, a belief closely aligned with AIA's own values of integrity, service and responsibility. Extending his ethos of service to the profession, he mentors trainee accountants and supports newly qualified professionals, generously offering his time and expertise free of charge.

Recognising his dedication, Bilal was recently invited to the prestigious Royal Garden Party, where he met members of the Royal Family, diplomats, community leaders and

others celebrated for outstanding public service.

Bilal said: 'As someone from a humble background and a first-generation British Pakistani, I never imagined attending such a prestigious event. I am passionate about serving my community in a way that reflects the values of equality, compassion and public service. This experience has strengthened my commitment to inclusive civic leadership.'

At AIA, we know that members like Bilal are living proof of how professional accountants can make a difference beyond the workplace. Through our global network, professional development programmes and peer support, we aim to empower all our members to lead with purpose – whether that's in boardrooms, communities or voluntary service.

Bilal's story is more than a celebration of one member's achievements; it is a testament to what the profession can achieve when expertise is combined with compassion and civic responsibility.

## HONG KONG

## AIA Members Connect and Learn at Hong Kong Workshop



On 5 September 2025, members and friends of the AIA Hong Kong Branch came together for a day of learning, connection and community engagement. The event brought together 20 participants.

The day began with a guided tour of the Legislative Council Complex,

introduced by Hon. Edmund Wong, where members explored the architecture and gained a first-hand understanding of the institution's operations. The visit offered participants a valuable opportunity to deepen their understanding of the city's legislative framework, encouraging engagement with civic life beyond their professional roles as accountants.

Following the tour, Hon. Edmund Wong also hosted a practical training workshop on cardio-pulmonary resuscitation and automated external defibrillation. Members learned essential life-saving techniques through hands-on practice, reinforcing the importance of emergency preparedness in both

personal and professional settings.

The event reflects AIA's wider mission to support members not only in their professional growth but also in their personal development and wellbeing. By providing opportunities to learn outside the field of accountancy, AIA continues to foster a close-knit community where members can broaden their horizons, gain practical skills and enjoy enriching experiences together.

The Hong Kong Branch looks forward to hosting more activities that strengthen connections, expand knowledge and equip members with tools to contribute meaningfully, both to their profession and to society at large.

# Passing the Financial Accounting and Reporting 2 exam

Success in exams hinges on thorough preparation, effective exam techniques, a strategic approach, a positive mindset and strong performance on exam day.

While you've been studying for the Financial Accounting and Reporting 2 exam, have you found yourself asking 'How will I ever pass this?' or 'What's the secret to success?'

Like so many things in life, preparation is key! A methodical, well-planned and well-executed approach will have you walking into the exam room feeling confident and ready. You'll know exactly what to do to pass the exam.

So, how do you get to that point? It comes down to these five key factors:

- understand the technical content of the syllabus;
- develop solid exam technique;
- devise an exam strategy;
- adopt a positive mindset; and
- deliver on the day.

Each of these factors is considered below.

## 1. Understand the technical content of the syllabus

You must develop a sound understanding of the syllabus content. This requires more than just rote learning rules from the accounting standards. Instead, you need to actively practise

applying these standards to different scenarios using the practice and exam questions banks.

To get the most out of your question practice, it's important to review the model solutions carefully to check your technical understanding. When you review a model solution, remember that your answer doesn't have to be perfect. You are not aiming to reproduce the model solution; however, the model solutions can be a useful learning tool.

Firstly, identify any technical errors you've made, such as mistakes in your calculations. Next, check whether your answer addresses all aspects of the question and covers the relevant IFRS Accounting Standards. If your answer falls short, go back to the question and find the clues in the scenario that would prompt you to identify the issue next time.

For example, in a scenario requiring you to discuss the financial reporting treatment of a loan to a subsidiary, you might focus solely on the recognition and measurement of the loan and forget to discuss related party transactions. Next time you encounter a similar scenario, you want to check whether there is a related party relationship between the two entities.

By prioritising question practice over rote learning, you'll develop the essential skills needed to identify key issues in a scenario and apply your knowledge effectively under pressure.





## 2. Develop solid exam technique

Good solid exam technique can make the difference between passing and failing. Exam technique is not something that can be memorised or learned simply by reading a set of instructions. You will develop your exam technique over time by practising exam standard questions.

Some key elements of exam technique are discussed below.

### ***Time management***

The exam is 3 hours and 15 minutes, which equates to 1.95 minutes per mark (including reading time). You should use this as a guide to work out how much time to spend on each question and how much time to spend on each requirement within each question.

Each question typically has several parts to it. You should plan your time so that you can attempt each part, even if you do not have time to fully finish each part. Be strict with yourself and move onto the next question once your time is up!

### ***Methodical approach***

For questions that require the preparation of group accounts or other numerical requirements, it is important to be methodical in your approach. Once you have identified what you need to do from the requirements, you should aim to set up the proforma and relevant workings and insert any 'easy' numbers.

This might include adding together the parent and subsidiary balances on the face of the proforma or inserting figures that do not need to be calculated into the proforma or workings. For example, you might insert the cash consideration into a goodwill working, or the subsidiary's share capital and retained earnings into the subsidiary's net assets working. You will learn to gauge which numbers you want to start with by practising these types of questions.

Any workings that you use should be set up in a sensible order and should be clearly labelled so the marker can follow your workings. Show your workings as you go, as this will enable the marker to award any follow through marks if you make a mistake. Follow through marks can really add up, so do not lose them by failing to show your workings!

## Answer structure

When producing responses to written questions, your answer should be structured in a way that makes it clear and easy for a marker to follow. Use short sentences and short paragraphs, spacing out your points as you write.

In terms of the content of your answer, you should aim to set out the relevant rules from the IFRS Accounting Standards that are applicable to the scenario and then apply those rules to the scenario. It is important to avoid 'knowledge dumping' everything you know about a particular topic and instead focus on the rules relevant to the scenario.

For example, when discussing revenue recognition in line with IFRS 15 'Revenue from Contracts with Customers', focus on which steps from the five-step model are relevant to the scenario. You may only need to focus one of the steps, so don't waste time listing out all five steps.

To get sufficient depth to your answer, think about the distinct stages of accounting for a transaction. Your answer should cover both the initial and subsequent treatment of the transaction.

When discussing the initial treatment of a transaction, you may need to consider the recognition rules, the measurement rules or both.

The subsequent treatment of a transaction involves explaining how the items recognised initially should be measured at the reporting date. You should also state the amounts to be recognised in the statement of profit or loss, or other comprehensive income, and the statement of financial position.

For example, with regards to the treatment of a lease, your answer should explain that a lessee recognises a right-of-use asset and lease liability upon initial recognition. Then it should set out the subsequent treatment of both the right-of-use asset (i.e. depreciate the asset) and lease liability (i.e. amortise the liability), including the impact on the statement of profit or loss and the statement of financial position.

## 3. Devise an exam strategy

The Financial Accounting and Reporting 2 paper contains four questions. You should consider the order in which you want to attempt the questions. You might prefer to start with Question 1, which involves the preparation of consolidated financial statements, particularly if you feel confident with this topic.

While there's no issue with starting here, it's vital to manage your time effectively and not overrun. It's tempting to finish every single working, but that extra time is better spent on the next question. You're far more likely to earn easier marks on a new question than to gain the last few, more difficult marks on the question you're already working on. It's also advisable to be flexible in your approach,

so if an unexpected topic or requirement comes up, it doesn't throw you off course. Be prepared to change the order in which you attempt the questions or even leave a particular requirement and come back to it later after you've had more time to think.

## 4. Adopt a positive mindset

It is easy to become fixated on the idea of answering every question perfectly or getting all the numbers 100% correct. This is not necessary to pass the exam, and the reality is it is extremely unlikely, if not impossible, that you will achieve perfection in your exam!

Take the pressure off yourself and try to adjust your mindset to 'doing enough'. Remember that you want to attempt every requirement, but you will likely run out of time to answer every sub-requirement fully.

You need to have enough knowledge, but you do not have to remember every single detail of all the accounting standards in order to produce a good answer to a question. Knowledge of the 'Conceptual Framework' can be useful in instances where you are struggling to recall the relevant IFRS Accounting Standard. You should learn the key features of the Framework (definitions of the elements, recognition criteria, measurement criteria, derecognition) so that you can apply these rules to a scenario if needed.

Accept that there will be challenging aspects of the exam. You may run out of time, you may forget to include something in your answer, or you may not remember a particular topic or accounting standard. How you deal with this on the day is what makes the difference.

Try to stay calm and keep moving through the exam, picking up the 'easy marks' where possible and knowing that by attempting as much of the exam paper as possible you will maximise your chances of passing.

## 5. Deliver on the day

By this point, you have nailed down your exam strategy and exam technique, so you know what you need to do. Stick to these regardless of the contents of the exam. Remember to keep going, look for the more straightforward parts and try to avoid dwelling on the trickier parts. Do what you can in the time available and then move on.

If you find yourself veering off track, stop and pause for a moment. Take some deep breaths, then go back to answering the question.

## Summary

This exam is your opportunity to demonstrate the financial reporting knowledge and skills that you have worked hard to build. It's natural to feel nervous before an exam, but by following the guidance in this article, you can walk into the exam room feeling well-prepared and confident that you have done everything possible to set yourself up for success. ●



# Failure to Prevent Fraud

Caroline Black considers the territorial application of the new corporate offence of Failure to Prevent Fraud.

Caroline Black  
Consultant, Gherson  
Solicitors LLP

**T**he much-heralded new corporate offence of Failure to Prevent Fraud came into force on 1 September 2025 (Economic Crime and Corporate Transparency Act (ECCTA) 2023 ss 199-206).

Failure to Prevent Fraud makes it an offence for **large organisations** to fail to prevent the fraudulent behaviour of individuals and entities acting for or on their behalf, in circumstances where the fraud is intended to benefit the organisation or its clients.

The UK courts have jurisdiction if there is a UK nexus to the fraud, meaning the fraud:

- must include an act that occurs in the UK; or
- results in a gain or loss in the UK.

In a joint statement issued by the Fraud Minister, the Solicitor General, the Serious Fraud Office and the Crown Prosecution Service, the

British authorities have made it clear that they are keen to pursue offenders using this new tool (see [tinyurl.com/jc72umyb](https://tinyurl.com/jc72umyb)).

The Solicitor General Lucy Rigby KC MP said:

‘Fraud undermines our British values of fairness and playing by the rules. It hurts individuals and businesses, and harms business confidence. This new legislation sends a clear message that large organisations must take responsibility for preventing fraud, and those that fail to do so will be prosecuted with the full force of the law... We’re determined that those who don’t play by the rules will be brought to book.’

On conviction, a company will be liable to an unlimited fine. The only defence available



## Practical examples

**UK jurisdiction:** A large US based financial services firm has a strong client base in the UK. An employee operating out of New York (acting for or on behalf of the US firm) fraudulently mis-sells investments in a US fund. The victims of the fraud are in the UK.

The US financial services firm can be prosecuted in the UK for a failure to prevent fraud.

**Non-UK jurisdiction:** A UK headquartered conglomerate has global operations. An employee of an overseas subsidiary commits fraud intending for it to benefit the overseas subsidiary.

The UK authorities cannot prosecute the fraud as there is no UK nexus to the conduct.

to a large organisation is to prove that it had reasonable fraud prevention procedures in place.

### Large organisations

Under ECCTA 2023 s 201, large organisations include those which meet two or more of the following criteria during the financial year prior to the year of the base offence:

- more than 250 employees;
- more than £36 million in turnover (the amount derived from the provision of goods and services falling within the ordinary activities of the commercial organisation or subsidiary undertaking, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived); and
- more than £18 million in total assets.

The government's 'Guidance to organisations on the offence of failure to prevent fraud' (November 2004) makes it clear that the criteria for large organisations 'apply to the whole organisation, including subsidiaries, regardless of where the organisation is headquartered or where its subsidiaries are located' (see [tinyurl.com/y56x282v](https://tinyurl.com/y56x282v)). Accordingly, organisations with only a small presence or customer base in the UK could be caught by the Failure to Prevent Fraud offence.

### What is 'fraud'?

The base conduct covered by the Failure to Prevent Fraud offence is listed in ECCTA 2023 Sch 13. Offences include but are not limited to: fraud by false representation (Fraud Act 2006 s 2); fraud by failing to disclose information (Fraud Act 2006 s 3); cheating the public revenue (common law); and false accounting (Theft Act 1968 s 17). Broadly speaking, the most typical offences are likely to be fraud by positive misrepresentation (or omission), false accounting and tax fraud.

There is no de minimus amount of gain set out in the legislation and there is no requirement for the underlying conduct to be prosecuted.

## Whose fraudulent conduct must be prevented?

The action of individuals and entities will attribute liability to the organisation where the associated person is acting for or on behalf of the organisation in the course of their duties (not in a personal capacity), and where the fraud is intended to benefit the organisation. This will include the actions of employees (wherever they sit within an organisation), agents and other third parties.

For multinational organisations, it is important to determine for whose corporate benefit an individual, agent or subsidiary was acting when committing the fraud. The entity which is intended to benefit has the corresponding liability and must have reasonable procedures to prevent the fraud.

The benefit to the organisation does not need to be the sole or dominant motivation for the fraud; it suffices that the organisation was intended to be a beneficiary. Accordingly, a sales agent who misleads customers in order to achieve higher personal commissions will also attribute liability to his employer company where that entity will also benefit from his or her actions.

## Location of fraudulent conduct, loss or benefit

It is the location of the conduct, loss or benefit which is important for UK jurisdiction, not the location of the corporate seat.

Any entity which is a large organisation should undertake a review of its operations to assess if the UK courts could have jurisdiction for Failure to Prevent Fraud. The following factors should form part of that determination:

- Are there any operations in the UK?  
These include UK based offices, employees, subsidiaries and associated persons who act for the benefit of the organisation.
- Are there potential victims in the UK (i.e. customers, shareholders or others)?
- Is there a vehicle for corporate benefit in the UK (bank accounts, etc)?

If the answer to any of the above is 'yes', the organisation should consider further steps to design and implement reasonable fraud prevention procedures, as this is the only defence available to the otherwise strict liability offence (ECCTA 2023 ss 199(4) and (5)).

## Compliance defence: reasonable procedures

What is considered reasonable in any particular case will depend on how much control and supervision the large organisation has over the relevant offender. The guidance sets out that



### The risk assessment will identify areas which require mitigation by way of enhanced policies, procedures and controls.

policies and procedures should be designed and implemented in accordance with the following well versed compliance principles:

- **Top level commitment:** The board of directors, partners and senior management should be committed to preventing associated persons from committing fraud. They should foster a culture within the organisation in which fraud is never acceptable and should reject profit based on, or assisted by, fraud.
- **Risk assessment:** The organisation should assess the extent of its exposure to the risk of employees, agents and other associated persons committing fraud in scope of the offence. The assessment should be dynamic, documented and kept under regular review.
- **Proportionate risk-based prevention:** An organisation's procedures should be clear, practical, accessible, effectively implemented and enforced. It should draw up a fraud prevention plan, with procedures to prevent fraud being proportionate to the risk identified in the risk assessment.
- **Due diligence:** The organisation should undertake due diligence procedures, taking a proportionate and risk-based approach, in respect of people who perform services for or on behalf of the organisation. Those with exposure to the greatest risk may choose to clearly articulate their due diligence procedures specifically in relation to the corporate offence.
- **Communication, including training:** The organisation should seek to ensure that its prevention policies and procedures are communicated, embedded and understood throughout the organisation. Training and maintaining training are key.
- **Ongoing monitoring and review:** The organisation should monitor and review its fraud detection and prevention procedures and make improvements where necessary. This includes learning from investigations and whistleblowing incidents and reviewing information from its own sector.

The first step is ensuring that there is commitment, at the highest level, to combatting fraud **by** the company, not merely **against** the company. This can be shown in a variety of ways by the board and senior management, not least through clear statements on zero tolerance for financial crime and the allocation of sufficient practical resources to compliance in this area. A well thought through and documented risk assessment, setting out the areas of risk is appropriate in almost all circumstances. Even where risks are assessed as low, the fact and

records of the assessment will be essential evidence in any compliance defence.

Once complete, the risk assessment will identify areas which require mitigation by way of enhanced policies, procedures and controls. This could include thorough due diligence on employees, officers or third parties, communication by way of contractual terms and training, and ongoing monitoring and review by way of sophisticated AI tools or corporate whistleblowing procedures.

Any incidents uncovered must be investigated swiftly with appropriate remediation measures put into place, including consequential management. Careful consideration should also be given to the need to report significant failures to regulators or others such as the Serious Fraud Office.

### Will there be a flood of cases?

The Failure to Prevent Fraud is the third 'failure to prevent' offence on the UK statute books, attributing strict liability to companies for financial misconduct by their employees, agents and those acting on their behalf.

A key aim of such legislation is to shift the compliance and crime prevention burden onto companies – and to make it easier for prosecutions to be successfully brought by the authorities once issues come to light. Nick Emphgrave, the Director of the Serious Fraud Office, has stated that he will be 'out hunting' for cases as soon as the new law becomes effective.

However, as with any deception-type offence, there is likely to be some considerable time lag from detection to prosecution. This means that cases are unlikely to be before the courts for several years. Indeed, we are only now seeing the first contested case of failure to prevent bribery under the Bribery Act 2010 (*R v United Insurance Brokers Ltd*); and the first case of failure to prevent the facilitation of tax evasion under the Criminal Finances Act 2017 (*R v Bennett Verby Ltd*) coming before the courts.

Nevertheless, the authorities are keen to use their new tools and companies falling within the remit of the new offence should ensure that compliance policies and processes are amended to provide a defence should the worst happen. ●



**Author bio**  
Caroline Black is a consultant at Gherson Solicitors LLP.

# Why sustainability matters for SMEs

**Martta Ääri** considers the role of accountancies in guiding SMEs towards sustainable compliance.



**S**ustainability reporting has often been regarded as a matter reserved for listed companies and multinationals. Yet the world of business is changing fast, and the expectations placed on small and medium-sized enterprises (SMEs) are growing just as rapidly.

SMEs are the backbone of the global economy. In the EU, they account for 99% of all businesses and employ around 100 million people. Their role in achieving sustainability targets is undeniable, even though most SMEs are not directly under binding legislation such as the Corporate Sustainability Reporting Directive (CSRD).

The reality is that SMEs face increasing indirect pressure from stakeholders. Larger companies must report on their environmental, social and governance (ESG) performance and so need reliable information from their subcontractors and value chain partners. Banks and other financial institutions are increasingly asking for accurate ESG data when evaluating loan or funding applications. Consumers, too, expect transparency from the companies they buy from.

In this shifting landscape, accountancies are emerging as crucial guides. Having built trust with SMEs over decades through financial reporting and compliance, accountants are in a unique position to extend that trust to sustainability.

## The complexity challenge for SMEs

For most SMEs, sustainability compliance feels like entering a regulatory jungle. Regulations,

**Martta Ääri**  
Co-Founder of Aila



**Author bio**  
Martta Ääri is the Co-Founder of Aila, a company developing digital tools that make sustainability reporting accessible for SMEs.

voluntary standards and stakeholder expectations create a maze that is difficult to navigate without expert guidance. Acronyms such as CSRD, ESRS (European Sustainability Reporting Standards), EU Taxonomy and TNFD (Taskforce on Nature-related Financial Disclosures) appear overwhelming, especially for business owners who are already stretched thin managing operations, finances and people.

Unlike large corporations, SMEs rarely have in-house sustainability officers. They may not even have a dedicated finance department. As a result, when new compliance questions arise, their first instinct is to turn to their accountant.

Accountants already translate financial legislation, tax rules and auditing standards into actionable steps for their clients. Extending this role into sustainability is a natural progression. Just as accountants help SMEs to stay compliant with financial obligations, they can now help them simplify sustainability compliance, making it understandable and manageable.

## Why accountancies are key actors

Trust is the cornerstone of the accountant-SME relationship. SMEs often see their accountant not just as a service provider but as a trusted advisor who knows their business inside out.

Sustainability reporting shares many similarities with financial reporting, and the latest frameworks are increasingly designed to integrate the two, strengthening the link between financial and sustainability disclosures. Both require structured and verifiable data, transparency and accuracy, as well as regular



updates and comparability over time. This alignment means that accountants are well placed to incorporate ESG considerations alongside financial statements.

For SMEs, this means they can respond more effectively to requests from clients, banks and regulators, thereby strengthening their competitiveness. For accountancies, the expansion into sustainability creates opportunities to broaden their service offering, build stronger client relationships and position themselves as frontrunners in a changing market.

For the wider economy, a greater flow of reliable ESG data from SMEs improves the quality of reporting by larger companies and enables financial institutions to make better-informed decisions.

### How technology can simplify sustainability compliance

One of the main barriers for SMEs is complexity. Without technical knowledge, ESG reporting feels like a task that only consultants or large corporations can manage. Collecting data across invoices, suppliers and operations is often time-consuming and confusing.

This is where technology becomes a game-changer. Just as cloud-based platforms have transformed bookkeeping, payroll and tax filing, sustainability reporting is entering its own digital era. For accountancies, technology makes sustainability services scalable. One professional can support dozens of SME clients without becoming a sustainability expert themselves. It ensures consistent outputs, since each ESG report is generated according to the same methodology, which strengthens comparability across clients.

Most importantly, it creates value by turning sustainability reporting from a compliance headache into a competitive advantage and a new service line. The digitalisation of sustainability compliance mirrors the evolution of financial compliance: what was once manual and error-prone can now be streamlined and automated.

### Future outlook: from optional to essential

At present, most SMEs are not legally obliged to produce sustainability reports. However, the direction of travel is clear. Sustainability information is rapidly shifting from optional to business critical.

Large companies are increasingly requiring ESG data from their suppliers in order to complete their own mandatory reporting. Banks and financiers are making sustainability disclosures a standard part of loan and investment processes. Public procurement increasingly favours suppliers who can demonstrate ESG performance. Meanwhile, consumers are becoming more informed and are rewarding transparency while punishing greenwashing.

### The EC's Voluntary Standard for SMEs

On 30 July 2025, the European Commission adopted a recommendation on voluntary sustainability reporting for SMEs. The standard adopted in the recommendation will reduce the administrative burden on SMEs by making it easier for them to respond to requests for sustainability information from large companies and financial institutions which are subject to mandatory reporting under the Corporate Sustainability Reporting Directive (CSRD) and which have such SMEs in their value chains.

The Commission encourages large companies and financial institutions that seek sustainability information from SMEs to base their requests on the voluntary standard as far as possible. SMEs may also wish to voluntarily report sustainability information to improve their access to sustainable finance and better understand and monitor their own sustainability performance, thereby improving their resilience and competitiveness. For further information, see: [tinyurl.com/mw62nvsb](https://tinyurl.com/mw62nvsb)

Although the Voluntary SME Sustainability Reporting Standard (VSME) framework was originally designed in the EU and was approved by the EU Commission, frameworks like this set a global precedent. The VSME framework is already being considered as a basis for national sustainability legislation in other countries.

For SMEs, sustainability reporting is therefore no longer only about compliance. It is becoming a gateway to access markets, finance and growth opportunities. Accountancies that prepare their clients today will give them a competitive edge tomorrow. In many ways, sustainability is becoming as fundamental to business health as financial stability. Just as ignoring accounting obligations is unthinkable, neglecting ESG transparency will soon carry tangible risks.

### Conclusion

SMEs form the backbone of our economies, and their contribution to sustainability cannot be overlooked. While most are not directly bound by legislation, the expectations from value chains, financiers and consumers are rapidly increasing.

Accountancies are in a unique position to help SMEs navigate this new era. By integrating sustainability reporting into the trusted processes they already manage for financial reporting, accountants can make ESG compliance both practical and valuable. With technology simplifying complexity, the future of accountancy is no longer only financial – it is sustainable. Firms that embrace this shift will not only strengthen their own business but also empower SMEs to thrive in a changing economy.

*Aila has developed a tool built on the Voluntary SME Sustainability Reporting Standard that translates complex frameworks into a solution for SMEs and their accountants. Aila's tool guides companies through clear questionnaires, provides automated hints and benchmarking to give context, and produces ready-made templates aligned with international standards but simplified for small businesses. ●*

# The Voluntary Standard for SMEs in Europe

We look in more detail at the recommendations made by the European Commission.

**T**he European Commission has issued recommendations to support small and medium-sized enterprises (SMEs) in dealing with growing demands for sustainability reporting.

While the Corporate Sustainability Reporting Directive (CSRD) only imposes legal obligations on large companies, SMEs are increasingly being asked to disclose environmental, social and governance (ESG) information by banks, investors and larger corporate clients. This is sometimes referred to as the 'trickle-down effect', since SMEs are indirectly impacted by the obligations of bigger players in their value chains. To ease this pressure and provide SMEs with a clear, proportionate framework, the Commission has introduced a Voluntary Sustainability Reporting Standard (VSME).

Accountants advising SMEs have a central role to play in explaining this new standard, guiding adoption and helping clients to use sustainability reporting to their advantage.

## Structure of the voluntary standard

The voluntary standard is structured around two modules. The first is the basic module, which represents the minimum reporting requirement under the framework. For micro-enterprises, use of the basic module is entirely flexible, and they may choose to adopt only certain elements. For SMEs more broadly, the basic module is expected to be the starting point and is considered the minimum requirement if they choose to engage with the standard.

The second is the comprehensive module, which builds on the first with more detailed disclosures. This allows SMEs with greater capacity, or those that face heavier reporting demands, to provide



**Accountants advising SMEs have a central role to play in explaining this new standard.**

fuller information. EFRAG has also developed practical guidance to help SMEs understand and apply the framework in practice, which should prove especially useful for smaller businesses with limited in-house expertise.

## Key recommendations to SMEs

The Commission recommends that SMEs should adopt the VSME on a voluntary basis when they decide to publish sustainability information. Importantly, the VSME is designed to remain proportionate to the SME's size and resources. For example, SMEs can rely on





**By adopting the VSME, businesses can strengthen their credibility with banks and investors.**

with larger corporate clients who increasingly demand ESG information from their suppliers.

On a strategic level, reporting helps SMEs to monitor their own risks and opportunities, thereby improving resilience and competitiveness. Looking ahead, SMEs that voluntarily disclose sustainability data may even be able to publish it on the European Single Access Point, which would make them more visible to investors and expand their funding opportunities.

**Benefits for accountants**

For accountants, the implications are clear.

Accountants advising SMEs should focus on:

- **Materiality:** They should help SMEs to identify which sustainability topics are most relevant to their operations and stakeholders.
- **Efficiency:** Use the VSME standard to avoid duplication of effort when responding to multiple requests.
- **Capacity building:** Train SME staff to integrate sustainability data collection into routine business processes, ensuring that reporting is both proportionate and efficient.
- **Digital tools:** Encourage the adoption of software solutions that facilitate compliance with the standard.

Rather than treating sustainability reporting as a compliance burden, accountants can position it as a tool for building trust with partners, enhancing financing prospects and gaining competitive advantage. Knowledge of digital reporting solutions, national support measures and the evolving regulatory landscape will be essential.

**Looking ahead**

The Commission's recommendations are also forward-looking. Discussions are underway to simplify existing sustainability reporting requirements so that only very large companies with over 1,000 employees remain subject to mandatory rules.

If this proposal is adopted, voluntary reporting through the VSME will become even more important for SMEs. In time, the VSME may itself be formalised into delegated legislation, and so accountants should view current recommendations as both a practical solution for today and a likely foundation for the future. ●

self-declarations rather than costly external assurance, which keeps compliance affordable. They may begin with the basic module and expand their reporting over time as they become more comfortable with sustainability disclosures. In addition, the guidance material provided alongside the standard offers practical tools to streamline the process, which accountants can use when assisting clients in the preparation of sustainability reports.

**Benefits for SMEs**

The potential benefits for SMEs are significant. By adopting the VSME, businesses can strengthen their credibility with banks and investors, improving access to sustainable finance. They will also be better positioned to maintain relationships



# Managing challenging clients

Setting clear boundaries is essential for maintaining a successful and less stressful practice.

Sometimes you get the feeling that life would be fine if it wasn't for the clients! However, they are a necessity for a successful practice.

We all have those good clients who pay on time, provide what's needed and respect your work boundaries. However, we also have those clients who make your work life more difficult and stressful.

The key is to manage your clients so that they never become challenging – or, alternatively, change them from 'challenging' to 'good' clients. You may have to part ways with those who are unwilling to change.

## How is a client challenging?

There are many different behaviours that can make your working day more difficult. Some of the most difficult relate to money – they either pay late or don't pay at all. There are also issues to do with 'scope creep', when they want you to work on specific areas that aren't included in the quote but don't want to pay extra.

The information they send you may be late or incomplete. And we have all had clients who are too demanding – for example, they are late in sending over their information and then are immediately on the phone wanting to know how much tax they owe.

Some of the problems are to do with communication. Clients may not do what you want them to do – for example, they don't send all the information you need or even send figures for the wrong year! And some clients ask for feedback but then don't do what you suggest.

Clients may expect to receive responses out of working hours when that is not what has been agreed. But the most difficult problem to contend with, of course, are those clients who may treat you badly by being rude, inconsiderate or aggressive.

Anna Goodwin  
Anna Goodwin Accountancy



### Author bio

Anna Goodwin at Anna Goodwin Accountancy has 30 years of experience in accountancy.

Challenging clients tend to take up a greater proportion of your time, which has an impact on your bottom line and your cashflow. You can become stressed, frustrated, less efficient and less able to help those clients who also need your help and have done everything that has been agreed.

Having fewer challenging clients and more 'good' clients will make your work life more pleasurable.

## What to do about challenging clients

Set the terms and conditions for your contract at the start of your relationship with the client and make sure that they understand them. It is important to set your boundaries from the outset!

Make sure that your system is not letting you down. It should make quoting, invoicing and chasing debtors easy. Finally, give your clients clear guidance on what you need from them and what is included in your fee – which has been agreed before work commences.

The most effective things to do is to take 'the carrot and stick' approach.

## The Stick: taking a tough approach

**Sack them:** If you've had enough of a client, why keep working for them? You've given them loads of chances, been patient with them, explained what is expected, but to no avail. They need to go. Otherwise, you're wasting your time and energy. I know this is difficult, but it must be done.

**Charge them extra for late information:** Only do this if you're prepared to lose them. I did this with three clients who always gave the information late. They all paid the extra amount but then found another accountant. In reality, this was good as my time was freed up and it was less stressful, but you need to watch you don't shoot yourself in the foot! This approach has to be mentioned in the terms and conditions when you start working together.

**Refuse to work with them unless they use the software you prefer:** If a client is consistently late but you have access to their software, then you can monitor what has been entered and the quality of the



information. If they are working on spreadsheets that aren't in a shared file, you have no way of tracking their progress. They can tell you they will get the information over to you in the next few weeks but, in reality, you have no way of knowing. Personally, I don't like this approach as it feels like bullying, but if it suits you then go for it!

**Keep increasing your fees:** By doing this, you will still have a difficult client but may be prepared to put up with them as you're earning more from them. However, I'm not sure that any financial recompense is worth a really bad client!

### The Carrot: make them feel loved and wanted

**Give an early payment discount:** It's amazing how this can motivate people to get organised!

**Give them clear feedback on what you need:** Ring them and go through the process so they know what's expected. Remind them to contact you if they have any questions. You can ask them to repeat what is required so that you are sure they have understood. Send a follow-up email so there is no confusion.

**Training:** Challenging clients can be broken down into the ones who don't care and can't be bothered and the ones who don't understand. In the latter case, an hour of your time training them can work wonders! Drill down and find out what's stopping them from giving you the information. Sometimes it's the fear of making a mistake.

### How can you improve your communication?

- What are you trying to communicate? What do you want them to understand?
- Can you express it more simply?
- What is the best way to relay the information? A telephone call or Zoom gives the client an opportunity to ask questions and is the best way to explain complicated information, rather than in an email.
- Practise before your session with your client.
- Ask people who know you well what you could do better.
- Watch good communicators and consider what they do that makes them good at it.
- Be clear and concise in your message. Are you making assumptions of what they know?
- Be kind without a superior attitude. You may think that the information you are giving is obvious, but it may not be to your client. We all have different skills and talents!
- Keep emails brief and use bullet points. Read through what you have written before you send it and see it from the client's perspective.
- If you're not in the correct frame of mind, don't reply. Do it later when you're calmer!

### Are you part of the problem?

Take an honest look at yourself. It's easy to jump to blaming the client when the issues could be with you. If you have many challenging clients, ask yourself:

- Is there a reason why you're getting such challenging clients?
- Do you know the profile of your ideal client?
- Do you feel like you don't deserve good clients?
- Do you think you need to help clients to the detriment of your own wellbeing?

Effective communication is crucial – as important as understanding numbers. I suspect one of the main reasons that some accountants struggle to communicate well with their clients is that we understand the numbers inside out and deal with them daily. Many people find numbers daunting and they need you to put them at ease by explaining and communicating clearly. They are often sharing personal information, so trust is essential.

There are real benefits from communicating openly and honestly with your clients:

- It's easier to work together.
- Good communication builds trust.
- Clients appreciate what you are doing.
- There's satisfaction when someone has that 'aha' moment because of something you have explained.
- It's more productive.

Good luck with those challenging clients. Don't bury your head in the sand. Instead, be proactive and follow this advice and you will soon be happier.

*If you'd like support in understanding how to deal with clients, contact us at [annagoodwinaccountancy.co.uk/](http://annagoodwinaccountancy.co.uk/)* ●

# The art of onboarding

*Eva Mrazikova* examines the issues of mastering onboarding in a regulated, competitive world.



In today's competitive market, where clients are used to the ease and speed of digital-first experiences, accountants have a golden opportunity to make the right impression from day one. Onboarding is more than an administrative task – it's the first step in building trust, confidence and long-lasting relationships.

## Setting the tone

Accountants operate in a landscape shaped by rising regulatory demands and clients who expect the same seamless service they experience in other industries. This environment makes first impressions matter more than ever. And for firms, nowhere is this more important than when welcoming new clients.

Handled well, onboarding can be a moment filled with optimism, momentum and reassurance. It's the point where a client's decision to put their trust in a firm is validated through smooth processes, clear communication

**Eva Mrazikova**  
Director, IRIS Product  
Marketing, and Practicing  
Accountant

and an experience that inspires confidence. Yet, when overlooked or treated as a box-ticking exercise, the process can feel clunky, dampening enthusiasm just when excitement should be at its peak.

Far from being a hurdle, onboarding is a springboard. It sets the tone for the entire client relationship and creates the conditions for loyalty, referrals and growth. With regulators requiring due diligence and clients more willing than ever to switch providers, firms that invest in this stage stand apart. In fact, onboarding has become a strategic differentiator – one that can empower stretched teams, strengthen client trust and give practices a crucial edge.

Get it right, and a firm begins the journey on a wave of confidence and collaboration. Get it wrong, and the opportunity to build a lasting connection risks being lost.

## Common challenges

Onboarding is already a key moment of opportunity for firms, yet it is one where many still have untapped potential. The process



often involves multiple steps – from proposal creation and engagement letters to anti-money laundering (AML) and customer due diligence (CDD) checks. Each of these steps represents a chance to demonstrate professionalism, build trust and reassure clients that they are in safe hands.

For many practices, however, the way onboarding is managed leaves room to elevate the experience further. According to our own poll of accountants, 42% of firms still rely on paper-based systems to manage onboarding, with a further 23% using spreadsheets. Moving beyond these manual methods creates opportunities to eliminate duplication, avoid bottlenecks and deliver a smoother journey for clients.

The same applies to proposals. When tailored carefully and delivered promptly, they showcase a firm's understanding of the client's needs. But when the process is slow or overly generic, that impact is lost. Streamlining proposal creation is not only more efficient for the practice but also makes a strong early impression.

Communication is another area rich with opportunity. Clients do not always know what is expected of them or how long each stage will take. By proactively setting expectations and updating clients regularly, firms can turn what might otherwise feel like waiting time into a period that builds trust and confidence.

Even workflows themselves present opportunities for improvement. Standardising and integrating processes ensures that everyone is working from the same data, which means that clients receive consistent information. For firms, this also helps to reassure regulators that compliance steps are being followed rigorously.

In other words, what might once have been seen as pain points can now be reframed as touchpoints where firms can shine. Every step of onboarding is a chance to build reassurance, demonstrate expertise and reinforce the client's decision to choose the firm.

### Towards best practice

The good news is that firms can turn onboarding into a powerful differentiator by adopting a client-first mindset and modernising their approach.

The first step is to take a look under the hood. Practices need to review their existing workflows honestly, identifying where they currently face bottlenecks and points of frustration for clients. Speaking to staff and gathering feedback from clients themselves can highlight pain points that may otherwise go unnoticed, and creates the foundation for meaningful change.

Once the picture is clear, firms can begin to reshape their process.

Central to this is recognising that onboarding should not be designed around the convenience of the practice, but around the experience of the client. Maintaining regular communication, setting clear expectations and involving clients in the journey helps to sustain the excitement that led them to choose the firm in the first place. Clients want reassurance that their accountant is compliant, but they also want to feel valued. Delivering both is essential.

Technology has a crucial role to play in achieving this balance – and clients agree. Research from Salesforce shows that 77% of B2B clients now believe that technology has transformed how companies should interact with them.

Far from depersonalising the process, automation and integration free accountants to spend more time with clients. Tasks such as generating proposals, sending reminders or chasing documents can be streamlined, saving hours of work and reducing errors. Integrated systems also remove silos, ensuring data flows across proposals, AML checks and client records.

The best firms are those that humanise this increasingly digital process. Technology takes care of the background, but the human element must remain at the centre. Accountants who use the time saved to update and reassure build loyalty that lasts well beyond onboarding. This also helps to prevent scope creep – one of the most common frustrations for firms – because clear, consistent onboarding makes it harder for expectations to drift later in the relationship.

Digital-first firms are setting new benchmarks, creating the risk that the practices standing still will be left behind. So, measures like regularly auditing workflows and adjusting processes to reflect client feedback should therefore become second nature. And this can be simple as introducing a short questionnaire during the first months of the relationship, providing invaluable insight into what clients appreciate, where frustrations arose and what they will value as you move forward together.

### First impressions count

Onboarding may once have been seen as an unavoidable chore, but today it is a critical touchpoint in the client journey. Done well, it accelerates compliance, creates efficiency and lays the foundations for a strong relationship.

For accountants, that means less time bogged down in administration and more time delivering insights and advice. For clients, it means a partnership that begins not with frustration, but with confidence and excitement.

In an industry where competition is intense and compliance paramount, that is the kind of first impression no firm can afford to overlook. ●

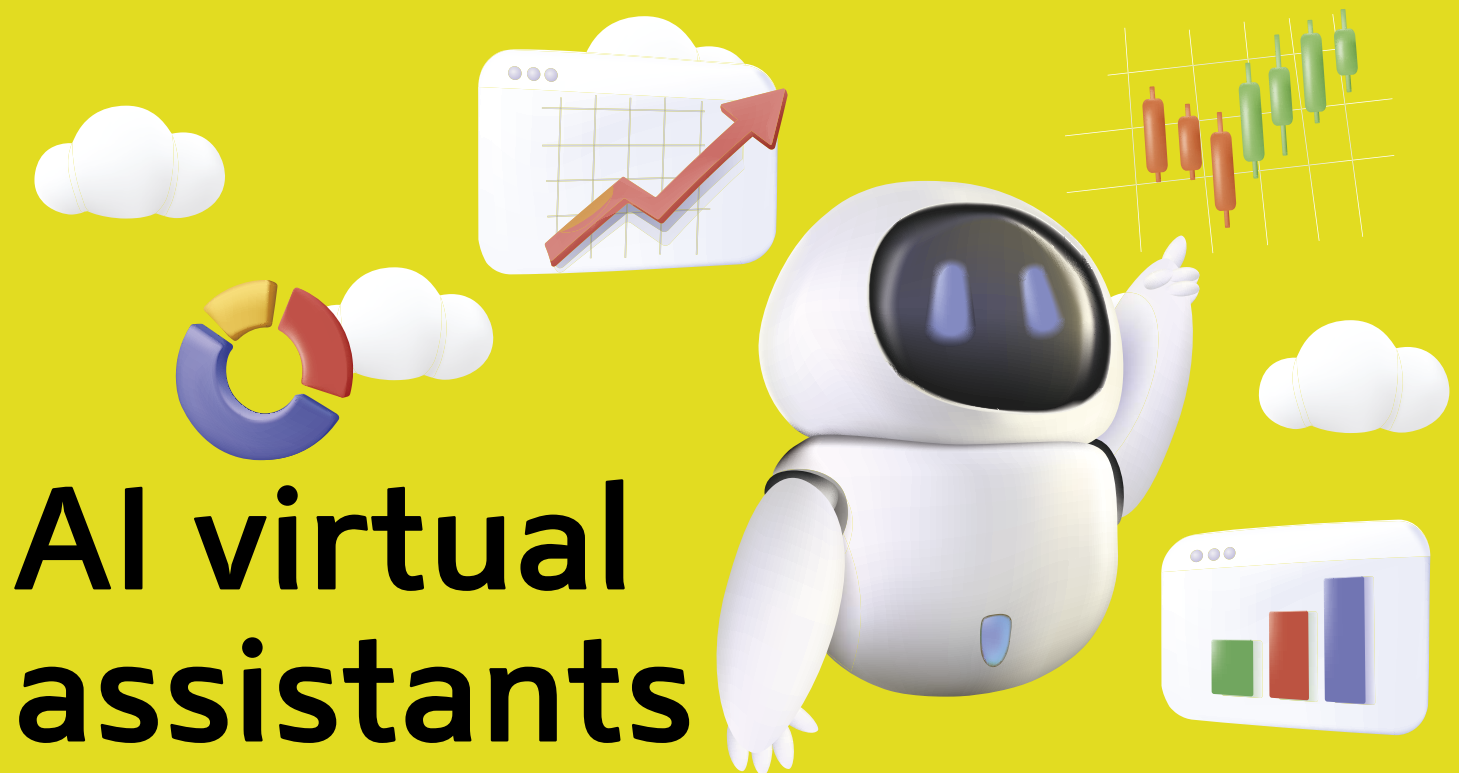


**For many practices, the way onboarding is managed leaves room to elevate the experience further.**



#### Author bio

Eva Mrazikova is a Director, IRIS Product Marketing, and practicing accountant.



# AI virtual assistants

***Dylan Brown* examines how AI virtual assistants can help to streamline the accountant's workload without losing control.**

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**A**rtificial intelligence is reshaping professional services, but how can accountants harness AI virtual assistants for genuine productivity gains while navigating regulatory risk?

As artificial intelligence becomes more deeply embedded in business operations, accountancy is beginning to move beyond adoption and into implementation. Virtual assistants powered by AI are now supporting a range of back-office and client-facing tasks.

From managing deadlines to drafting reports, these systems offer the potential to significantly streamline workflows. Yet alongside these benefits come legal, ethical and operational questions that accounting professionals cannot afford to ignore.

## **Operational gains, if used with care**

AI virtual assistants are already being deployed to handle repetitive administrative work, including summarising meeting notes, producing draft communications and initiating routine financial analyses. In the context of a profession increasingly shaped by cost pressure and regulatory oversight, this automation brings real advantages.

**Dylan Brown**  
LexisNexis Legal and Professional



**Author bio**  
Dylan Brown works in content marketing and thought leadership for LexisNexis Legal & Professional.

In 'The tipping point: Measuring the success of AI in tax', a recent survey by Tolley of over 350 tax professionals, 74% reported that the main benefit of generative AI was faster delivery of work (see [tinyurl.com/fzecz8k3](https://tinyurl.com/fzecz8k3)). Enhanced speed, however, is not an end in itself. For accountancy teams, it means improved responsiveness, greater consistency in outputs, and the ability to reallocate human expertise to more complex issues.

What is critical is understanding where AI should augment, rather than replace, the judgement of a qualified accountant. Tasks involving compliance interpretation, client-specific recommendations or ethical discretion still require human oversight. The goal is to support decision-making, not to delegate it entirely.

## **The dual challenge of trust and training**

One of the persistent tensions in professional adoption of AI is the balance between innovation and reliability. In the same study, tax professionals identified their top concerns with AI as hallucinations (60%), over-reliance (59%) and the potential for data leakage (43%). These issues are equally relevant for accountants, particularly in regulated environments or when handling sensitive client information.

Despite the risks, adoption is increasing. Nearly nine in ten tax professionals surveyed are now using, or planning to use, generative AI in their work. But uptake is uneven, and training is a major barrier. Almost two-thirds said they would use AI more often if they had appropriate training. This gap between potential and practice is likely to be mirrored in the accounting profession.

For firms exploring AI assistants, developing a structured programme of education and governance is essential. This should include guidance on how AI tools operate, how to interrogate and validate outputs, and when to escalate for manual review. As Hayley McKelvey, Partner at Deloitte, put it: 'This isn't about turning our tax practitioners into data scientists, but it is about building a high level of understanding that promotes confidence and trust.'

### Measuring effectiveness, not just efficiency

Initial enthusiasm can quickly fade if outcomes are unclear. The LexisNexis survey found that almost half of firms had not established any formal metrics for assessing AI success. Without benchmarks, firms risk falling into two traps: either continuing to invest in tools that deliver minimal value, or under-utilising tools with untapped potential.

Effective measurement should consider both traditional and qualitative indicators. Time saved is easy to track, but so too is error reduction, internal adoption rates and client satisfaction. As one BDO partner noted, true success lies in 'how it helps us deliver a better, more responsive service to our clients'.

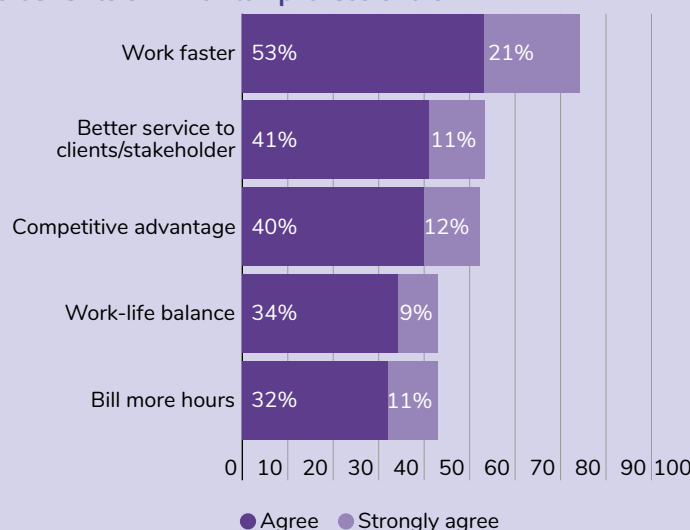
The case for monitoring usage is particularly strong in finance and accounting, where seemingly small inaccuracies can result in significant compliance risk. Transparency, auditability and documented oversight are all critical components of a responsible AI strategy.

### Strategic adoption means planning for risk

Accountants are used to balancing risk. But AI introduces a new category: the risk of doing nothing. One in five tax professionals said they would consider leaving their firm if it failed to invest adequately in AI. As client expectations evolve and younger professionals seek out technology-forward environments, failing to adapt could create not only operational inefficiencies but also talent drain.

Conversely, blind enthusiasm can be just as dangerous. Using AI tools without appropriate data controls or review protocols introduces legal, reputational and ethical vulnerabilities. Responsible deployment must include limits on sensitive data inputs, clear accountability

### Top benefits of AI for tax professionals



### Steps that would encourage AI adoption



structures, and transparency with clients regarding the use of AI in service delivery.

According to Paul Aplin, Vice President at the Chartered Institute of Taxation, the professional responsibility lies in knowing how to assess AI output critically. 'Knowing which sources you can and cannot rely on is a basic professional skill, and it is as applicable to the output from AI as any other tool.'

### From experimentation to implementation

AI virtual assistants are no longer speculative technology. Used wisely, they offer real benefits in speed, accuracy and insight. But successful integration into accountancy requires more than just access to tools. It demands a commitment to training, a framework for risk management, and a strategy for demonstrating tangible outcomes.

The profession is at a tipping point. Strategic adopters will not only reduce inefficiencies, but also improve staff retention and client satisfaction. ●



# NFRA's new programme in India

We examine the changes taking place in financial reporting in India and why the world is watching.



India's National Financial Reporting Authority (NFRA) is recalibrating its approach to audit oversight. We examine what's changing, what it means in practice, and how firms – whether global networks or small regional practices – should prepare.

The NFRA has until now focused its activities on issuing inspection reports – highlighting shortcomings in documentation, independence and procedures – as well as issuing related penalties and sanctions. As a result, the regulator was largely reactive. Auditors were only forced to engaged meaningfully with NFRA when something had already gone wrong.

However, the NFRA intends to raise the quality of audit across India through a mixture of proactive outreach, feedback mechanisms and stricter expectations. For accountants and audit professionals, these changes will affect their daily working practice, client relationships, and the economics of audit work.

## The new strategy

From 26 September 2025, NFRA will launch a series of city-based outreach programmes, starting in Hyderabad, then moving to Indore on 6 October and beyond. These initiatives mark a deliberate shift from reactive regulation to collaborative engagement, though against a backdrop of mounting scrutiny.

## Outreach programmes

Under the title 'Creating a better financial reporting world', these outreach programmes are structured workshops and technical sessions designed to address practical audit challenges. They are intended to clarify NFRA's expectations, and build a baseline of best practices across firms of all sizes. They signal a focus on auditor behaviour and professional scepticism, rather than mere technical compliance.

## The Audit Firms Survey 2025

This survey, the first of its kind, seeks to gather feedback on audit quality issues, and to identify firm-level challenges and resource gaps. It offers firms a chance to shape the regulator's guidance agenda.

Importantly, these initiatives don't mean that there will be less enforcement. The NFRA will still continue to inspect for insufficient documentation and weak scrutiny, and penalties or debarments will still be on the table. Rather, the NFRA is adding a forward-looking dimension to its oversight. Accountants should view this as help with accountability, not as a softening of the rules.

## Why this matters for accountants

**Raising standards of audit quality:** The NFRA is emphasising the qualitative aspects of auditing: the use of professional scepticism, quality of judgment, and the completeness of documentation. Firms will need to demonstrate not just that procedures were performed, but that they were performed thoughtfully, contemporaneously and with clear rationale.

**Extending reach beyond the big firms:** Outreach is deliberately aimed at firms of all sizes, including smaller and mid-tier practices that may lack the resources of the Big Four. This signals the NFRA's intent to raise the entire baseline of audit quality, not just at the top end of the market. For smaller firms, this could mean heavier compliance costs, but also greater clarity about what is expected.

**Reshaping independence practices:** The NFRA has repeatedly flagged concerns around auditor independence, particularly in relation to non-audit services. Firms will need to revisit their service offerings, client portfolios and internal conflict-check systems to ensure compliance with both the Companies Act and global best practices.

**Aligning with global standards:** Because Indian companies are deeply embedded in global supply chains and capital markets, the NFRA's push has cross-border implications. Group auditors abroad will expect Indian component teams to meet higher quality thresholds, affecting everything from group reporting to cross-jurisdictional reviews.

### How to prepare

The next six months should be treated as an implementation sprint. Accountants and audit partners can prepare by conducting a rapid review of their engagements against the NFRA's areas of focus: independence, related-party transactions, revenue recognition, management estimates and internal controls.

They should identify where their documentation is weakest and prioritise the improvements. The documentation should highlight explicit links between risks, procedures and results. Templates should be developed, requiring auditors to articulate why each procedure addresses a given risk. Mandatory completion checks should prevent sign-off without core documentation in place.

Training should be built around case-based learning: bank confirmations that don't reconcile, last-minute adjustments to avoid loan covenant breaches, or transactions with opaque related parties. Teams should develop a 'challenge log', recording the questions raised and how they were resolved.

Auditors should move away from end-of-engagement cold reviews toward in-process quality checks. Milestone reviews can challenge scoping, materiality and high-risk areas before fieldwork is completed. Finally, auditors and accountants should be explicit with clients about the rising audit effort. Where appropriate, reprice engagements or rescope them to essential, risk-driven procedures. Communicate to audit committees and boards that stronger audits come with additional time and cost – but deliver greater assurance and reduced regulatory risk

### Wider implications beyond India

The NFRA's moves are not occurring in isolation. They intersect with broader trends across Asia and global assurance practices:

- **Group audits:** Multinational auditors will expect Indian components to meet the NFRA's higher standards, increasing pressure on cross-border consistency.
- **Sustainability and ESG:** As India ramps up non-financial reporting requirements, the rigour that the NFRA demands for financial audits will likely extend to ESG-related assurance.
- **Regional convergence:** Similar regulatory shifts in Japan, Korea, Taiwan and Singapore suggest that Asia is converging toward tougher assurance regimes.

### What's already changing

Accountants are already feeling the impact of the NFRA's evolving stance. Several clear trends are emerging across firms:

- **Stricter internal reviews:** Many firms are introducing pre-sign-off 'hot reviews' to ensure that audit planning, testing and documentation withstand regulatory scrutiny.
- **Electronic documentation platforms:** Migration to digital audit tools with robust version control is accelerating, reducing risks of backdating and incomplete records.
- **More conservative independence policies:** Firms are redrawing service boundaries and tightening escalation protocols for potential conflicts.
- **Training focused on judgment:** Moving beyond technical standards, training now emphasises how to exercise scepticism, investigate anomalies and challenge management effectively.
- **Portfolio adjustments:** Some firms are stepping back from high-risk engagements where the regulatory or reputational cost outweighs the potential revenue.

For many firms, these changes come with added cost and time pressures. More documentation, more reviews and more senior oversight mean longer audit cycles. Smaller firms, in particular, risk a squeeze on profitability unless they can pass on costs or gain efficiency elsewhere.

- **Investor confidence:** Stronger audit quality in India can bolster market trust, potentially reducing the 'governance discount' that foreign investors apply to valuations.
- **Firm consolidation:** If smaller firms cannot absorb the cost of compliance, the market may see mergers, alliances or exits from high-risk audit segments.

### Future implications

The NFRA's outreach programmes are a signal of regulatory intent: audit quality must improve and the regulator will work with you – but also hold you accountable. For firms, the imperative is clear: tighten independence and documentation, and coach teams to demonstrate professional scepticism in the file.

If the NFRA's outreach succeeds, the Indian audit landscape should look noticeably different by late 2026. There should be cleaner, more complete audit files with unambiguous evidence chains. Stronger independence controls will be clearly documented and systematically applied, and audits will be conducted by early-stage assessments rather than last-minute fixes. Boards and audit committees will be likely to accept revised fees and timelines in exchange for higher assurance.

For accountants, this represents both a challenge and an opportunity. Those who adapt early will gain credibility with clients, regulators and investors. Those who lag risk penalties, reputational damage or even exit from public interest audits. This is more than compliance – it's about credibility. The firms that invest now, both in systems and culture, will not only avoid painful inspection findings but also strengthen their position in an increasingly competitive and global audit marketplace. ●

# Concerns with the EU Omnibus

The EU Omnibus aims to simplify sustainability regulations by reducing reporting obligations. *Sunita Devi* raises the concerns about excluding many firms from critical disclosures.

Sunita Devi  
Principal Consultant,  
Devcom Trends  
(Malaysia)

In my previous article, 'Net Zero is Risky Business' (September 2024), I emphasised the urgency of moving forward in the race to achieve Net Zero. At the same time, I highlighted the importance of addressing loopholes in standardised emission factors – critical for ensuring the accuracy of carbon footprint disclosures – as well as gaps in voluntary approaches to capital market regulations. By examining these issues, that article aimed to support the adoption of credible Net Zero pathways, while also giving space to the perspectives of sceptics.

In this article, I take a critical look at the rationale behind the EU Omnibus and the regulators' leniency on sustainability – particularly troubling at a time of growing climate anger. If we all acknowledge that the climate crisis is real, then the EU Omnibus should never have been allowed to happen.

## Climate-related loss

Climate-related loss is real. Regulatory leniency only delays meaningful action to reduce these losses. Extending deadlines or backsliding cannot be considered progress toward easing the planet's rising 'fever' or averting looming catastrophes. The EU Omnibus, introduced as a simplification package by the European Commission, aims to reduce administrative burdens by 25% for all businesses and 35% for SMEs.

Let's begin by looking at this from two distinct perspectives. First, regulations help to reduce financial risk. Second, they encourage and shape responsible corporate behaviour.

## Reducing financial risk

From a capitalist perspective, the EU Omnibus has led to the removal of nearly 80% of small companies as granular data points for assessing financial risk. Transition financing continues to be heavily promoted, while central banks focus on regulating risk reduction tied to financed emissions. But now, with global financial institutions unable to access detailed data from almost 80% of companies, a pressing question arises: what is the true scale of financial risk?

By pushing deadlines closer to 2030, several critical questions arise:

- What will be the impacts on global ecosystems and financial stability?
- If a major natural disaster – such as an earthquake or tsunami – were to occur, would companies and businesses be resilient enough to survive?
- How would these shocks spill over into liquidity, credit or even market risk?
- Why are regulators simplifying sustainable finance rules at this juncture?
- Why reconsider mechanisms designed to price carbon across borders?
- Why justify that corporate growth will be stifled by excessive regulatory burdens?
- What happens if there is little or no regulation in place over the next few years?

The planet – and all of us living on it – are facing ongoing pollution of the air, oceans and natural environment. These chronic physical risks are already harming human health. Is global heating slowing down? No. Temperatures continue to rise, and weather patterns are shifting with greater frequency and intensity.





‘Transitioning in a pragmatic way’ should not imply that pragmatism applies only to large companies. After all, when an earthquake or tsunami strikes, it does not spare small businesses while targeting only big ones.

If a financial institution fails to measure its financed emissions across all seven asset classes using the Partnership for Carbon Accounting Financials (PCAF) Guidelines, a single earthquake could potentially wipe out investment returns across its entire portfolio. How, then, can the new EU rule claim to enhance competitiveness and attract investment if one disaster is enough to erase value across all asset classes?

On 26 February 2025, the European Commission adopted this legislation, creating ripple effects across other capital markets. For example, on 25 August 2025, the Singapore Stock Exchange announced extended timelines for most climate reporting requirements. Regulations are meant to align corporate behaviour with governance principles such as ‘Comply or Explain’, fostering accountability and responsibility. But with leniency packages like the EU Omnibus, are regulations instead condoning responsibility avoidance for several years?

### The EU Omnibus: a summary

On 26 February 2025, the European Commission adopted the EU Omnibus, a legislative package aimed at streamlining and simplifying the bloc’s sustainability and investment regulations. Framed as a response to industry concerns about regulatory complexity and cost, the Omnibus makes sweeping adjustments to cornerstone instruments such as the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CSDDD), the EU Taxonomy Regulation, and even elements of the Carbon Border Adjustment Mechanism (CBAM).

The Commission’s rationale is clear: reducing administrative burdens, especially for small and medium-sized enterprises (SMEs), and making the EU a more attractive environment for business and investment. Yet behind these cost savings lies a dramatic narrowing of scope that critics argue could undermine the EU’s climate and sustainability commitments.

Perhaps the most consequential change is the reduction in the number of firms subject to reporting obligations. Under the Omnibus, nearly 80% of small companies are effectively removed as data points for sustainability and risk disclosures. New thresholds mean that only the largest corporations – those exceeding 1,000 employees and higher revenue or balance sheet limits – remain fully within scope of the CSRD and related frameworks.

While the Commission frames the Omnibus as a pragmatic balance between competitiveness and sustainability, critics see it as a step backward. Simplification in practice means narrower scope, weaker assurance and delayed obligations, all of which dilute transparency and accountability. In essence, the EU Omnibus shifts sustainability regulation from being a broad, ambitious framework to a selective package that spares many firms from meaningful scrutiny.

### Responsible corporate behaviour

From the second perspective – promoting corporate behaviour – the EU Omnibus should have clearly outlined the intended outcomes of scaling back assurance from a ‘reasonable’ level to only a ‘limited’ level in the near future.

Obtaining assurance for sustainability reporting means reviewing material risk factors and verifying evidence to determine whether an organisation and its management have adopted the correct methodologies to minimise those risks.

There are two key levels of assurance:

- **Limited assurance:** typically, a short statement of around two pages; and
- **Reasonable assurance:** more extensive, usually three to four pages, and often accompanied by recommendations for management.

The EU Omnibus has simplified this requirement by mandating only *limited* assurance, with no plan to move toward the more rigorous *reasonable* assurance in the



## The EU Omnibus reduces the availability of firm-level data, undermining the ability to perform granular risk assessments.

future. But is there a rational explanation for this decision? Regardless of whether a company is small or large, management needs clear recommendations and defined timelines to ensure accountability. Leniency in this area does not demonstrate strong regulatory governance.

### Global supply chains

A third aspect that the EU Omnibus failed to consider is the role of global supply chains and conglomerates operating within the EU. Many SMEs are based in high-risk countries with weaker regulatory frameworks.

These firms rely on alignment with their larger customers to ensure that their sustainability objectives are integrated and streamlined alongside those of global corporations. However, depending on revenue thresholds, many of these supply chain companies are excluded from reporting mandates. As a result, they are effectively operating 'blind'.

Including supply chains within structured due diligence requirements enables smaller firms to identify the material risks in their own operations that could impact their global customers. This is particularly important in emerging markets, where issues such as foreign labour practices and human rights concerns often arise. Without such measures, the rollback of compliance standards by corporates in developed nations only increases these risks.

### Sustainability reporting

From the perspective of sustainability reporting standards, the EU Omnibus rule only further muddies an already complex landscape instead of providing clarity. Simplifying existing sustainability reporting standards does not support either corporates or their supply chains.

Since 2000, the Global Reporting Initiative (GRI) standards have provided a well-established framework, helping companies to identify potential ESG risks through its 32 to 34 sustainability standards. Other frameworks

– whether the SGX ESG Core Metrics, the European Sustainability Reporting Standards (ESRS), or even the recently phased-out TCFD (now replaced by IFRS S1 and S2) – all draw heavily from the GRI compendium.

So what, then, is the purpose of simplifying ESG reporting standards? The criteria have already been defined, the data points earmarked, and the justifications for reporting made clear. Diluting this structure does not move companies closer to meaningful accountability.

### In conclusion

In conclusion, the EU Omnibus – and other regulators supporting these modifications – argue that the changes will reduce administrative costs by approximately €4.4 billion annually. The same report highlights expectations of immediate financial relief, including one-off savings of about €1.6 billion for firms exempted under the Corporate Sustainability Reporting Directive (CSRD) assurance and European Sustainability Reporting Standards (ESRS); and another €0.9 billion related to taxonomy requirements.

But has this anticipated financial relief been weighed against the potential long-term losses? Both the European Central Bank and the UN PRI investors network have warned that the EU Omnibus reduces the availability of firm-level data, undermining the ability to perform granular risk assessments critical to managing climate-related financial risks.

Any delay in decarbonisation progress jeopardises governments' ability to protect citizens, corporates' ability to protect profits and, ultimately, society's ability to endure.

Often, resistance to regulation is driven by false fears – such as high upfront investment costs, rising prices or concerns about competitiveness. Yet these reflect corporate insecurities rather than systemic realities.

Meanwhile, cash-rich 'sin sectors' – such as mining, oil, gas and coal – remain major risk drivers. Addressing this requires bold compliance and stronger negative screening practices from financial institutions, ensuring that such sectors are excluded from portfolios.

Resisting change comes with political stigma. When resistance originates from regulators and governments, corporates are left without direction, and people are left without protection. Net Zero may be risky – but the answer is not to stop.

**Calculate the risk. Manage it. But don't stop now. ●**



#### Author bio

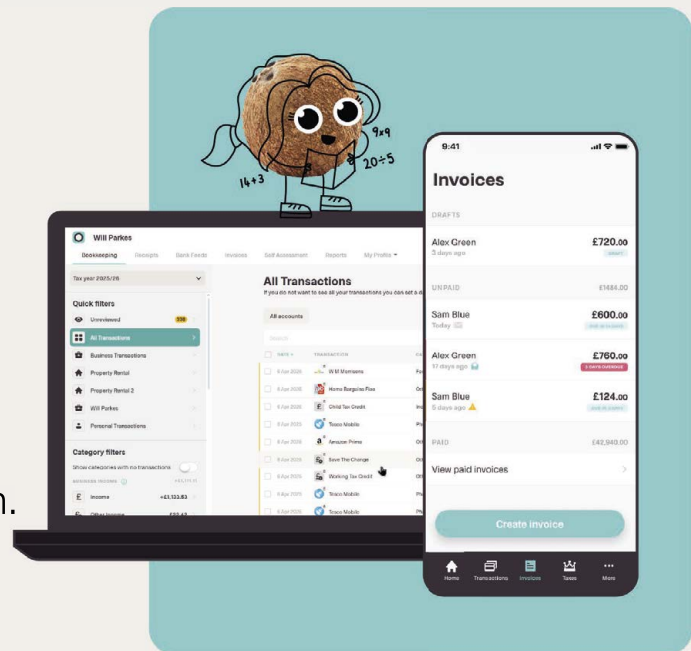
Sunita Devi is a Certified Sustainability Reporting Specialist at Devcom Trends, working with public listed companies to adhere to standards in reporting requirements.



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of those practices themselves but also in terms of any relevant commercial issues that may arise for client of those practices.

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#### AI ETHICS FOR ACCOUNTANTS



A webinar to raise your awareness of the current ethical risks of artificial intelligence (AI) and to enable you, as professional

accountants, to manage those risks.

Using practical examples, this webinar focuses on the things that matter to accountants as direct or indirect users of AI and as advisers or employees who can bring a valuable professional perspective to the ethical application of AI in business and other organisations.

Find out more about the course at: [tinyurl.com/msp2dye](http://tinyurl.com/msp2dye)

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#### AIA DISCIPLINARY COMMITTEE OUTCOMES

##### 15 October 2025 Disciplinary Committee Outcomes:

- Andreas Papaevripides (UK) was excluded from membership for breach of Public Practice Regulation 6.4 (f)

##### 20 August 2025 Disciplinary Committee Outcomes

- Dato' Dr Ronnie Silva (UK) was excluded from membership for breach of Public Practice Regulations 2022, Regulation 4.1(a), Continuing Professional Development Regulations 3.2, 3.4 and 4.2, and Membership Regulations 20.1
- Kandiah Kamalanathan (UK) was excluded from membership for breach of Public Practice Regulation 6.4(f) and AIA Public Practice Regulation 4.1. Mr Kamalanathan has submitted an appeal
- Matthew Odu (UK) was excluded from membership for breach of Complaints, Disciplinary and Appeals Regulation 3.1(g) and Public Practice Regulation 4.1(a)
- Isaac Cohen (UK) was reprimanded for breach of Public Practice Regulation 4.1(a) and Continuing Professional Development Regulation 3.5
- Samuel Fakorede (UK) was excluded from membership for breach of Public Practice Regulation 19.5, Regulations Complaints, Disciplinary & Appeals Regulation 3.1(e)
- Joseph Cohen (UK) was reprimanded for breach of Public Practice Regulation 4.1(a), Continuing Professional Development Regulation 3.2 and Complaints, Disciplinary & Appeals Regulation 3.1(g). Mr Cohen has appealed.

## INTERNATIONAL

## IESBA issues a Staff Alert on private equity investment in accounting firms and related ethical and independence considerations

A Staff Alert highlighting key ethical matters that accounting firms should pay particular attention to when considering or accepting investment from private equity organisations has been issued by the International Ethics Standards Board for Accountants (IESBA).

Titled 'Private equity investment in accounting firms: key ethics and independence considerations', the alert draws the attention of professional accountants in public practice, particularly accounting firm leadership, to important ethics and independence provisions in the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) that remain applicable both before and after private equity investment in an accounting firm.

The Staff Alert highlights various possible ethical and independence implications arising from private equity investment in accounting firms.

From an ethics perspective, these include:

- threats to compliance with some of the Code's fundamental principles, such as confidentiality;

- shifts in a firm's ethical culture resulting from organisational restructurings, different incentives and evolving growth expectations that may undermine ethical obligations; and
- undue pressure to act unethically in pursuit of new revenue goals.

From an independence perspective, these include:

- concerns arising from a private equity organisation holding a controlling interest in the firm, while also having a financial interest in the firm's audit clients;
- the inclusion of new entities as network firms and the complexities in identifying them, and potential related independence threats, if the firm becomes part of a larger, evolving post-investment structure; or
- situations where individuals in the private equity organisation's management could fall within the Code's 'audit team' concept and the applicable independence framework.

The Staff Alert emphasises the importance of firms maintaining ongoing monitoring for changes

in clients, services, business and network relationships, and other relevant factors with potential ethics and independence implications, both during the pre-investment phase and after completion of the private equity transaction, and continuing to act in the public interest.

It also underscores in the context of private equity investment that compliance with the Code by firms enhances the quality and consistency of the services they provide and underpins public trust and confidence in their work.

Besides accounting firms, this publication may also be of interest to regulators and audit oversight bodies, jurisdictional standard setters, private equity entities and other investors, professional accountancy organisations, and others with an interest or role in the work of accounting firms.

The development of the Staff Alert has been informed by the IESBA's ongoing engagement with various stakeholders, including accounting firms, private equity organisations, regulators and oversight bodies, jurisdictional standard setters and professional accountancy organisations.

## INTERNATIONAL

### IESBA and IAASB establish expert groups to support the global implementation of sustainability standards

The International Ethics Standards Board for Accountants (IESBA) and the International Auditing and Assurance Standards Board (IAASB) have announced the recent formation of two expert implementation groups that will play important roles in supporting the effective implementation and application of the two Boards' recently released global sustainability standards.

The IESBA's IESSA Implementation Monitoring Advisory Group (IIMAG) will support the implementation of the International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and revisions to the IESBA code for sustainability reporting.

The IAASB's ISSA 5000 Technical Implementation Contact Group (TICG) will support the implementation of the International Standard on Sustainability Assurance (ISSA 5000).

Each group comprises a diverse and globally representative set of professionals with a high level of familiarity with the standards and direct involvement in implementation-related activities. The IIMAG and TICG will

provide regular feedback to the Boards to ensure that emerging issues relating to the implementation of the standards are identified and addressed timely, and that implementation support resources remain relevant and practical.

In addition to offering technical guidance, both groups are expected to serve as vital forums for dialogue between standard setters, practitioners, regulators and stakeholders. This will help to promote consistent application of the standards across jurisdictions and encourage knowledge-sharing on emerging sustainability reporting and assurance challenges. Their work will also foster capacity building among professionals, strengthen investor and public confidence in sustainability

disclosures, and contribute to greater alignment in the fast-evolving global sustainability landscape.

The work of these groups will support and contribute to IESBA and IAASB efforts to support stakeholders' adoption and implementation of IESSA and ISSA 5000, thereby helping build trust in sustainability information and advancing high-quality assurance practices worldwide.

### IFAC Connect Africa held in Nairobi

Africa is a source of growth, innovation and opportunity, and the accountancy profession is rising to meet the moment. IFAC Connect™ Africa 2025, held in Nairobi, brought together public and private sector leaders, regulators, standard setters and professional accountancy organisations to accelerate a shared vision for sustainable development across the continent.

Convened by the International Federation of Accountants (IFAC) and co-hosted with the Pan African Federation of Accountants (PAFA) and the Institute of Certified Public Accountants of Kenya (ICPAK), IFAC Connect Africa 2025 launched the second annual IFAC Connect series, designed to ensure that international standards and best practices support local solutions.

As Africa advances its economic and institutional development, the continent faces both opportunities and challenges across several critical fronts. Navigating these interconnected issues requires coordinated leadership and dialogue across the public and private sectors.

IFAC Connect Africa 2025 offers a platform for regional and international leaders to convert insights into action – strengthening trust in institutions, reinforcing the role of professional accountancy organisations and their members, and ensuring the continent is well-positioned to meet the expectations of financial markets, investors and its citizens.

As Africa accelerates its transformation, the accountancy profession is central to strengthening governance, advancing sustainability, building talent, enabling regional integration and fighting financial crime.

Lee White, IFAC Chief Executive Officer, said: 'Regional professional accounting leadership is driving economic growth and resilience. With our valued members and partners in Africa, we are all striving for common goals of the use of global standards shaped within local and regional conditions in the public interest. I am privileged to work with many talented colleagues in Africa and we will continue to find opportunities to grow and shape our trusted profession. We are Better Together.'

Prem Govender, PAFA Vice President, said: 'Africa's accountancy profession is stepping forward to shape the continent's future. This collaboration with IFAC and ICPAK reflects our shared vision of a profession that is inclusive, future-focused and essential to Africa's sustainable development.'

### Seoul named as host city for World Congress of Accountants 2026

The International Federation of Accountants (IFAC) has announced that the World Congress of Accountants (WCOA) will be held on 17 to 20 November 2026 in Seoul, South Korea. The Korean Institute of Certified Public Accountants (KICPA) and IFAC will serve as joint hosts, working closely to welcome professional accountants from around the world for the event.

WCOA brings together professional accountancy -organisation (PAO) representatives from over 100 countries to strengthen the global accountancy community by sharing experiences, learning and deepening relationships across the profession.

WCOA 2026 marks the launch of a new biennial format, wherein the event will be held every two years. All accountants, as well as interested members of the public, are invited to participate virtually to hear about how the profession is positioning itself for the future. In-person participation will be invite-only and will bring together some of the most experienced and visionary leaders in our field.

In-person participants of WCOA 2026 will have the opportunity to join in plenary sessions, panel discussions and hear from distinguished subject-

matter experts. The event will include opportunities to attend networking events in order to foster collaboration and knowledge exchange among professionals from various sectors.

In-person WCOA 2026 attendees will be comprised of IFAC PAO leadership (staff and volunteers), professional services firms, standard-setters, regulators and other government officials, representatives of multilateral and development agencies, and the business and investor communities. Select sessions will be livestreamed so that virtual attendees are included in these important conversations.

Lee White, IFAC Chief Executive Officer, said: 'Seoul is a vibrant, innovative, and truly international city – an ideal host for WCOA 2026. At this Congress, the importance of a resilient, adaptable and global accountancy profession will be front and centre. We are honoured to partner with our esteemed member, KICPA, to bring the world together here – leaders, colleagues and friends united by our shared commitment to the public interest. The value of a strong, global profession has never been more pronounced, nor more needed.'

## UK AND IRELAND

### The Financial Reporting Council launches a bold new programme to build capability and support growth by small UK audit firms

The Financial Reporting Council (FRC) has announced a new initiative to support the development of the capability and quality management by small audit firms looking to establish a greater presence in the UK public interest entity audit market. This will introduce a new and more proportionate supervisory approach, designed to enhance audit quality and reflect the unique needs of smaller firms.

Small firms will be invited to participate in a new Scalebox Programme, where they will work closely with the FRC to develop their audit quality and systems of quality management; and support the FRC in assessing what is proportionate in the



oversight of less complex public interest entities.

Whilst in the programme, the participating firms, subject to their commitment and progress, can expect a reduction in certain formal inspection, supervision and registration requirements during 2025-26 and 2026-27.

The approach recognises that smaller firms face unique resource and capacity constraints in building their presence in the public interest entity market. Each participating firm will receive a bespoke programme of work developed by the FRC, with audit quality remaining at the heart of the approach. Firms will be required to join the FRC's Scalebox and engage in activities designed to enhance their system of quality management in compliance with the recently implemented international auditing standard (ISQM (UK) 1).

Richard Moriarty, CEO of FRC, said: 'I am keen for the FRC to support the growth of those firms that want to establish a greater presence in the public interest entity audit market who commit to delivering high quality and safeguarding the broader public interest that audit supports. Small firms have told us to do this they need time and space to build capability in the PIE market itself.

'Whilst in this programme, we will offer participating firms a more forbearing formal regulatory oversight and focus our resources instead on supporting their improvement. Accountability for improvement will, however, rest firmly with the audit firms themselves and a condition of remaining in the programme is that we see progress over time.'

## EUROPE

### EIOPA publishes an Opinion on AI governance and risk management

The European Insurance and Occupational Pensions Authority (EIOPA) has published an Opinion addressed to national supervisors to clarify the key principles and requirements in insurance-sector legislation for the use and supervision of artificial intelligence (AI) systems.

The Opinion follows a risk-based and proportionate approach in order to reach a balance between the benefits and risks of AI systems.

AI is set to play a pivotal role in the digital transformation of the insurance sector, where the use of AI solutions is already increasing across the value chain – in pricing, underwriting, claims management and fraud detection.

Since the AI Act entered into force in the European Union in the summer of 2024, it has governed the use of AI systems across all sectors of the economy, including insurance. The act places special focus on so-called high-risk AI systems, which need to comply with a comprehensive set of requirements. In the insurance sector, AI systems used for risk assessment and pricing in life and health insurance are deemed as high-risk under the AI Act.

Importantly, AI systems used in insurance are already subject to existing sectoral legislation. This sectoral legislation establishes broad, technologically neutral principles and responsibilities for governance and risk-management, laying the foundation for a sound approach to innovative new tools.

This Opinion provides further clarity to supervisors on how to interpret these provisions in insurance-sector legislation – such as the Insurance Distribution Directive and the Solvency II Directive – in the context of AI. AI systems categorised as high-risk or prohibited under the AI Act are excluded from the scope of the Opinion to avoid regulatory complexities. The Opinion does not set new requirements and does not alter the scope of either the AI Act or existing sectoral legislation.

The supervisory expectations put forward in this Opinion follow a risk-based and proportionate approach and aim to promote greater supervisory convergence among National Competent Authorities. They also provide clarity to the market on the supervisory expectations regarding the use of AI systems in insurance under sectoral legislation.

The Opinion clarifies existing governance and risk management principles while remaining flexible so as to allow tailoring for the specific characteristics of different AI systems. The proposed framework aims to ensure the responsible use of AI systems in

insurance and includes data governance, record-keeping, fairness, cyber security, explainability and human oversight considerations.

### SupTech can make anti-money laundering and countering the financing of terrorism supervision more effective, the EBA finds

The European Banking Authority (EBA) has published a report on the use of technology tools in anti-money laundering and countering the financing of terrorism (AML/CFT) supervision (SupTech). The report takes stock of ongoing innovation efforts by competent authorities in the EU and explores how these can support the effective implementation of the new EU AML/CFT framework.

The new AML/CFT framework represents a significant step forward in the EU's fight against financial crime. A key element is the creation of the Anti-Money Laundering and Countering the Financing of Terrorism Authority (AMLA), which will coordinate AML/CFT supervision at EU level. This institutional change provides a unique opportunity to reassess supervisory approaches and harness the potential of technology to enhance oversight.

To inform this work, the EBA conducted a survey of national competent authorities (NCAs) and, together with the European Commission's AMLA Task Force, organised a dedicated workshop to identify trends, challenges and good practices in the use of SupTech in AML/CFT supervision.

The Report summarises the key insights from these two initiatives. It provides an overview of current SupTech use across the EU and outlines examples of effective practices in, for instance, change management, data and technology, supervisory and regulatory strategies, that can contribute to a more risk-based, data-driven, and scalable supervisory model under the new AML/CFT framework.

While SupTech deployments in the AML/CFT area are still evolving, nearly half of the tools or projects identified (47%) are already in production, with a further 38% under development and 15% in exploratory

phases. The report finds that NCAs are already experiencing tangible benefits, including improved data quality, enhanced collaboration and more efficient risk identification. However, several challenges remain, such as limited resources, legal uncertainty, and data governance constraints.

The EBA will continue to support NCAs and AMLA in strengthening their use of technology and fostering innovation in AML/CFT supervision across the EU.

### The EBA publishes a report on direct provision of banking services from third countries

The European Banking Authority (EBA) has published a report on the direct provision of banking services from third countries. The quantitative and qualitative analysis performed didn't provide evidence to recommend the amendment of the new Article 21c of the Capital Requirement Directive (CRD), which identifies how core banking services should be provided in a member state. However, the EBA suggests a clarification of the interaction between Article 21c of the CRD and other sectorial legislations could be beneficial to authorities and market participants.

The EBA considers that several factors make it difficult to measure the impact of the prohibition of direct provision of services from third countries set out in CRD Article 21c. At the same time, Article 21c provides flexibility to EU financial sector entities that remain free to solicit core banking services from third country undertakings or may rely on services provided by third country branches or subsidiaries in the EU.

However, the EBA notes that Article 21c does not expressly address the interaction with the Undertakings for the Collective Investment in Transferable Securities (UCITS) and the Alternative Investment Fund Managers Directive (AIFMD), in particular those provisions entitling EU financial sector entities to receive core banking services for their ongoing operationality in third countries in accordance with their business model. The EBA suggests that additional clarification could also be provided via the EBA Q&A tool.

## UNITED STATES

### The FASB issues standard that improves measurement of credit losses for accounts receivable and contract assets

The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) that improves guidance on the measurement of credit losses for accounts receivable and contract assets.

The new guidance, which is optional, addresses challenges faced by stakeholders when applying Topic 326, Financial Instruments – Credit Losses, to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers.

The Private Company Council initiated standard-setting activity in response to feedback from private company stakeholders.

These challenges included the cost and complexity of developing a reasonable and supportable forecast when estimating expected credit losses and the significant effort to estimate and record expected credit losses for current accounts receivable and current contract assets that were collected before the date that the financial statements were available to be issued.

The amendments in the ASU provide:

- all entities with a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the assets; and
- entities other than public business entities with an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under Topic 606.

The amendments in the ASU are expected to reduce the time and effort necessary to estimate credit losses for current accounts receivable and current contract assets, while continuing to provide decision-useful information to investors and other financial statement users.

## ASIA PACIFIC

### Advancing business valuation excellence through regional expansion, industry guidelines and professional recognition

The Institute of Valuers and Appraisers (IVAS) in Singapore has announced several key initiatives to advance business valuation through regionalisation efforts, strengthening international collaboration on valuation guidelines and greater recognition of the Chartered Valuer and Appraiser (CVA) programme.

To establish the CVA programme as the leading qualification for business valuation professionals in Asia, IVAS has signed two Memorandums of Understanding with the Singapore Management University (SMU) and London School of Business and Finance (LSBF) for these institutions to provide training support for the CVA programme across five different markets in the region.

SMU will be the training provider for the CVA programme in Singapore, Indonesia and Thailand, whilst LSBF will deliver the training for the programme in Malaysia and India. Implementation will be phased progressively across the different markets from 2026. These partnerships will broaden access to high-quality training and deepen in-market support for the CVA programme to aspiring valuation professionals across the region.

To further advance professional standards, IVAS is collaborating with the American Society of Appraisers, Chartered Business Valuators Institute, and Royal Institution of Chartered Surveyors to develop comprehensive Intangible Assets Valuation Guidelines. These new guidelines will assist business valuation professionals when they undertake valuation exercises involving intangible assets, enhancing the reliability of their valuation reports to support the recognition and commercialisation of intangible assets.

The collaboration represents a significant development in setting common professional practice standards for intangible assets in Singapore and other major jurisdictions such as the US, Canada and UK.





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