

# Financial accountant

The official magazine of The Institute of Financial Accountants

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## Keeping watch

Accountants must maintain vigilance against money laundering

### Tax avoidance

Advisers need to be aware of recent legislative changes to combat tax avoidance. p10

### Employment status

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### Franchising

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### Institute branches

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**FINANCIAL  
ACCOUNTANTS®**

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# IFA conferences 2018

MAKING SMALL BUSINESS COUNT

## **LONDON**

THURSDAY 10 MAY

ROYAL COLLEGE OF PHYSICIANS

## **BIRMINGHAM**

WEDNESDAY 10 OCTOBER

IET

## **HUDDERSFIELD**

THURSDAY 8 NOVEMBER

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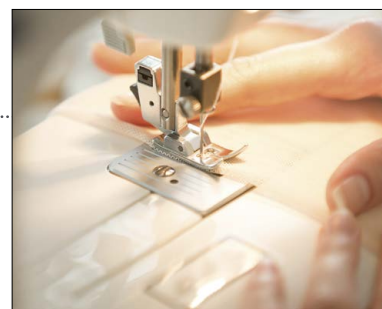
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## The power of an MBA qualification

**E**ducation standards globally continue to escalate and become more challenging. Market competition has a lot to do with this as people become more demanding for products, services and solutions in a faster, less expensive and more effective way.

As a profession, we see this as inevitable and urge members to embrace technological change which is an everyday occurrence in a fast-paced world. However, as demand for professional services continues and the need to maintain a currency of knowledge and skills increases, one education standard has not only stood the test of time, but continues to lead the way for postgraduates to stay ahead of the pack.

As well as your accountancy qualification, a master of business administration (MBA) remains one of the greatest sought after business qualifications and is seen as a genuine competitive edge for those who have successfully completed their studies.

When businesses go to market to recruit new talent, the MBA speaks volumes as part of a selection and decision-making process. While qualifications may not be everything, if candidates meet all or most of the selection criteria, display the right personal characteristics for the job, then an MBA may well be a deciding factor in their favour.

Not only does an MBA assist a person entering or transitioning within the job market, the qualification has a proven track record of increasing individuals' income levels.

In a January 2018 article, "An MBA is still a good boost for salaries", the *Financial Times* (US) cites that between 2014 and 2017 the average salary of an MBA graduate had risen 12%. Further, data analysis at this early stage of 2018 indicates that this figure is still increasing.

Salary increases may vary from country to country, but it is fair to say that the MBA has made significant inroads to improving the pay packet and lifestyles of many postgraduates. When MBA awardees apply their studies to the workplace, it also provides a bargaining chip in promotion and pay rise negotiations because the workplace sees the value of the end-product.

The IPA Group has partnered with Deakin University to deliver an MBA programme for members and this is extended to our designated UK members. This programme is delivered in two stages, is online and is very flexible, meeting many of our members' needs. This award-winning programme is regarded as the number one online MBA in the southern hemisphere and has global accolades.

I would therefore encourage members to get on board with the IPA Group MBA programme to help drive their businesses for a very prosperous future. The next edition of the magazine will feature more details on the programme.

A stylized, handwritten signature in black ink, appearing to read 'A Conway'.

Professor Andrew Conway FIPA FFA  
IPA Group CEO.

✉ I am always interested in the opinions and experiences of members, so if you have something to share, please don't hesitate to email: [john@ifa.org.uk](mailto:john@ifa.org.uk)

## Our voice is your voice – #IamIFA

**T**he past two years have seen big changes for the IFA. Since becoming part of the IPA Group, we have been steadily improving and increasing our profile in the UK and abroad. As you will be aware, we have also been busy ensuring that the IFA regulations and code of ethics are up to date while continuing to improve the online process for membership renewals and returns.

One key change this year is the increase in required CPD hours. All members, other than those who are exempt, must complete 40 hours of CPD – up from 30 hours – in any year, of which 20 hours shall be verifiable. To support members, we are rolling out a series of CPD workshops. The first two, on the General Data Protection Regulation, have been well received. We will be running anti-money laundering and independent examinations workshops in the near future and, of course, our conferences and branch meetings attract CPD too.

Additional support comes from our strategic partner [accountingcpd.net](http://accountingcpd.net) which has a wide range of relevant courses. In particular, I would like to draw attention to the Accountant's Update Pathway 2018 which starts on 16 May. This runs for one hour a week for 20 weeks and will enable members to keep up to date with all the latest developments in financial reporting, tax, technology and regulation as well as recent thinking in management accounting and financial management. IFA members should visit [www.ifa.org.uk/accountingcpd](http://www.ifa.org.uk/accountingcpd) to find out more.

As an institute, the IFA has steadily been gaining a reputation as a voice to be listened to. We sit at the same table as other professional accountancy bodies and are one of most active participants in the Home Office's Flag It Up campaign which is raising awareness of money laundering. Anne Davis, Head of Regulation and Policy, is quoted in a piece on the website of *The Economist* and will be speaking about why money laundering is not to be underestimated at Accountex at ExCeL on Wednesday, 23 May. I am a judge for the Yorkshire accountancy awards which celebrate the successes of those organisations, teams and individuals who have excelled within the region.

However, there is always more we can do. This was brought home to me at a recent event where a new member said, "I wish I'd known about the IFA years ago." With those words in mind, I am encouraging all members to help us in raising the profile of the IFA by actively taking part in our new campaign: #IamIFA. Why are you proud to be a member? What inspired you to join us? How will or is IFA membership helping you? Whether you are a new member or have been with us for some years, have upgraded to fellow or received your practising certificate, why not share your answers or thoughts on social media using the hashtag #IamIFA with a photo if you like?

Our voice is your voice and our views are your views. I look forward to hearing what you have to say.



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*John*

John Edwards FFA FIPA  
IFA CEO.

## REGULATORY

### Data protection

The government has urged organisations to prepare for the General Data Protection Regulation (GDPR) after data shows a lack of readiness.

The EU has published resources including guidance and an online tool aimed at SMEs ([tinyurl.com/ydasj8tc](http://tinyurl.com/ydasj8tc)).

[tinyurl.com/ifa-6111](http://tinyurl.com/ifa-6111)

### Final reminder for fees and membership returns

In accordance with the IFA bye-laws, as part of your membership obligations, you must pay the prescribed fees and submit an annual membership return to the IFA by 1 January 2018. Membership will automatically cease if fees have not been paid by 31 March 2018 – three months after the due date.

Where you have paid your fees but not submitted your membership returns by 31 March 2018, you may face disciplinary action by the IFA.

If you are in practice, the IFA may cease supervising the firm for compliance with the Money Laundering Regulations 2017 in accordance with the requirements of Regulation 26. Failure to complete your membership return means you are in breach of Regulation 26 of the Money Laundering Regulations 2017. This is covered as part of the fit and proper section within the membership return and prohibits the IFA from approving a firm where an individual in the position of beneficial owner, officer or manager has committed a relevant offence under the Money Laundering Regulations 2017, Sch 3. By not completing your membership return we cannot verify that you are not in breach of this offence.

If you have not paid your membership fees or submitted your membership return please do so as a matter of urgency to avoid membership automatically lapsing or disciplinary action being taken. Please log on to [www.ifa.org.uk](http://www.ifa.org.uk) and visit your member dashboard or contact the Membership Team on + 44 (0)20 3567 5999 to make payment.

If you allow your membership to lapse you will be required to pay a re-instatement fee of £160 as well as the prescribed membership fees.

### Identity theft

Research shows that company directors are twice as likely to be victims of identity fraud. To help mitigate this problem, new rules will make it easier for directors to remove their personal addresses from the company register while ensuring transparency.

[tinyurl.com/ifa-6155](http://tinyurl.com/ifa-6155)

## BUSINESS

### Business fraud

The BDO *FraudTrack* report for 2018 shows that the total value of fraud in the UK has risen 538% to £2.11bn in the past 15 years. The three most common types of fraud in 2017 were employee fraud, tax fraud, and money laundering.

[tinyurl.com/ifa-6119](http://tinyurl.com/ifa-6119)

### Business Commissioner

The website of the Office of the Small Business Commissioner is now live. The commissioner can provide general advice and point businesses to existing support.

[tinyurl.com/ifa-6115](http://tinyurl.com/ifa-6115)

## PENSIONS

### Automatic enrolment

The Department for Work and Pensions has published a review of pensions auto-enrolment, *Maintaining the momentum*. This makes suggestions on how AE will meet the needs of individuals and employers.

[tinyurl.com/ifa-6117](http://tinyurl.com/ifa-6117)

## EMPLOYMENT

### Taylor Review

The government has responded to the *Taylor Review of Modern Working Practices*. It suggests:

- millions of workers will receive new day-one rights with sick and holiday pay to be enforced for vulnerable workers for the first time;
- employment law and practices to keep pace with modern ways of working created by technological change; and
- the government will be accountable for good quality work as well as quantity of jobs – this is a key ambition of the UK's industrial strategy.

[tinyurl.com/ifa-6157](http://tinyurl.com/ifa-6157)

### Your IFA benefits

Take advantage of a range of benefits that we have negotiated for you.

#### Finance

- Foreign exchange: UKForex
- Vehicle finance: Mann Island

#### Insurance

- Professional indemnity insurance: A J Gallagher
- Private medical insurance: HMCA
- Tax fee protection: Qdos Vantage
- Cyber insurance: Hiscox

#### Learning

- Online CPD: Nelson Croom
- Training and support: Mercia

#### Legal

- Legal support: RadcliffesLeBrasseur
- Online legal documents: Net Lawman

#### Lifestyle

- Parliament Hill

#### Support

- Anti-money laundering: AMLCC
- Auto enrolment: Intrinsic
- Business support: The CV & Interview Advisors
- Career management: GaapWeb

- Ethics: Institute of Business Ethics
- Events: Brain Exchange
- Insolvency information portal: FA Simms
- Intellectual property: Intellectual Property Office
- Microsoft Office training: Excel with Business
- Mobile communications: Voice Mobile
- Practice advisory services: David Verney Associates
- Secure email: FRAMA UK Limited

#### Tax

- Capital allowances: Veritas Advisory
- R&D tax relief: Catax
- Tax portal: Gabelle

#### Technology

- Expense tracking: 1 Tap Receipts and Receipt Bank
- Office 365: Microsoft
- Online accounting software: Capium, Clear Books, Intuit and Reckon Software Ltd
- Online business tax software: GoSimple Software Limited
- Online personal tax software: GoSimple Software Limited

Log on to [www.ifa.org.uk/benefits](http://www.ifa.org.uk/benefits) to see the quality products and services available to Institute members.

## Your member dashboard: CPD record keeping

We offer members a CPD recording facility as part of your IFA dashboard ([www.ifa.org.uk/portal/dashboard](http://www.ifa.org.uk/portal/dashboard)). This record keeping facility will be automatically updated for attendance at IFA events where you have registered online and has been updated for the requirements in the CPD regulations. Please note if you turn up to an event without registering online your CPD will not be recorded.

All members must complete at least 40 hours of CPD in any year, of which 20 hours must be verifiable, unless they are CPD exempt. Verifiable CPD must be related to your roles, responsibilities and/or career, be supported by evidence and related to specific learning outcomes.

Further information on the IFA's CPD requirements and CPD exemption is available at [tinyurl.com/mxbbe5w](http://tinyurl.com/mxbbe5w).

Please note that members are required to keep a record of their CPD activities and, if requested, must co-operate with the IFA compliance and monitoring process and provide evidence of CPD records. The record-keeping facility in the CPD dashboard may be helpful in this regard.

## Childcare

The government's "Share the Joy" campaign highlights that both parents are entitled to share childcare.

[tinyurl.com/ifa-6153](http://tinyurl.com/ifa-6153)



We are pleased to announce that Spotcap will be joining us as exhibitors at the London conference on 10 May.

Spotcap provides UK businesses with fully unsecured business loans, combining technology with human expertise to make the lending process straightforward and swift. Decisions are based on recent business performance rather than business plans and forecasts. This allows loans to be offered without the need for businesses owners to give personal guarantees and take on unnecessary risk.

visit: [www.spotcap.co.uk](http://www.spotcap.co.uk)

## Fraud news in brief

The National Cyber Security Centre (NCSC) has published guidance for small charities setting out some cheap and easy-to-implement changes that trustees, staff and volunteers can make to improve their online security (see [www.ncsc.gov.uk](http://www.ncsc.gov.uk)).

Businesses can now report cyber-attacks that are in progress to Action Fraud, the UK's national fraud and cybercrime reporting centre, on 0300 123 2040. This includes extortion, distributed denial of service (DDoS) and ransomware attacks (see [www.actionfraud.police.uk](http://www.actionfraud.police.uk)).

The third national charity fraud awareness week will take place from 22 to 26 October and will be led jointly by the counter-fraud charity Fraud Advisory Panel and the Charity Commission. Supporters' packs will soon be available to help interested parties plan their activities (see [tinyurl.com/CFaw2018](http://tinyurl.com/CFaw2018)).

Police are warning about a recent increase in reports of fake debt collectors, bailiffs and other law enforcement agents requesting payments for non-existent debts. If payment is refused the fraudsters sometimes threaten to visit homes or workplaces or to arrest the victim.

There has also been an upsurge in reports of CEO fraud targeting schools using email addresses often indistinguishable from the real thing. Finance staff are contacted with requests for an urgent transfer of money to be made.

If you receive a call you think may be fraudulent, please let us know and report it to Action Fraud. Stay safe from fraudsters – however they approach you (see [www.actionfraud.police.uk](http://www.actionfraud.police.uk)).

## Minimum wage

The weekly rates of the National Living Wage and the National Minimum Wage will increase from April 2018.

[tinyurl.com/ifa-6113](http://tinyurl.com/ifa-6113)

## Women in finance

A policy paper from HM Treasury asks financial services firms to commit to implement four key industry actions.

[tinyurl.com/ifa-6137](http://tinyurl.com/ifa-6137)

## NEW MEMBERS: Jan/Feb 2018

Mr Dapo Akinfenwa AFA MIPA  
Mr Rana Afzal Khan FFA FIPA  
Mr Ali Ahmed AFA MIPA  
Miss Elizabeth Aladejare AFA MIPA  
Mr Hamid Arif AFA MIPA  
Mr Ahsan Ali AFA MIPA  
Mr Mohammad Bilal Ali AFA MIPA  
Mr Muhammad Anwar ATA AIPA  
Ms Thin Aye AFA MIPA  
Miss Angela Bennett AFA ATA  
Mr Muhammad Bilal AFA MIPA  
Mr Tom Bora AFA MIPA  
Mr Md Amirul Chowdhury AFA MIPA  
Mr Alked Coku AFA MIPA  
Miss Helen Columb AFA MIPA  
Mr Joshua Curties AFA MIPA  
Mr John Darragh AFA MIPA  
Mr Abiodun Daramola AFA MIPA  
Mr Suhail Ahamed Farook AFA MIPA  
Mr Patrick Field FFA FIPA  
Mr Rafael Fracari AFA MIPA  
Mr Anas Hafiz Abdul Ghaffar AFA MIPA  
Mr Imran Hafeez AFA MIPA  
Mr Muhammad Shahadat H AFA MIPA  
Mr Saqib Iqbal AFA MIPA  
Mr Muhammad Iqbal AFA MIPA  
Mr Muhammad Irfan AFA MIPA  
Mr Anish Kaimal AFA MIPA  
Mr Refaul Karim FFA FIPA  
Mr MBT Khalid AFA MIPA

Mr Salman Khaliq AFA MIPA  
Mr Muhammad Khan AFA MIPA  
Mr Abbas Khan AFA MIPA  
Mr Aamir Khan AFA MIPA  
Mr Muhammad Khan AFA MIPA  
Mr Wajid Latif FFA FIPA  
Mr William McClelland AFA MIPA  
Mr Jonathan Mills FFA FIPA  
Mr Kamran Mukhtiar AFA ATA  
Mr Md Moin Un Nayeem AFA MIPA  
Mr Dickson Nguruvu AFA MIPA  
Mr Bayonle Olabiyi AFA MIPA  
Mr Aymed Rasheed AFA MIPA  
Mrs Robyn Richards AFA ATA  
Mr Tamoor Sandhu FFA FIPA  
Mr Manik Sarker FFA FIPA  
Mr Ishfaq Shah AFA MIPA  
Mr Yasir Shaikh AFA MIPA  
Mr Farhan Dilawar Sheikh AFA MIPA  
Mr Affan Siddique AFA MIPA  
Mr Nirmolak Singh AFA ATA  
Mr Abdul Sualihu AFA MIPA  
Mr Saqib Tabraiz AFA MIPA  
Mr Umar Tahir AFA MIPA  
Mr Hardik Thakkar AFA ATA  
Mrs Tsehay Tola FFA FIPA  
Mr Md. Aminur Rahman Turza AFA MIPA  
Mr Yasin Twahirwa AFA MIPA  
Mr Zakaria Twait AFA ATA  
Mrs Yuliya Vorontsova AFA MIPA  
Miss Ning Wang AFA MIPA  
Mr Muhammad Yameen AFA MIPA



## AML guidance approved

HM Treasury has approved the Anti-Money Laundering Guidance for the Accountancy Sector (previously known as CCAB guidance on Anti-Money Laundering for the Accountancy Sector). The guidance has been prepared to help accountants comply with their obligations under UK legislation to prevent, recognise and report money laundering.

Compliance with this guidance will ensure compliance with the relevant legislation and professional requirements.

For information: <https://www.ifa.org.uk/technical-resources/aml/uk-law-and-guidance>

## TAXATION

### Agent Update 64

HMRC has published *Agent Update 64*.

This includes articles on:

- research & development tax relief claims – the deadline for these has been extended to 30 April 2018;
- taxpayers who know or suspect they have unpaid tax relating to overseas assets, income or activities – action is required before 30 September 2018;
- information on when to expect a reply from HMRC to a query or request (see [tinyurl.com/yby6696g](http://tinyurl.com/yby6696g)).

[tinyurl.com/ifa-6120](http://tinyurl.com/ifa-6120)

### Scottish Budget

The Scottish Government has set income tax rates and bands for 2018/19.

[tinyurl.com/ifa-6131](http://tinyurl.com/ifa-6131)

## Tiny URL

The "tinyurl" web addresses at the foot of the news items and elsewhere in the magazine are short aliases for longer addresses. Simply type the tinyurl address in your web browser and press return to be taken to the relevant website for more information on the news item.

## Rates and thresholds

HMRC has published the 2018/19 rates and thresholds for employers when operating payroll or providing expenses and benefits to their employees. The guidance includes rates of mileage allowance payments when employees are paid for using their own vehicle for business.

[tinyurl.com/ifa-6122](http://tinyurl.com/ifa-6122)

## DISCIPLINARY COMMITTEE HEARING – 19 JULY 2017

Mr David Eric Ellis,  
3 Parnell Road, Spital, Wirral CH63 9JR

### COMPLAINT

The complaint was that Mr Ellis was liable to disciplinary action under the IFA's Bye-laws. Bye-law 12.1 states that a member shall be liable to disciplinary action if they, in the course of carrying out their professional duties or otherwise, have been guilty of misconduct. The fact that a member has pleaded guilty to or been found guilty of any offence discreditable to them or to the Institute or the accountancy profession shall be conclusive proof of misconduct.

### BACKGROUND

On 5 February 2017, Mr Ellis pleaded guilty to, and was subsequently convicted of, six offences of knowingly being concerned in the fraudulent evasion of income tax by himself or another and one offence of acting with intent to prejudice or defraud HMRC. He was sentenced to 18 months imprisonment, suspended for 24 months, together with 200 hours community service and a six-month curfew. This conduct related to Mr Ellis not submitting his personal tax returns between 2008 and 2014 and failing to meet his employer's obligations by failing to account to HMRC for the PAYE and National Insurance contributions for his staff for four years.

## CONCLUSION

The Disciplinary Committee found misconduct proved and that these were offences of dishonesty, committed over a prolonged period of time. The Disciplinary Committee ordered that Mr Ellis be expelled and ordered to pay the IFA's costs of £1,651.

## DISCIPLINARY COMMITTEE HEARING – 14 DECEMBER 2017

Mr Graeme Morris FFA FIPA,  
Accountancy Made Simple, 47a Bury Old Road, Prestwich, Manchester M25 0FG

### COMPLAINT

The complaint was that Mr Morris was liable to disciplinary action under the IFA's Bye-laws. Bye-law 12.1 (now Bye-law 13.1(b)) states that a member shall be liable to disciplinary action if they have performed their professional work or conducted their practice or performed the duties of their employment, improperly, inefficiently or incompetently to such an extent or on such a number of occasions as to bring discredit to themselves or their practice, to the Institute, or to the accountancy profession. Bye-law 12.3 (now Bye-law 13.2(a)) says that misconduct includes (but is not limited to) any act or default likely to bring discredit to the member or to the Institute or the accountancy profession, and that in deciding whether a member has been guilty of misconduct, regard may be had to any code of practice, ethical or technical, adopted by the council and to any regulation affecting members.

Disciplinary Regulation 7 says that any member requested to do so shall provide their full and prompt cooperation to the Presenting Officer of the IFA (or any person acting on behalf of the Presenting Officer) and any Conduct Committee in connection with an investigation or Committee hearing involving the member. Failure to co-operate shall constitute a breach of these Regulations and may render the member liable to disciplinary action.

### BACKGROUND

The complainant had been a client of Mr Morris's firm. He complained that an error had been made on his tax return, repeated for several years and resulted in a fine and penalties from HMRC. The client had changed accountants, but Mr Morris had not released his books and records.

The Institute added a complaint that Mr Morris had not cooperated with its enquiries into the complaint.

## CONCLUSION

The Disciplinary Committee found that Mr Morris failed to act in accordance with the Code of Ethics and the Institute's Code of Best Practice, and the complaints brought Mr Morris, the Institute and the profession into disrepute.

Mr Morris was given a severe reprimand on each of the three charges, fined £1,500 and ordered to pay the Institute's costs of £2,069.



## IFA students

### Institute exams

The deadlines for enrolment in the June 2018 IFA exams are:

- International: 19 April 2018
- UK: 10 May 2018

We strongly recommend that places are registered well in advance because the exam centres can book out very quickly. For more information visit: [www.ifa.org.uk/learning](http://www.ifa.org.uk/learning)

## Phishing recognition

HMRC has advised on how to recognise phishing or bogus emails and text messages that purport to be from the department. These often include a link to a bogus website seeking personal details.

[tinyurl.com/ifa-6126](http://tinyurl.com/ifa-6126)

## ACCOUNTEX – LONDON 23 to 24 MAY 2018

Accountex remains the UK's largest exhibition and conference dedicated to accountants.

Not only will top industry brands be showcasing the latest products and services, but you can also hear from iconic names and leading figures in the unrivalled CPD accredited education programme.

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  - Meet suppliers who are shaping the future of your industry.
  - Discover new cutting-edge products, services and solutions.
  - Network with more than 7,000 accountancy professionals.
  - Gain eight CPD hours.
- Visit us on stand 373.  
Accountex is free to attend!  
Register for Accountex – London at: [tinyurl.com/AccEx2018](http://tinyurl.com/AccEx2018)

## Payroll reporting

Advice on which employers are exempt from online payroll reporting can be found on the HMRC website. Those who may be exempt and wish to file on paper, should write to HMRC with full details.

[tinyurl.com/ifa-6134](http://tinyurl.com/ifa-6134)

## Childcare

The tax-free childcare scheme is now open to parents whose youngest child is under 12, meaning all remaining families are within the scheme. The money can go towards a range of regulated childcare.

[tinyurl.com/ifa-6140](http://tinyurl.com/ifa-6140)

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### COMPLAINT

The complaint was that Mr Morris was liable to disciplinary action under the IFA's Bye-laws. Bye-law 12.1 (now Bye-law 13.1(b)) states that a member shall be liable to disciplinary action if they have performed their professional work or conducted their practice or performed the duties of their employment, improperly, inefficiently or incompetently to such an extent or on such a number of occasions as to bring discredit to themselves or their practice, to the Institute, or to the accountancy profession. Bye-law 12.3 (now Bye-law 13.2(a)) says that misconduct includes (but is not limited to) any act or default likely to bring discredit to the member or to the Institute or the accountancy profession, and that in deciding whether a member has been guilty of misconduct, regard may be had to any code of practice, ethical or technical, adopted by the council and to any regulation affecting members.

Disciplinary Regulation 7 says that any Member requested to do so shall provide their full and prompt co-operation to the Presenting Officer of the IFA (or any person acting on behalf of the Presenting Officer) and any Conduct Committee in connection

with an investigation or Committee hearing involving the Member. Failure to co-operate shall constitute a breach of these Regulations and may render the Member liable to disciplinary action.

### BACKGROUND

The Institute brought a complaint against Mr Morris that he had failed to cooperate with its enquiries into a separate matter.

### CONCLUSION

The Disciplinary Committee was satisfied that Mr Morris's failure to cooperate was misconduct. Mr Morris was given a severe reprimand, fined £1,000 and ordered to pay £500 costs.

## DISCIPLINARY COMMITTEE HEARING – 14 DECEMBER 2017

Mr Sivarajah Sivakumar AFA AFTA MIPA,  
40 Ferndale Avenue, Hounslow, TW4 7ES

### COMPLAINT

The complaint was that Mr Sivakumar was liable to disciplinary action under the IFA's Bye-Laws. Bye-law 12.1 (now Bye-law 13.1) states that a member shall be liable to disciplinary action if (a) they, in the course of carrying out their professional duties or otherwise, have been guilty of misconduct; (b) they have performed their professional work or conducted their practice or performed the duties of their employment, improperly, inefficiently or incompetently to such an extent

or on such number of occasions as to bring discredit to themselves or their practice, to the Institute, or to the accountancy profession; (c) they have committed any breach of these byelaws or of any regulations, policies and procedures in respect of which they are bound.

### BACKGROUND

The Institute was sent notepaper, the letter heading and logo on which suggested Mr Sivakumar was a practising member of the Institute. The logo was out of date and Institute records showed that Mr Sivakumar was not in possession of practising certificate. The Institute's Handbook and its Framework for Regulation make clear that any member offering accounting services to the public must hold a current practising certificate. Only members in practice may use the Institute's logo, and such logo must be up to date.

When presented with the situation Mr Sivakumar apologised and immediately took steps to rectify the situation.

### CONCLUSION

The Disciplinary Committee found that both the use of the (old) logo and letter heading to suggest that Mr Sivakumar was in practice when not in possession of a practising certificate amounted to misconduct, but noted Mr Sivakumar's actions to remedy the failure. Mr Sivakumar was reprimanded, fined £300 and ordered to pay costs of £1,869.

# The MTD story so far

HMRC's Making Tax Digital strategy is expected to go live sometime this year, but only specific self-employed and property-owning taxpayers will be able to use it. *Steve Checkley* considers how it works.



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## TEN SECOND SUMMARY

- 1 This first version of MTD will allow the self-employed and landlords to submit online summaries to HMRC.
- 2 If a taxpayer has both self-employed and property incomes consideration will need to be given to matching the reporting periods.
- 3 HMRC may contact existing qualifying taxpayers to see whether they would choose to adopt.



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**M**uch has been said about Making Tax Digital (MTD) in recent years. Starting with the introduction of the personal tax account in 2016, HMRC has been on an ambitious course to digitalise the UK's taxation system. A key aim of the strategy is for the self-employed and landlords to capture financial transactions using digital means and submit summaries on a quarterly basis.

HMRC's original plans were to go live in April 2018 and, although there is some delay to this, the department does intend to introduce MTD on a voluntary basis well before the official date of 2020. For income tax, MTD is intended to be a replacement for self assessment; however, a taxpayer cannot be in both camps – they are mutually exclusive – so which is right for clients?

### Income tax

This first iteration of MTD will cover the ability for the self-employed and landlords to capture

financial transactions digitally and submit online summaries to HMRC. Updates will be made on a quarterly basis, much like making a VAT return if they were VAT registered. The data sent in the submission is similar to the current self-assessment tax return. However, aside from dividends and bank interest, at this time MTD is unable to process other income streams such as income from employments or partnerships, capital gains and so on. A client with any of these cannot choose MTD in preference to self assessment.

### Year ends to consider

Let's assume that a client has simple affairs and meets the above criteria. The next thing to consider are their year ends.

Under both self assessment and MTD, a self-employed person can choose any arbitrary year end for their business. With basis periods and overlap, the profits earned are matched to a tax year, but their accounting years can be quite different. In fact, 30% of self-employed taxpayers do not have a 5 April year end, although a landlord is always fixed to the tax year.

If they choose to adopt MTD, a taxpayer is expected to enter on the first day after the end of an accounting period. For landlords, this will be the 6 April, but for the self-employed this could be a different date. For example, an individual with a 30 September year end can adopt MTD on 1 October. However, the date of an income stream joining MTD is critical because, as mentioned, the choice is either MTD or self assessment. Thus, if a taxpayer has both self-employed and property

incomes, going into MTD for one means going into MTD for the other.

Let's say a client has both self-employment, with a September year end, and property income. As we understand the rules, joining MTD on 1 October means also moving the property income into MTD and with it the obligation to create digital records and file "late" or even "missed" quarters. Quite how this is to tally with the penalties regime is yet to be revealed.

Further, advisers will need to consider that their client's year end will dictate their quarter dates. A landlord will have quarter dates (in effect) of June, September, December and March because they are locked to the tax year. A self-employed client with an accounting end date of February will have quarter dates of May, August, November and February. This could result in many visits from the client each quarter. To tidy-up the dates, use their last self-assessment tax return to move the self-employment date.

### Keeping digital records

There has been much talk about the concept of "digital records" which, in essence, means that records must be kept on a computer system. Ideally, some formal recordkeeping software would do the trick but, after much consultation, HMRC have allowed the continued use of spreadsheets.

When the announcement on spreadsheets was made, the accounting profession breathed a sigh of relief. Unfortunately, there was a catch: the data contained within them cannot be rekeyed into a submission system. HMRC claim that transposition errors are one source of taxpayer error. Somehow, the data needs to be imported by submission software. We have explained how this could work further on our blog ([www.taxcalc.com/blog/](http://www.taxcalc.com/blog/)).

### End of period statement

If the client has simple affairs and both income streams, their quarter dates are manageable. What's the next thing to consider?

The quarterly updates that are provided to HMRC are intended to contain enough information to enable the department to provide a tax estimate, but not enough to crystallise a liability. For that, a formal end of period statement must be given, which is more akin to either the self-employment or property pages of the self-assessment return. The difference is that the end of period statement must be submitted no later than ten months following the year end or the following 31 January (to prevent 5 April year ends getting an extra five days).

The end of period statement provides practitioners with an opportunity to take the client's data and construct financial statements upon which the submission can be made. Under MTD, HMRC favours cash accounting to keep the record-keeping obligation simple, but this is not the basis upon which the end of period statement has to be provided. The cash records can be used to prepare accruals accounts.

For other accounting period year ends, the ten-month rule can create some odd situations. Consider a year end of 30 September. This creates an end of period statement date of 31 July. If the client is accustomed to providing information after this date for a 31 January submission, they will need to be better prepared to meet this earlier date.

### Final statement

Once MTD is under full steam, the taxpayer has until 31 January to confirm all other income streams to HMRC. It's a little like self assessment but, if HMRC has already received this information, neither the adviser nor the taxpayer will be able to change it. For example, a taxpayer will have had their employment income submitted to HMRC in the form of their P60 and P11D. HMRC will have this, so will build it into their tax calculation. The software that practices use will be able to download this information to build into a separate computation.

Similarly, the end of period statements for self-employment and property will have been submitted, so these too will be pulled into the calculation direct from HMRC.

The final calculation is called the final statement and the submission to HMRC effectively fills in the gaps and closes off the tax year.

### From voluntary adoption to obligation

At present, HMRC has a date of April 2020 when at least some taxpayers will be obliged to adopt MTD. What they do not have right now is the criteria by which taxpayers will be chosen and this may be determined as late as the latter half of this year.

The year from now until March 2019 will be an interesting one. Once available for voluntary adoption, we expect HMRC to promote MTD above self assessment for those who qualify. The department may even contact existing qualifying self-employed and property-owning taxpayers to see whether they would choose to adopt. As a result, we expect more taxpayers to enter MTD from April 2019.

### Value added tax

So that's income tax largely covered, although MTD extends to other taxes as well. While corporation tax is probably some way off into the future, the April 2019 date for businesses registered for VAT is a certainty.

Here, like income tax, the obligation to keep digital records is made compulsory. Although spreadsheets can continue to be used, for businesses that are VAT registered with a turnover above the registration limit (so all non-voluntary registrations), information must be imported and sent to HMRC using submission software. This is important because many businesses use the Government Gateway, which will cease to be an option for them.

Business with turnovers below the VAT limit, but that are nonetheless voluntarily registered, may use dedicated VAT submission software or can continue to use the Government Gateway.



# Stormy weather on the way

Anne Davis forecasts increasing action by HMRC to combat tax avoidance and evasion and suggests the measures advisers should take to avoid exposure to the elements.



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## TEN SECOND SUMMARY

- 1 The Finance Bill 2017-19 contains further legislation to combat avoidance and evasion.
- 2 An increasing number of measures could catch out the unprepared tax adviser.
- 3 The importance of the *Professional Conduct in Relation to Taxation* document.

Since 2010, HMRC has introduced more than 100 measures to tackle tax avoidance, evasion and non-compliance and these have resulted in additional tax revenues of £160bn. The measures announced in the Autumn Budget 2017, which are in the process of being incorporated into the Finance Bill 2017-19, demonstrate the government's ongoing commitment to ensure that individuals and organisations pay their fair share of tax towards funding public services. The measures will raise more than £1bn by 2021/22 and, among other things, will do this by:

- introducing a new penalty for those who enable the use of tax avoidance schemes that are later defeated by HMRC (announced at Autumn Statement 2016);
- deterring those who try to gain an unfair tax advantage by transferring their pension abroad (announced at Spring Budget 2017);
- preventing businesses from attempting to exploit flexibility in the tax code to minimise their tax bill by converting capital losses into trading losses (announced at Spring Budget 2017); and
- preventing the use of disguised remuneration schemes that help people avoid tax (announced at Budget 2016 and Autumn Statement 2016).

Internationally, the UK is leading efforts to increase tax transparency by introducing the common reporting standard. This means that HMRC, along with 50 other tax authorities, now exchanges information automatically on accounts held offshore. It is anticipated that by September 2018 more than 100 jurisdictions will be participating in this initiative and advisers should read the department's reporting guidance on the automatic exchange of information.

These efforts have helped the UK to achieve one of the world's lowest tax gaps – this being the difference between the amount of tax that should, in theory, be collected by HMRC and the amount actually collected. Avoidance, evasion and non-compliance can be seen in a wide range of behaviours across different individuals, organisations and taxes. The government's document, *Measuring the tax gaps 2017* estimates that the difference can be attributed as follows:

- taxpayer errors (10% of tax gap);
- failing to take reasonable care (18%);
- differences in how to interpret legislation (18%);
- organised criminality (15%);
- evasion (15%); and
- avoidance (15%).

The tax gap can be apportioned between SMEs (46%), large businesses (29%), criminals (15%) and individuals (11%).

### The action to be taken

As discussed above, HMRC will have considerably more firepower in its battle against tax evasion, tax avoidance and non-compliance. IFA members therefore need to be aware of these changes and consider how they may affect themselves, their clients and their businesses. The increasing number of measures could catch out the unwitting



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tax adviser who is unaware of legal and regulatory developments, does not have strong systems, policies and procedures in place and is unfamiliar with relevant IFA guidance.

As a “starter for ten”, firms must have robust anti-money laundering and terrorist financing systems, policies and procedures that comply with the Money Laundering Regulations 2017 (see “Keeping watch” on page 22). Such procedures should include conducting due diligence before entering into a business relationship or undertaking an occasional transaction (with a value of less than €10,000) as well as undertaking this on an ongoing basis ([tinyurl.com/y9ohumng](http://tinyurl.com/y9ohumng)). Conducting due diligence may prevent a criminal becoming a client.

Second, firms should be familiar with Part A of the IFA’s Code of Ethics. This contains the fundamental principles (integrity, objectivity, professional competence and due care, confidentiality and professional behaviour) as well as the guidance on non-compliance with laws and regulations (NOCLAR). This provides advice on what members should do if they encounter actual or suspected NOCLAR by their client or employer (new sections 225 and 360 of the Code respectively). Such non-compliance would include tax evasion and tax avoidance (see “Change on the way”, *Financial Accountant*, Nov/Dec 2017, page 20).

Finally, firms providing tax advice should be familiar with the guidance in the *Professional Conduct in Relation to Taxation* (PCRT). This document also sets out the high ethical standards that form the core of the tripartite relationship between tax adviser, client and HMRC. It supports the key role members play in helping clients comply with their tax obligations and their broader responsibilities to society.

The PCRT document applies to all members who practice in tax including employees attending to the tax affairs of their employer. However, many of its specifics relate primarily to the relationship between a client and their adviser. It has been recognised that further work is required to develop the guidance for members working in-house or in other capacities. This will be a priority for the professional bodies going forward.

The guidance includes five new standards (and some accompanying guidance) in relation to tax planning that build on the existing five fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour already contained in the IFA’s Code of Ethics.

### Five new standards

The five new standards relating to tax planning are as follows.

- **Client specific.** Tax planning must be specific to the client’s own facts and circumstances. Clients must be alerted to the wider risks and the implications of any courses of action.
- **Lawful.** At all times members must act lawfully and with integrity and expect the same from their clients. Tax planning should be based

on a realistic assessment of the facts and on a credible view of the law. Members should draw their clients’ attention to areas where the law is materially uncertain; for example, because HMRC is known to take a different view of the law. Members should consider taking further advice appropriate to the risks and circumstances of the particular case, for example if litigation is likely.

- **Disclosure and transparency.** Tax advice must not rely for its effectiveness on HMRC having less than the relevant facts. Any disclosure must fairly represent all relevant facts.
- **Tax planning arrangements.** Members must not create, encourage or promote tax planning arrangements or structures that:
  - set out to achieve results that are contrary to the clear intention of Parliament in enacting relevant legislation; and/or
  - are highly artificial or highly contrived and seek to exploit shortcomings in the legislation.
- **Professional judgement and appropriate documentation.** Applying these requirements to particular client advisory situations requires members to exercise professional judgement on several matters. Members should keep notes on a timely basis of the rationale for the judgements exercised in seeking to adhere to these requirements.

### HMRC endorsement

The guidance has been endorsed by HMRC and has been updated after concerns from the government in relation to the facilitation and promotion of tax avoidance. The **Relevant Contents of the PCRT Guidance** cover any structure or arrangement that is artificial, contrived, or seeks to exploit loopholes in tax law.

### Conclusion

To conclude, firms engaged in public practice must understand and implement robust systems, policies and procedures to detect and mitigate the risks of money laundering and terrorist financing, which includes being associated, whether wittingly or unwittingly, with proceeds of crime such as tax fraud, which of course includes tax evasion. Members working in public practice (the regulated sector) are obliged to consider whether a suspicious activity report (SAR) needs to be submitted to the National Crime Agency (NCA) through the firm’s money laundering reporting officer (MLRO).

The key elements required for a report (suspicion, crime and proceeds) are discussed in further detail in the draft accountancy sector guidance ([tinyurl.com/ygyuov32](http://tinyurl.com/ygyuov32)).

Finally, it is imperative that members are familiar with the IFA’s expectations and requirements in this area; in particular, the PCRT. Given the government’s continued commitment to stamp out tax evasion, avoidance and non-compliance, taking a head-in-the-sand approach and ignoring legal and regulatory requirements may be risky and foolhardy.

## RELEVANT CONTENTS OF THE PCRT GUIDANCE

**Part 1**  
Fundamental principles and standards

**Part 2**  
General guidance

**Chapter 3:**  
Tax returns

**Chapter 4:**  
Tax advice

**Part 3**  
Guidance on specific circumstances

**Chapter 5:**  
Irregularities

**Chapter 6:**  
Access to data by HMRC

**Chapter 7:**  
Voluntary disclosures under disclosure facilities

**Chapter 8:**  
DOTAS, follower notices, accelerated payment of tax and POTAS

**Chapter 9:**  
Tax evasion

**Chapter 10:**  
HMRC rulings and clearances

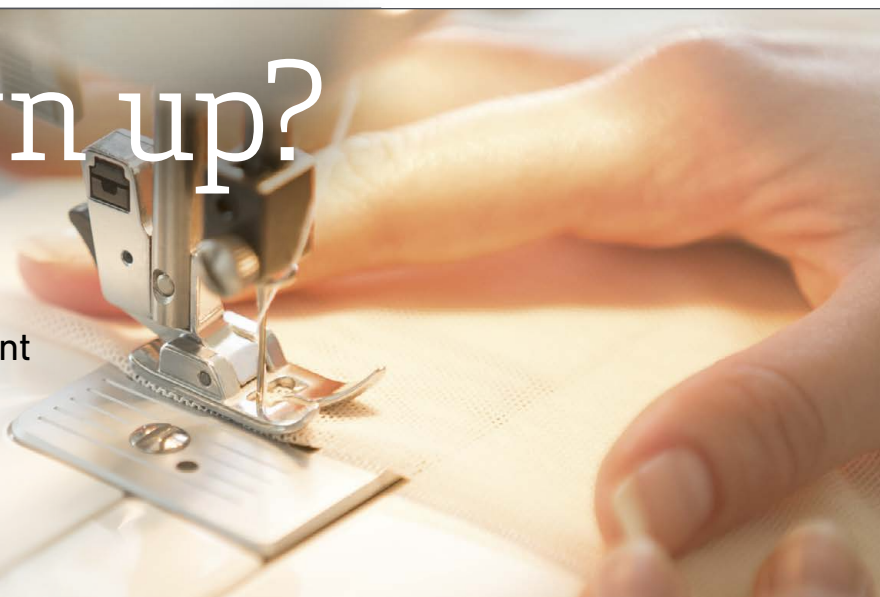
**Chapter 11:**  
Other interactions with HMRC

## FURTHER INFORMATION

*Automatic Exchange of Information: reporting guidance:*  
[tinyurl.com/y7ures2b](http://tinyurl.com/y7ures2b)  
*Measuring the tax gaps 2017:*  
[tinyurl.com/ydbojjrm](http://tinyurl.com/ydbojjrm)  
*IFA’s Code of Ethics:*  
[tinyurl.com/mxbbe5w](http://tinyurl.com/mxbbe5w)  
*Professional Conduct in Relation to Taxation:*  
[tinyurl.com/y832cjm5](http://tinyurl.com/y832cjm5)

# All sewn up?

The Taylor Review considered the employment status of workers and the gig economy. *Sejal Raja* discusses what it really means for businesses.



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## TEN SECOND SUMMARY

- 1 The Taylor Review undertook a wide-ranging review of employment legislation and practice.
- 2 There should be a new type of worker – the “dependent contractor”.
- 3 The public sector off-payroll regime is likely to be extended to the private sector.

**T**he increase in the number of individuals engaged by businesses on a flexible, ad hoc basis has presented problems when determining employment status for the purposes of employment rights and tax liability.

The Taylor Review was commissioned and published on 11 July 2017 to research the increasing uncertainty in employment status when individuals are engaged on such short-term contracts rather than being offered permanent roles and to tackle the associated problems. The report undertook a wide-ranging review of employment legislation and practice in light of recent changes in the modern workplace, including the so-called “gig economy”. It highlights the flexibility and competitiveness of UK labour markets on the international stage and sets out clear aims to improve working conditions and fairness, while maintaining the benefits of flexibility enjoyed by many workers.

Interestingly, the report aims to promote improved management and responsibility in the workplace, with the government made accountable.

The review also identifies some key areas that need to be addressed, including: employment status; tax; agency worker and zero-hour contracts; national minimum wage and National Insurance contributions; holiday pay; and sick pay.

### Employment status

Suggestions had been made previously that there should be a refinement of the current three-tier

system of employees, workers or self-employed, to a two-tier system of employment and self-employment. The Taylor Review rejects this suggestion and suggests a new definition of worker – “dependent contractor” – defined as workers without employment rights.

The report suggests that there should be a simple legal test for employee and worker. The test should focus on the degree of control rather than personal service or the right to a substitute. There would be no change to the test for employee status, for which the need to do work personally would apply. It further provides that dependent contractors should have the right to a written statement at the commencement of work and a right to compensation if this does not happen.

The report also recommends that the government should provide a new online tool to give individuals a clear steer on status rights.

### Tax

Tax law does not recognise “worker” status, the only distinction being between employees and the self-employed. It is therefore not always clear into which category workers should fall for tax purposes. The review indicates that all workers should be employees for tax purposes. It also suggests that the test for self-employment should be the same for employment law and tax purposes, which is not necessarily the case at present. To facilitate this, it invites the government to consider judgments from both the tax and employment tribunals that can be binding across both jurisdictions until the definitions are aligned.

The review agrees with the government’s previous proposals to equalise National Insurance for the employed and self-employed. The current differences create incentives for individuals and companies to use self-employment. The review advises that, in future, they should receive the same state benefits, including parental leave.

The review further suggests that the government should raise awareness of different stakeholders in the longer term which include:

### ➤ FURTHER INFORMATION

*Good Work: The Taylor Review of Modern Working Practices:*  
[tinyurl.com/ycqgsnz4](https://tinyurl.com/ycqgsnz4)  
 HM Treasury, Autumn Budget 2017 *Red Book:*  
[tinyurl.com/ybl4pl8d](https://tinyurl.com/ybl4pl8d)



- considering how companies who engage self-employed labour could contribute more to the overall National Insurance payments of the self-employed;
- examining how the tax system might address the disparity between the level of tax applied to employed and self-employed labour; and
- improving pension provision among the self-employed, using opportunities presented by digital platforms and cashless transactions.

### Agency worker and zero-hour contracts

Agency workers should be able to request an employment contract after 12 months on the same job. Workers on “zero-hour” contracts should be able to request a contract that reflects the level of hours of work that they usually carry out after 12 months. Employers should still be able to offer zero-hour contracts, but they should be incentivised to guarantee some hours.

### Minimum wage and NI contributions

The report proposes that the definition of “working time” is adapted for national minimum wage purposes and recommends that changes are introduced if hours are not guaranteed. It also suggests developing the work and role of the Low Pay Commission to undertake a review in sectors where a significant proportion of the workforce is on, or close to, the minimum wage; examples are in hospitality and social care. Self-employed individuals should have to pay the same level of National Insurance as employed workers. Currently, two people doing the same job but on different contracts would pay different levels of National Insurance and the report recommends that this should change.

### Holiday pay and sick pay

The right to the national minimum wage and sick pay is enforced by HMRC. It is suggested that the department should also enforce the right to holiday pay for low-paid workers. Holiday pay is calculated by reference to the average worked over the previous 12 weeks. This causes issues for seasonal workers when there are peaks and troughs to the amount worked. The review recommends that the reference period should be increased from 12 to 52 weeks.

Entitlement to statutory sick pay (SSP) is to those whose earnings are liable to class 1 National Insurance contributions. The review suggests that SSP should apply to all workers, regardless of income. It also states that entitlement should accrue with length of service and therefore it is not something that an individual receives from the start of employment, but from six months in.

### IR35 legislation reforms

Alongside the Taylor Review, the government has made some changes to the IR35 legislation.

From 6 April 2017, any payments made to a personal services company (PSC) by a public authority or in relation to contracts with agencies and third parties that contract with a PSC to supply

the services of a worker are subject to deduction of payroll taxes, if it is deemed that employment status applies and such contracts no longer fall within IR35. The onus is on the public authority to assess the employment status and it will be responsible for tax due on these assignments.

In the Autumn Budget 2017, the government announced that it would consult in 2018 on extending the public sector off-payroll regime to cover the private sector.

Under the heading “Off-payroll working”, the Budget included the following statement: “The government reformed the off-payroll working rules (known as IR35) for engagements in the public sector in April 2017. Early indications are that public sector compliance is increasing as a result, and therefore a possible next step would be to extend the reforms to the private sector, to ensure individuals who effectively work as employees are taxed as employees even if they choose to structure their work through a company. It is right that the government take account of the needs of businesses and individuals who would implement any change. Therefore the government will carefully consult on how to tackle non-compliance in the private sector, drawing on the experience of the public sector reforms, including through external research already commissioned by the government and due to be published in 2018.”

Traditionally, it has been the contractor’s responsibility to consider the IR35 status and account appropriately to HMRC. These reforms are putting the onus on the end-client to ensure that the correct assessments are undertaken. If an assessment is incorrectly made the tax liability shifts to the end-client who will be liable to pay tax and potential penalties.

To recap, three primary factors must exist to establish an employment relationship as follows.

- *Mutuality of obligation.* This is where the employer must be obliged to provide the work and the employee must be obliged to carry out the work in return for pay.
- *Personal service.* This means the individual is obliged to perform the work personally.
- *Control.* The employer must exercise a sufficient degree of control over the employee in the way that he performs work including when, where and how.

However, no one factor is determinative and the courts will also look at other factors that include:

- whether the individual is in business on their own account;
- whether the individual provides their own materials;
- whether the individual is integrated into the business;
- the length of the engagement; and
- any benefits received by the individual.

This continues to be a challenging area for those who wish engage individuals but maintain a flexible workforce and it will continue to be so until these recommendations have been implemented.



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# Businesses behaving badly

Mia Campbell suggests that accountants have a critical role to play in protecting their clients from fraudulent activity.



## FURTHER INFORMATION

The Fraud Advisory Panel is the leading voice of the counter fraud community. It champions best practice in fighting financial crime to improve resilience across society and around the world. Visit their website for free practical helpsheets and other resources: [www.fraudadvisorypanel.org](http://www.fraudadvisorypanel.org) Edelman Trust Barometer: [tinyurl.com/yap6z7nu](http://tinyurl.com/yap6z7nu) Fraud Advisory Panel report *Businesses Behaving Badly: fraud, corporate culture and ethics*: [tinyurl.com/y9fr6qt7](http://tinyurl.com/y9fr6qt7) Higher Education Degree Datacheck: <https://hedd.ac.uk/> Action Fraud: [www.actionfraud.org.uk](http://www.actionfraud.org.uk) and [www.actionfraud.police.uk](http://www.actionfraud.police.uk) Take Five: <https://takefive-stopfraud.org.uk/advice/> The National Cyber Security Centre: [www.ncsc.gov.uk](http://www.ncsc.gov.uk)

## TEN SECOND SUMMARY

- 1 Concerns over executive pay, tax avoidance, treatment of staff, corruption and lack of honesty and transparency have resulted in declining trust in business.
- 2 There has been a shift towards fraud by more senior and experienced staff and a rise in the so-called "silver fraudster".
- 3 A workforce that is supported, informed and appreciated is a key defence and can go a long way towards reducing the risk of fraud in an organisation.

We are living in a climate of growing distrust in which high-profile corporate scandals and data breaches are eroding our trust in business while fraud and cybercrime are simultaneously eroding our trust in one another.

According to the latest Edelman Trust Barometer, trust in business has declined over the past year. Only 43% of people in the UK (falling to 38% of young people) now trust business because of concerns over executive pay, tax avoidance, treatment of staff, corruption and the lack of honesty and transparency.

These themes are commonly picked up by the media. The Institute of Business Ethics found that many of the 500 or so ethics-related stories that appeared the media last year were also about

corporate culture and behaviour, the treatment of staff, and fraud and theft.

However, these issues are not mutually exclusive, they often co-exist and are interconnected. It stands to reason that good corporate culture and leadership set the ethical tone of our businesses, our people, and our times.

## The threat from within

About half of UK organisations have experienced economic crime; commonly matters such as asset misappropriation (say, stealing cash), cybercrime, procurement fraud, human resources fraud and accounting fraud. A significant proportion of these are inside jobs, committed by someone who knows the business – its people, policies, procedures and processes – well. Many more involve collusion. Although estimates vary, it is thought that at least one-third of business frauds are of this type, and that a typical organisation loses about 5% of its annual turnover to it.

But who commits internal fraud and why? The recent report by the Fraud Advisory Panel, *Businesses Behaving Badly*, found that the profile of the typical fraudster is someone with the power, access and status to recruit, commit and conceal with ease – if they put their minds to it. According to PwC, there has recently been a shift towards more senior and experienced staff and a rise in the so-called "silver fraudster" (those aged 40 and above) leading them to suggest that older people may be more willing to break the rules.

### Why people matter

People commit fraud – not companies and not (at least for the moment) machines. This means that to fully understand the insider threat we must also consider the human dimension. According to the fraud triangle, three essential ingredients are needed: the opportunity to commit fraud, the incentive to do so, and the ability to justify it.

But not everyone is a career fraudster, so what makes a seemingly ordinary employee commit fraud? Personal gain, greed, financial or family problems are commonly cited factors. But it can also be as a result of a person's experiences within the workplace. Feelings of disenchantment, a sense of injustice, or a perception of being treated unfairly can all play a part. As we have found, so can too much stress, the wrong incentives (money can sometimes change the way we think and act) and everyday tolerance of small wrongs. And this is where culture comes in.

Treating staff well and offering support to those with financial or other problems can sometimes be a very good way to prevent fraud.

### The question of culture

Creating a workforce that is well-supported, well-informed and well-appreciated is a key defence and can go a long way towards reducing the risk of fraud emanating from both within and without. Organisations that do well here often have an ethical culture based on shared values and a common purpose, which is set by the board or their management team who lead by example. This makes it easy for everyone to do the right thing. Building a fraud-resilient business is a job for everyone at every level.

### Internal controls

Although culture obviously plays an important part, it can only go so far. Other controls are also needed. Many executive-level fraudsters cite weak internal controls as a significant factor in their criminal decision making. Yet the Association of Certified Fraud Examiners (ACFE) has found that strong controls are something that many small businesses lack. Fewer than 16% of small businesses in their latest survey undertook fraud risk assessments and less than half had a code of conduct setting out the behaviour expected of staff. Such controls do not need to be complicated or expensive to do their job, but they do need to be well designed, consistently applied and followed, and routinely monitored and reviewed.

Although strong controls will not thwart every fraudster every time, they can certainly go a long way towards improving overall resilience. See *Protecting the front door*.

### Raising concerns with confidence

Many internal frauds are uncovered when concerns are raised by staff. In fact, about 40% of insider frauds are discovered in this way. Employees should feel comfortable asking

## PROTECTING THE FRONT DOOR

Career fraudsters sometimes deliberately seek out positions in organisations that are perceived (or known) to have weak controls and an over-reliance on trust. This can leave small businesses particularly vulnerable to the threat from within.

Basic screening of candidates should include the following.

- Ask to see original identity documents (if there is uncertainty on whether they are genuine use a document verification service).
- Check qualifications either directly through the issuing body or the Higher Education Degree Datacheck service.
- Take up work references, call referees and probe any employment gaps.

questions and raising concerns and there should be a simple, well-publicised and hassle-free way for them to do so.

Employees also need to be able to recognise the tell-tale signs of fraud and know the types of behaviour to guard against. This is where staff understanding of policies, controls and procedures becomes important and education and training step in. Training is a useful way to improve overall awareness, gather staff views, share experiences and identify weaknesses. It will also help staff to understand that the mechanisms put in place to tackle fraud are also there to encourage, support and protect them too.

### The outside threat

Although this article has been primarily concerned about the insider threat it is important to recognise that much fraud is committed by people outside of an organisation and much of this is cyber related. At least half of small businesses have experienced a cyber-attack and examples commonly include phishing emails, ransomware, and viruses, spyware and malware.

### Trusted advisers

The Department for Business, Energy and Industrial Strategy (BEIS) has found that when small businesses seek external information and advice they are more likely to turn to their accountant than almost anyone else. It follows that small businesses, which are concerned about fraud or fear that they might have become a victim, are also likely to go to their accountant as their first port of call.

As a trusted adviser, an accountant's knowledge is their commodity and this needs to be kept up to date. So said IPA CEO Andrew Conway in the November/December edition of this magazine, but this can sometimes be a challenge in the rapidly changing area of fraud and cybercrime. Thankfully, help is at hand through a growing body of free guidance and fraud alerts emanating from initiatives such as: the national fraud reporting service run by Action Fraud; the national awareness campaign, Take Five; and the National Cyber Security Centre.

Accountants therefore have a pivotal role to play in protecting not only their own businesses but those of their clients from fraudulent activity.



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# Drawing on experience

Franchising is a £15bn industry that business advisers need to know more about, says *Suzie McCafferty*.



## TEN SECOND SUMMARY

- 1 Franchising enables a successful business to be replicated using an existing brand.
- 2 Investing in a franchise is not a guarantee of success, but it does improve the odds.
- 3 The business model must present an attractive opportunity to a potential franchise owner.

Franchising is a business format whereby a licence is granted by one person (the franchisor) to an individual or company (the franchisee) for the right to replicate the business using their brand, systems, operating model and marketing systems, usually in an exclusive territory, for a prescribed period of time (usually on a five-year renewal basis). The franchisee will pay an initial fee and an agreed percentage of their sales in return for this licence, training and ongoing business support. Those wanting to have their own business may wonder why not just start one and save these upfront fees, royalties and restrictions? This is an excellent question and one with multiple parts to the answer.

In 2016, NatWest and the British Franchise Association (BFA) produced their most recent report on the health of the UK franchise industry. Given the painfully high failure rates for independent startups, the report makes attractive, if not essential, reading for anyone considering going into business for themselves.

Some highlights are as follows.

- The contribution of franchising to the UK economy is £15.1bn, an increase of 46% over the past ten years.
- The number of franchisee-owned businesses has increased by 14% in two years, to 44,200.
- The total number of people employed in franchising in the UK is 621,000.
- A record 97% of franchisee-owned units reported profitability.

If the majority of business startups close their doors before reaching their fifth year, then 97% of franchisee-owned units reporting profitability is a staggeringly impressive statistic.

Despite the rosy glow of the figures, investing in a franchise is not a guarantee of success, but it does improve the odds of owning a successful business that will be around for years to come. Likewise, franchising an existing business is no guarantee of success, but it does offer some incredible advantages in terms of achieving maximum growth and market share. Let's take a closer look at how and why franchising works.

## Previous experience

From the point of view of someone considering investing in a franchise model, here's some great opening advice – do not invest in an idea, invest in a proven operation. Franchising is all about the replication of a successful business and being able to draw on the experience of the original owner or its present managers. That's not to say consideration should only be given to

## FURTHER INFORMATION

The British Franchise Association is the voluntary self-regulatory body for the UK franchise sector: [www.thebfa.org](http://www.thebfa.org)

a franchise that's been around for 20 years and has 100 franchisees, simply that the investment should only be in a franchisor who has built a viable business, created a strong brand, proven their business model and marketing systems, properly documented all the relevant systems and procedures and provides comprehensive training and ongoing support.

Figures vary, but it's widely accepted that there are around 900 franchise brands across the UK. Some of these will be excellent, some of them will not. Choosing the right one takes time, planning, research and complete honesty from all parties, including partners and family. To that end, while the banks can all supply a list of great questions to ask a prospective franchisor, I think it's crucial to start with some that are closer to home, such as:

- What are you good at?
- What do you enjoy doing?
- What kind of environment do you like working in?
- Do you like building teams or working alone?
- How much money can you invest?
- How much money do you need to make in return?
- Are you really prepared to put the work in?
- Are you able to commit long term?
- Do you really just want to be your own boss, or are you driven to build a successful business?
- Are you a born entrepreneur or prepared to follow a strict model dictated by someone else?

### The entrepreneurial ideal

That last question is particularly important. Many prospective franchisees profess to be filled with entrepreneurial spirit – but remember that someone who wants to own, say, a fast food business and wants to be able to give it a great name, design the menu, create a logo, choose the staff uniform and set their own prices, will need to start their own business; becoming a franchisee will not tick these boxes. The reason to invest in a franchise is to obtain training, ongoing support, a proven business model and marketing systems to follow and a brand name to operate under – in other words, a ready-made “business in a box” complete with instructions.

For those who are happy to embrace such a system, there's the question of what kind of franchise to consider. Many look for something completely different to what they may have spent their career to date doing. For example, those who want to get outdoors and build a business that keeps them active and healthy and enables them learn new skills could look at a garden maintenance franchise. Those wishing to put management skills to the test in a brand new sector, might look at a food franchise. Someone simply wanting to keep more of the money they make for themselves could choose a white collar franchise such as accountancy, recruitment or business consultancy.

### Franchising reasons

What can franchising help an existing business achieve? The short answer is growth. This can

be a great way to grow a business relatively quickly and without the capital expenditure of a traditional expansion, such as buying new sites and employing managers and teams.

Of course, to achieve growth a business needs people to buy into the franchise concept, and to achieve long-term success a great franchise concept is needed. So what are the first steps?

Is the business successful? To franchise it, this is essential. If the original owner can't make a success of a product or service, why assume someone else will? The franchisor must be able to show that the business works, can be replicated in a different location and can be learned by someone else.

So, if the business exists, what is making it successful? This is an essential question when considering scalability and replication. For example, if the only reason people queue round the block to visit a sandwich shop is because the owner used to be in a boy band – consider how a franchised outlet would fare without the added attraction.

There are two primary impacts to consider. First, can a franchisee be expected to replicate the original business? Second, how will the business survive now that the original owner has stepped back to run a franchise?

The original owner should also ask themselves whether they want to stop doing what they love. It is amazing that many do not consider that aspect until it's too late. They will not be able to carry on as normal while their business becomes a franchise, their role changes dramatically from independent business owner to franchisor.

### An attractive opportunity

Financially, is the business model profitable enough to present an attractive opportunity to a potential franchise owner? People are investing in the model, not buying a job – they won't put tens of thousands of pounds into something unless it's going to provide a healthy return. As well as the up-front investment, they will be paying a percentage of their income – will there be enough left over to keep them happy?

In truth, to discuss everything that needs to be considered before launching a franchise would fill a book or three, so I will end with a final point of consideration (one that should be food for thought for aspiring franchisors or franchisees): what is the “hook” in the business? There will come a time when a franchisee will ask themselves what they still need the franchisor for. Make sure they have a reason; franchisors who plan to rely only on the contractual obligation contained in the franchise agreement will have already lost their franchisees.

Fortunately, whichever angle franchising is approached from, there is plenty of good advice – but check the source. The BFA accredits advisers to the industry from the consultants to the banks to the lawyers – whoever you look to for help, please make sure they are listed on the BFA website.



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## TEN SECOND SUMMARY

- 1 In 2017, fraudulent activity in the UK has surpassed £1bn for the first time since 2011.
- 2 The fraud triangle shows that three elements must be present.
- 3 Accounting fraud supplies an implicit gain through several means.

**F**raud has probably existed since the beginning of trade and commerce. Fraud includes "intent, deceit, breaking the law or violating regulatory framework(s), and harm to its victim(s)". As an indication of its impact, in 2017 KPMG noted: "The total cost of fraudulent activity in the UK has surpassed £1bn for the first time since 2011."

The *Oxford English Dictionary* defines fraud as: "Wrongful or criminal deception intended to result in financial or personal gain." To bring more focus, CW Jackson, in his book *Detecting accounting fraud* suggests that accounting fraud (also referred to as "corporate fraud", "financial reporting fraud" or "financial statement fraud") is a particular kind of fraud that necessitates the manipulation of financial statements.

**Why fraud occurs**

The studies of American criminologist Donald Cressey included white-collar crime, and in his book, *Other People's Money*, he formulated the

theory of the **Fraud Triangle** which shows the three elements that must be present for occupational fraud and other unethical behaviour to occur.

We can look at the three elements in a little more detail.

- **Pressure** is what motivates an individual to undertake fraud and can include almost anything such as a lavish lifestyle or addiction.
- **Opportunity** is the method an individual uses to commit fraud. This is usually created by poor internal controls, weak management oversight or the abuse of authority.
- **Rationalisation** is the justification an individual uses to commit fraud.

If *all* factors exist, fraud will potentially take place. Consequently, the key to preventing fraud is breaking the fraud triangle.

**Red flags**

A red flag is one or more conditions that are abnormal in nature or differ from the norm. It is an indication that something is wrong and should be further investigated. I will begin with generalities or what I call "soft red flags" and move onto specific accounting or what I term "hard red flags".

Common internal control weaknesses that can operate as red flags include: deficient segregation of duties; inadequate physical safeguards; unsatisfactory independent checks; improper authorisation of documents and records; override of existing controls; and a faulty accounting system.



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Analytical irregularities are relationships that do not make sense and appear to be unreasonable. These include large or small transactions that occur at strange times that may involve personnel not normally associated with them. Examples of analytical irregularities include:

- company assets sold below market value;
- a large number of bank accounts;
- downsizing in a healthy economy; and
- unexpected overdrafts or shortages of cash.

Operational anomalies are curious events concerning a company's operations. Although they may not be within the control of management, they warrant attention as a red flag for possible fraud. Some of these anomalies are:

- shortage of capital;
- repeated changes in lawyers or seeking multiple expert opinions;
- frequent changes in senior management;
- high staff turnover; and
- significant changes in employee attitude or lifestyle.

### Cash and payroll issues

Because cash is the asset most commonly stolen, accountants should focus attention on the red flags of cash embezzlement and accounts receivable and these may include:

- an unnecessary number of voids, discounts, and returns;
- unexpected activity in an inactive bank account;
- customer complaints about notices for defaulting or non-payment of accounts;
- inconsistencies between bank deposits and deposits posted to the company records;
- an unusual quantity or extent of expense items or reimbursements to staff or senior management;
- unusual cash transactions;
- frequent write-offs of accounts receivable; and
- an increase in the allowance of doubtful accounts.

Payroll is normally an automated or outsourced function that is open to collusion and fraud. Red flags in this area include: overtime claimed during a quiet period or by staff who would not normally do so; negative and material variations between standard and actual wages; staff with little or no payroll deductions; and "ghost employees".

Purchasing or procurement results in a significant outflow of monies within most companies and is susceptible to fraud. Similarly, an organisation's inventory can be vulnerable to theft. Red flags that the procurement and inventory functions are being manipulated include:

- a rising number of complaints regarding products or service;
- an increase in purchasing inventory but no growth in sales;
- peculiar inventory reduction;
- the proliferation of scrap items and reorders for the same materials; and
- surplus or slow-moving inventory.

### The reporting function

The rationale for manipulating the financial reporting function or engaging in accounting fraud is different from the embezzlement of company assets.

Accounting fraud does not result in an explicit financial advantage to one individual. Instead, it supplies an implicit gain in the shape of higher share prices, superior stock options for managers and continued lines of credit. However, red flags are often present in accounting fraud, just as they are in asset misuse schemes.

The following are some of the red flags seen in accounting fraud:

- aggressive revenue recognition;
- extraordinary and profitable transactions towards the end of reporting periods;
- boosting profits by selling undervalued assets or recording one-time events as operating income;
- persistent negative cash flows while reporting positive or growing profits;
- expenses rising quicker than revenues or sales;
- use of misleading classifications;
- capitalising operating costs;
- pressure to report positive or growing profits;
- material and growing transactions with related parties;
- regularly changing accounting policies such as depreciation technique; and
- using special purpose entities to improve gearing.

### Conclusion

I differentiated between fraud and accounting fraud and introduced the **Fraud Triangle** which has been extended by introducing other risk factors such as capability in a fraud diamond model. The red flags above are not an exhaustive list and as practitioners we should be prepared to examine the double entry of transactions to establish fraudulent activity.

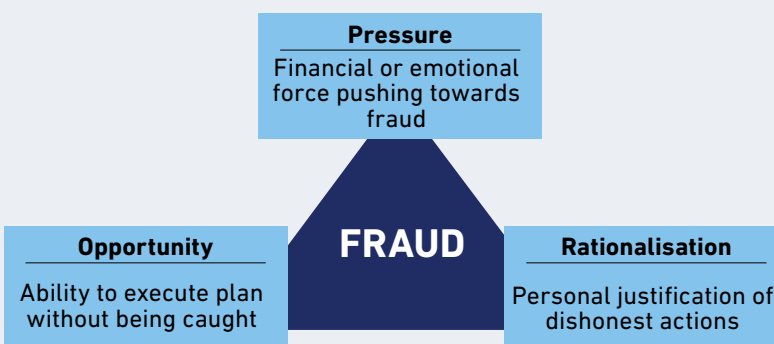
Prevention is better than cure and the ancient Greek Sophocles gracefully stated an insight for this burgeoning problem: "Rather fail with honour than succeed by fraud."

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## THE FRAUD TRIANGLE

A framework for spotting high-risk fraud situations





# Technological tightrope

Walking the client service tightrope and teetering between technology and the human touch? *Juliette Peyraud* shares her insights on how time-saving technological innovations and digital transformation can improve focus on clients.

## TEN SECOND SUMMARY

- 1 Technology can speed the preparation of tax returns and accounts and, increasingly, is designed to learn and perform specific tasks.
- 2 Clients demand bespoke business advice and assistance with long-term financial planning.
- 3 Technology can help advisers to spend more time meeting clients, furthering personal relationships and developing new partnerships.

According to research by PwC, between now and the early 2020s, 6% to 8% of jobs in financial, professional and technical services will be impacted by automation.

Further, the percentage of potential UK jobs affected could increase to 20% by the end of 2020.

However, industry experts do not anticipate that automation will lead to mass unemployment. Quite the contrary because artificial intelligence, cloud services, big data analytics and related technologies are expected to generate new jobs that may be able to offset the job losses associated with automation.

## Accountancy technology on the rise

Technological innovations entered accountancy practices many years ago – how many of us remember when we first emailed a client from a smartphone or logged into a café's wifi between meetings? And many of us now regularly use cloud computing services, such as Google Mail, Dropbox or Skype. In my experience, these programmes have made working life and meeting with accountants much easier.

Current technology saves time and enables us to work more efficiently. With the help of online accounting software, accountants can now manage their clients' tax returns and general accounts much faster and with less room for error. However, technology is increasingly being designed to learn specific tasks and perform autonomously. Although most of us understand how machines and technology could impact everyday life – think Alexa or Uber – no one has so far been able to correctly predict how wide-ranging these changes might be.

Often, accountants are reluctant to embrace technology. Whether it is fear of the unknown or juggling different tasks that leave little time for getting to grips with new ideas, many are

## FURTHER INFORMATION

PwC economists assess how and when workers will be affected by coming waves of automation (6 February 2018): [tinyurl.com/ybbrb2n2](https://tinyurl.com/ybbrb2n2)

left playing catch-up once they realise that their clients demand it. Conversely, accountants who are keen to use new technology to automate more mundane tasks, such as bank reconciliation or matching invoices to payments, are sometimes unable to do so because their clients prefer the more traditional way of doing things.

### How technology can help accountants

Generally speaking, new technology and automation offer accountants the opportunity to free-up valuable time and improve productivity. In turn, they can offer their services at a lower cost, therefore increasing their competitiveness.

As an example, an accountant, Christina, recently told me about a furniture wholesaler that she had assisted with accounting and tax duties for many years. To bridge a delayed incoming payment, the company needed a short-term loan. Thanks to Open Banking and her accounting software, Christina was able to check her client's bank statements instantly to ascertain the financing that would be feasible, speak to the relevant lender and confirm the loan – all within one working day. This would have been impossible five years ago.

Increasingly, accountants wear different hats. Besides the traditional bookkeeping, auditing and accounting functions, clients increasingly demand bespoke business advice and assistance with long-term financial planning. Therefore, accountants need to know more than their client and be up to date in myriad areas. The **Five Technology and Innovation Tips** will help accountants keep up to speed here. Those failing to do so may not lose clients immediately but might struggle to attract new business in a few years' time.

### Finding time to be human

Technology is part of continuous change. For accountants, it brings innovation and the chance to adapt business workflows and processes to spend more time meeting clients, furthering personal relationships and developing new partnerships.

Many advisers wish they had more time to get to know clients better to see where more value could be added. Although software and machinery can identify patterns and follow pre-programmed procedures, technology struggles to replicate personal relationships, emotional intelligence and trust. Take the example of Making Tax Digital (MTD). Technology will help with automation, but clients need a clear and jargon-free explanation of what this will mean for their business and the impact it might have on them. Here, advisers can help them understand the programme and provide the knowledge and tools to be prepared for upcoming changes.

I speak to many accountants who tend to go above and beyond to help clients and they value personal relationships. Although day-to-day tasks usually involve emails and quick phone calls, they all make sure they regularly catch up with their clients face to face. This makes it easier to understand clients' businesses, discuss challenges and learn more about their future plans. In this way,

## FIVE TECHNOLOGY AND INNOVATION TIPS

- **Learn.** Sign up for relevant local trade shows, conferences and webinars to learn about current and emerging trends. The more these are understood, the less overwhelming they will be.
- **Network.** Attend relevant networking events in your area. This will help increase contacts and gives the opportunity to discuss industry developments, current challenges and potential partnership opportunities with others working in professional services.
- **Read.** Subscribe to relevant trade magazines and websites to better understand new technologies and software. Find out what competitors are up to and get ideas of how to apply specific innovations in practice.
- **Brainstorm.** Join or establish regular internal meetings to discuss new accounting trends with like-minded colleagues. Use these meetings as a platform to brainstorm ideas, talk about new innovations and explore ways of integrating those into current workflows.
- **Keep an open mind.** Don't be fearful – embrace change.

## THE ACCOUNTANT OF THE FUTURE...

- ...uses artificial intelligence and robots for regular client reminders and document requests while being out and about to meet clients face to face;
- ...will be offering clients insights and deeper expertise that cannot be replicated by technology;
- ...is comfortable around their demanding millennials and generation Z clients for whom technology is second nature;
- ...smiles away the regulatory headaches of the past because compliance is now completely automated; and
- ...has a double degree in accounting and computing science and specialises in emerging disciplines such as forensic accounting.

the accountant can identify business opportunities and cross-sell and up-sell services. What's more, focusing on strategy and thinking outside the box is best reserved for humans. Increasingly, the world is becoming connected and the desire to collaborate is growing. More often, accountants and lawyers are partnering and referring each other if they are unable to help clients in particular matters. Finding alternative lending sources and helping clients raise finance is simply one example of enhancing a business advisory service.

### The birth of the Accountant 2.0

It is crucial to stay up to date with current trends and developments and make the relevant contacts and some suggestions in **The Accountant of the Future** can help here. This will enable accountants to give appropriate advice or refer clients to a trusted partner, whether this is a lawyer, lender or pension provider.

One thing is clear: the role of the accountant is changing. Those maintaining their awareness of the digital economy and adapting to innovations in technology will automatically become more flexible. This will help to grow and scale at a lower cost and become an indispensable analyst, consultant and strategist.

The Accountant 2.0 will then be ready for the new generation of clients for whom everything is happening online. Are you ready?



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# Keeping watch

It is essential that IFA members maintain vigilance against their businesses being used for money laundering. *Anne Davis* provides a round-up of the latest updates and developments.



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## TEN SECOND SUMMARY

- 1 The past year has seen new regulations and guidance on anti-money laundering.
- 2 Firms must conduct an assessment and document their money laundering risks.
- 3 The OFSI *Guide to Financial Sanctions* will help firms to understand when a possible breach of financial sanctions should be reported.

New anti-money laundering (AML) regulations came into force last year and were followed by significant changes to the money laundering reporting regime and the establishment of the Office for Professional Body Anti-Money Laundering Supervision (OPBAS). Several new publications have been issued.

- The UK's second National Risk Assessment of Money Laundering and Terrorist Financing (NRA) by HM Treasury.
- AML guidance for the accountancy sector.
- Guidance on circumstances where there might be a high risk of money laundering and terrorist financing.
- Updated sanctions guidance and new anti-money laundering (AML) reporting obligations.

Finally, the IFA is working in partnership with the legal and accountancy sectors and the government to support the "Flag It Up" campaign. If any of the above is news to members working in public practice, they should continue reading.

### Money Laundering Regulations 2017

The new Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations SI 2017/692 (MLR 2017) came into force on the 26 June 2017 and replace the Money Laundering Regulations 2007.

As mentioned in the IFA's email to members in July 2017 (and available at [tinyurl.com/y8ykvaqn](http://tinyurl.com/y8ykvaqn)) some of the key changes are as follows.

- **Risk-based approach.** Firms must set out policies and procedures for carrying out due diligence on a risk-sensitive basis and adopt suitable systems and controls to mitigate the money laundering risks identified by the firm in their risk assessment.
- **Risk assessment.** Firms must conduct and document a risk assessment of the money laundering challenges faced by the firm as a whole, not only from the clients. Firms must consider the overall risk by assessing their customers, countries of operation, the products and services offered, and how services are



delivered. Key factors to be taken into account are customers, geography, products and services, transactions and delivery channels.

The risk assessments must be kept up to date, documented and should involve discussions with the money laundering reporting officer (MLRO) and appropriate individuals to provide assurance that all risks have been identified.

- **Policies, procedures and controls.** Firms need to have policies and controls in place to mitigate the money laundering risks identified in the risk assessment, thereby assisting the detection and prevention of money laundering. Such policies, procedures and controls must mitigate risk and be proportionate to the size of the firm. Depending on the size and nature of the firm, firms may need to appoint an officer responsible for compliance with the MLR 2017, carry out employee screening, and establish an independent audit function.
- **Customer due diligence.** The circumstances in which simplified due diligence is permissible are more restricted under the MLR 2017. Firms must consider risk when deciding whether to adopt simplified due diligence. Another major change is guidance on the circumstances in which enhanced due diligence should be undertaken and the creation of a "list" of high-risk jurisdictions.
- **Politically exposed persons.** Enhanced due diligence requirements must be applied to politically exposed persons (PEPs) in the UK and overseas. Broadly, these are defined as individuals who have been trusted with prominent public functions both in the UK and overseas.
- **Register of trust or company service providers.** HMRC must establish a register of trust or company service providers (TCSPs) that are not registered with the Financial Conduct Authority (FCA). This is not related to antiAML supervision – it is simply a register that may be publicly available. A firm must not act as a TCSP unless it is on or has applied to be on the register. We await further information from HMRC regarding the establishment of this register.
- **AML supervisors.** More guidance is included in the regulations regarding the role of AML supervisors, such as the IFA. There is an obligation for supervisors to provide risk-based guidance and update firms as new risks are identified. Supervisors will also have to approve the "beneficial owner, officer or manager of a firm" by 26 June 2018. The supervisor must grant approval unless the person has been convicted of a relevant offence in MLR 2017, Sch 3. An approval to act for a person is invalid if they have been convicted of a relevant offence or have subsequently been convicted of a relevant offence. If a person is convicted of relevant offence they have 30 days to inform the firm's AML supervisor from the date of conviction. The firm must also inform its AML supervisor within 30 days of the date of the conviction. The IFA and other professional bodies are in discussion with HM Treasury on

## FLAG IT UP

The National Crime Agency's National Strategic Assessment 2017 states that previous figures of £36bn to £90bn for all money laundering affecting the UK are a significant underestimation.

Money launderers employ a range of techniques to help legitimise the proceeds of crime, and professionals such as accountants and solicitors are at risk of being targeted for their services.

To tackle this threat, the Home Office, in partnership with the National Crime Agency, has been working with the accountancy and legal professional bodies to raise awareness of the warning signs of money laundering and help professionals protect themselves and their firms through the Flag It Up campaign. The aim of the IFA is to see its members staying vigilant in the vanguard of a campaign to combat money laundering, particularly when criminals seek to use accountancy practices as the conduit for such activity.

the details of the application process and will keep you updated.

## Risk and accountancy services

HM Treasury has published the 2017 update of the UK National Risk Assessment of Money Laundering and Terrorist Financing (NRA). The first version was published in 2015.

The NRA document has assessed that there is a high risk of accountancy services being exploited by criminals for money laundering. It concludes that certain accountancy services are attractive to criminals because they may use these to gain legitimacy, create corporate structures or enable value to be transferred.

As required by the MLR 2017, firms should use the information provided in the NRA to further strengthen and improve their AML procedures to mitigate the risk that they are exploited by criminals for money laundering.

Several high-risk areas for exploitation by money laundering were identified by the NRA.

- **Company formation and other company services.** The NRA assesses company formation and other company services as the service at highest risk of exploitation. The risk is greatest when company formation services are offered in conjunction with other accountancy services, to create complex corporate structures that conceal the true source of wealth or funds.
- **Company liquidation and associated services.** Criminals may mask the audit trail of money laundered through a company. The NRA does, however, recognise that the scope for abuse is limited by the regulatory framework for licensed insolvency practitioners.
- **Accountancy certification.** In many cases, underlying books and records have been falsified by criminals and the accountant has unwittingly legitimised the financial statements by preparing them. The accountant's "badge" on such financial statements is an outward sign of validation.
- **Misuse of client money accounts.** Client money accounts is one of the only ways that accountants handle client assets. The

## FURTHER INFORMATION

Office for Professional Body Anti-Money Laundering Supervision: [www.fca.org.uk/opbas](http://www.fca.org.uk/opbas)  
 HM Treasury's second National Risk Assessment of Money Laundering and Terrorist Financing: [tinyurl.com/ybxzkszo](http://tinyurl.com/ybxzkszo)  
 New draft guidance for the accountancy sector: [tinyurl.com/ycyuov32](http://tinyurl.com/ycyuov32)  
 Guidance on circumstances where there might be a high risk of money laundering and terrorist financing: [tinyurl.com/yaw3dehu](http://tinyurl.com/yaw3dehu)  
 Updated financial sanctions guidance and new reporting obligations: [tinyurl.com/ycdko7du](http://tinyurl.com/ycdko7du)  
 Flag It Up campaign: <https://flagitup.campaign.gov.uk>  
 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations SI 2017/692: [tinyurl.com/yclwbfbp](http://tinyurl.com/yclwbfbp)  
*Professional Conduct in Relation to Taxation Guidance*: [tinyurl.com/y832cjm5](http://tinyurl.com/y832cjm5)  
 Accountancy Affinity Group list of circumstances where there might be a high risk of money laundering or terrorist financing: [tinyurl.com/y93a2vwx](http://tinyurl.com/y93a2vwx)  
 IFA anti-money laundering UK law and guidance: [tinyurl.com/y9ohumng](http://tinyurl.com/y9ohumng)  
 The Office of Financial Sanctions Implementation: [tinyurl.com/gt63t28](http://tinyurl.com/gt63t28)  
 List of terrorist groups or organisations banned under UK law, and details of proscription criteria: [tinyurl.com/k6uz8m8](http://tinyurl.com/k6uz8m8)  
 Guidance on what to do on suspected breach of financial sanctions: [tinyurl.com/y8lvnhvk](http://tinyurl.com/y8lvnhvk)  
 The Oversight of Professional Body Anti-Money Laundering and Counter Terrorist Financing Supervision Regulations 2017: [tinyurl.com/ydyooohg](http://tinyurl.com/ydyooohg)  
 IFA's public practice regulations: [tinyurl.com/mxbbe5w](http://tinyurl.com/mxbbe5w)

NRA concludes that there is a risk posed by accountants performing high-value financial transactions for clients with no clear business rationale. This allows criminals to transfer funds through client money accounts.

- *The facilitation of tax evasion.* Law enforcement agencies have found that accountancy services are used to undertake tax evasion and VAT fraud. Members in practice can mitigate the risk of facilitating tax evasion by adhering closely to the guidance in the *Professional Conduct in Relation to Taxation Guidance* (PCRT).

The MLR 2017 require the IFA to make available any information relevant to the firm's own organisation-wide risk assessment. We, together with the other AML supervisors that comprise the Accountancy Affinity Group, have identified a list of circumstances when there might be a high risk of money laundering or terrorist financing.

### AML guidance for the accountancy sector

The guidance that sets out the profession's expectations in terms of members' compliance with the MLR 2017 has been drafted and is awaiting HM Treasury approval. It is our understanding that we are moving ever closer to a final HM Treasury-approved version, so watch this space. In the meantime, the draft guidance is available on our website ([tinyurl.com/y9ohumng](http://tinyurl.com/y9ohumng)).

### Updated sanctions guidance

The Office of Financial Sanctions Implementation (OFSI) was formed as part of HM Treasury to oversee the implementation and enforcement of domestic and international financial sanctions in the UK. Sanctions are used for several purposes and this includes putting pressure on a particular country or regime to change their behaviour and to prevent terrorist financing.

The financial sanctions regimes in force in the UK include country-based regimes, as well as those directed at terrorist organisations. The OFSI website provides details of all the current financial sanctions regimes in force along with guidance ([tinyurl.com/gt63t28](http://tinyurl.com/gt63t28)). It is possible to subscribe to receive updates when sanctions are updated.

The IFA would recommend undertaking sanctions checks and proscribed terrorist checks published by the Home Office ([tinyurl.com/k6uz8m8](http://tinyurl.com/k6uz8m8)) as part of customer due diligence procedures of the firm.

### New reporting obligations

The MLR 2017 include various new reporting obligations as follows.

#### Financial Sanctions breaches

All businesses, organisations and individuals now have an obligation to report information about sanctions breaches. A report must be made to the OFSI as soon as practicable if there is knowledge of, or reasonable cause to suspect, that a person:

- is subject to financial sanctions; or
- has committed an offence under the regulations.

The OFSI has updated its *Guide to Financial Sanctions* to help individuals and businesses understand what they should report and when. There is a standard template that must be used which is also available on its website ([tinyurl.com/y8lvnhvk](http://tinyurl.com/y8lvnhvk)). Members should also be aware that making a suspicious activity report (SAR) to the NCA does not remove the requirement to make a report to the OFSI.

### The suspicious activity report regime

Changes introduced by the Criminal Finances Act 2017 allow law enforcement authorities to put a transaction "on hold" for an additional six months while disclosed matters on a SAR are investigated. If a law enforcement agency applies to the Crown Court to extend the moratorium period, notice of the application must be served on the firm that made the SAR.

Once in receipt of notice of an application to extend the moratorium period a firm will be able to inform its customer/client of the existence of the application to extend the moratorium period without committing the tipping off offence. The firm is permitted to disclose "only such information as is necessary for the purposes of notifying the customer or client that an application...has been made". It must follow, therefore, that the firm cannot disclose the content of the SAR to the client, or even the basis for its suspicion.

### New regulatory body

The Office for Professional Body Anti-Money Laundering Supervision (OPBAS) is a new regulator set up by the government on 18 January 2018 to improve consistency of professional body AML supervision in the accountancy and legal sectors. OPBAS will be funded by the professional bodies it supervises but will not directly supervise legal and accountancy firms. OPBAS is housed within the FCA and will facilitate collaboration and information sharing between the professional body AML supervisors, statutory supervisors, and law enforcement agencies ([www.fca.org.uk/opbas](http://www.fca.org.uk/opbas)).

### What firms should do

Accountancy practices can mitigate the risk that a criminal will use it to launder money by complying with the requirements of the MLR 2017, completing the IFA membership returns and firm returns for those engaged in public practice, and adhering to the requirements included in the IFA's public practice regulations ([tinyurl.com/mxbbe5w](http://tinyurl.com/mxbbe5w)), in particular for client money accounts. Firms should remember that payments into and out of the firm's client bank account must relate to an accountancy service that is being (or has been or will be) provided by the firm.

Further, firms should keep up to date with updates and requirements in this area to avoid becoming unwittingly involved in money laundering which exposes members, the MLRO, and their firm to criminal prosecution or disciplinary action as well as bringing disrepute to the IFA and the accountancy profession.

# A business engagement

*Clive Purdy* suggests some consideration before accepting a new client.

Accepting an appointment to act on behalf of a new client is seen usually as beneficial and provides the opportunity to help and assist them into the future. But the reason for a client changing accountants may not be as straightforward as it first appears.

Let's consider the following situation. A potential new client tells an adviser that they are unhappy with the way that their previous year's accounts were prepared. They want new ones to be drawn up that will show what they say is the correct position. The new adviser is happy to do this, but needs documentary evidence to support the revisions. The client says that profits were understated and, as a result, they were turned down for a loan on a property they wished to buy.

The client then says that they wish to sue their former accountant for losses incurred on the failed purchase. To support this legal action the client wishes to use the revised accounts as evidence. Further, they want a report showing where the previous accounts were incorrect.

What steps should the new adviser take?

## Professional clearance

First, the new adviser should send the usual professional clearance letter to the previous accountant and ask whether there are any matters that they need to know about when deciding to accept the appointment. The reply may not mention any dispute, but may say that there was a disagreement over the preparation of the accounts. If this is the case the new adviser should consider carefully whether they wish to act.

## The Code of Ethics

Second, if a decision is taken to accept the appointment, the new adviser should refer to the guidance in the Code of Ethics; in particular, section 230 "Second Opinions" and section 291 "Assurance Engagements". They should obtain all the evidence deemed necessary to support the preparation of revised accounts. Was this information made available to the previous accountant? If not, why not? If they can satisfy themselves that the accounts were incorrect, revised figures can be prepared.

The revised accounts must be approved by the client and filed at Companies House (for a company) and HMRC (with amended tax computations and returns). Any extra tax due must be paid. If the client does not authorise this, should the accountant continue to act? Guidance on dealing with "irregularities" (intended to include all errors made by the client, the member, HMRC or any other party involved) is available in the *Professional Conduct in Relation to Taxation* document.

## Possible litigation

Third, having prepared the revised accounts does the new adviser want to become involved in the client suing their previous accountant? I recommended that the adviser's professional indemnity insurance provider should be informed and the matter discussed with them. Legal advice should be sought.

Becoming involved in a legal dispute should be approached with great caution. The previous accountant may not have been given all the information that is subsequently made available or there may be a difference of opinion over how certain items in the accounts are shown. The failure to obtain the loan may be nothing to do with the accounts; for example, there might be a poor credit history. The previous accountant may challenge the revised figures and say that they are wrong.

Further, consider why the client approved the previous accounts when they knew they were incorrect. Their answer may be insightful.

## Risks and assessment

Because the client has confirmed a dispute with their previous accountant, has underdeclared income and tax and there is potential litigation to follow, the new adviser's risk assessment should be "high". If they decide to act they should consider their firm's overall risk assessment and additional procedures necessary for high-risk clients.

If the client refuses to agree that the revised accounts can be filed because they show increased liabilities, a suspicious activity report (SAR) will have to be filed under the Anti-Money Laundering Regulations 2017.

A more cautious and considered approach may well be not to accept the appointment.

## FURTHER INFORMATION

IFA Code of Ethics and *Professional Conduct in Relation to Taxation*: [tinyurl.com/ifa-memregs](http://tinyurl.com/ifa-memregs)  
RadcliffesLeBrasseur provides 60 minutes of free legal support a year to IFA members  
RadcliffesLeBrasseur: [www.ifa.org.uk/radcliffeslebrasseur](http://www.ifa.org.uk/radcliffeslebrasseur)



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E: [clivep@ifa.org.uk](mailto:clivep@ifa.org.uk)



# Process and protect

The General Data Protection Regulation will affect many organisations. *Peter Barton* focuses on its impact on the independent examiner of charity accounts.

## TEN SECOND SUMMARY

- 1 Holders of personal information about clients and others must protect that information under the General Data Protection Regulation which commences on 25 May 2018.
- 2 Sole practitioners must identify the personal data they hold and how they will keep it safe.
- 3 The EU ePrivacy Regulation addresses personal data protection and concerns matters such as cookies, electronic communications and data privacy.

Those who hold and process personal information about clients, staff or suppliers must protect that information. This is the case under the current UK Data Protection Act 1998 (DPA) and will continue to be so under the General Data Protection Regulation (GDPR), which commences on 25 May 2018. GDPR is an evolution of DPA – those who were compliant under the DPA will find most of their current approach to still be valid.

The GDPR applies to “controllers” and “processors”. A controller decides how and why “personal data” is processed and the processor acts on behalf of the controller. The GDPR provides a more detailed definition of “personal data”. A recent webinar reminded viewers that personal data is loaned, so it should be respected and its custodians must remember that it is not theirs to keep. Much of the GDPR is common sense – holders of personal data should treat it in the way that they would expect someone to safeguard and use their own personal data.

### Basic principles

The principles of the GDPR, as set out in Article 5 of the Regulation, are as follows.



- Lawfulness, fairness and transparency in relation to all personal data held.
- Purpose limitation – use for specified reason only.
- Data minimisation – only collect the data that is needed.
- Accuracy – erase or rectify out of date data.
- Storage limitation – only keep data as long as necessary or depersonalise it if it is necessary to retain for analysis or other reasons.
- Integrity and confidentiality – protection against unauthorised processing and accidental loss.
- Accountability – a new requirement of GDPR whereby data holders must be able to demonstrate compliance with the regulations.

The GDPR also provides a right of access to data by the individual whose information this is.

### Business action

So, what do businesses need to do? It really depends on their size. Sole practitioners with no employees must identify the personal data they hold, why they hold it and how they will keep it safe. Clearly, the new regulations apply to such businesses as much as to larger organisations, but compliance should be more straightforward.

For larger businesses with employees, it is crucial that all staff are aware of the new regulations. The following may be an appropriate way to help with GDPR compliance.

- It is advisable to prepare a data map that shows the personal data held and how best this can be protected. This approach will enable the business to identify and delete obsolete procedures and systems.





Charities are likely to hold significant levels of personal data, whether in relation to beneficiaries, supporters, staff, volunteers, suppliers and the like. Trustees will have the ultimate responsibility for ensuring their charity complies with GDPR but, in most cases, they will rely on staff to make sure the charity is compliant.

Article 6 of the Regulation sets out the legal justifications for holding an individual's personal data. The first is that the individual has consented to the processing of their data for one or more specific purposes. Another justification that primarily relates to charities is the sixth, namely that processing the data is necessary for the purposes of the legitimate interests pursued by the controller. Consent now requires a positive opt-in – consent by default is not allowed. Further, charities (and everyone else) will have to be able to prove that individuals understand to what they are consenting.

#### Data protection tips

The ICO lists five top data protection tips for charities, as follows.

1. Tell people what is being done with their data.
2. Ensure that employees are adequately trained.
3. Use strong passwords.
4. Encrypt all portable devices.
5. Only keep personal data for as long as necessary.

The ICO website includes various toolkits specifically for the charity sector.

#### EU ePrivacy Regulation

As though GDPR was not enough, another regulation is on its way – the EU ePrivacy Regulation. This addresses personal data protection and concerns cookies, electronic communications, data privacy and much more.

This far-reaching regulation will cover the internet, telephone communications, instant messaging, spam, direct marketing, mobile app developers and so on.

The regulation was originally intended to come into force at the same time as GDPR. However, because the draft text was not published until January 2017 it is now unlikely to be ready by May 2018. Despite the likely delay, the regulation is important and will add to the responsibilities of an organisation under GDPR.

- Businesses must consider whether a data protection officer (DPO) should be appointed. Even if the GDPR does not require such an appointment, all organisations are able to appoint a DPO. Whether one is appointed or not, the organisation must ensure that it has sufficient staff and skills to discharge its GDPR obligations.
- Put a team together to create a communications plan and strategy. Ensure all staff know what GDPR is and why it is important.
- Work out how the requirements of GDPR fit around usual procedures and identify business opportunities arising from the process. Carry out a gap analysis against the principles listed above and the rights of individuals.
- Make any changes that are needed to the procedures and policies of the business. This will be a wide-ranging, risk-based exercise that will take the information drawn from the first four steps, enabling the business to meet the requirements of GDPR. This is likely to be a lengthy process and external assistance may be necessary, so do seek expert advice if needed.

Having said this, the Information Commissioner's Office (ICO) website contains some useful toolkits to help businesses to comply with the existing law as well as adapting their systems to meet the new regulations.

#### How will it affect your charity clients?

Charity clients will be affected in the same way as other businesses. They must review the personal data they retain and ensure it is held safely under the GDPR provisions, as outlined above.



**Peter Barton** qualified as a chartered accountant in 1989 and joined Kreston Reeves in 1999. Peter has always had an interest in charities and many of his clients fall in this category. His audit clients include museums, almshouses, farming businesses and family companies. Peter is editor of the firm's bi-annual charities' newsletter. In addition to his company and charity clients, Peter looks after 80 personal tax clients. E: [peter.barton@krestonreeves.com](mailto:peter.barton@krestonreeves.com)

#### ACIE ANNUAL CONFERENCE 2018

Thursday, 14 June 2018

Friends' Meeting House

6 Mount St, Manchester M2 5NS

Discount places are open to all IFA members.

– Early bird fee: £100 (until 30 April 2018).

– Standard fee £175.

Simply look for the IFA member option when booking online and quote IFA/18.

Register online at: [www.acie.org.uk](http://www.acie.org.uk)

or email: [info@acie.org.uk](mailto:info@acie.org.uk)

#### FURTHER INFORMATION

ICO toolkits for the charity sector:  
[tinyurl.com/h5q25am](https://tinyurl.com/h5q25am)  
 Kreston Reeves website:  
[www.krestonreeves.com](http://www.krestonreeves.com)  
 Guide to the General Data Protection Regulation:  
[tinyurl.com/y9jpbxmh](https://tinyurl.com/y9jpbxmh)  
 EU ePrivacy Regulation:  
[tinyurl.com/m7y9ugq](https://tinyurl.com/m7y9ugq)



# A game changer

Martyn Durbidge explains the main practical aspects and implications of the IFA's new Bye-laws and Regulations.



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## TEN SECOND SUMMARY

- 1 From 2018, new rules mean that students, affiliates and member firms now fall under the IFA's disciplinary umbrella.
- 2 A practising certificate is required even if a member has only a small number of clients.
- 3 Members must hold client money in a separate account that is reconciled monthly; failure to do so will result in disciplinary action.



Martyn Durbidge is the IFA's disciplinary case manager. He previously worked in the ICAEW's professional conduct department for many years as a complaints assessor.  
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The IFA's conduct committees had a reasonably busy year in 2017. It seems that 2018 could go either way, depending on how much attention members pay to the new Bye-laws and Regulations. I don't think we have introduced anything that wasn't best practice already; nevertheless, we are trying to draw as much attention to the changes as possible.

In the November/December edition of *Financial Accountant*, Anne Davis spent some time outlining the changes that took effect on 1 January 2018. These are the most significant for many years. Here, I would like to recap some of the modifications and their practical impact on some issues and trends in the disciplinary area. I am keen to ensure members understand their

obligations to minimise the regulatory and other failures appearing before the conduct committees.

From a disciplinary point of view a big change is that it is not only "members" who can become liable to disciplinary action – students, affiliates and member firms also now fall under the disciplinary umbrella.

If a practice includes IFA members who have more than 50% control of that firm, the firm itself can now become liable to disciplinary action. Similarly, a principal in a firm regulated by the IFA can become liable to disciplinary action even if they are not a member. It will be interesting to see how this pans out.

Other requirements have been formalised. For example, practising certificates have always been required by members in practice as set out in the old *Members' Handbook*, but the whole practice regime is now defined in the Public Practice Regulations.

The past few years have seen the conduct committees deal with cases concerning lack of practising certificates, how members account for client money, and lack of continuity arrangements in case of death or incapacity – all subjects now covered by the Public Practice Regulations.

### Certificates, incapacity and insurance

An IFA member offering accountancy services to the public for reward in the UK must have an IFA practising certificate. This is nothing new, but it is now formalised in the Public Practice Regulations.



Members cannot rely on someone else in the practice having one, nor is it sufficient to hold one from another body. A practising certificate is required even if a member has only a handful of clients (for example, a few retained following their retirement).

The subject of advisers operating without a practising certificate crops up all too frequently before the conduct committees, whether through ignorance or misunderstanding. The Regulations now include a "Statement on Engaging in Public Practice" to help members decide whether a practising certificate is required, so from now on there is no excuse. Alternatively, members can always contact the Membership team. They are a friendly bunch and are happy to help.

I know we think it will never happen to us, but professional IFA members have a duty to make sure arrangements are in place should they suddenly become incapacitated. Complaints have come before the conduct committees arising out of such situations, so it does happen. The Public Practice Regulations oblige all members in practice to have arrangements to ensure the continuity of the practice in the event of illness or death. Sole practitioners must have a competent alternate able to look after things in such an eventuality.

The requirement for professional indemnity insurance (PII) is also now enshrined in the Regulations. PII protects members as well as clients and holding such protection is vital. I won't dwell on that here since, mercifully, such failures are not something I need to refer to the conduct committees very often. However, I frequently have to point out that, to activate this protection, members need to tell their insurers about any complaint at the earliest opportunity.

### Client monies and service

The rules on client money have been tightened and now form part of those Public Practice Regulations. Members who hold client money and do not have a separate client account that is reconciled monthly will appear before the conduct committees at some point. Client money is money of any currency that a firm receives or holds from or for a client (unless it is fees immediately due and payable or agreed fees paid in advance). Such money must be kept separate from the firm's money, in a separate firm account with the word "client" in the title. It goes without saying that we should never receive anything like the recent allegation (mischievous, as it turned out) that a client account cheque, forwarding the client's tax rebate, was returned by the bank.

We do sometimes see complaints alleging poor service and these can relate to technical incompetence. With that in mind, continuing professional development (CPD) is also now enshrined in Regulations. The requirement for training and development must be reviewed having regard to the professional and other work undertaken. And half of the annual 40 hours CPD must be verifiable – in other words,

specifically related to what the member does and supported by evidence. This may sound onerous but, as with other aspects, it is no more than best practice and is designed to protect the excellent reputation of the IFA and its members. I am hopeful that the new CPD Regulations will help keep things that way.

I would ask members to study all the Regulations. They are there to protect them as much as their clients.

### Complaint resolution

Finally, a worrying recent trend is of members being the subject of a complaint and then burying their heads in the sand. Failing to respond to me or to the conduct committees is the worst thing they can do. It is almost statistically inevitable that, at some point, an adviser will receive a complaint from a client or third party. It is difficult to go through a career in practice without upsetting someone at some point – wherever the fault lies. Being on the end of a complaint doesn't automatically mean there has been misconduct – even if a mistake has been made. But without a response to enquiries this cannot be established, and failing to respond is itself a disciplinary matter.

Contrast this with a recent case where the member, upon being told by the Institute that he was the subject of a complaint, immediately wrote to the client concerned. He acknowledged that if the client had felt it necessary to contact the IFA with a complaint something must indeed have gone wrong. He invited the client to set out how this could be put right.

The member put aside who was right and who was wrong. He accepted that the client would want to go elsewhere and that it would serve no purpose trying to be difficult about that. Even though the complainant made some unpleasant and unwarranted comments, the member did not get defensive. They dealt with the whole thing in a few email exchanges, copying me in, and the complainant withdrew their complaint. In that instance, I was delighted to be out of a job.

### Conclusion

I know it can be upsetting and annoying to receive a complaint, but if members set out everything clearly and calmly, this can go a long way to disposing of the matter with the minimum of fuss.

Under the new Disciplinary Regulations I have, subject to certain safeguards, the discretion to close off certain complaints without referring them to the Investigations Committee if I believe no further action is merited. These would be, for example, if the complaint is trivial or vexatious, or it took place so long ago that it would be impracticable to investigate it. If minor complaints can be resolved that will surely make that process easier. It will help me to help members.

All the new Regulations and the revised Bye-laws are available on the website: [ifa.org.uk/memberregulations](http://ifa.org.uk/memberregulations). It is in members' interest to make sure they have a good idea of what's in them. Don't say there was no warning.

### FURTHER INFORMATION

#### Membership benefits

RadcliffesLeBrasseur is a law firm with a well-established reputation and a diverse client base. Members receive 60 minutes of free legal support a year (after which normal fees apply). Areas covered are employment, immigration and commercial law. Visit: [www.rlb-law.com](http://www.rlb-law.com)

AJ Gallaher offer full PI insurance, practicing certificate and AML cover. Member benefits include:

- Broad civil liability cover protecting your business.
- £250 excess, reducing exposure.
- £300,000 limit on any one claim.
- Optional home, office and liability insurance.

Visit: [ifa.org.uk/ajgallaher](http://ifa.org.uk/ajgallaher)

# Branch meetings

Linda Wallace provides details of forthcoming local branch meetings and establishing new branches.

## TEN SECOND SUMMARY

- 1 Branch meetings, speakers and topics for the coming months.
- 2 Members must register their place through [www.ifa.org.uk/events](http://www.ifa.org.uk/events).
- 3 If there is no branch in your area would you be interested in starting one?

These pages and [www.ifa.org.uk/events](http://www.ifa.org.uk/events) include information on forthcoming branch meetings. To attend a meeting you must register your place through [www.ifa.org.uk/events](http://www.ifa.org.uk/events) otherwise you may not be admitted if the event is full.

Branch events are free, keep you up to date with IFA news, important issues, and contribute towards your CPD.

## Become an IFA branch chair

Could you be the new branch chair for Bristol, Crawley, High Wycombe, Manchester or Hampshire region? To be considered for this rewarding voluntary position you will need to:

- be an IFA member;
- chair each branch meeting;
- be the local figurehead for the branch and promote the IFA locally;
- organise six branch meetings a year, find and book appropriate venues for each meeting, and identify (with the help of IFA head office if needed) and contact suitable speakers;
- ensure all speakers provide full details of their presentation in a timely manner;
- encourage non-members to pursue IFA membership or take required IFA qualifications; and
- complete necessary budgetary forms each year and submit to IFA head office.

You will be fully supported by IFA head office which will help to identify speakers and promote events by email, social media and *Financial Accountant*. Event registrations are managed centrally and you will be reimbursed for any expenses you incur.

If you are interested, please contact Jonathan Barber in the first instance by email at [jonathanb@ifa.org.uk](mailto:jonathanb@ifa.org.uk) or call on 07711955939.

## 25 APRIL 2018 (19:00 – 21:00) – 2 CPD HOURS

Edinburgh  
A quiz with a twist  
**David Lloyd Centre**  
Newhaven Place, Edinburgh EH6 4LX

## 19 APRIL 2018 (14:00 – 17:00) – 3 CPD HOURS

Antrim  
Overview of the General Data Protection Regulation – Smart processes  
**Dunsilly Hotel**  
20 Dunsilly Road, Ballymena BT41 2JH

## 10 APRIL 2018 (19:00 – 21:00) – 2 CPD HOURS

Newcastle  
Topic to be confirmed  
**UNW LLP Chartered Accountants**  
1st Floor, Citygate St James Boulevard, Newcastle upon Tyne NE1 4JE

## 15 MAY 2018 (16:45 – 19:30) – 2 CPD HOURS

Manchester  
**Duncan Walker**: Six Steps to SuXcess  
**University of Salford**  
Maxwell Building, 43 Crescent, Salford M5 4WT

## 11 APRIL 2018 (18:00 – 21:00) – 3 CPD HOURS

Milton Keynes  
**Mattioli Woods**: Retirement wealth planning  
**Holiday Inn**  
500 Saxon Gate, Milton Keynes MK9 2HQ

## 30 APRIL 2018 (16:00 – 19:00) – 3 CPD HOURS

Bristol  
**FA Simms**: Business rescue and insolvency – currently asked questions and matters of interest  
**Mattioli Woods**: Retirement wealth planning  
**The Bristol Golf Club**  
St Swithins Park, Blackhorse Hill, Almondsbury BS10 7TP

**22 MARCH 2018 (19:30 – 21:30) – 2 CPD HOURS**

Leeds

41st Leeds branch AGM and **John Edwards**, CEO and **Ian Hornsey**, Chairman of IFA to discuss association matters.**Weetwood Hall Conference Centre and Hotel**

Otley Road, Leeds LS16 5PS

**19 APRIL 2018 (19:30 – 21:30) – 2 CPD HOURS**

Leeds

Topic to be confirmed

**Weetwood Hall Conference Centre and Hotel**

Otley Road, Leeds LS16 5PS

**26 MARCH 2018 (17:00 – 19:30) – 3 CPD HOURS**

Ipswich

Topic to be confirmed

**Ipswich Hotel**

Old London Road, Copdock, Ipswich IP8 3JD

**30 APRIL 2018 (17:00 – 19:30) – 3 CPD HOURS**

Ipswich

Topic to be confirmed

**Ipswich Hotel**

Old London Road, Copdock, Ipswich IP8 3JD

**3 MAY 2018 (16:00 – 19:00) – 3 CPD HOURS**

Redditch

**FA Simms**: Business rescue and insolvency – currently asked questions and matters of interest**Abbey Hotel**

Hither Green Lane, Redditch B98 9BE

**9 APRIL 2018 (18:00 – 21:00) – 3 CPD HOURS**

Brentwood

**Mattioli Woods**: Retirement wealth planning**Inform Direct**: Company secretarial work - a source of profit or a time consuming and expensive overhead?**Jupiter House**

Warley Hill Business Park, The Drive, Brentwood CM13 3BE

**17 MAY 2018 (18:00 – 21:00) – 3 CPD HOURS**

High Wycombe

Topic to be confirmed

**Holiday Inn**

Crest Road, Handycross, High Wycombe HP11 1TL

**30 APRIL 2018 (18:00 – 21:00) – 3 CPD HOURS**

London

Topic to be confirmed

**London South Bank University**

Keyworth Centre, Keyworth Street, London SE1 6NG



# On the international stage

Introducing the IFA's international representatives.

## Elena Baryshnikova FFA FIPA

International representative – Ukraine

I gained an MBA from the Edinburgh Business School in 1999, became a member of the ACCA and IFA in 2011 and received a PhD in 2017. I have 15 years' experience as a business coach and consultant and have been a tutor at the Edinburgh Business School and the Kiev-Mohyla Business School. I am the Director and tutor of the Business Education Alliance LLC and Director of the audit firm Lex-Service LTD.

### INTERESTS

I like to learn constantly and improve myself. I also like to travel and study the history of different countries.



### Contact details

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E: baryshnikova12@gmail.com



## Abdul Shakoora, M Phil, AFA, MIPA, CPA

Regional Director – Pakistan

I am chief financial officer for a leading manufacturing group and am an experienced professional in the field of international education management. I also teach as an adjunct faculty member for the University of the Punjab. I am an associate member of the IFA, IPA and the Institute of Certified Public Accountants of Pakistan. I also hold a Master of Science in Economics and Master of Philosophy in Management.

### INTERESTS

Outside of work, I enjoy teaching, reading and writing. I am also interested in finding innovative accredited educational solutions across the globe to contribute toward the educational reforms of Pakistan. I like travelling to new and beautiful places.

### Contact details

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