

# Financial Accountant

www.ifa.org.uk

January/February 2016



## RAISING THE BAR

IMPROVING STANDARDS  
AND CUSTOMER SERVICE

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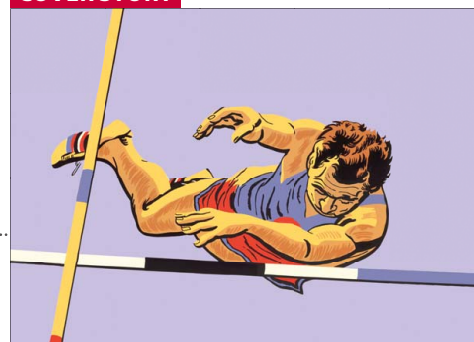
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Corporate

# Act now to stop your membership from lapsing!

**2016 membership fees and renewal forms were due by 31st December 2015**

For those that have **not** already returned their membership renewal forms **and** paid their annual subscription, please do so immediately to avoid your membership from lapsing and having to pay a reinstatement fee!

We would also like to thank those that have renewed their membership for 2016 and look forward to developing the IFA's offering to members throughout our centenary year.



delivers talent  
delivers business knowhow  
delivers accountability

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

# Happy new year

**W**elcome to 2016 and the IFA's centenary year – we believe this will be one to celebrate. Further, we are now entering our second year following the coming together of the IFA and the IPA to form the IPA Group. Our journey is a long one, but progress is being made. In 2015, we successfully reviewed and integrated functions and back office systems and processes into the IPA's head office in Melbourne. This will help deliver our "1 + 2 + 3" pledge: one member, two designations and three key benefits, which are greater efficiency, greater effectiveness and greater member value.

During the past year it has been important to work across our two businesses and learn our different ways of working. Part of our focus has been on the essential "behind the scenes" work which will provide the strong base for global growth over the next decade. This included a review of appropriate fit for purpose governance arrangements and a review of structure across all our operations.

There has also been ongoing activity to develop an integrated member management and financial reporting system. This will guarantee comprehensive and up-to-date information on all members and on our performance in the global context.

We will also be implementing our strategic marketing and member communications plan, to deliver new services including the rollout of global sponsors and partners. A comprehensive review of educational pathways to membership and advancement will be undertaken, as well as alternative delivery mechanisms for continuing professional development. Global member communications will be reviewed, including publications and technical newsletters to provide up-to-date information and news as part of our mission to help and support members and raise quality and standards.

In the area of regulation, our approach during 2015 has been educational rather than enforcement. However, where members fail to change their working practices to comply with the regulations disciplinary action has, unfortunately, had to be taken. Our aim is to educate and help members improve their compliance and this will continue in 2016.

Compliance involves responding in a timely manner to enquiries from the IFA on all regulatory matters. There is a concern that some members fail to understand the seriousness of not responding to IFA correspondence and their responsibilities to the institute. This behaviour causes more work and creates unnecessary cost in chasing members for their responses. This may lead to disciplinary action which we would much prefer to avoid.

Plans for centenary celebrations and associated activities have commenced with more exciting news to come. While it is good to reflect on the IFA's first 100 years and celebrate successes; we should also think about the next.

Wishing you all a successful 2016.



“Our aim is to educate and help members improve their compliance and this approach will continue in 2016.”

## Follow us:

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## QUICK VIEW

### ✉ EXPECTING A VISIT?

Care is required by institute tax practitioners when dealing with an HMRC investigation.

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### ✉ MANAGING RISK

The pace of implementation of the pensions auto-enrolment rules will increase in 2016.

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### ✉ THE NEW REGIME

The new accounting regime for micro-entities will affect the majority of advisers, who must be aware of the implications.

page 18

*John*

John Edwards,  
IFA Chief Executive Officer.

## TAXATION

**HMRC manuals**

HMRC understands that some advisers may have experienced problems when accessing HMRC guidance manuals on GOV.UK. The transfer of the *Employment Income Manual*, *Employee Tax Advantaged Share Scheme User Manual*, *Pensions Tax Manual* and the new *Scottish Taxpayer Technical Guidance* has presented some issues including missing hyperlinks, poor formatting of text etc. There may be a delay in other HMRC manuals going live on GOV.UK, but previous versions of affected manuals will remain available on the old HMRC website.

[tinyurl.com/ifa-1200](http://tinyurl.com/ifa-1200)

## REGULATORY

**Working well**

The Health and Safety Executive has begun consulting on a new five year strategy "Helping Great Britain Work Well" ([www.hse.gov.uk/strategy/](http://www.hse.gov.uk/strategy/)). It emphasises the policy that getting risk management right is an enabler for productivity, innovation and growth and this includes supporting SMEs.

[tinyurl.com/ifa-1198](http://tinyurl.com/ifa-1198)

## BUSINESS

**Local retailers**

The government is asking food producers and shops to give more information about where their food comes from. Research indicates that almost 80% of people see buying local food as a top priority.

[tinyurl.com/ifa-1194](http://tinyurl.com/ifa-1194)

## TAXATION

**Scottish income tax**

The Scottish rate of income tax comes into effect from 6 April 2016 and will affect Scottish residents and all employers with employees who live in Scotland. HMRC will contact those living in Scotland, where records show this as their main address, to inform them they have been identified as being a Scottish taxpayer. The tax codes of Scottish taxpayers will have an "S" prefix.

Updates and the latest information can be found on HMRC's Scottish rate of income tax news page.

[tinyurl.com/ifa-1191](http://tinyurl.com/ifa-1191)

## SKILLS@WORK

SKILLS@WORK

**Demonstrating compliance with the UK Bribery Act**

The IFA supports a positive and pro-active stance against corruption and recognises the importance of training in all kinds of organisation and in particular in the SME sector. To support this, the IFA is pleased to announce that it has endorsed an anti-bribery web app, which is based on the UK Bribery Act.

Through a series of case studies and quizzes the course will help members gain a better understanding of:

- the UK Bribery Act;
- what constitutes an offence under the Act;
- how it impacts on business;
- ensuring compliance with the Act; and
- duties and responsibilities under the Act.

Upon completion of the course, members will receive a certificate that will help to demonstrate and record that an organisation has adequate procedures in place to comply with the Act. The course has been developed by Skills@Work, a mobile learning developer.

The app can be launched from any platform including smartphones, tablets, laptops or desktop computers.

Further details can be found on the IFA website at: [www.ifa.org.uk/cpd/cpd-training/ifa-endorsed-anti-bribery-web-app/](http://www.ifa.org.uk/cpd/cpd-training/ifa-endorsed-anti-bribery-web-app/)

## CHARITIES

**Charity newsletter**

The Charity Commission has published issue 52 of its quarterly newsletter. This has articles on:

- tackling abuse and mismanagement in charities;
- updated fundraising guidance and consultation;
- reporting governance costs; and
- reducing fraud in the charity sector.

[tinyurl.com/ifa-1190](http://tinyurl.com/ifa-1190)

## BUSINESS

**Mindfulness**

A new report from ACCA shows that modern leadership can benefit from a scientific approach to "mindfulness". A different approach to decision-making by those at the top of an organisation can help mitigate against corporate malpractice.

[tinyurl.com/ifa-1178](http://tinyurl.com/ifa-1178)

## ACCOUNTANCY

**IFAC report**

The International Federation of Accountants has published *Nexus 2: The Accountancy Profession – A Global Value Add*. The report examines the accountancy profession's link to national economic growth and improved living standards. It reveals the correlation between the share of accountants in total employment, GDP per capita improvement and improved human development outcomes.

See Joseph Bryson's article "Speaking out" on page 12 of this issue.

[tinyurl.com/ifa-1183](http://tinyurl.com/ifa-1183)

## TAXATION

**Tax task forces**

Using state of the art digital tools and intelligence, HMRC taskforces have recovered £109m in the past six months.

[tinyurl.com/ifa-1138](http://tinyurl.com/ifa-1138)

**RECOMMEND A STUDENT**

The IFA offers hands on, practical professional qualifications that lead to associate membership of the institute. Our qualifications are highly relevant for those working in an SME-sized organisation or smaller accountancy practice. As an institute member, do you employ or work with a member of staff who could benefit from studying towards these qualifications?

To find out more about the IFA's professional qualifications and learning support, visit the IFA website and the specific learning pages: [www.ifa.org.uk/learning/qualifications/](http://www.ifa.org.uk/learning/qualifications/) or contact the education team at: [education@ifa.org.uk](mailto:education@ifa.org.uk)



## INSTITUTE MATTERS

## IFA and FTA logo use

Using the IFA or FTA practising certificate holder logo correctly, according to the IFA/FTA guidelines, is crucial for our brand and also helps to ensure that the public is clear about what it means to be an IFA/FTA member.

To find out more information on the IFA/FTA logo guidelines or to download the IFA/FTA practising certificate holder logo, visit the following links on the IFA/FTA website.

IFA Link: [tinyurl.com/zrbqrbt](http://tinyurl.com/zrbqrbt)  
FTA link: [tinyurl.com/gv2vouf](http://tinyurl.com/gv2vouf)

## TAXATION

## Peer-to-peer payments

*Revenue & Customs Brief 2/2016* sets out HMRC's current position on the obligation to deduct income tax at source on interest paid on peer-to-peer (P2P) loans. Pending changes to the legislation, interest may be paid gross in some cases.

[tinyurl.com/ifa-1202](http://tinyurl.com/ifa-1202)

## PENSIONS

## Good practice guide

The Pensions and Lifetime Savings Association has published a good practice guide to help trustees of defined contribution (DC) pension schemes offering money purchase benefits meet their requirement to assess and explain the extent to which costs and charges in their scheme represent good value for members.

[tinyurl.com/ifa-1187](http://tinyurl.com/ifa-1187)

## PRACTISING CERTIFICATES

## Important warning – practising without a practising certificate.

IFA and FTA members offering accountancy services to the public for reward *must* have a practising certificate. The IFA's definition of public practice includes all types of work normally associated with accountancy, such as preparing accounts that a third party relies on, preparing tax returns and verification of income concerning an individual's financial affairs.

Further information on practising certificate requirements is available at [www.ifa.org.uk/members-area/obtaining-an-ifa-practising-certificate](http://www.ifa.org.uk/members-area/obtaining-an-ifa-practising-certificate)

Problems can arise when members offer services which may fall on the fringes of the definition of public practice. In addition, there are some exemptions from the requirement to hold a practising certificate. If you have any queries as to whether you need a practising certificate, please contact the IFA's membership department at: [membership@ifa.org.uk](mailto:membership@ifa.org.uk)

Remember, it is a disciplinary offence for a member to offer accountancy services for reward to the public without holding a practising certificate.

## ANTI-MONEY LAUNDERING WORKSHOPS

These interactive half-day practical workshops are aimed at members in public practice who want to increase their understanding and knowledge of their responsibilities under the Money Laundering Regulations 2007 and the application of these to everyday operations. The course locations and dates are as follows.

- London – Thursday, 7 April 2016
- West Bromwich – Wednesday, 4 May 2016
- Leeds – Thursday, 26 May 2016

Attendees will benefit from lively, engaging and practical workshops, focusing on risk management and good practice. Places are limited, so register your interest now at [events@ifa.org.uk](mailto:events@ifa.org.uk)

Further details will follow shortly on the events section of the IFA website.

## CHARITIES

## Double defaulters

The Charity Commission has named 14 more charities in its class inquiry into charities that fail to file accounts properly in two consecutive years: "double defaulters". The commission has also announced the next phase of the inquiry.

The announcement comes after the commission published a list of excuses received for not filing accounts on time.

[tinyurl.com/ifa-1176](http://tinyurl.com/ifa-1176)

## BUSINESS

## Flood funding

The government has announced a £5m business support scheme to help flood-affected businesses in Cumbria and Lancashire. This is equivalent to £2,500 per business provided to local authorities.

Local growth hubs can provide more information on how to access this support.

[tinyurl.com/ifa-1171](http://tinyurl.com/ifa-1171)

## TAXATION

## VAT reverse charge

HMRC's *Revenue & Customs Brief 1/2016* provides guidance on what is covered by the domestic reverse charge accounting mechanism for wholesale supplies of telecommunications services in the UK.

This measure has been introduced in response to the threat of missing trader intra-community fraud.

[tinyurl.com/ifa-1172](http://tinyurl.com/ifa-1172)

## TAXATION

## Personal tax account

HMRC's new digital service, the personal tax account, is now available to taxpayers. HMRC says "The new service won't change the way agents interact with HMRC."

Agents can still file self-assessment tax returns using the existing portal service. Clients can choose to receive electronic rather than paper communications and can use their account to:

- view and update their personal address;
- access a range of iForms which they can complete and submit online;
- view and amend an estimate of the income tax they're likely to pay in the current tax year; and
- tell HMRC about changes to certain taxable benefits from their employer.

[tinyurl.com/ifa-1196](http://tinyurl.com/ifa-1196)

## TAXATION

## VAT returns

HMRC have updated *VAT Notice 700/12: how to fill in and submit your VAT return*. This revised notice cancels and replaces *Notice 700/12* (August 2014).

[tinyurl.com/ifa-1124](http://tinyurl.com/ifa-1124)

## DISCIPLINARY HEARING TRIBUNAL ORDERS

Mr Ade Benson AFA FIAB, 22 Beatrice Road, Bangor, Co Down BT20 5DG

### Complaint

The complaint was that Mr Ade Benson was liable to disciplinary action under IFA's bye-laws. Bye-law 21.1 states that a member shall be liable for disciplinary action if they, in the course of carrying out their professional duties or otherwise have been guilty of misconduct. Bye-law 12.3 states, among other things, that "misconduct" includes (but is not limited to) any act or default likely to bring discredit to the member or relevant firm in question or to the institute or the accountancy profession. Bye-law 5.2 obliges members to notify the institute immediately of any change in their addresses.

### Background

The complainant had entrusted his accountancy affairs to Mr Benson. The complainant had a legitimate expectation that accountancy work would be undertaken and the relevant paperwork sent to HMRC as and when required. In correspondence from HMRC it appeared that no communication was sent by Mr Benson to HMRC on the complainant's behalf.

Mr Benson had left his business address without notifying the IFA as he should have done.

### Conclusion

The committee found that Mr Benson's conduct fell seriously below the standards expected of a member of the institute.

Taking into account the IFA's sanctions guidance the disciplinary committee concluded that Mr Benson should be severely reprimanded and be directed to pay a fine of £1,500 and costs of £3,747 with respect to the complaint.

## TAXATION

### Call waiting

Consumer magazine *Which* recently carried out its annual check on HMRC helpline waiting times. It made 100 calls to the self-assessment and general enquiries helplines and recorded how long it took to receive a reply. The average wait was 38 minutes, compared to 18 minutes in 2014. Almost one in five attempts left the caller on hold for more than an hour.

The delay was longer the later in the day the call was made. Before 2pm the average wait was 28 minutes, but after 6pm it increased to 61 minutes.

HMRC acknowledged that "Our service levels have not been good enough for many customers at busy periods this year, and improvements have taken longer than we'd hoped."

[tinyurl.com/ifa-1214](http://tinyurl.com/ifa-1214)

## TAXATION

### Dispute resolution

HMRC is making increasing use of the alternative dispute resolution (ADR) service for personal and small business tax cases. The number of such ADR cases has risen by more than 70% in the past year.

[tinyurl.com/ifa-1211](http://tinyurl.com/ifa-1211)

## REGULATORY

### Trade secrets

The EU plans to adopt a Trade Secrets Directive in March 2016, which will align existing laws against the misappropriation of trade secrets across the EU.

The proposal harmonises the civil means through which victims of trade secret misappropriation can seek protection. This should discourage unfair competition, while encouraging collaborative innovation and the sharing of valuable know-how.

[tinyurl.com/ifa-1189](http://tinyurl.com/ifa-1189)

## BUSINESS

### Farming support

The EU has announced a comprehensive support package worth €500m for the benefit of farmers. This is intended to:

- address the cash-flow difficulties farmers are facing;
- stabilise markets; and
- address the functioning of the supply chain.

[tinyurl.com/ifa-1216](http://tinyurl.com/ifa-1216)

## TAXATION

### Place of supply

*Revenue & Customs Brief 4/2016* simplifies the evidence required to support decisions on the place of taxation for VAT purposes and applies to businesses that fall below the registration threshold. It suggests businesses that have registered for VAT MOSS, but have small levels of trading, should consider whether they need to be registered for VAT purposes.

[tinyurl.com/ifa-1170](http://tinyurl.com/ifa-1170)

## TAXATION

### 2016 legislation

HMRC have published details of the legislation that will be included in Finance Bill 2016. The department confirms that legislation will be introduced to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary, such as an umbrella company or a personal service company. Action will also be taken on disguised remuneration,

[tinyurl.com/ifa-1240](http://tinyurl.com/ifa-1240)

## NICOLA MUMFORD

After almost three years with us, Nicola Mumford, events and communications assistant, is leaving the IFA to travel overseas.

Nicola has been an integral and valuable member of the IFA marketing team since May 2013 and we appreciate her hard work in planning, developing and implementing the IFA's event management activities. It is no coincidence that an accountant from one of our commercial partners referred to a recent IFA conference, planned and organised by Nicola, as "the best event he has attended all year".

Nicola leaves the IFA, not only with our heartfelt thanks, but also our sincere good wishes. We will announce Nicola's replacement in due course. In the interim, to ensure we continue to provide members with a good quality service and support, please send:

- notifications and details of future branch meetings and events to Catherine Mone at: [catherinem@ifa.org.uk](mailto:catherinem@ifa.org.uk); and
- expenses and payments to Lewis Durham at: [lewisd@ifa.org.uk](mailto:lewisd@ifa.org.uk).

*John Edwards, Chief Executive.*





## INSTITUTE MATTERS

**Kick start your CPD**

IFA members can now save 30% off of the price of tailored online continuing professional development (CPD) bundles from [accountingcpd.net](http://accountingcpd.net).

Each bundle is mapped to IFA's financial accounting competencies framework which illustrates the technical, behavioural and professional competencies expected of you as an accountant.

All courses are practical and flexible, allowing you to learn at your own pace and giving you skills and knowledge that you can start to apply immediately in the workplace.

[tinyurl.com/hj4js9l](http://tinyurl.com/hj4js9l)

## EMPLOYMENT

**Minimum wage**

The new national living wage will be introduced from April 2016 and this will be accompanied by new measures to stop employers flouting the rules.

[tinyurl.com/ifa-1075](http://tinyurl.com/ifa-1075)

## BUSINESS

**Insolvency process**

Changes to modernise the insolvency process came into force on 1 October 2015. In summary the changes:

- reform the way insolvency practitioners gain authorisation to practice;
- simplify when to report to creditors about appointing and releasing administrators;
- strengthen the regulation of insolvency practitioners and the role of the Insolvency Service as regulator; and
- introduce a requirement to get an up-front estimate of fees agreed by creditors when an insolvency practitioner wishes to operate on a time and rate basis. Any subsequent variation to this estimate must also be agreed by creditors.

[tinyurl.com/ifa-1217](http://tinyurl.com/ifa-1217)

**PRINCESS ROYAL TRAINING AWARDS**

Applications are open for the Princess Royal Training Awards – a new set of awards designed to recognise UK employers who directly link learning and development to the performance of their business. The awards are free to enter and are open to all types and sizes of organisations. Applications close on 15 April 2016.

[tinyurl.com/hhrgygn](http://tinyurl.com/hhrgygn)

## RUSSELL CLEMENCE



Russell Clemence, director, marketing and communications, has decided to move on to pastures new to pursue a fresh challenge. Since working with the IFA as a consultant from February 2011 and subsequently joining us full-time in July 2013, Russell has shown great commitment. He joined the institute at a time of transition and was instrumental in helping to reposition the IFA's brand and marketing collateral to make the institute more contemporary and compelling. Under his watch he raised the professionalism and profile of the IFA's external events, increased the UK branch network from eight to 20 branches and revitalised levels of attendance across the UK, as well as building stronger strategic partner engagement. All of this has contributed significantly to the consistent growth of IFA members in the UK.

Russell repositioned the IFA's bi-monthly journal *Financial Accountant* that has gone from strength to strength and continues to receive excellent member feedback. His leadership in producing a comprehensive communication programme, designed to fully engage and consult with members on the IFA's proposed amalgamation with the IPA in October 2014, was a major achievement. This was compiled in less than three months and resulted in 96% of those members who voted agreeing to the amalgamation.

Russell also successfully project managed the IFA's relocation from its Sevenoaks office to Euston and his energy, enthusiasm and commitment will certainly be missed. I would like to thank Russell for all that he has done and achieved with the IFA over the past five years and wish him well for the future.

*John Edwards, Chief Executive.*

## TAXATION

**Agent Update 51**

HMRC has published *Agent Update 51*. The main articles concern:

- the 2015 autumn statement and spending review;
- Agent Online Self Serve – where agents currently testing the service can now trial the new homepage; and
- the agent account manager service.

[tinyurl.com/ifa-1206](http://tinyurl.com/ifa-1206)

## BUSINESS

**Greening calculation**

The Rural Payments Agency and Defra have published updated guidance on EU greening rules. These help farmers applying for basic payment scheme payments in 2016 to make their "greening" calculations. The rules cover crop diversification, ecological focus areas and measures to maintain permanent grassland.

[tinyurl.com/ifa-1169](http://tinyurl.com/ifa-1169)

## EMPLOYMENT

**Workplace bullying**

Acas have published a report, *Seeking better solutions: tackling bullying and ill-treatment in Britain's workplaces*. This shows that although anti-bullying policies are widespread these have fallen short in reducing the prevalence of bullying.

[tinyurl.com/ifa-1205](http://tinyurl.com/ifa-1205)

## TAXATION

**Employer Bulletin 57**

Among other items, HMRC's *Employer Bulletin 57* has information on:

- the 2015 autumn statement;
- reporting PAYE information "on or before" paying employees;
- exclusion of single-director companies from the NIC "employment allowance";
- claiming the employment allowance.
- Making Tax Digital; and
- simplifying benefits and expenses.

[tinyurl.com/ifa-1204](http://tinyurl.com/ifa-1204)

**IFA/FTA SUBSCRIPTION RENEWALS**

Don't let your membership lapse. Please remember to renew your IFA/FTA subscription for 2016 immediately.



# Expecting a visit?

*Robert Maas* provides some practical hints and tips on HMRC visits and enquiries.

## TEN SECOND SUMMARY

- 1 Consider the pros and cons of attending an HMRC visit to a client.
- 2 The benefits of arranging a preliminary meeting between agent and HMRC, without the client in attendance.
- 3 Do not be tempted into agreeing across the board adjustments to client accounts or tax returns.

**H**MRC want to visit your client; what should you do? The answer depends on the reason. If it relates to PAYE, National Insurance or VAT it is probably a routine visit. The department is entitled to call on the client, but if the suggested date is inconvenient, propose another – although not more than a week or two later. HMRC is likely to tell the agent or client what it wants to look at; however, if it does not, ask for this information to ensure that the correct papers are available. It is sensible for someone (the client's staff or the agent) to review the records before the meeting to identify any potential problems and decide how best to handle them.

The agent should consider whether they or a member of staff should attend the visit. However, it is likely to last half a day or even a whole day, so that could be costly. A good compromise is to be present at the start and the end of the meeting. HMRC usually want to discuss any issues that come to light at the conclusion of the visit to agree any tax underpaid. Agents should want to take part in this discussion so, if attendance is not possible, brief the client not to agree anything. The HMRC officer will not like it, but it is not uncommon for some of his conclusions to be flawed.

### Formal enquiries

HMRC visits in the course of a formal income tax or corporation tax enquiry are different but, normally, they are also voluntary. That is not to say that a meeting should be declined, but consider whether a meeting is the best way to progress the enquiry and, if so, when is the appropriate time. HMRC like an early meeting, but I prefer to get everything I can out of the way first and have a meeting with the client present only if there are remaining issues that need their input. That way, the client does not need to spend time away from his business replying to questions that the agent knows the answer to or which they can answer with some research.

A preliminary meeting between the agent and the officer can be helpful, but HMRC is often reluctant to agree. Agents should bear in mind that they have the upper hand. HMRC has no power to interview clients. If the agent asks the client to volunteer their time, there is an entitlement to lay down the ground rules and this can include a preliminary meeting.

Remember some key things about meetings. Do not be afraid to say "I am not sure" or "I do not remember" and do not let the client be pushed into allowing the officer to suggest figures and confirm his suggestion as reasonable. Keep the officer to the agenda if they try to go off on a tangent and mount a general enquiry into the client's affairs. The officer is enquiring into a specific tax return, so questions about other years, non-income items or other taxpayers are irrelevant. However, do feel free to volunteer any information that it is believed will be helpful to the client even if it is something that HMRC have not asked about.

Ask for a copy of HMRC's notes of the meeting. Generally, these notes are good, but it is human nature to remember the items that are important to oneself much better than those that are important to others. Accordingly, read the notes carefully and ask the client to do so as well. Point out any errors in writing as well as any areas where the notes omit something that was said and which is important. Also, mention anything that was not said but which is thought relevant to anyone reading the notes.







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Never formally sign or approve HMRC's notes. They should not be given the status of agreed notes.

### Premises inspections

HMRC has the power to inspect premises and anything in them. If officers turn up unannounced, the client can refuse entry unless the visit has been pre-approved by the Appeals Tribunal, in which case a written approval should be produced. However, if officers are sent away they will obtain a tribunal order, so there is no point doing this unless they have come at an inconvenient time. In such a case, the client should agree an alternative time with the officer. "Inspect" means look at, not open drawers or try out machines or take anything away.

There are two main other situations in which HMRC can turn up on the client's doorstep.

First, HMRC officers could arrive with a search warrant. If so, the client must let them in, but should also call a solicitor immediately so that he can attend and observe the search. A solicitor who specialises in white collar crime is preferable to a general practitioner, but it is better to get a generalist along quickly rather than spend time trying to find a specialist.

The second situation is HMRC task forces. These are specialist investigators who target a specific trade or other group. There is no requirement to let them in. The client should give the officer their agent's name and contact details and request that they be contacted for the required information.

### Visits to agents

Finally, what if HMRC want to visit the agent rather than a client? This could happen if the agent acts for a large number of small clients in a particular trade, especially one that frequently generates tax repayments. HMRC started their "bulk agent" project a few years ago, looking at agents who had a majority of clients attracting tax repayments. Agents falling within HMRC's radar are likely to receive a polite letter asking whether officers can drop by for a chat. Although an agent can decline the invitation, that is probably unwise.

At the meeting, the officers may try to bully the agent into doing more work in relation to future tax returns and, perhaps, agreeing a disallowance for earlier years. They will explain that they have collected a lot of tax because agents have been doing bad work. They will ask for details of the work done when preparing clients' accounts and tax returns. They may say that this is insufficient and that all of the client's figures must be verified and back-up vouchers must be seen for everything. They will probably also say that they would like to look in depth at some of the agent's files, agree five or six clients' names, and arrange to return to examine these.

The only effective way to deal with bullies is to stand up to them. Most agents do not do anything like the amount of checking that HMRC want. Most clients are unwilling to pay for extra work to help HMRC. If the work done by the agent is to a high standard, this should be asserted and agents should stand their ground. It may be in the interest of agents who do good work to let HMRC see their working papers for a selection of clients. However, this should not be done without the clients' prior agreement. Bear in mind that HMRC will not have opened an enquiry into the client concerned, so any errors in the files may act as an invite for the department to do so.

### Visits to agents

Agents cannot agree not to include certain types of expenditure (such as unvouched expenses) in clients' accounts. The accounts are the client's accounts, not the agents, and if expenses are omitted the accounts are unlikely to give a true and fair view of the profit. In such cases, the agent will be asking the client to submit a tax return that they know to be incorrect because the trading profit must be computed in accordance with generally accepted accounting practice (GAAP). Nor can the agent agree to a disallowance across the board for all of their clients. To do this is to accept, in effect, that all of the clients' tax returns are incorrect. Leaving aside the ethical question of whether an agent should continue to act for a client who is believed to have signed an incorrect return, accounts and returns cannot be agreed to be incorrect without first consulting the client concerned.

Agents who receive a bulk agent letter and who do not feel capable of standing up to HMRC could consider whether to engage an investigation specialist to attend the HMRC visit in support.



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# Raising the bar

Anne Davis updates members on the institute's requirements for professional conduct in relation to taxation.



Image: iStock/CSA-Images

## TEN SECOND SUMMARY

- 1 The IFA adopts the *Professional Conduct in Relation to Taxation* document for ethical and practical advice to its members.
- 2 The five fundamental principles apply to all members practising tax, regardless of whether they provide advice for reward.
- 3 The guidance should help members in their dealings with clients, HRMC and other interested parties.

From the 1 January 2016, the IFA has adopted the latest guidance document, *Professional Conduct in Relation to Taxation* (PCRT), which provides ethical and practical advice to members in their tax dealings. The guidance specifically recognises the ongoing developments and public concern about aggressive tax avoidance and evasion.

The key message in the PCRT document is that members have an obligation to advise their clients accurately and thoroughly of the risks and implications of their actions including the reputational and practical aspects.

### Applicability

The content of the guidance applies mainly to members in public practice who have dealings in tax. However, its principles apply to all members practising tax, regardless of whether in public practice or business and whether they are providing tax advice for reward. Therefore, members in business and those dealing with the tax affairs of families, friends and charities should all read the PCRT document.

The guidance will be taken into account in disciplinary proceedings by the IFA and may also be relevant in civil claims. Indeed, in 2014, the Court of Appeal in *Mehjoo v Harben Barker* [2014] STC 1470 stated that the guidance is "setting the standard" for tax advisers in the UK.

### Fundamental principles

The first part of the PCRT sets out the high ethical standards that should govern the three-way relationship between the adviser, client and HMRC:

- integrity;
- objectivity;
- professional competence and due care;
- confidentiality; and
- professional behaviour.

If these principles sound familiar, they should be. They are derived from the IFA's *Code of Ethics*, but applied to specific tax services. Particular points to highlight include the following.

- Members should act honestly in all dealings with clients, tax authorities or other interested parties and do nothing knowingly or carelessly that might mislead either by commission or omission (integrity).
- There is a requirement on members to explain to clients the material risks of tax planning (objectivity).
- The importance of members taking care not to conduct work beyond the scope of their engagement and making clear, in writing, the limits to the services provided (professional competence and due care).
- Members must not undertake work that they are not competent to perform unless appropriate assistance is obtained from a specialist (professional competence and due care).

## FURTHER INFORMATION

CCAB's Anti-Money Laundering Guidance for the Accountancy Sector: [tinyurl.com/yfdoblg](http://tinyurl.com/yfdoblg)  
*Professional Conduct in Relation to Taxation* guidance: [tinyurl.com/hk5v3kl](http://tinyurl.com/hk5v3kl)





- Members may only disclose information without a client's consent where there is a legal or professional right or duty to do this or it is in the member's own interests, where disclosure is considered adequate, relevant and reasonably necessary for the administration of justice (confidentiality).
- Members who have reason to believe that proposed arrangements are, or may be, tax evasion must strongly advise clients not to enter into them. If a client ignores that advice, it is difficult to envisage situations where it would be appropriate for a member to continue to act other than in rectifying the client's affairs (professional behaviour).

## General guidance

The second part of the PCRT document provides broad principles to follow if members are preparing and submitting tax returns or providing tax advice. The areas covered in this section can be summarised as follows and should encourage further reading.

- **Tax Returns.** The guidance clarifies the duties of the client and adviser, supporting documentation, the approval and signature of tax returns; the electronic filing of tax returns; and disclosure and irregularity issues in situations where the client is unwilling to include in a return the minimum information required by law.
- **Tax advice.** The guidance distinguishes legitimate tax planning and aggressive tax avoidance and HMRC's views on the characteristics of a tax avoidance scheme. Members should ensure that they are aware of the scope and potential application of the general anti-abuse rule (GAAR). They should put in place appropriate measures that are proportionate to the size of the practice or business and the extent in which the member is involved in areas where the GAAR will need to be considered. Appropriate measures include training, guidance, protocols to ensure quality and consistency of treatment. Members should be aware that, while HMRC may challenge a transaction, the courts ultimately decide whether it complies with tax legislation.
- **Different roles of tax advisers.** The guidance provides practical advice on the various roles of members practising in tax, including: advising on tax planning arrangements; introducing a client to another's tax planning arrangement; providing a second opinion on a third party's tax planning arrangement; and undertaking work on tax returns that include a tax advantage.

## Specific circumstances

The third section of the guidance contains more detail on specific areas that are unlikely to be encountered in an adviser's everyday dealings. Key areas covered are as follows.

- **Irregularities.** Advice on dealing with these, whether the error is made by the client, the member, HMRC or any other party involved in the client's tax affairs. The guidance includes key questions

## Professional Conduct in Relation to Taxation

*The Professional Conduct in Relation to Taxation* guidance compliments the IFA's *Code of Ethics* and the CCAB's anti-money laundering guidance. By way of a recap:

The IFA's *Code of Ethics* helps members to meet their professional obligations regarding ethical matters by providing them with guidance. IFA members are expected to demonstrate the highest standards of professional conduct and take into consideration the public interest. Our *Code of Ethics* is based on the code of the International Federation of Accountants (IFAC).

The CCAB's *Anti-Money Laundering Guidance* was issued to provide the accountancy sector with practical guidance on good practice for matters not prescribed in law. This is as well

as providing an interpretation of the requirements of the Money Laundering Regulations 2007 and primary legislation relating to money laundering and terrorist financing. IFA and FTA members should consider this guidance as authoritative when implementing and complying with anti-money laundering requirements.

The guidance has been approved by HM Treasury as "relevant guidance" to be taken into account in any legal proceedings that might take place relating to an accountant's conduct and compliance with UK law and regulations. Members should note that failure to take this guidance into account could have serious legal, regulatory or professional disciplinary consequences.

for the member to consider that will help them decide on their course of action regarding irregularities. The guidance also emphasises the importance of keeping sufficient records and advice when dealing with irregularities and the importance of taking into account the requirements, obligations and duties under the money laundering regulations. The latter are discussed in more detail in the *CCAB Anti-Money Laundering Guidance for the Accountancy Sector* which is available at [tinyurl.com/jez2xlr](http://tinyurl.com/jez2xlr).

- **Voluntary disclosures.** The guidance considers the factors a member should consider before accepting a prospective client who wishes to regularise their tax affairs and become compliant. This includes whether a suspicious activity report (SAR) needs to be submitted to the National Criminal Agency (NCA). See the CCAB's *Anti-Money Laundering Guidance for the Accountancy Sector* ([tinyurl.com/yfdoblg](http://tinyurl.com/yfdoblg)).
- **Disclosures of tax avoidance schemes.** This covers new guidance on the disclosure of tax avoidance schemes (DOTAS) regime, follower notices, accelerated payment notices and the promoters of tax avoidance schemes.

## Conclusion

Members practising in tax should read the PCRT and become familiar with its content. The PCRT guidance is on the IFA's website at: [tinyurl.com/hk5v3kl](http://tinyurl.com/hk5v3kl).

While the IFA is not expecting members to memorise the content of the guidance word for word, we do expect members to refer to it when certain situations arise. Members who are not sure about what they should do or the action that should be taken should refer to the guidance to help them approach their dealings with clients, HMRC and other interested parties.



Anne Davis is head of regulation and policy at the IFA. She is also an independent consultant specialising in financial ethics and the governance of not-for-profit organisations. Previously, she worked at the ICAEW as integrity and ethics manager and as head of charities and the voluntary sector. Anne trained with Coopers & Lybrand and has held financial and management roles with the National Provincial Building Society (now part of Santander), Whitbread and General Motors Asset Management. She is also a treasurer for the charity Carers' Trust Cambridgeshire. Anne can be contacted by email: [AnneD@ifa.org.uk](mailto:AnneD@ifa.org.uk)



# Speaking out

**Joseph Bryson** explains the work of the International Federation of Accountants and its role as the global voice of the accountancy profession.

## TEN SECOND SUMMARY

- 1 A global body to strengthen the accountancy profession by working with other organisations.
- 2 Statements of membership obligations are global benchmarks for strong organisations.
- 3 IFA members are part of a global profession.

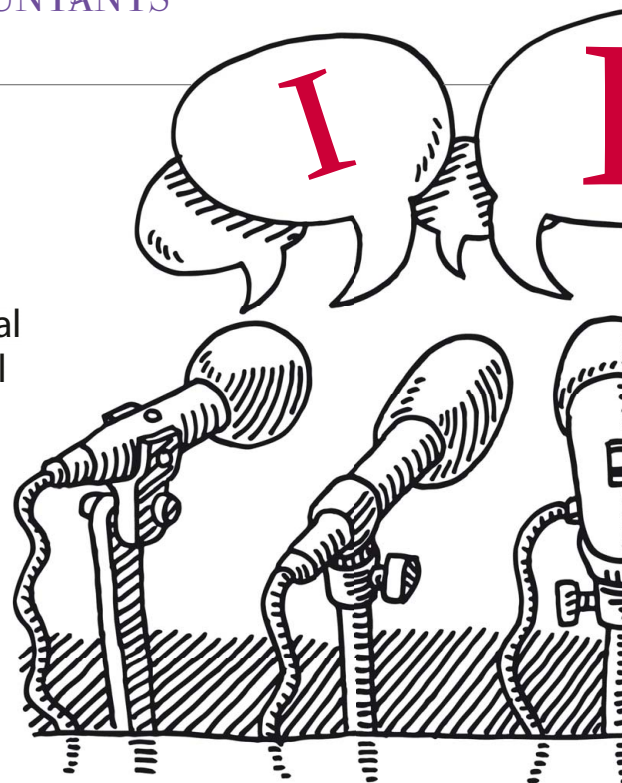
**B**ecause I work in New York City – not far from the United Nations – I often describe the International Federation of Accountants (IFAC) as the UN for accountants. I admit that this is, perhaps, in part to make my job sound more exciting and dashing. But it is rooted in the truth, as well as being what attracted me to working at IFAC and why I've enjoyed this for eight years.

My first interaction with IFAC was at a meeting in the Bolsa stock exchange in Buenos Aires, Argentina, with representatives from Africa, Asia, Europe, and Latin America. I was struck by what an amazing profession accountancy is. One that inspires its members from around the world to work together to improve the standards, competency and accountability of and for their own kind. A profession striving to make changes that would affect the lives of people around the world.

## A global organisation

IFAC is the global body for the accountancy profession; we work to strengthen organisations and advance economies. We are dedicated to serving the public interest: representing the public and common good both within and without our profession. We have more than 175 member organisations in more than 130 countries and jurisdictions. Through our member bodies, we represent about 2.84m accountants in public practice, education, government service, industry, and commerce.

IFAC is uniquely positioned to spearhead initiatives that demand a global reach, freedom from commercial interests, and the ability to create dialogue and debate. We speak with a global voice to advocate for the profession, including accountants in public and private practice, in business, in small and medium-sized practices, and the public sector. The value we provide to member organisations is supported by our strong connections with other international bodies, our demonstrated ability to align the needs of the profession and the public, and our track record of raising awareness, advocacy, and engagement.



As an IFAC member, the IFA's' voice is amplified and extended. By working with IFAC and the entire accountancy profession, the IFA and its members are part of the global discussion on critical matters, including markets, sustainable organisations, international standards, and global regulations.

## Obligations and compliance

As would be expected of any large association, IFAC holds our members to certain standards and requirements. But our statements of membership obligations (SMOs) have grown beyond being considered simply as requirements for membership. They have become global benchmarks for strong and sustainable professional accountancy organisations.

Since they were first established more than a decade ago, the SMOs have been accepted and acknowledged by international regulators, stakeholders and international donor agencies. They evaluate and measure the accountancy profession in jurisdictions worldwide. But perhaps most importantly, IFAC member bodies themselves recognise the SMOs as benchmarks for success.

The SMOs detail requirements to support the adoption and implementation of international standards on public and private sector accounting, auditing, ethics, and education. They also require the establishment of related quality assurance review systems and enforcement mechanisms. But the best part of the SMOs is that, while working toward or maintaining these requirements, organisations are also further developing and establishing themselves and the profession as accountable, transparent, trustworthy, and an essential component of economic growth.

The SMOs form the basis of our member compliance programme. The programme starts with organisations conducting self-assessments and identifying areas for improvement. Based on the results of the assessment, member organisations develop SMO action plans to:

## FURTHER INFORMATION

For those interested in learning more about IFAC membership and the global profession as a whole, we recommend two recent IFAC reports for details and analysis:

*Nexus 1: The Accountancy Profession, Behind the Numbers:*

[tinyurl.com/hm8nghu](http://tinyurl.com/hm8nghu)

*Nexus 2: The Accountancy Profession – A Global Value Add:*

[tinyurl.com/zcl5n8](http://tinyurl.com/zcl5n8)

IFAC: [www.ifac.org](http://www.ifac.org)

IFA's updated SMO action plan: [tinyurl.com/hj6qhtj](http://tinyurl.com/hj6qhtj)  
Global Knowledge Gateway: [tinyurl.com/o58omw6](http://tinyurl.com/o58omw6)



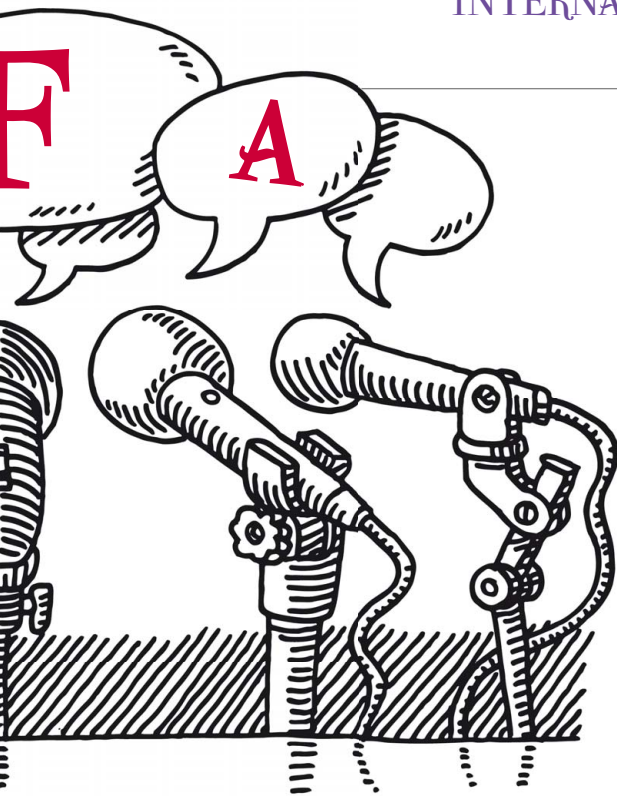


Image: iStock/FrankRamspeck

- demonstrate how they fulfill each requirement of the SMOs; and
- create plans to move toward fulfilment in areas where requirements are not yet addressed.

### Different needs, same requirements?

Most IFAC member organisations – about 75% – have a diverse range of professional accountants as members. But about 12% of our member organisations have membership ranks comprised exclusively of auditors; and another 11% are dedicated exclusively to a specific category, such as accountants in business, public sector accountants, or accounting technicians. See **Further Information**.

To complicate things, IFAC members operate in different legal and regulatory contexts and have varying levels of authority to adopt and implement the international standards and practices included in the SMOs. We take these differences into account when looking at each organisation and the SMO requirements. A member organisation's actions are considered in the context of responsibilities and the degree of relevance. For example, if the body does not have auditor members, it is not expected to support members with implementation of the International Standards on Auditing.

### IFA and the SMOs

As an IFAC member in good standing and part of the global profession, the IFA has an updated SMO action plan, ([tinyurl.com/hj6qhtj](http://tinyurl.com/hj6qhtj)). I am happy to report that the IFA is fulfilling these requirements and is using its best endeavours to comply with the SMOs. The IFA has adopted and is supporting implementation for those international standards applicable to its members – in this case, the international education standards and the code of ethics for professional accountants. These are issued by the International Accounting Education Standards Board and the International Ethics Standards Board for Accountants, respectively.

The IFA is also responsible for an investigation and discipline system for its membership, which it has successfully carried out.

In these areas, the IFA focuses on keeping the standards and requirements updated, delivering implementation support and guidance to members, and providing feedback to international standard setters by responding to public consultations.

The IFA focuses on providing updates to its members on relevant issues and activities, including any changes to the international standards that apply to its membership. The institute also actively supports the implementation of international financial reporting standards (IFRS) by its members. This support includes embedding IFRS and IFRS for small and medium-sized entities (SMEs) into its qualification and continuing professional development (CPD) programmes. The IFA also provides feedback to the International Accounting Standards Board – which issues IFRS – on consultations and encourages its members to do the same.

Because the IFA has no direct responsibility for quality assurance reviews of audits, it focuses on monitoring the compliance of its membership with ethics requirements and the UK's money laundering legislation. In the IFA's SMO action plan, it reported that it was considering the development of a practice assurance scheme during 2017 and IFAC recommends this to promote the highest quality of professional practice.

### Why care about the SMOs?

Clearly, SMOs are important for developing organisations, but there are benefits for the IFA as well. What I hear most often from well-developed organisations is that the SMOs and member compliance programmes help to crystallise how their work will support and fulfill the SMOs and reveals gaps that can be strengthened and developed. Fulfilling, or striving to fulfill, the SMOs also demonstrates that an organisation and its members are of high quality. This matters to regulators and should matter to IFA members.

By using these global benchmarks and maintaining sound membership with IFAC, the IFA also ensures that its members are part of the global profession and that their voice is part of the profession's voice.

### A global community

As part of IFAC, IFA members are involved in a global organisation that leverages its connectivity to share valuable resources and create an international exchange of knowledge and ideas. Members can check out the "Global Knowledge Gateway" ([tinyurl.com/o58omw6](http://tinyurl.com/o58omw6)) for resources and news on a variety of topics from IFAC, members and other organisations. We strive to represent members effectively and ensure that they belong to a profession that is recognised as a valued leader in the development of strong and sustainable organisations, financial markets, and economies. IFA members are part of this global community of the accountancy profession, with all the rights and responsibilities that entails.



Joseph Bryson has worked in the IFAC quality and membership department since 2008. During the first six years at IFAC, he worked as the portfolio manager in the IFAC member compliance program for Latin America and the Caribbean regions. Joseph is now the head of quality and membership at IFAC, and directs the ongoing development and implementation of the compliance programme as well as the admission process for new members and associates.





# Managing risk

*Andy Agathangelou* explains why pensions automatic enrolment represents a substantial risk to accountants in practice and their clients.



## FURTHER INFORMATION

Detailed technical guidance notes on The Pensions Regulator's (TPR's) website: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

For full details on the CIPP, FoAE and online AE programmes, please visit: [www.cipp.org.uk](http://www.cipp.org.uk) or phone: 0121 712 1000 and email: [info@cipp.org.uk](mailto:info@cipp.org.uk)

FoAE is free to join ([www.friendsofae.org](http://www.friendsofae.org)) and holds free-to-attend meetings around the country. It is relevant to all market participants including accountants seeking knowledge, valuable new contacts or both. Members also benefit from topical updates and early insight into the latest AE developments.

## TEN SECOND SUMMARY

- 1 The legal requirements of pensions auto-enrolment are complex and can lead to mistakes.
- 2 The Pensions Regulator can levy penalties, including daily ones and may prosecute for non-compliance.
- 3 Firms should ensure that all relevant workers are given the opportunity to join a pension scheme.

It is now a legal requirement under pensions auto-enrolment (AE) for clients to have a pension scheme to which they and their staff can contribute. The regulations are astonishingly complex and run to several hundred pages and with all that difficulty comes the risk of mistakes. Although a full study is beyond the scope of this article, some of the more important areas of risk can be highlighted.

## Responsibility and client attrition

Legislation clearly states that it is the employer that must comply with the AE requirements. However, many SMEs will assume, wrongly, that their accountant will take care of this. Advisers should review their terms of engagement and help clients understand that AE is their responsibility where that is the case.

That said, practices that are not involved in the AE market may find that their clients seek support elsewhere. Such pension advisers may be connected to other accountancy firms, so the risk of client attrition is obvious. Further, clients that suffer any detriment as a consequence of AE may well think less of their accountant, even if this is not their fault. Given the size of the potential fines, there may be severe relationship risks that could jeopardise the client bond that has been carefully nurtured.

From a regulatory point of view the risks are the client's, but it would be a high-risk strategy for





accountants to see things this way. It must make sense to be as protective as possible of clients' interests and this requires a good understanding of the potential risks.

## Penalty notices

The Pensions Regulator can issue penalty notices for persistent and deliberate non-compliance. A fixed penalty notice of £400 will be issued to employers who fail to comply with statutory notices or if there is sufficient evidence of a breach of the law. The AE rules are complicated, so it is not difficult for a business owner to fall foul of them.

The Regulator may also issue escalating penalties at a prescribed daily rate, as shown in **Daily Penalty Rates**.

Daily Penalty Rates	
Number of employees	Prescribed daily rate
1 to 4	£50
5 to 49	£500
50 to 249	£2,500
250 to 499	£5,000
500 or more	£10,000

A prohibited recruitment conduct penalty notice may be issued under the Pensions Act 2008, s 50 or s 51. Again, this is a complex area but, in essence, clients need to be careful not to hire staff on the basis that their new employees will be opting out of the pension scheme. Nor must they induce existing staff to opt out. This aspect of the legislation came into effect for all firms on 1 July 2012, regardless of when their staging date falls. Penalty rates are shown in **Prohibited Recruitment Penalties**.

Prohibited Recruitment Penalties	
Number of employees	Fixed rate
1 to 4	£1,000
5 to 49	£1,500
50 to 249	£2,500
250 to 499	£5,000

## Prosecution, reporting and reputation

The Pensions Regulator will seek to recover full payment of fines within a prescribed timeframe. Non-payment may result in the regulator taking civil court action and prosecutions will take place if deemed appropriate; for example, in the case of wilful non-compliance.

It is worth remembering that statutory whistle-blowers have a duty to report breaches of law under the Pensions Act 1995, s 48 and the Pensions Act 2004, s 70. The term "statutory whistle-blower" generally applies to auditors, actuaries, trustees, managers and other professionals and advisers. The Pensions Regulator will make enquiries into the information received and subject it to risk assessment. Where appropriate the matter will be referred to the investigation and enforcement team.

The Regulator can also publicly "name and shame" employers who do not comply with the Pensions Act 2004, s 89, the Data Protection Act 1998 and other relevant legislation.

Employers that fail to select an appropriate pension scheme which meets certain criteria may be exposed to litigation risk from employees in the future. Numerous factors should be given proper consideration by employers, such as whether the scheme uses "net pay" or "relief at source".

## Cash-flow and payroll risks

Clients will need to budget for the cash-flow impact of AE and this means forecasting two costs. First, the amounts that their business will have to contribute to employee or employer pension schemes. Those costs will escalate as the minimum payments rise.

Second, there are the extra operational costs such as administration, new software and, perhaps, advice and support.

It would be sensible to assume that AE applies to full-time and part-time employees on the firm's payroll, but that would be wrong. For example, contractors may also be caught by the regulations depending on the hard-to-define criteria.

There is a risk that, decades from now, some self-employed contractors will seek damages from their previous clients for not being automatically enrolled into a pension scheme. Through a class action, they may seek to be put into the position they would have been in had the legislation been applied correctly. This could result in firms having to make decades worth of pension contributions taking account of the loss of growth on monies that should have been invested. Pensions auto-enrolment could be seen as fruitful area for future litigation.

## Mitigating risk

The more we learn about AE the more it will be seen to be a specialist area. Those with subject-matter expertise will be well placed to steer and support their clients. Those without such knowledge should seek an AE expert with proven systems and a decent record of accomplishment. Someone who can take care of clients' needs in a manner that doesn't undermine the existing professional relationship. It would be an inappropriately risky strategy for any accountant to ignore pensions AE. Ultimately, whether this is seen as a threat or an opportunity boils down to personal perspective and how a practice works, but one thing is sure – ignore it at peril.

Finally, action should be taken without delay – the "capacity crunch" of pension providers as staging dates approach is a very real risk indeed.

## FURTHER INFORMATION

To enhance your knowledge in this important area visit the online CPD section of the IFA website and take a look at the relevant online courses.

Risk Management by David Allan is now available at: [tinyurl.com/zv97psv](http://tinyurl.com/zv97psv)



**Andy Agathangelou** holds a leadership position in several industry organisations. Among other roles he is founding chair at The Chartered Institute of Payroll Professionals' Friends of Automatic Enrolment (FoAE). Accountants can join the FoAE, a countrywide free network of AE market participants that includes every imaginable discipline. The CIPP has developed online programmes to help practices and businesses prepare for AE. These programmes enable employers to establish the extent of their involvement and provide practical advice.



# Sharing solutions

Practical hints and tips on accountancy, tax and general business matters.

## YEAR-END PLANNING

Plan your business year ending – 31 March is a favourite year end for many small businesses, so as we approach this date, is there anything that can be done to help things along?

There are two common keys: tax (think the budget and 5 April tax year end changes) and financial (year end accounts are the business's financial credit footprint). Every business must look at its capital or reinvestment needs because buying an asset before the year end will bring forward capital allowances and tax relief. Overhead expenditure needs looking at and this includes a director's pay and pension contributions. Because of the changes in the tax on dividends, limited companies will need a complete rethink and the directors may even consider disincorporation.

Borrowing will affect the balance sheet and credit agency ratings, so review bank and other loans as well as balances on overdrawn director's loan accounts. Old debts need collecting and stock and work in progress will need valuing.

If a business has a 31 March year end, start the review right away. Leaving it until the last minute will not mean a better outcome.

*Geoffrey Rogers,  
Geoffrey Rogers, Chartered Accountants.*



## HERBAL TEA TROUBLE

Although HMRC does not ordinarily have a duty to advise taxpayers of their VAT liability, if a taxpayer asks for advice, the department is under a duty to give it. If that advice is wrong, it may be liable to pay statutory interest as a result of this "official error". In *Avicenna Centre for Chinese Medicine Ltd* (TC04820), the taxpayer had specifically asked about the VAT liability of herbal teas. HMRC made an "official error" by incorrectly stating that these were subject to VAT. Subsequently, a VAT refund of more than £300,000 was repaid. The tribunal determined that the business should have received a substantial payment of interest, rather than the £45.72 paid.

Although the facts of this case are specific to the parties involved, it does highlight that it should never be assumed that



HMRC is always right when it sends a demand, assessment or tax liability ruling. Indeed, taxpayers should always seek call reference numbers, take contemporaneous notes and request written confirmation in response to enquiries made to HMRC. If the department does get it wrong, the written evidence may support a claim for statutory interest on any VAT incorrectly overpaid.

*David Wilson,  
VAT Associate Director, RSM.*

## ELECTRONIC FILING PROBLEM

In *Ann Hauser v HMRC* [2015] UKFTT 0682 (TC), the taxpayer appealed against penalty assessments for an alleged failure to file her 2012/13 tax return by 31 January 2014. She had attempted to submit her return online on 31 January 2014, but there was no record on the HMRC computer system that this had been received. The system indicated that she had been online, but that she had failed to complete the filing process.

On the evidence given, the tribunal found, on the balance of probabilities, that the online process had been completed in full and that an online fault, either on HMRC's or the appellant's system had resulted in the data not reaching HMRC's computer.

Once she had been advised that her return may not have been received she submitted it without delay and so remedied the failure appropriately.

The tribunal made a number of observations. These related to the letter from HMRC to Mrs Hauser in response to her request for an explanation of the late filing penalty. HMRC replied to the effect that this "appeal" (the request for an explanation) had been settled under TMA 1970, s 54(1). The officer seemed to think that a s 54 agreement could be imposed on the taxpayer unilaterally. This can only happen if 30 days have passed from the date of an offer to review a case and there has been no acceptance of the offer (TMA 1970, s 49C). The letter also attempted to impose a 30-day time limit that had no statutory basis.

There are, however, various time limits in the internal review/appeals process, making it important that clients receive up-to-date and accurate advice when appealing or requesting a review.

*Isobel Clift,  
Gabelle LLP.*







Please send hints and tips to: [richard.curtis@lexisnexis.co.uk](mailto:richard.curtis@lexisnexis.co.uk)

## WEAR AND TEAR CHANGES

For historical reasons, capital allowances have never been available on items for use in a dwelling-house. For many years, a "wear and tear" allowance was given instead, equal to 10% of (broadly) the gross rent. The allowance is not related to the cost of providing or replacing furniture or other capital items in the let property. It's a swings and roundabouts sort of relief: in some years it may exceed the economic cost of providing or replacing items; in other years it may fall short. However, last year the government decided that it was too generous, and should be replaced by a system of giving relief only for the cost of replacing capital items on a like-for-like basis. After a brief consultation it is clear that:

- the new rules will come in from April 2016;
- there will be no "transitional" provisions; and
- the new rules will not give any relief for the initial cost of furniture or other capital items.

Two points spring to mind. The first is that any landlord contemplating a refurbishment programme involving substantial expenditure on replacing furniture, furnishings, household appliances and so on might defer the cost until after April 2016. Doing so will not affect the "wear and tear" allowance for the current (2015/16) year, which is not affected by actual expenditure: but it will mean that the replacement cost will rank for tax relief after April 2016. The second is the anomaly that a landlord buying an empty property and equipping it from scratch gets no tax relief under the new rules: a landlord buying an existing BTL with old worn-out furniture and replacing it more or less immediately with modern equivalents will qualify for "replacement" relief.

*David Whiscombe,  
BKL Tax.*

## PRIVATE USE OF EMPLOYER'S INTERNET

In *Barbulescu v Romania* the ECHR held that it is not unlawful for the employer to access employees' communications to check that they have been working. A Romanian engineer was dismissed for breaching the company's policy on using company equipment for personal use. The company had accessed the employee's Yahoo messenger account and found that he had been communicating with his brother and fiancée as well as professional contacts. The employee argued that the company had breached his Article 8 convention right to privacy. The ECHR found that the company's access was limited in scope and proportionate. However, the judgment contained a note of caution against "unfettered snooping" and advises employers to ensure that:

- policies on employees' internet and electronic communication usage inside and outside working hours are clear;
- policies are explicitly communicated to employees;
- policies make clear how personal data is used, stored and accessed.

The employer in this case was able to demonstrate that all employees had been made aware of the relevant company policies. This is a crucial additional step to having the correct policy in place, something that is often overlooked.

*Annabelle Richard,  
Pinsent Masons LLP.*



## ADVANCE ASSURANCE FOR R&D

If a company carries out research and development (R&D) work for itself or other companies, it could qualify for advance assurance. This means that, for the first three accounting periods of claiming R&D tax relief, HMRC will allow the claim without further enquiries. A company can apply for advance assurance if it is planning to carry out, or has previously carried out R&D. This is subject to the conditions that:

- it has not claimed R&D tax relief before;
- its annual turnover is £2m or less; and
- it has fewer than 50 employees.

Information from the accounts should enable a company to determine whether these conditions are met at the date of application. A new company can apply if it has not claimed R&D tax relief before.

*Russell Eisen,  
Elman Wall.*



## LOST PENSION POTS

An estimated 1.3m people in London have lost pensions and a further 750,000 have misplaced their paperwork. The average pension pot is currently worth around £43,000 at retirement.

However, tracing a lost pension certainly is not a lost cause and there are a number of things that can be done. If the individual believes their pension was through the NHS, Civil Service, teaching or armed forces then they should contact the pension provider directly. Alternatively, a pension can be traced using the Department for Work & Pensions' free online pension tracing facility. The employer with which a pension is believed to have been held will need to be known with employment dates.

The DWP's free pension tracing service can be found at: [www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension).

*Stewart Pope,  
Perrys Chartered Accountants.*



## COMPANY CARS

The deadline for submitting forms P46(car) for employees whose car or fuel benefits changed during the quarter ended 5 January 2016. Now the form only needs to be completed where a first or additional car is provided, or an employee ceases to have the use of a car without replacement. HMRC can then amend the individual's coding notice to reflect the change in benefit. This notification may be made by paper or online form. Where one car is merely replaced with another, this can be notified online.

- It is not necessary to advise HMRC if the employer provides:
- "pool" cars, which are used by more than one employee for business purposes, and normally kept on the business premises;
  - cars adapted for use by employees with a disability, if the only private use is for journeys between home and work; and
  - emergency vehicles used only by on-call employees of the police, fire and rescue, ambulance or paramedic services.

*Philip Jones,  
Hallidays.*





# The new regime

*Jonathan Holmes* explains the implications and application of the micro-entities accounting regime.



## TEN SECOND SUMMARY

- 1 With some exceptions, the micro-entity regime is available to businesses that are subject to Companies Act 2006.
- 2 The regime applies from 1 January 2016, but early application is permitted.
- 3 Practitioners should consider and discuss the relevance of FRS 105 with their clients.

**T**he micro-entities regime was incorporated into company law in November 2013 and accounts prepared by eligible entities in accordance with it are presumed to show a true and fair view.

To qualify as a micro entity the business must not exceed more than one of the following criteria:

- Turnover: £632,000.
- Total assets: £316,000.
- Average number of employees: 10.

The business must not be excluded from the small companies regime by virtue of its own status or the status of other members of the group that might cause it to be ineligible. If the entity is a parent then, as well as meeting the individual criteria, the group headed by it must qualify as a small group, but it does not need to be a micro-sized group.

The micro-entity regime is available to businesses that are subject to the provisions of the Companies Act 2006. However, the provisions are not available to the following bodies.

- Public limited companies.
- Charitable companies.
- Limited partnerships.
- Limited liability partnerships.
- Overseas companies.
- Unregistered companies.
- Qualifying partnerships.

A business is not permitted to prepare financial statements in accordance with the micro-entity regulations if its accounts are included in consolidated group accounts for the year. However, that exclusion does not apply to a parent company. Consequently, an intermediate holding company would not be excluded on those grounds. However, an entity that is a subsidiary, but not also a parent, would be excluded from the regime if it has a parent which prepares consolidated accounts that include the subsidiary.

Nor may a company apply the micro-entity regulations to its consolidated financial statements.

## Relaxations and disclosures

The relaxations from the requirements of accounting standards within the micro-entity regulations predominantly relate to disclosure. The accounting changes include a simplification of the statutory headings for the statement of financial position (the balance sheet) and the statement of comprehensive income (the profit and loss account).

As well as the two primary financial statements, the regulations specifically require just two other disclosures. These can be included at the foot of the balance sheet and relate to the following.

1. Directors' benefits – advances, credit and guarantees – including details of:
  - advances and credits granted to directors with indications of the interest rates, main conditions and any amounts repaid or written off or waived; and
  - any commitments entered into on their behalf by way of guarantees of any kind, with an indication of the total for each category.
2. Other financial commitments and guarantees, including details of:
  - the total amount of any financial commitments, guarantees or contingencies that are not included in the statement of financial position (balance sheet);
  - an indication of the nature and form of any valuable security that has been provided; and
  - any commitments concerning pensions and affiliated or associated undertakings must also be disclosed separately.

There is no requirement to disclose any other information (say, directors' remuneration and other related party transactions) by way of notes to the accounts. This will be a great relief to many; however, if the entity elects to provide additional information beyond that required by the micro-entity regulations, the directors must *have regard* to the accounting standards which deal with that information.





A micro entity is not permitted to file abbreviated accounts with the registrar. It must deliver the balance sheet and disclosures prepared in accordance with the micro-entity provisions rather than in accordance with the abbreviated accounts provisions for small companies. A micro entity can elect to file its directors' report and/or its statement of comprehensive income, but there is no requirement to do so.

### FRS 105

FRS 105 is the UK's first dedicated financial reporting standard for micro-entities and is based on FRS 102; however, it includes some recognition and measurement simplifications. These include the following.

- Prohibiting the revaluation of assets and measuring investment property and financial instruments at fair value.
- Removing any accounting policy choices such as the option to capitalise development costs and borrowing costs.
- No requirement to account for deferred tax or share-based payments.
- Prohibiting the adoption of the accruals model for accounting for grants.
- Simplifying accounting for defined benefit pension schemes.

The changes are effective for accounting periods beginning on or after 1 January 2016, with early application permitted for accounting periods beginning on or after 1 January 2015.

Some key considerations are set out below.

### Assets carried at revaluation

Where a micro entity has, for example, an investment property which is carried at open market value or other property, plant and equipment (PPE) carried at valuation, it cannot apply the alternative accounting rules/fair value accounting rules under FRS 105. This is because the legislation does not recognise these rules. Any assets carried at revaluation or at fair value under

outgoing generally accepted accounting practice (GAAP) must be restated to cost. For investment property, the transition options under FRS 105 outline the procedures to restate such properties to cost. Further, the transition rules require accumulated depreciation to be recognised since the date of initial acquisition calculated on the basis of the useful life of the main structural element. This is a particularly important issue to consider when undertaking an impact assessment because, in some cases, it could affect the overall balance sheet position significantly.

Where clients wish to continue reporting assets at revaluation or at fair value, they must adopt FRS 102 with reduced disclosures as a minimum.

### Intangible assets

Only separately acquired intangible assets are recognised and there is no option to capitalise development costs or other internally generated intangibles. In FRS 102, intangibles must be separately capitalised if they are identifiable. This is a much broader definition and would include assets such as a brand name purchased as part of a business combination. The lack of an option to capitalise development costs could be an issue for some companies wishing to adopt FRS 105.

### Lease incentives

Incentives are often given to lessees occupying property. In respect of leases that were entered into before the date of transition to FRS 105, a micro entity does not have to apply the provisions that require incentives to be written off over the lease term. It can continue to recognise any residual benefit on the same basis that applied on transition to FRS 105. This means that the lease incentives could be recognised in the profit or loss up to the point at which lease payments revert to market value (ie if no break-clause is exercised) rather than over the life of the lease. This, of course, may have associated tax implications which should be considered.

### Dormant companies

A dormant company can elect to retain its accounting policies for reported assets, liabilities and equity at the date of transition to FRS 105 until there is any change in those balances, or the company undertakes new transactions.

### Conclusion

It is for the directors of the company to consider the impact of applying the micro-entity regime; for example, whether the short form accounts and limited notes will provide sufficient and relevant information to users of their accounts, including those making lending decisions. Ultimately, the directors must decide whether applying the micro entity regime is in the best interests of the company.

Practitioners are strongly advised to consider and discuss with directors the relevance of FRS 105 on a case-by-case basis. They should take into account the fact that the disclosure requirements are extremely negligible – although there is nothing to stop micro entities from making additional voluntary disclosures if they so wish.

### FURTHER INFORMATION

To enhance your knowledge in this important area visit the CPD section of the IFA website and take a look at relevant online CPD courses at: [tinyurl.com/zxw7hsf](http://tinyurl.com/zxw7hsf)



Jonathan Holmes leads the complex accounting advisory offering in RSM's Nottingham office and is the local expert in the new UK financial reporting regime. He has more than 15 years' experience of providing technical advice and financial reporting services to companies. RSM is a global leading professional services firm providing a range of accounting and advisory services. Contact Jonathan directly at [jonathan.holmes@rsmuk.com](mailto:jonathan.holmes@rsmuk.com) or telephone 0115 964 4486.



# Communication breakdown

Should we need to be told how to avoid complaints?  
In case we do, *Martyn Durbidge* has some suggestions

## TEN SECOND SUMMARY

- 1 The importance of good client communication.
- 2 Do clients have a good understanding of how their fees will be calculated?
- 3 Advise clients if deadlines are approaching and information or accounts remain outstanding.

In my role as disciplinary case manager at the IFA all I see are complaints. From where I sit, it seems that the world is full of clients complaining about their accountants, but I know that view is distorted. Statistically, a member is unlikely to face many, or any, complaints. Frequently, I refer an issue on to a member and they respond: "But I've been in practice for 25 years and I've never had a complaint against me." That's one reason why *Financial Accountant* has been publishing a range of articles on how to deal with various aspects of the client relationship, how to avoid complaints, and how to deal with the complaints process should someone become dissatisfied.

### Complaints culture

We live and work in a world where it is far easier to complain than ever before. Society has developed a mentality where everything bad is somebody else's fault – and that person must be made to pay for it. Fifty years ago we didn't have advertisements for no-win, no-fee lawyers or claims companies. Nor did we have magazine articles encouraging consumers to complain. And if someone did want to complain they had to go to the trouble of writing and posting a letter or, perhaps even worse, speaking to someone else face to face. People deferred to professionals and it "wasn't done" to make a fuss.

Now, we are told that if we don't like something we should do something about it. Further, email makes it very simple to dash off an angry note without any direct personal contact. I am not saying that people shouldn't complain, but I sometimes wonder whether the pendulum needs to swing back a little. Bad stuff happens; people don't always do as good a job as one would hope they would.



### A matter of communication

How can we avoid people feeling this way about us? It's worth spending some time checking the basics because even minor complaints can take up an enormous amount of time. Further, they can be distressing and can escalate out of all proportion.

What do clients want us to do? The easiest way to answer that is to ask ourselves what we want other professionals or tradespeople to do for us. For my part, I want the person I've engaged to do the work I've asked them to do. I want to know when they're going to do it and how much it's going to cost. And if issues arise during the course of the work causing me to contact them I want a prompt reply. It sounds simple but, as with any human interaction, there is plenty of scope for things to go awry. Just as, according to the TV, there are three key elements to the ideal property: location, location, location, there are three key elements to minimising complaints: communication, communication and communication.

### Fees

It isn't always possible to give a quote for work, but if you can give a fixed price it will minimise the scope for dispute. I have two suggestions when giving a fixed price:

- stick to it; and
- make sure the client knows what is included and what is not included.

On the second point above, see "Terms of engagement", *Financial Accountant*, September/October 2015, page 24). In fact, don't just make sure the client knows, make sure they *understand*. I see many exchanges between members and clients where it is clear that neither side understands the





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other. I have a similar experience when I talk to IT people: I don't use descriptions they understand and, while I recognise that they use English words and phrases, they sometimes put them together in a way that makes little sense. Don't use jargon and do not assume that the client understands accountancy-speak.

If it is not possible to give a fixed quote, give an estimate. No client wants to go into a contractual arrangement with no idea of the cost, and the accountant can be sure that their idea of the likely cost is going to be a lot higher than their client's. Add a clause that says the client will be advised when costs reach a certain level, and make sure that the client has the option of whether to continue. Telling the client that the estimate has been exceeded, and then asking for payment, is asking for trouble.

I see many examples of monthly payment schedules for clients, but it's rarely clear whether these are to cover all accountancy fees; whether the payments relate to a financial or calendar year; what happens if the client leaves mid-year; how the invoices relate to the fees paid or whether these are fees paid in advance or arrears. Monthly payments should make life easier for all concerned, but communication will ensure that everyone knows how they work. Many of these arrangements end up causing difficulties rather than easing them.

## Delay

Sometimes delays are unavoidable, but if there's going to be one let the client know and tell them when the job will be done. I had some building work done recently and bad weather meant delays on other jobs, which had a knock-on effect on mine. The firm

emailed me, explained the situation, and gave me a new start date. That was fine; I understood their difficulty. But if my original start date had come round and no-one had turned up I would have been hopping mad. I gave them good feedback online because of this. IFA and FTA members should make sure that their clients will want to give good feedback to them for the same reason.

I often see complaints that deadlines were missed. The frequent response from the accountant is: "It's the client's fault; they gave us the books too late." Don't wait for the problem to arise – if you need a client's books by a certain date, tell them beforehand. If the client provides the information too late, tell them straightaway; do not wait until after the problem manifests itself.

Members who find that they have more work than they can handle should make sure that they have processes to enable them to delegate to an appropriate level or that they have reliable subcontractors.

## Failure to respond

Few issues raise hackles so quickly as the discourtesy of a lack of response, and yet these are so easily resolved. We all know some clients are more "high maintenance" than others, but policies and procedures should be in place to ensure that incoming communications are acknowledged and dealt with. If it is not possible to provide a substantive reply immediately, make sure that communications are acknowledged and give a date by which a response should be made.

Email makes correspondence quicker and easier, but not necessarily clearer. Too many people try to deal with complicated issues by email and end up covering different elements in multiple emails. There is much to be said for a face-to-face meeting or an old-fashioned letter where everything is set out clearly in one place rather than in a long email chain.

## Poor work

We can see that many complaints about poor service arise because expectations differ as to what the accountant is going to do. Make sure that the client's expectations are understood and that the accountant's expectations and the parameters of the work they will undertake have been communicated to and understood by the client. Are quality control processes in place? Are the client's key deadlines being complied with?

## Conclusion

Nearly all the points above have communication at their heart. An accountant may be excellent at their job, but if they fail to communicate the duties that they are performing (and not performing), when the work will be done and how much the client can expect it to cost, then problems can be expected. If there is a failure to communicate if expectations and duties change, or if the client questions these, do not seek to apportion blame elsewhere if the client ends up complaining.



**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. Martyn can be contacted by email: [martynd@ifa.org.uk](mailto:martynd@ifa.org.uk)



# The training course

**Paul Richmond** explains why training is essential to the development of employees, proprietors and the businesses that they work for.

## TEN SECOND SUMMARY

- 1 About 70% of training is undertaken in the workplace.
- 2 Training should consist not only of a knowledge course, but should continue in the workplace.
- 3 Training may have a cost, but not training can be even more costly to a firm.

I expect that many accountants have asked themselves whether training is a valuable asset or an expensive overhead. The answer to this question depends very much on our experiences of "training" and our definition of what this is. For some, it is a force for good, especially those lucky enough to have worked in organisations with high quality training support. For many, however, training is an expensive overhead. There is the cost of attending a programme (as well as travel costs) and the opportunity cost of missing out on fee earning work. So it is a huge investment of both time and financial resources.

### The training rule

We should first define what training is and the rule of 70/20/10 applies. Over the years I have seen this rule applied many times and would agree, broadly, with its key focus. Of the learning that we receive, and which improves performance through the acquisition of new skills, techniques and taking ideas to benefit the firm from alternative industries, about 70% is undertaken in the workplace.

We can see, therefore, that training is not something that is carried out only in the classroom; the majority of effective learning is achieved while at work. This might be by "sitting with Nelly" or attending a meeting that it is not necessary, but might just yield information.

Learning can also be obtained from books, online videos and other resources and about 20% of training is obtained in this way, which is not a bad percentage. It means that one-fifth of all useful learning is probably undertaken outside of working hours. This is terrific for those who are running a firm filled with fee-earners.

This leaves only 10% of training that is classroom based learning. Why is this so low? Perhaps this is

because we are learning every minute of every day when we undertake tasks on our own and when we work with others to achieve an objective. We have many opportunities to learn from other people every day so that 70% work-related learning seems realistic and may be perceived as the most effective way of adding to our knowledge.

### The importance of training

The key reason for "training" being only 10% is purely and simply a lack of understanding and apathy. Why don't employers care more about this?

Picture the scene, an office with four or five staff and the conversation between a fee earner and the senior partner.

*Fee earner:* "I'd like to do a management course."

*Partner:* "Why?"

*Fee earner:* "It will help with clients and managing the team in the office."

*Partner:* "Is it a one-day course? I suppose it will give you some CPD points. If we put £500 in the budget will that cover it?"

*Fee earner:* "Thank you."

The tragedy is that this is usually the end of the conversation. So where is the rationale behind this?

If a business intended to spend £500 on a photocopier, some shelving or a phone system, there would be an analysis of the alternatives and the features and benefits of the final choice. In all probability, tenders would be obtained from several suppliers before the choice was made. The business would also look into the support contract and guarantee period after it took delivery of the item.

The same process should be undertaken with training. Before an employee or proprietor attends an event, decide what should be obtained from it. Talk to the supplier and find out exactly what they are likely to cover and whether it will meet the precise needs of the attendee.



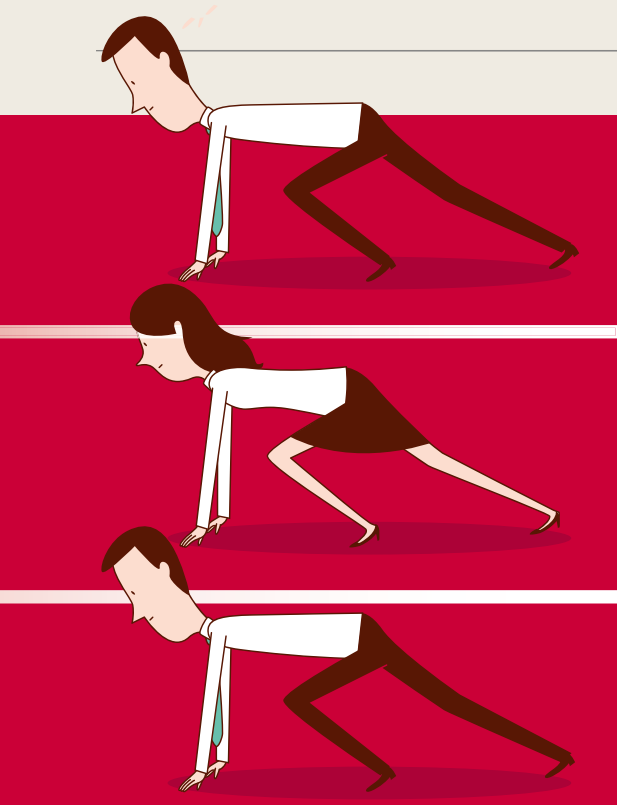


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When the fee earner returns from the course, they should discuss what they learned with their manager and consider how to put this into practice. Further, it should be clear that this will be expected of the attendee. Without this, the money may be better spent on the Christmas party or, more profitably, on regular meetings where employees can discuss their workloads, the client challenges, and how to generate work.

### Training is just for large firms

This perception must be dismissed. Large firms may have big budgets to ensure that staff can undertake sophisticated work. However, in smaller firms, individuals have far more direct contact with clients. This means that high quality external and client understanding skills are essential. Philip Ely's article "Future stars" (*Financial Accountant*, September/October 2015, page 16) covered the "need to get inside the minds of millennial entrepreneurs and their business start-ups".

There is also the risk that clients will become wedded to a specific individual. It is for this reason that clients of smaller firms often recommend and refer an individual, rather than the firm itself. Smaller firms therefore need to drive and build brand awareness within the marketplace. It is only when their brand becomes synonymous with quality and the work that they do (built through training), that clients stop recommending an individual and begin to recommend the firm as a whole.

### Engagement and retention

Nowadays, almost every firm in the marketplace suffers challenges in recruiting and retaining good quality talent. Some firms will pay the top salaries, but they will risk seeing their fee earners burn out as they demand their pound of flesh.

Investment in training and development sends a clear message to key individuals that they are supported, valued and can grow. If this can be linked to conversations around expanding their roles, client responsibilities and future career opportunities, this provides a compelling reason to turn down the recruitment agents. On the other side of the coin, this advice may sound expensive.

The old adage is: "What happens if we train someone and they leave? But what happens if we don't and they stay?"

Training can be expensive. Potentially, it is also a waste of money if employees are allowed to attend training courses without ensuring that their needs, and, more importantly, the needs of the business, will be met. But good training will add huge value, help drive the business and add to the bottom line.

### The training benefits

Good training will:

- enhance a firm's reputation;
- improve client relations;
- increase fee income;
- enhance influencing and negotiation skills;
- increase capability and skills;
- enable more to be delegated to better trained employees;
- improve management skills, ability and productivity; and
- allow people to network with others.

Poor training will:

- provide some CPD points;
- tick the box and enable the attendee to spend a day away from the office;
- teach things that were probably already known;
- provide no chance to practice; and
- enable the attendee to feel unsupported if no interest is taken on their return.

### Next steps

Taking the above into account what the business should do next depends – as the Owl said to Alice – on where it wants to go. Many firms still make the mistake of encouraging all their employees to be average. Focusing on weaknesses and trying to improve those. It is much better to take an employee with a natural aptitude and spend money and resources to make them brilliant.

There is also merit in spending time with individuals before and after the training course to identify what they are going to do differently and how they going to apply those skills. They need to be able to practice anything new and know that mistakes will be forgiven. Unless they try something different they will not have the opportunity to grow.

The biggest investment for the firm is time. Spend a little more time coaching and mentoring staff. In all probability, this alone, being part of the 70%, will enhance abilities and lead to improved revenue and greater client service.

Unless a business is not interested in improving its reputation, fee income and profitability, the question concerns the downsides of not undertaking training rather than the advantages of doing so.



**Paul Richmond** is managing director of the Grogrogroup. He established the business in 1994 and developed a client base that contains some of the best known names in industry and the professional services sector. As well as delivering training programmes and providing consulting services, Paul is also a keynote speaker and has worked across Europe and the Far East, engaging audiences and challenging individuals to improve and change. Paul can be contacted by email: [paul@thegrogrogroup.com](mailto:paul@thegrogrogroup.com); by telephone on 01892 610060 or 07973 132076; or visit: [www.thegrogrogroup.com](http://www.thegrogrogroup.com).



# A robust approach

**Clive Purdy** explains the IFA's approach to anti-money laundering compliance and its importance to institute members.

## TEN SECOND SUMMARY

- 1 Anti-money laundering manuals should be created by IFA members and must cover areas required in regulations and CCAB guidance.
- 2 The importance of identification, compliance and evidence.
- 3 The proper maintenance and use of client accounts by advisers.

In 2015, the IFA actively monitored the compliance of more than 150 of its members with the Anti-Money Laundering (AML) Regulations 2007. This took the form of questionnaires, followed by desk top reviews and/or compliance visits. Some common themes emerged, highlighting areas where particular attention to the regulations and the CCAB Anti-Money Laundering guidance for the accountancy sector is required.

Members who recognise any of the following as being present in their own AML procedures must urgently review them.

### Procedures manual

A significant proportion of members do not have a procedures manual or an adequate one.

A properly written and tailored procedures manual should include pro forma risk review and client identification forms and is a must for AML compliance. It must show the procedures for reporting suspicious activity, recording training and the characteristics of high risk clients. Such a manual may be created by the member, but it must cover the above points and other compliance areas required in the AML Regulations 2007 and included in the CCAB guidance. This is not a quick exercise and must be completed to a high standard. Several members stated that their procedures manual is the CCAB guidance on the IFA website. This is not a procedures manual, but outlines the information that is required in one.

The IFA recommends the *AMLCC Procedures Manual*. Its correct use will enable members to have in place the necessary documentation to comply with their AML obligations.

### Identification of clients

Although most members obtain the correct identification for clients, some have not obtained it for any clients or only for new clients. I have been told



more than once: "I have known the client personally for over 20 or 30 years. I know who they are so why do I need formal ID?" This is not acceptable and breaches the AML Regulations. Where this has occurred, members have a short period to obtain proper identification documents and a follow-up visit will check compliance.

The proper identification of clients is central to AML compliance and is essential for every client not just new ones. This must include photographic ID such as passports or driving licences. The original must be seen and the copy must be certified as to when the original was seen. Confirmation of the client's address is also required, although obtaining this from HMRC documents should not be difficult.

The identification process is slightly different depending on whether the client is an individual, sole trader, limited company, partnership or charity. The procedures manual should detail the identification required for each. Identification must also be up to date. If, say, the passport copied has become out of date, it is good practice to update this. Those who do not have the correct identification for all clients must rectify this immediately.

### Risk assessment

Every client must be subject to an initial risk assessment and annual review. The assessment must be updated on a change in circumstances such as a new director, partner or shareholder. Again, the manual must include how the risk assessment is undertaken and when updates are required.

This is an area where compliance has been poor and much risk assessment is not properly recorded. Many members have said "I do not act for high risk clients", but have no procedures in place to show what they are. Evidence of the decision making process is essential. Nor is it acceptable for advisers to carry out a risk assessment "in their head".

#### AML WORKSHOPS

These interactive half-day practical workshops are aimed at members in public practice who want to increase their understanding and knowledge of their responsibilities under the Money Laundering Regulations 2007 and the application of these to every day operations.

London, 7 April  
West Bromwich, 4 May  
Leeds, 26 May

Attendees will benefit from lively, engaging and practical workshops, focusing on risk management and good practice. Places are limited, so register your interest now at [events@ifa.org.uk](mailto:events@ifa.org.uk)

Further details will follow shortly on the events section of the IFA website.





Image: iStock/clubfoto

## Client monies

While many members do not hold client monies, some do and the risk assessments of the latter should reflect this. Receiving monies other than tax refunds or for paying tax liabilities is a high-risk area. If a client asks their accountant to hold monies, the risk assessment should be reviewed because of this change in circumstances and the potentially increased risk.

In some instances, members are not placing client monies into a separate client account, but are paying these into their general business account. This is not in accordance with the IFA guidance. Members concerned should open a client account immediately.

Client accounts are an area where money laundering can easily occur if advisers are not vigilant. In particular, monies should not be accepted into a client account if their origin and purpose is uncertain. An accountant who receives a request to return monies to a different party from the source or to make unusual payments should consider making a report to their MLRO and, ultimately, a suspicious activity report to the National Crime Agency. See **Further Information**. Failure to recognise these dangers has led to severe problems for some members.

If a client account is operated, the words "client account" must appear in the account name and the bank must confirm in writing that their records show it is a client account rather than another type of account. Banks may not do this automatically, but the member is responsible for ensuring that the designation is correct.

Accountancy fees can only be withdrawn from client monies with the client's written consent. The receipt of the tax refund on its own does not constitute consent and tax refunds should not be paid into a member's general office account.

## Overall view

The institute's approach in 2015 has been educational rather than enforcement although disciplinary action has been taken if members fail to change their working practices to comply with the regulations. The IFA's aim is to help members improve their compliance. This educational approach will continue in 2016, but in due course it will become solely compliance based.

Compliance also involves a timely response to IFA enquiries on initial information requests, follow-up visits or desk top review letters. The two-month response time limit has not been met by some members. An extension is being given now, but deadlines will be strictly enforced as the institute moves towards a compliance-based approach.

In general, members are graded as compliant or generally compliant based on national guidelines, but a significant number were non-compliant. With support and agreed action plans, these members have improved their compliance to move into the upper two categories.

Finally, having and complying with a robust procedures manual will help IFA and FTA members achieve good AML compliance.

## FURTHER INFORMATION

Anti-Money Laundering (AML) Regulations 2007 and CCAB Anti-Money Laundering guidance for the accountancy sector: [tinyurl.com/jez2xlr](http://tinyurl.com/jez2xlr)

MLRO and suspicious activity reports: [tinyurl.com/jssjn5b](http://tinyurl.com/jssjn5b)

See also: "Flag it up" by Angela Foyle, page 29; and "Shining a light" by Richard Simms, page 30.

Advisers should meet all clients face-to-face before appointment, otherwise they are automatically high risk. Meetings must be evidenced and there may be a particular problem in acting for relations of existing clients where the client is known, but not their relation.

Proper risk assessment, like client identification, is a key part of AML compliance. Members must adopt a risk-based approach to client due diligence (know your client) and this must be properly recorded. This allows businesses to focus their resources and effort where it is most needed. The extent of the customer due diligence will be dependent on the risk assessment and whether a client is low or high risk for money laundering and financing terrorist activities.

For low-risk clients, simple due diligence procedures can be adopted and enhanced due diligence procedures should be implemented for high-risk clients. Further guidance on this is in the CCAB anti-money laundering guidance.

Risk assessment is not a one-off procedure and should be considered annually, when asked to undertake new services, or on a change in client circumstances. This may link to the need to obtain new identification evidence. However, we have found that annual reviews are poor because, generally, risk assessment is poor. Those without a properly documented risk assessment on all clients should undertake this immediately.

## The MLRO

Every firm must have a money laundering reporting officer (MLRO) and procedures for reporting suspicious activity. Sole practitioners will be the MLRO, but should still have written procedures for recording suspicious activity in the capacity as accountant and reporting it to themselves as the MLRO. This is required by the regulations.



Clive Purdy is head of regulatory compliance at the IFA. He is also in public practice as managing director of DeVines Chartered Accountants which specialises in the SME sector. He represents the IFA on the Anti-Money Laundering Supervisors Forum and the associated Accountants Affinity Group. Clive can be contacted at [clivep@ifa.org.uk](mailto:clivep@ifa.org.uk).



# New meetings

*Nicola Mumford* provides details of forthcoming branch meetings and more.

## TEN SECOND SUMMARY

- 1 New branch chairs.
- 2 Make a diary note of forthcoming local meetings and check the IFA website
- 3 Duncan Walker succeeds Justine Riccomini as chair of the IFA's Scotland branch.

We hope that you were able to relax and enjoy the festivities over Christmas and the New Year, despite the incredibly busy period dealing with clients' self-assessment tax returns in the weeks leading up to 31 January 2016.

Programmes are now being finalised for branch meetings for the coming year, so please check the adjacent map for your first meetings of 2016. Members who cannot find a meeting for their local area should check the branch events on the IFA website ([www.ifa.org.uk/events/branch-events/](http://www.ifa.org.uk/events/branch-events/)) because further events may have been added.

We have undertaken a review and are introducing a series of important changes, which are designed to re-vitalise the fortunes of each branch during 2016. These will affect the following branches.

- Manchester & Lancashire.
- Merseyside, Cheshire & North Wales.

Further information on the changes relating to these branches as well as other branch news can be found on page 28.

## Scotland branch chair



Duncan Walker FFA, IPA will succeed Justine Riccomini as the branch chair of the IFA's Scotland branch. Duncan will bring valuable experience to the role having previously been chair of the east of Scotland branch of the Chartered Institute of Bankers in Scotland. He has also been president of the West Lothian Chamber of Commerce and chair of the West Lothian Branch of The Chartered Institute of Personnel and Development.

Commenting on his appointment, Duncan praised Justine "for the tremendous commitment that she has shown to the Scotland branch by getting it up and running and building the growth in membership over the past two years. All of us recognise that our loss is Lancashire & Cheshire's gain. It is now my responsibility, hopefully with one or two volunteers, to build on the foundations that Justine has laid and to attract even more attendees to future branch meetings."

### THURSDAY, 17TH MARCH 2016 (7:30PM – 9:30PM)

North & West Yorkshire Branch

Programme to be confirmed

Weetwood Hall Conference Centre and Hotel  
Otley Road, Leeds, West Yorkshire LS16 5P

### WEDNESDAY, 24TH FEBRUARY 2016 (5:30PM – 9:00PM)

North West Midlands Branch

Programme to be confirmed

University of Wolverhampton  
Aspen Suite, Building SC, Telford Campus, Telford TF2 9NN

### WEDNESDAY, 10 FEBRUARY 2016 (6:00PM – 9:00PM)

Bucks, Oxon & Berks Branch

**Satwaki Chanda:** Allowable expenses for sole traders and companies

**Richard Simms, AMLCC:** Anti-money laundering regulations

Jurys Inn  
Godstow Road, Oxford, Oxfordshire OX2 8AL

### WEDNESDAY, 13 APRIL 2016 (6:00PM – 9:00PM)

Bucks, Oxon & Berks Branch

Programme to be confirmed

Jurys Inn  
Godstow Road, Oxford, Oxfordshire OX2 8AL

### TUESDAY, 9 FEBRUARY 2016 (4:00PM – 7:00PM)

West of England & South Wales Branch

**Ceri Davies,** Peninsula Business Services: Update on employment law

**Rachel Houghton** and **Sam Hardy,** Payroll Compliance Ltd:  
Auto-enrolment process for accountants

The Bristol Golf Club  
St Swithins Park, Blackhorse Hill, Almondsbury, Bristol BS10 7TP

### TUESDAY, 15TH MARCH 2016 (5:00PM – 8:30PM)

Devon & Cornwall Branch

Programme to be confirmed

Plymouth Albion Rugby Club  
Brickfields Recreation Ground, 25 Damerel Close,  
Plymouth PL1 4NE





For more information go to [www.ifa.org.uk/events/branch-events/](http://www.ifa.org.uk/events/branch-events/)

### WEDNESDAY, 13 APRIL 2016 (4:00PM – 7:30PM)

#### Greater Manchester & Lancashire Branch

**Justine Riccomini**, branch chair: Budget and OTS update.

**Suzanna Ingham**, PwC: Corporation tax round up for SMEs.

**Juliet Bailey** or **Stephen Morrison**, Mazars: VAT update.

**University of Manchester**

Room 3.204, Third Floor, University Place, Oxford Road, Manchester

### MONDAY, 15 FEBRUARY 2016 (6:00PM – 9:00PM)

#### East Anglia Branch

**Helena Wilkinson**, Price Bailey LLP: Charity trustees roles and responsibilities.

**Cameo Hotel**

Old London Road, Copdock, Ipswich IP8 3TD

### MONDAY, 21 MARCH 2016 (6:00PM – 9:00PM)

#### East Anglia Branch

Programme to be confirmed

**Cameo Hotel**

Old London Road, Copdock, Ipswich IP8 3TD

### MONDAY, 11 APRIL 2016 (6:00PM – 9:00PM)

#### Essex Branch

Programme to be confirmed

**Jupiter House**

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

### THURSDAY, 18 FEBRUARY 2016 (6:00PM – 9:00PM)

#### London Branch

Programme to be confirmed

**London South Bank University**

Keyworth Centre, 103 Borough Road, London SE1 0AA

### MONDAY, 4 APRIL 2016 (6:00PM – 9:00PM)

#### London Branch

Programme to be confirmed

**London South Bank University**

Keyworth Centre, 103 Borough Road, London SE1 0AA

### WEDNESDAY, 17 FEBRUARY 2016 (4:00PM – 9:00PM)

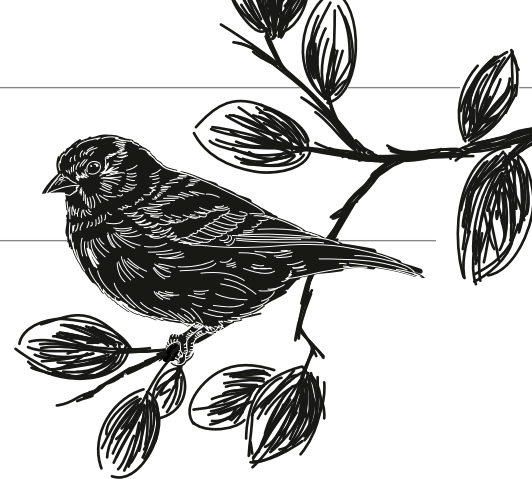
#### Hampshire & Dorset Branch

**Frank Mukahanana**, Quidcycle: Crowdfunding and alternative finance

**Ben Clark**, Taxwise: HMRC Investigations and fee protection cover

**Marwell Hotel**

Ashstead Suite, Thompson Lane, Colden Common, Winchester, Hampshire SO21 1JY



# Branch changes

*Nicola Mumford* provides news of forthcoming local branch meetings and next year's conferences.

## FURTHER INFORMATION

Branch calendar:  
[www.ifa.org.uk/events/branch-events/](http://www.ifa.org.uk/events/branch-events/)

The IFA would be pleased to hear from members who are interested in helping to run the IFA Merseyside & North Wales branch. Local branches are an integral factor in the IFA's success and we believe that members can obtain great benefits from the learning and networking opportunities that they provide.

To find out more about running local branches, please contact Jonathan Barber at [jonathanb@ifa.org.uk](mailto:jonathanb@ifa.org.uk) or telephone 07711 955 939.

## TEN SECOND SUMMARY

- 1 Boundary changes to branches.
- 2 Justine Riccomini is chair of the IFA Lancashire, Greater Manchester & Cheshire branch.
- 3 New chair and assistance required for the Merseyside, Cheshire & North Wales branch.

**H**appy New Year to all branch volunteers and attendees. The IFA hopes that the 2016 branch programme will be as successful as 2015 which saw new branches and more meetings. We cannot emphasise enough the importance that the IFA places on its branch network and the benefits that can be obtained from regular attendance.

We have undertaken a review and are introducing important changes that are designed to re-vitalise branch fortunes in 2016. The first is the adjustment of the geographical boundaries of the Manchester & Lancashire and the Merseyside, Cheshire & North Wales branches. These recognise the strong cultural identities and affinities of each area.

The old Manchester & Lancashire branch is being extended to include Cheshire and will be re-launched as the IFA Lancashire, Greater Manchester & Cheshire branch, based around Manchester.

IFA and FTA members living in Cheshire will be reallocated to this new expanded branch.

Robert Newman FFA has stepped down as branch chair and we thank him for his endeavours following the launch of the branch two years ago.

## New branch chair

Justine Riccomini FFA has been appointed to succeed Robert as chair of the IFA Lancashire, Greater Manchester & Cheshire branch. Two years ago, she successfully launched the IFA Scotland branch and since then has steadily built and established a fine reputation for the branch. This now has more than 30 members in regular attendance at each branch meeting.

Commenting on her appointment and her aspirations for the branch, Justine said "I am delighted to be taking up this branch chair position and, over the coming months and years, I am looking forward to meeting as many IFA and FTA members and students as possible in the Lancashire, Greater Manchester & Cheshire area.

I hope to turn the branch into a vibrant, active and motivational place where members can learn together, share experiences and network. If we are enthusiastic about our branch we will reap the rewards and attract new members".

## Volunteers and survey

Justine is looking to recruit two volunteers to help her with the organisation and running of the branch meetings. Any members who wish to help are asked to contact her directly by email at [jr@employmenttax.com](mailto:jr@employmenttax.com) or by telephone on 01506 82 66 73 (office) or 07976 583 695 (mobile).

We have undertaken a short survey and the results will help Justine to plan venues around locations that are convenient to local members and topics that provide solutions to the accountancy, tax and business problems that are keeping IFA members awake at night.

## IFA Merseyside & North Wales

John Hornby FFA is stepping down from his role as branch chair of the Merseyside, Cheshire & North Wales branch.

Commenting on his decision to step down, John said "It has been a privilege to lead the branch for the past ten years. I wish to thank the volunteers who have provided support during my tenure but, most of all, to the IFA and FTA members who have been regular attendees of our meetings.

"I would also like to thank the IFA head office and council. I sincerely hope that new volunteers will step forward to take the branch forward and I am sure that the branch network, and Merseyside in particular, will grow and improve over the years to come."

The IFA wish to thank John, together with the volunteers who served with him during his chairmanship, for their dedication and commitment to the branch.

Looking ahead, the branch will temporarily cease operations until at least April 2016. This will enable the IFA to recruit and work with a small group of IFA/FTA volunteers to re-establish and run a renamed IFA Merseyside & North Wales branch. This will be based around Liverpool and will be an integral part of the 20-strong IFA local branch network.



*Nicola Mumford* is the events and communications assistant at the IFA. For information on events email: [events@ifa.org.uk](mailto:events@ifa.org.uk) or phone 020 7554 5188.





## TEN SECOND SUMMARY

- 29



# Shining a light

*Richard Simms* explains the importance of IFA members' compliance with anti-money laundering requirements and how this should be undertaken.

## TEN SECOND SUMMARY

- 1 The right systems, records and understanding are essential to facilitate compliance with anti-money laundering legislation.
- 2 All businesses within the regulated sectors must have a designated money laundering reporting officer.
- 3 Policies and procedures are key to compliance, particularly when taking on new clients.



**T**he article by Clive Purdy (see page 24) explains that the IFA is monitoring anti-money laundering (AML) compliance, but meeting these requirements is easy with the right tools. It is all about having systems and records and understanding the guidance.

The purpose of the AML measures is to shine a light on dubious financial transactions with the aim of preventing criminals legitimising their ill-gotten gains and terrorists generating funds for their activities.

The first UK national risk assessment of money laundering and terrorist financing ([tinyurl.com/o9g8wwg](http://tinyurl.com/o9g8wwg)) has recently been carried out. It references four of the many underlying or predicate offences that generate proceeds of crime. They are:

- fraud and tax offences including tax evasion;
- drug offences;
- modern slavery; and
- acquisitive offences such as theft and burglary.

Of these crimes, tax evasion may be one that many accountants are most exposed to through the activities of their clients or themselves.

### The role of the accountant

Accountants have a critical role in identifying suspicious activity and knowing what to do if they find it.

The profession needs to have effective AML policies and procedures in place. These should be able to highlight suspicious transactions or activity, which means understanding clients sufficiently to be able to spot unusual or suspicious activities. This will be fully evidenced through the AML risk assessment.

There is a requirement to have a money laundering reporting officer (MLRO), to oversee and manage AML policies and procedures. Usually, the MLRO will also act as the nominated officer to receive and make suspicious activity reports (SARs) to the National Crime Agency (NCA).



This activity is important, so staff or quasi-staff members (sub-contractors) should be trained in the internal policies, procedures and technical AML issues.

If suspicious activity is identified, a decision must be made on whether to report this to the NCA. Client identification and verification procedures come into play here – a report cannot be made without knowing who the client is and having evidence of this.

The IFA can review the AML practices of members, who may also receive a visit from a law enforcement representative. This is where the quality of record keeping is paramount and AML records are proof of action taken and compliance with the legislation.

### Why bother to be AML compliant?

There is a legal requirement to comply with AML procedures. The legislation on this and counter terrorist financing (CTF) is broad and, potentially, there are serious penalties including fines and even imprisonment.

The national risk assessment mentioned above highlighted the risk of professionals assisting money laundering and terrorist financing by having poor policies, procedures and knowledge. This is viewed as seriously as actively assisting criminals and terrorists so IFA members must not be taken in unwittingly and persuaded down a dangerous road of non-compliance. The whole system is based on our profession's compliance with the legislation.

Apart from the above, the less obvious benefits are that following the full process puts barriers in place to ward off those who wish to use the services of an accountant for criminal or terrorist purposes.

### The steps to follow

To start, the accountant should create a mental plan of their practice and turn it into a schedule that can be referred to every time a new client is taken on or additional work is undertaken for an existing client.

Think about practice staff structure. The initial response of a sole practitioner might be that they do not have any staff, but consider subcontractors, whether working for the practitioner or the client. Extra attention to the training section of this article may be called for in such circumstances.

Readers of *Financial Accountant* are probably supervised by the IFA for AML purposes. Those whose business is not purely accountancy may need to check with the IFA that they are correctly supervised. Trust and company service provision (TCSP) is a different category of AML supervised services, so be sure that this is a supplementary service and not the main business.

The most likely service within TCSP is offering a registered office service for clients. There is a handy list of HMRC's interpretations of TCSP at [tinyurl.com/hn3oqzm](http://tinyurl.com/hn3oqzm).

### The need for an MLRO

All businesses within the regulated sectors must have a designated individual to receive and make reports to the NCA, this person is the MLRO. A sole practitioner will be their own MLRO.

Importantly, even a sole practitioner must record the name of the firm's MLRO within their AML file. The supervisor will expect to see this during inspections.

We have already mentioned the MLRO's responsibility for making reports to the NCA and will return to this, but other duties include:

- making sure that they and any staff are trained in AML generally and the firm's AML procedures;
- creating and maintaining the firm's AML policies and procedures; and
- ensuring compliance with the firm's AML policies and procedures.

Multi-partner firms could find it beneficial to appoint a deputy MLRO.

### Policies, procedures and records

Policies and procedures create the bedrock of a practice's successful AML compliance. The process for taking on a new client is key and should be supported by a reference tool to clarify any points of uncertainty regarding the legislation.

As a minimum, a practice should have an AML policy statement and a clear set of procedures to cover taking on a new client, risk assessing a client as well as a SAR reporting procedure.

The AMLCC compliance manual includes a draft of a firm's policies and procedures.

It is very important to recognise that AML compliance is as much about "doing" as it is about "being seen to do" and AML records are the firm's defence. A lack of records to demonstrate AML legislative compliance could indicate purposeful non-compliance and this will increase the likelihood of an investigation.

Documentation of policies, procedures, training, risk assessments, client verification and matters considered for reporting demonstrate that a practice takes AML seriously.

Advisers should ask themselves whether the AML records of their practice would stand up to a review without their personal presence. This exercise provides an insight into what a complete set of records might look like.

The AML office manual provides a base around which key practice AML documents can be held.

### AML training

Regular training for staff or third party workers should be given on AML technical matters as well as the practice's policies and procedures. Such training should be annual or more often if changes require. There is no set guidance for annual training, but we would suggest that two hours a year would be a sensible minimum.

Who needs to be trained? Client facing or processing staff are the best parameters on this point. The MLRO should consider who might have

#### AML WORKSHOPS

These interactive half-day practical workshops are aimed at members in public practice who want to increase their understanding and knowledge of their responsibilities under the Money Laundering Regulations 2007 and the application of these to every day operations.

London, 7 April

West Bromwich, 4 May

Leeds, 26 May

Attendees will benefit from lively, engaging and practical workshops, focusing on risk management and good practice.

Places are limited, so register your interest now at [events@ifa.org.uk](mailto:events@ifa.org.uk)

Further details will follow shortly on the events section of the IFA website.



Having trained as a chartered accountant and licensed insolvency practitioner, in 1999 **Richard Simms** took over the role of managing director at FA Simms & Partners, a long established insolvency and rescue practice. FA Simms & Partners has been involved with the IFA for many years and is the institute's chosen partner to support members with client insolvency and cash flow matters. Richard is also a director of the Anti-Money Laundering Compliance Company Ltd (AMLCC). He can be contacted by telephone on 01455 555444 or email: [rsimms@fasimms.com](mailto:rsimms@fasimms.com).





### FURTHER INFORMATION

The IFA team are available to help and members can visit the relevant web pages at [www.ifa.org.uk/members-area/anti-money-laundering](http://www.ifa.org.uk/members-area/anti-money-laundering).

To understand more about how AMLCC can help, visit [www.AMLCC.co.uk](http://www.AMLCC.co.uk) or phone 01455 555 468. For IFA members, the annual subscription is reduced to £147 plus VAT, down from £197 plus VAT.

AMLCC subscribers have access to separate online training videos for the MLRO and staff members. This is updated annually and also provides a test to complete and certificate.

UK national risk assessment of money laundering and terrorist financing: [tinyurl.com/o9g8wwg](http://tinyurl.com/o9g8wwg)

HMRC's interpretations of trust and company service provision: [tinyurl.com/hn3oqzm](http://tinyurl.com/hn3oqzm)

NCA's SAR online system: [tinyurl.com/zpbw2m7](http://tinyurl.com/zpbw2m7)

access to information that the principal might not see first-hand. For example, the principal would not expect to redo all the work of an assistant who prepared a set of accounts. That assistant should therefore receive AML training. For most firms this will be undertaken by the MLRO to avoid the risk of information relevant to the subject not being highlighted.

Untrained staff may not know how to identify a suspicious transaction or how to deal with such a discovery. Such systemic failure will be the responsibility of the MLRO. This could lead to questions of whether they are purposely turning a blind eye to suspicious transactions.

On third party staff, the main test here is whether they are working on behalf of the accountancy practice or are directly employed by the client. If the former, such staff must be trained on AML legislation, practice policies and procedures. Good practice would be to have a form of agreement between the practice and third party to govern the AML aspect of the relationship. This should at least confirm that they have been trained and are aware of the practice's AML systems.

### Identifying and verifying clients

The Money Laundering Regulations 2007 define customer due diligence (CDD) at Reg 5(a), 5(b) and 5(c). Regulation 5(a) deals with the identification of customers and verifying their identity on the basis of documents, data or information from a reliable and independent source;

Some interpretation is required. The legislation does not require a passport, driving licence or utility bill; this is how the regulations have been interpreted. The CCAB AML guidance is useful on this point and gives guidance in more detail.

Regulation 7 talks about when CDD should be applied, establishing a business relationship and doubts over the adequacy of previously obtained CDD documents are particularly worth noting. A practice should have a checklist to follow for every client's identification and verification process.

Regulation 8 is very clear that ongoing monitoring of a business relationship is essential. This includes keeping the relevant documents, data and information up-to-date.

The identification of beneficial owners of clients is important and this is covered by Reg 5(b) and Reg 6, and Reg 5(c) talks about the purpose and intended nature of the business relationship.

### Client risk assessments

There is much discussion around the issue of a risk-based approach to AML. The IFA applies this method in identifying the treatment of different members within its own supervisory structure.

A risk-based approach is part of the overall policies and procedures of an accountancy practice and these have been mentioned already. Following the requirement of a practice to keep records of AML activities, there is, unsurprisingly, a need to record the application of the risk-based approach. This is the client risk assessment.

Not having a client record of the application of the firm's AML procedure is not a good idea. Even if a client is not seen as high risk, the process of reaching that decision should be recorded. Ongoing monitoring is a key part of AML compliance and updating risk assessments is essential. Doing this once and forgetting about it does not work. Consideration must be given to changes in client operating structures and markets and any changes to the role that the practice performs for the client.

Arguably, the risk assessment for each client should be the easiest part of AML compliance. Understanding the business type, structure, operating locations and source of funds is an essential part of advising clients. The risk assessment is simply creating a record of everything that the practice would like to know about its clients.

### The need to report a client

Hopefully, a practice will not need to report any of its clients to the NCA. This would not be a problem, but not to have the correct policies and procedures in place that should have identified a reportable matter is definitely a matter for concern. Correct training for the MLRO and relevant staff will make sure that they know what to look for and how to report this.

Whether a practice expects to make a report or not, it is best practice for the firm's MLRO to register on the NCA website to be able to make a report online. This can be done through the NCA's SAR online system at [tinyurl.com/zpbw2m7](http://tinyurl.com/zpbw2m7).

Only a small percentage of accountants and bookkeepers who have made reports appear to have received follow ups from the NCA. The National Risk Assessment mentions an expectation that the accountancy sector would have been making more reports.

Finally, do be clear on what "tipping off" is. Discussion of a potential report or of having made a report should be shared with a very limited audience and definitely not with the client. The Proceeds of Crime Act 2002, s 333 defines tipping off; in brief, it is an offence to make a disclosure or reveal information that is likely to prejudice or harm a money laundering investigation. The AML supervisor should be willing to discuss a potential report. Be aware of the question of consent when making a report – this will not apply in many cases, but MLROs should be clear on when this might apply.

### Help available

Practitioners should now be aware that AML responsibility rests with them and they should engage with the guidance and legislation. This is essential for advisers even though they may be exceptionally busy, frustrated with the legislation or fearing the unknown.

AML compliance is easy and it must form part of a practitioner's office system. Strict application of that system to all clients on an ongoing basis will make AML a normal part of the practice's day-to-day operations with minimal disturbance.



Learning

# Develop your finance team

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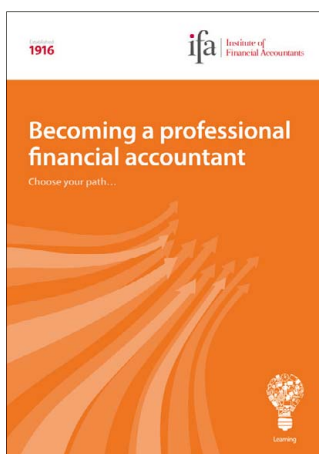
If you or your business are looking to develop a member of the finance team, we would like to offer a **FREE consultation** with the IFA's education team. They will be able to guide the relevant parties through the IFA's qualifications, helping to find which qualifications would be applicable to the employee and their role within the practice or business.

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- **Via email – [education@ifa.org.uk](mailto:education@ifa.org.uk)**
- **Via phone – 020 7554 0730**



You can also view our range of qualifications by visiting the IFA's online education brochure at:

**[www.ifa.org.uk/includes/brochure/index.html](http://www.ifa.org.uk/includes/brochure/index.html)**

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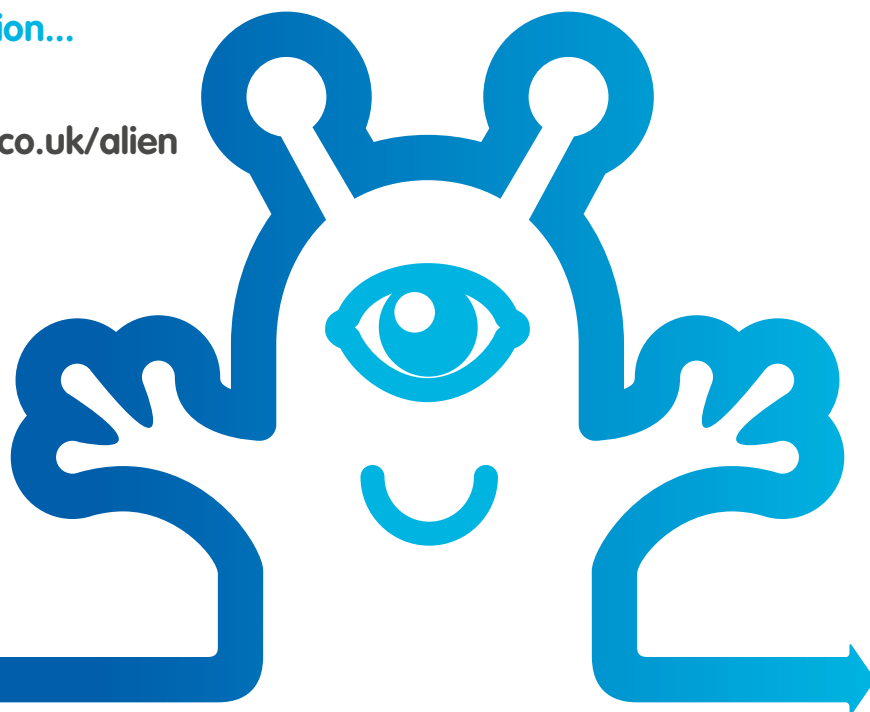
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