

Financial Accountant

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September/October 2016



100th
ANNIVERSARY

THE IFA CELEBRATES ITS CENTENARY

MAKING TAX DIGITAL

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IFA regional conferences 2016

The continued raising of professional standards

MIDLANDS	WEDNESDAY 26 OCTOBER	WEST BROMWICH ALBION FOOTBALL CLUB
LONDON	TUESDAY 1 NOVEMBER	BRITISH MUSEUM



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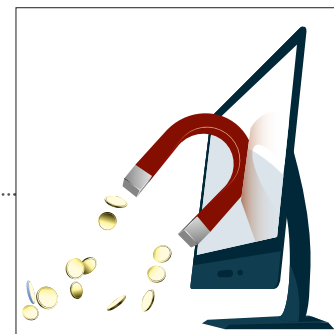
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 - Growing your practice
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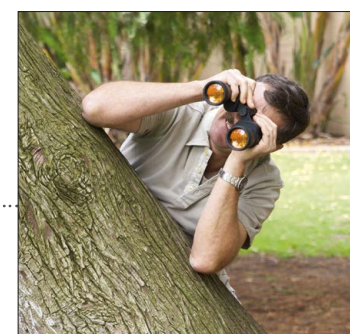
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Centenary
1916-2016
Celebrating 100 years

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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

Looking back and looking forward

As we celebrate the IFA's centenary year, it is timely to look back at the achievements reached and the factors that help us stand out from other professional membership bodies.

As part of the IPA Group, which has helped to extend our global reach, the IFA has maintained its solid focus on our members and students operating in the SME/SMP environment. The IPA Group has also cemented this commitment, having become the largest global SME/SMP-focused accounting organisation with more than 35,000 members and students in over 80 countries around the world. Members of the IFA have dual designation with the Institute of Public Accountants in Australia.

Our research tells us that members want their professional body to be recognised and respected in the market. We have worked hard to extend this recognition base with a range of key stakeholder organisations such as Her Majesty's Revenue and Customs, HM Treasury, the UK government, Ministry of Transport, ATOL, banks, building societies, the Charity Commission and many others.

Additionally, the government of England and Wales has endorsed that full members of the IFA are eligible to conduct professional independent examination of charity accounts where the income is below the audit exemption threshold of £1m as referred to in the Charities Act 2011. This has been extended recently to include Northern Ireland.

To stay ahead of the competitive pack and be leaders in the profession, we ensure members are kept up to date with the latest information on the regulatory, technological and other changes that impact their work. To do this, we deliver a wide range of relevant continuous professional development (CPD) sessions and seminars. This is well supported by the technical support and advice service (ifa.org.uk/members) which covers a range of topics including tax, auto enrolment, financial reporting and accounting, insolvency, anti-money laundering, employment, immigration and commercial law. Currency of information is important so we provide timely technical updates on accounting and tax topics through a number of different channels including email, webinars, *Financial Accountant* magazine, workshops and regional conferences.

Our CPD workshops and regional conferences are not just educational, they also provide excellent networking opportunities. These networking and peer engagement opportunities are also reflected in our active, engaged and growing branch network.

We have also continued to expand our member benefits with a wide and growing range of quality products and services at discounted rates and these are designed to be relevant to our members' working environment. In addition to these benefits, our bi-monthly magazine, *Financial Accountant*, provides members with a range of relevant articles covering accounting, finance, tax and business.

Looking forward, and with the expansive growth of the IPA Group, we have significant plans to extend our CPD and member benefit offerings. We will forge new partnerships with organisations that provide products and services that support the growth and development of members' businesses. We will also look at creating new ways of communicating to ensure that members are kept informed with the latest news and updates from a local and global perspective.

One hundred years gone and we are looking forward to the next hundred.



John Edwards,
IFA CEO.



Professor Andrew Conway FIPA FFA
IPA Group CEO.



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QUICK VIEW

✦ 2016 AND BEYOND

There might be some challenges, but there are also many future opportunities for accountants.

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✦ CHANGING ENVIRONMENT

Accountancy today is less about data input and more about interpreting financial information for the greater benefit of clients.

page 24

✦ THE RIGHT WAY

The application of ethical values to business life is an essential element of accountancy practice.

page 28

REGULATORY

Vaping advice

Public Health England has issued advice for businesses and employers to help establish internal and workplace policies for e-cigarette use with a view to supporting smokers to quit and stay smoke-free.

tinyurl.com/ifa-1820

REGULATORY

Client records

The Information Commissioner's Office has reminded employees that taking client information to a new job without permission is a criminal offence. This follows an employee being found guilty of unlawfully obtaining data, having been prosecuted under the Data Protection Act 1998, s 55.

tinyurl.com/ifa-1840

REGULATORY

Animal movement

The Farming Minister, George Eustice, has announced simpler rules for livestock keepers to register land they use. The new system will be introduced between now and summer 2017. Defra will be contacting livestock keepers to help them transition to the new arrangements and advise on the options available.

tinyurl.com/ifa-1847

REGULATORY

E-signatures 1

The government has provided guidance on electronic signatures, including:

- what they are;
- how to use them;
- different types available; and
- glossary of terms and definitions.

tinyurl.com/ifa-1701

REGULATORY

White asbestos

Government departments have issued advice on white asbestos. This includes information on:

- where to find it;
- reducing the risk of exposure to it;
- when a licensed contractor is needed; and how to deal with asbestos waste.

tinyurl.com/ifa-1848

REGULATORY

PIP claims

The Department of Work and Pensions has published a toolkit that provides information about the personal independence payment (PIP) for support organisations and claimant advisers. The information can also be adapted for training. Information about PIP for claimants is available at www.gov.uk/pip.

tinyurl.com/ifa-1921

REGULATORY

Co House statement

Companies House has published guidance on the new "confirmation statement". This replaces the annual return for periods ending after 30 June 2016. A company must deliver a confirmation statement notifying that the information about it held by Companies House is correct. This must be done at least once a year, even if the company is dormant. There could be serious consequences for failing to do this.

tinyurl.com/ifa-1826

BUSINESS

Open for business

More than 170,000 non-UK nationals formed companies here in 2015. This supports the "open for business" sentiment of government and business leaders. The highest number were from Poland followed by the Republic of Ireland.

Research by Made Simple has found that many non-UK nationals choose to set up in the UK because they are hindered by red tape in their own countries, where the business formation process can take several months and be much costlier.

tinyurl.com/ifa-1842

BUSINESS

Payment charter

The Department for Business, Energy and Industrial Strategy has proposed a payment charter that will apply to all parties to construction contracts. The aim is to create a more collaborative culture and a stronger supply chain. Once approved, signatories can use the Construction Supply Chain Payment Charter logo on documentation and websites to show that they are serious about good payment practice.

tinyurl.com/ifa-1846

BUSINESS

Start-up mistakes

Business consultants Geniac have published a list of "Five mistakes start-ups make (before they've even started)".

1. Get a shareholders' agreement – a set of rules and procedures to follow when the going gets tough.
2. About 40% of a small business owners' time in the UK is spent on administration – know when to outsource or delegate to allow time to plan next steps.
3. An employment handbook is an essential part of hiring any staff.
4. Do not assume that insurance will not be needed from the start of the business.
5. Many companies set up a website early on without understanding the legal obligations that go with this.

tinyurl.com/ifa-1833

BUSINESS

E-signatures 2

The Law Society Company Law Committee and the City of London Law Society Company Law and Financial Law Committees have issued a practice note designed to help parties and their advisers when executing or entering into commercial contracts using an electronic signature.

The note sets out the principles for determining whether a given document signed with an electronic signature has been validly executed.

tinyurl.com/ifa-1822

BUSINESS

Public houses

The Pubs Code, which gives public house tenants more rights and greater protection when dealing with large pub companies that own tied pubs, came into force from 21 July 2016.

tinyurl.com/ifa-1831

BUSINESS

Department shake-up

The Department for Business, Innovation and Skills (BIS) and the Department of Energy and Climate Change (DECC) have now been replaced by the Department for Business, Energy and Industrial Strategy.

tinyurl.com/ifa-1835

BUSINESS

Debt write-off

An SME confidence tracker report by business funder, Bibby Financial Services, indicates that 27% of small- and medium-sized businesses have written-off money in the past year. Across the business population, this means that more than 1.4m SMEs have suffered from bad debt over that period. The average amount scrapped by each business due to customers not paying invoices was £11,829.

tinyurl.com/ifa-1911

BUSINESS

Start-ups

With A-level results recently announced, the Department for Business, Energy and Industrial Strategy has reminded young people that more of them than ever before are looking to start their own business.

Since 2012, government-backed start-up loans worth more than £40m have helped more than 7,500 people under 25 years old get started.

tinyurl.com/ifa-1834

BUSINESS

Future funds

The new chancellor, Philip Hammond, has guaranteed funding for various businesses and projects. This should enable them to continue to bid for EU funds. Hammond also guaranteed that the current level of agricultural funding under CAP Pillar 1 will be upheld until 2020, as part of the transition to new domestic arrangements.

tinyurl.com/ifa-1844

BUSINESS

Business boost

The number of self-employed workers in the UK rose by 257,000 to 4.79m in the three months to June 2016.

Economic adviser, Lorence Nye, at the Association of Independent Professionals and the Self Employed (IPSE) said: "This year has seen consistent, strong growth in self-employment and it appears as though the trend will continue. This is mainly driven by long term structural shifts in the labour market and an increased desire among people to work flexibly and control their careers.

tinyurl.com/ifa-1927

BUSINESS

Health and safety

The Institution of Occupational Safety and Health and others have developed a competency framework for safety and health at work – "Blueprint". This is a self-assessment tool enabling professionals to assess competencies and produce professional profiles and development plans. It will be available free from 2017.

tinyurl.com/ifa-1851

BUSINESS

Enterprise allowance

The Department for Work and Pensions has updated its guidance on the new enterprise allowance. There are videos, case studies and promotional material about helping unemployed people become self-employed.

tinyurl.com/ifa-1925

PENSIONS

AE sleepwalking

A warning has been issued that some entrepreneurs and small businesses may be sleepwalking towards auto-enrolment (AE) deadlines. Failure to comply with staging dates etc could result in fines being levied by The Pensions Regulator. Research indicates that more than half of small businesses are not confident of fulfilling their AE duties.

tinyurl.com/ifa-1980

PENSIONS

Annuity rates

The "leave" vote in the EU referendum is seen as the cause of a fall of annuity rates. A standard terms annuity for a 65-year old now offers an income of £4,890 from a £100,000 pension fund compared to a £4,930 income six months ago.

tinyurl.com/ifa-1853

PENSIONS

Pensions Service

The Pensions Advisory Service has published its annual report and accounts, noting that more than 2.7m people have visited its website.

tinyurl.com/ifa-1899

PENSIONS

Auto enrolment

The Pensions Regulator has launched a new web page based on the calls from employers about auto enrolment.

tinyurl.com/ifa-1855

PENSIONS

Analysis published

The Pensions Regulator has published an auto-enrolment commentary and analysis for 2016 which reveals that compliance levels among all employers remains extremely high. It estimates that between 1.32m and 1.46m employers will be subject to auto-enrolment duties.

tinyurl.com/ifa-1857

PENSIONS

Good job

Its annual report and accounts for 2015/16 reports that the Pensions Regulator is performing well in its areas of responsibility.

tinyurl.com/ifa-1859

PENSIONS

Online protection

HMRC's new online process for applying for the lifetime allowance protection for pension funds has now gone live.

tinyurl.com/ifa-1897

ACCOUNTANCY

FRC report

The Financial Reporting Council (FRC) has published its annual report. Although the regulatory landscape has strengthened, there is still a way to go in securing further improvements

tinyurl.com/ifa-1873

ACCOUNTANCY

Corporate culture

An FRC study indicates that stakeholders and society have a vested interest in healthy corporate values, attitudes and behaviours because these lead to sustainable growth and long-term economic success.

tinyurl.com/ifa-1875

ROBIN LIDDELL 1941–2016

It is with much sadness that I have to report the death of Robin Liddell.

Robin had a long and distinguished career. Starting work with Armstrong Watson in 1957, and becoming the managing partner in 1989, he made a very significant contribution to where the firm is today.

Robin served the accountancy profession in many ways having been president of the Northern Society and chairman of the Cumberland Society of Chartered Accountants. He also served as a council member of ICAEW from 1998 to 2013 and was a member of their ethics committee. He was also a member of The Worshipful Company of Chartered Accountants.

Robin joined the IFA Council in 2007 and quickly became a valued member. He was appointed chairman of the Finance, Audit and Risk Committee before being elected as president in 2012; a role he held for two years. He was also a member of the Appointments and Governance Committee.

As a man he was one of life's characters being loyal, funny, upright and kind. He loved all sport and was a great fan of Leeds United and his beloved Carlisle where he was a vice president. He loved to involve his family and friends in his sporting interests and would take his wife Christine to the races at Ripon as well as attending rugby and football matches with many different friends including me.

Robin was greatly loved and admired by people from all walks of life and I, along with many others, will miss him.

*Beryl Shepherd,
2016.*

EMPLOYMENT**Work complaints**

The Department for Business, Energy and Industrial Strategy and others departments have issued a form on which individuals may make complaints relating to:

- an employment agency;
- working time limits;
- the national minimum wage; and
- the minimum wage when working in farming or agriculture.

tinyurl.com/ifa-1903

EMPLOYMENT**Health and safety**

The latest annual report from the Health and Safety Executive (HSE) indicates that the decline in fatal accidents at work has started to level off. There were about the same number of fatal accidents in each of the past three years.

tinyurl.com/ifa-1871

EMPLOYMENT**Conciliation success**

Independent research on Acas, reports that the organisation's collective conciliation service helps reach a successful outcome in more than seven of every ten disputes.

tinyurl.com/ifa-1889

EMPLOYMENT**Discrimination**

The opinion of the Advocate General in (1) *Bouagnaoui* (2) *Association de défense des droits de l'homme v Micropole SA* is that the dismissal of an employee who refused to remove an Islamic headscarf while working at a client's premises was direct religious discrimination. The requirement not to wear a headscarf when with customers could not be a "genuine and determining occupational requirement".

tinyurl.com/ifa-1808

EMPLOYMENT**Employment ignorance**

A recent survey by the Jobandtalent website indicates that almost two-thirds of SMEs have a poor understanding of employee rights and regulations.

tinyurl.com/ifa-1895

EMPLOYMENT**Wage offenders**

The Department for Business, Energy and Industrial Strategy has published the largest list of employers to be named and shamed for failing to pay the national minimum wage. Since October 2013, 687 employers have been named and shamed.

tinyurl.com/ifa-1891

EMPLOYMENT**Disabled people**

The Department for Work and Pensions has published guidance that summarises information for employers to help:

- increase their understanding of disability; and
- enable them recruit and support disabled people and those with long-term health conditions in work.

The guidance has links to other resources to enable employers to become more confident when attracting, recruiting and retaining disabled people.

tinyurl.com/ifa-1923

EMPLOYMENT**English speaking**

The Cabinet Office has announced a new code of practice to support the requirement that customer-facing staff in public authorities can speak fluent English. The guidance provides principles and examples for relevant employers to consider when fulfilling their obligations.

tinyurl.com/ifa-1806

EMPLOYMENT**Illegal workers**

The Immigration Act 2016 has created a new offence of illegal working that, it is believed, will make it easier to prove the offence of hiring illegal workers. The Act also introduces harsher penalties with the maximum prison sentence increasing from two years to five years.

tinyurl.com/ifa-1893

EMPLOYMENT**Living wage**

The government has issued a factsheet explaining what employers should do if HMRC asks them to carry out a self-review and written summary of their records relating to payments of the national living wage and minimum wage. See also:

- types of working contracts: tinyurl.com/ifa-min1;
- guidance on calculating the minimum wage at: tinyurl.com/ifa-min3; and
- minimum wage calculator: tinyurl.com/ifa-min5.

Details of the method and scope of the review and calculations should be kept.

tinyurl.com/ifa-1828

TAXATION

Making tax digital

HMRC have published consultation documents relating to specific elements of the Making Tax Digital reforms.

- *An overview for small businesses, the self-employed and smaller landlords.* This document provides an easier way to respond to the Making Tax Digital consultations than the full formal consultations.
- *Bringing business tax into the digital age.* How digital record-keeping and regular updates should operate.
- *Simplifying tax for unincorporated businesses.* Seeks views on: reform of basis period rules; extending the cash basis of accounting; and removing the need to distinguish capital and revenue when using cash basis accounting.
- *Simplified cash basis for unincorporated property businesses.* Considers the extension of cash basis accounting to landlords.
- *Voluntary pay as you go.* Options relating to making, managing and repaying voluntary payments.
- *Tax administration.* Information on the tax administration framework to support Making Tax Digital.
- *Transforming the tax system through the better use of information.* How HMRC will make better use of the information from third parties.

The consultation will run until 7 November 2016 and heralds a major change to the administration of the UK tax system.

tinyurl.com/ifa-1800

TAXATION

Digital webinars

To encourage engagement with Making Tax Digital, HMRC are running a programme of webinars and events across the UK. These which will provide more detail on the Making Tax Digital consultations and an opportunity to ask questions and give feedback.

tinyurl.com/ifa-1802

TAXATION

Avoidance enablers

HMRC have published a consultation document on proposals whereby enablers of tax avoidance could be fined up to 100% of the tax underpaid through the use of avoidance schemes.

tinyurl.com/ifa-1804

TAXATION

Agent Update 55

HMRC has published *Agent Update 55*. This includes: an update on digital agent engagement; "Talking Points" digital meetings; improvements to HMRC service standards for personal customers; how HMRC has responded to criticism from the National Audit Office; and guidance to support employment intermediaries.

tinyurl.com/ifa-1877

TAXATION

Winding-up

Finance Bill 2016, cl 35 introduces ITTOIA 2005, s 396B ("Distributions in a winding-up"), which targets some company distributions of share capital in a winding-up. From 6 April 2016, the distributions will be chargeable to income tax if certain conditions are met. There will not be a clearance procedure, but HMRC expect to publish guidance by the end of 2016. In the meantime, the department has published some examples of how they see the avoidance conditions applying.

tinyurl.com/ifa-1879

TAXATION

Finance Bill

The Chartered Institute of Taxation has published a summary of the Public Bill Committee debates.

tinyurl.com/ifa-1901

TAXATION

PSC contribution

Research commissioned by IPSE, the Association of Independent Professionals and the Self Employed, indicates that personal service companies (PSCs) contribute £38bn to the UK economy.

tinyurl.com/ifa-1999

TAXATION

Agent Toolkits

HMRC has recently updated the agent toolkits relating to: capital allowances for plant and machinery, income tax losses, private and personal expenditure and directors' loan accounts.

tinyurl.com/ifa-1993

TAXATION

Rollout of 2SV

HMRC is phasing in the requirement for business customers enrolled in self assessment only to use a two-step verification (2SV) when accessing their accounts.

tinyurl.com/ifa-1996

TAXATION

Solar warning

Business rates on commercial rooftop installations could rise by between six and eight times from 1 April 2017 according to the Solar Trade Association. This could be the effect of the re-evaluation of business rates by the Valuation Office Agency.

tinyurl.com/ifa-1998

TAXATION

Tax accounts

From 1 August 2016, taxpayers with PAYE income can find out whether their PAYE tax position for 2015-16 has been reconciled and whether they have overpaid or underpaid tax.

tinyurl.com/ifa-1905

TAXATION

Profits paid out

Research by accountants Moore Stephens indicates that UK corporate SMEs paid out 94% of their profits as dividends last year, up from 63% the year before.

Total dividend payments made by UK SMEs increased to £28.3bn in 2015-16, up from £17.5bn in 2014-15, ahead of significant changes to the taxation of dividends. These rate changes are seen as distorting business owners' behaviour and may affect how they manage their finances.

tinyurl.com/ifa-1907

TAXATION

IR35 guidance

HMRC has updated its guidance for taxpayers and agents on establishing whether the IR35 rules apply.

For advice on using the department's Contract Review Service contact the IR35 Helpline on 0300 123 2326.

tinyurl.com/ifa-1909

A digital engagement

Martin Mann encourages IFA and FTA members to ensure that their views are heard on “Making Tax Digital for Business”.

TEN SECOND SUMMARY

- 1 Digital tax accounts will replace self-assessment tax returns with the aim of improving tax compliance.
- 2 SMEs and micro-businesses – typical clients of IFA members – will be the first to use the new system.
- 3 Agent cooperation is essential to a successful implementation, but their comments must be heard by HMRC.

The result of the recent EU referendum has created much uncertainty and it is difficult to predict the tax impact for owner-managed businesses (OMBs) and small- and medium-sized enterprises (SMEs). One initiative that appears to be moving ahead and which has caused some concerns for business owners is HMRC’s aim to make tax digital. It is now more than a year since the government announced plans to transform the tax system and much has been said in that time regarding the proposed changes. This article looks at the potential impact that “Making Tax Digital” will have on businesses.

Re-cap of the proposals

At the March 2015 Budget, the government announced its intention to replace self-assessment tax returns with digital tax accounts as part of a wide overhaul to the UK tax system. The aim was to close the “tax gap” and improve tax compliance. The 2015 Autumn Statement underlined the government’s commitment by announcing an investment of £1.3bn and setting out an ambitious timetable of implementation.

At the heart of the process will be the need for businesses to update HMRC quarterly through a digital tax account. The plan is to introduce this for non-VAT registered businesses from April 2018 and then to VAT-registered businesses a year later with SME companies following in 2020. It will apply to all businesses run by sole traders, partnerships and companies, as well as landlords. It will not

apply to employees or pensioners unless they have additional income in the form of trading profits or rents that exceed £10,000 a year. Consequently, it would seem that many typical clients of IFA members will be the first to use the system and this is why it is so important that members review these proposals carefully and engage fully with the consultation process.

Consultation and comments

Businesses will have to record their income and expenditure digitally using HMRC approved software and apps. This software will then compile the data into a format that will feed directly into HMRC’s systems to generate that businesses’ tax liability. At the same time, HMRC will continue to be fed information from other sources such as real time information (RTI) and will check that the information returned each quarter matches that already gathered. The aim is to provide a more real-time view of a business’s overall tax position as well as providing a platform to collect the tax due closer to the point that profits are generated.

The way tax is paid will also be reviewed as part of these measures. This will include the ability to make smaller and regular payments of tax as well as being able to offset the liability of one tax against the overpayment of another and this would appear to include construction industry scheme (CIS) payments. The aim is to simplify the payment of tax as well as providing the ability to align the way the different taxes within a business can be paid. How this will be done is yet to be determined and it is expected that further details will be provided shortly.

It is clear that there is still a great deal of uncertainty on how the system will operate and consultation documents have just been published as we go to print. These should provide further details and invite comments from relevant parties. (See **Further Information**.)

Business concerns and challenges

The departure from annual tax returns to a fully digital platform will probably be the most fundamental tax change for many years and will affect many small businesses and their professional advisers.

The new proposals have caused a great deal of concern among business owners especially for those micro-businesses where the changes are likely to have maximum impact both from a financial and administrative perspective.



It is acknowledged that the introduction of quarterly reporting will create significant additional work and the fear is that when the extra professional costs involved are passed onto clients, some may decide to deal with the compliance obligations themselves or simply fall off the radar. There is a sense of inevitability that some clients may conclude that, with the removal of the tax return, they can deal with matters themselves. This may be counter-productive and HMRC is aware of this, hence its assurances that agents will be fully included in the process.

Given the fact that penalties are likely to be charged for late or incorrect quarterly returns, many "have a go" clients are likely to want assistance in the future and the new proposals may indeed create an opportunity for IFA members to expand their client bases. The biggest challenge may be how to get the fee charging right to attract and retain business while covering additional costs.

There are also fears over the security of the digital platform especially as HMRC will be engaging with third-party software providers. HMRC is quick to defend its track record on security breaches, but acknowledge that this needs to be watertight to provide stakeholders with the assurances that they require.

The need for an effective system

Given HMRC's poor track record – and with RTI being a recent example – there are the usual doubts as to whether the system will work effectively once it goes live and whether implementation can be completed on time. Part of the uncertainty is over which software will be accepted by HMRC for these purposes.

Many small businesses with straightforward affairs use Excel for their bookkeeping, however there have been conflicting reports on whether HMRC will recognise this program as being in the prescribed digital format. If this is the case, many small businesses will be forced to incur significant costs not only in replacing their software, but having to commit the time to learn how the new program operates. The Treasury believes these changes will save businesses £400m in administrative costs, but the risk is that many small businesses may initially face additional costs in having to comply with the new digital system.

Finally, the problems for those unable to use the software because of personal incapacities or who simply operate in a poor internet reception area, have not been fully addressed. HMRC has promised assistance and additional support, but just how this will unfold remains unclear. While the promise of free software and smartphone apps sounds good, these will not on their own solve the reasons behind why these individuals do not currently use computer records in the first place.

Next steps

It is clear that the government and HMRC believe there is sufficient appetite from business owners to move forward with "Making Tax Digital". However, many of the statistics quoted to support this are based on statements provided by organisations such as ICAEW where the size of businesses is not generally compatible with the smaller businesses typically advised by IFA members. HMRC acknowledges that agents are key to a successful implementation, but the department must take on board comments from every sector including those, such as IFA members, who are dealing with small micro-businesses.

It is clear that we live in a digital age where internet access is key and the smartphone and iPad are common place. The general proposals constitute natural technological progression and are not out of place. In many instances, the changes will improve the compliance process – particularly for individuals. However, there are still many unanswered concerns over how the process will be fully implemented especially for small businesses. These issues must be addressed and assurances provided so that all concerned fully engage with this new way of working.

It is crucial that IFA members continue to contribute to the ongoing discussions and debate on how the new digital platform is implemented. The next stage is for members to get involved with the consultation process. The collective voice of IFA members could be particularly powerful, driving necessary and appropriate changes to protect their members' and their client's interests.

FURTHER INFORMATION

HMRC have published consultation documents relating to specific elements of the Making Tax Digital reforms.

- Bringing business tax into the digital age.
- Simplifying tax for unincorporated businesses.
- Simplified cash basis for unincorporated property businesses.
- Voluntary pay as you go.
- Tax administration.
- Transforming the tax system through the better use of information.

The consultation will run until 7 November 2016.

See: tinyurl.com/ifa-1800



Martin Mann is a Director at Gabelle LLP. He is both a member of the Association of Tax Technicians and the Chartered Institute of Taxation with more than 25 years' experience. His past roles have seen him advise on both business and corporate as well as personal tax issues and as a consequence Martin has developed a broad range of tax expertise. His particular areas of specialism are employment taxes (including share reward issues) as well as capital gains tax issues notably only or main residence relief.



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A huge impact

Worried about the new financial reporting standards? *Jonathan Barber* asks IFA members to share their experiences on the implementation and effects of FRS 102 and FRS 105.

TEN SECOND SUMMARY

- 1 FRS 102 replaces all the UK financial reporting standards and UITF abstracts in issue before the new UK financial reporting regime.
- 2 IFA members will have first-hand experience of the effects of adoption of FRS 102 and FRS 105 on their clients and practice.
- 3 As well as providing evidence of the effect of the new standards, the university research project will enable the IFA to raise its profile.

The introduction of *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102) in March 2013 marked a significant development within the UK accounting profession.

To recap, FRS 102 replaces all the UK financial reporting standards and UITF abstracts in issue before the new UK financial reporting regime. FRS 102 is the standard for accounting for unlisted medium-sized and large entities in the UK and applies to accounting periods starting on or after 1 January 2015.

In addition to what is already a significant change for the profession and the preparation and reporting of accounting information, the financial reporting standard for smaller entities (FRSSE) has been withdrawn and replaced with FRS 102 section 1A or FRS 105 (for micro entities) for years starting on or after 1 January 2016.

A major change

It is fair to say that this change in the accounting framework is possibly one of the single largest developments to affect UK accounting over the past 20 years and should not be underestimated. There are major changes to the recognition, measurement and presentation of items in the financial statements.

Further, it is important for business and accountants to understand the qualifying conditions that allow companies to be classed as small or micro because this reduces the reporting and disclosure requirements. For more detailed information refer

to "Accepted Standards" (*Financial Accountant*, November/December 2015, page 14).

Given that current statistics indicate 5.4m small- and medium-sized entities (SMEs) operate in the UK, representing 99% of all businesses (Rhodes 2015: White 2015), the introduction of FRS 102, FRS 102 section 1A and FRS 105 will directly impact all UK SMEs as well as the accountancy practices who support and advise them.

At present, due to the recent introduction of FRS 102 and FRS 105 the actual impact of adopting these standards, from both an accountancy practice and SME perspective, within the UK is unknown. However, the lack of understanding and sharing of experiences in adopting the new standards presents an excellent opportunity for the Institute.

As the only professional accountancy membership body with a singular and clear focus on supporting members who operate in an SME or who own, run or work within a small accounting practice, IFA members will be working directly at "the coal face" when it comes to the adoption of FRS 102 and FRS 105 and will see first-hand the impact it has on their business, practice and their clients.

Understanding the effects

The Institute wants to understand the impact of the new reporting standards on our members' working lives, to be better informed as to the impact on business and accounting practitioners and to provide members with a louder voice when the Institute is discussing these effects with other accounting institutes, government and relevant stakeholders.

To achieve these aims, we have partnered with the University of Worcester to conduct a research project entitled *Identifying the potential impacts of the new UK GAAP accounting standards FRS 102 and FRS 105 on small businesses and accountancy firms: A qualitative study*.

The research project will be conducted and written by the University of Worcester. The final document will be co-branded and promoted and publicised jointly.

Our close working relationship with the University of Worcester has been developed over a number of years. As a business school, the university has a clear focus on understanding and supporting SMEs and their BA accounting

degree is an IFA embedded programme; providing graduates with a pathway to IFA membership.

The research project will allow the Institute to increase understanding of the new standards in the following ways.

- Understand the common impacts resulting from adopting the new accounting standards.
- Understand the specific impacts on micro and smaller businesses resulting from adopting the new accounting standards.
- Identify the perceptions accountancy professionals have regarding the impact of FRS 102 and FRS 105.
- Inform standards-setters and other accounting institutes on the perceptions of the preparers of these new standards.
- Represent the views of IFA members regarding FRS 102 and FRS 105 to government, other accounting institutions and other relevant stakeholders.
- Project the IFA as the voice of the SME concerning a significant change within the accounting profession.

Essential feedback

To support the research project we are asking members both in business and practice to take part in and complete a short survey and I would like to emphasise the vital importance of obtaining feedback from SMEs and small practices. The survey will be sent to members by email and will come from the Institute. This email will have clear instructions on how to complete the survey and what to do once complete. The survey will be sent out to all members in early September 2016 and responses will be collated and analysed by the University of Worcester. Members are very welcome to provide additional feedback via email and this can be sent to jonathanb@ifa.org.uk

The Financial Reporting Council (FRC) is responsible for the introduction of FRS 102 and FRS 105. As part of these developments the FRC is committed to periodically reviewing accounting standards to ensure the quality and cost effective financial reporting from entities within their scope. As part of its triennial review of standards, the FRC is inviting comments from stakeholders on their specific experiences of implementing FRS 102.

Through the research project, the IFA will provide initial comments to FRC later this year and more formalised comments will be provided to the FRC at later stages of their project.

The IFA appreciates that members' time is precious with many demands placed on each and every one of you both from a work and personal perspective. However, we believe the introduction of FRS 102 and FRS 105 is significant for our profession and we would be grateful for your views, feedback and support. The research project also allows the IFA to raise its profile further during its centenary.



Jonathan Barber is the Business Development Manager of the Institute of Financial Accountants and works with members, students and commercial partners. Jonathan has worked with accountants in business and practice, of all sizes and sectors for more than 20 years. Contact Jonathan directly at jonathanb@ifa.org.uk or via telephone 07711955939.



Fit for purpose?

The world is changing faster than ever and this is just as true in the world of finance. *Clive Howells* suggests ways for the smaller firm to keep up to speed.

TEN SECOND SUMMARY

- 1 Accountancy firms should spend time monitoring their own performance as well as that of their clients.
- 2 A good recruitment policy and training will ensure that necessary competences are acquired and maintained.
- 3 Risk can be minimised by confirming that services are covered by a suitable engagement letter.

In today's challenging business environment many firms in practice fail to set aside adequate time and resources to monitor their own procedures and competences. This should not be an issue if the firm considers

the work it does for its clients and takes a practical approach. It is probably best to think about this in line with the business process.

For a practising firm the considerations should probably start from meeting and assessing prospective clients. The firm would then need to consider whether it has the resources and capabilities to service the client, for example suitably qualified and experienced staff. To achieve a consistent approach, the firm can use standard documentation, such as a new client form, to ensure that no important matters are overlooked. This can also be used to control the issue of suitably tailored engagement letters to all clients and for monitoring, to confirm that they are returned when the client has signed them.

Recruitment and training

Firms with staff should consider their recruitment policy and put in place adequate training to ensure that the necessary competences are acquired and maintained. A periodic performance review is also a good idea to assess the needs of staff and check that there is some goal congruence between the aspirations of the individual and the practice itself.

In my experience, things always run much smoother when there is a consistent approach and a system that is adequately documented. That's not to say there need to be reams of instructions, but the systems should reflect the nature and size of the practice. I would expect a small practice to have uncomplicated, straightforward procedures. Documenting the system gives staff a point of reference and also serves to concentrate the mind when drafting the procedures.



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Office administration

There should be procedures to cover not only the professional work of the office but also the administration – things we often take for granted until they go wrong. A clear policy on what is filed where and how documents are referenced is absolutely vital as is a policy to make certain that files are appropriately archived, stored and retained. Archived files must be retrievable and secure.

Storing data electronically can present further challenges because the trail of correspondence can become much more fragmented. Many clients like to communicate by email these days because it is more immediate and some even expect to communicate by text message. Clearly, the firm will need to capture and store chronologically all relevant data.

It would then seem logical that the firm identifies the clients it has and the type of work that it does for them. Ideally, the system should record the work to be done at the outset and then the progress that has been made in each case. This is important because it is crucial that the firm can identify the amount of work it has outstanding at any one time. This information can be used to chase up work, for example outstanding tax returns, and plan resources to enable deadlines to be met well in advance. Bottlenecks are sometimes inevitable, but with knowledge and foresight these can be anticipated and planned for.

Maintaining quality

As well as ensuring that all of the necessary work is completed and deadlines are met, the firm should consider how it maintains the quality of its work. Again, a procedural approach will help consistency.

If there are adequate resources, a system of review can be established; otherwise, reasonable checks and balances should be implemented to achieve good quality output and maintain good practice. A standard set of procedures for each type of work is desirable to uphold a consistency of approach and output.

Being a small firm can present many challenges and establishing links with other similar firms may be helpful when consultation is required. Alternatively, firms requiring advice can seek external expert advice from training companies or their professional body.

Managing risk

Obviously, some types of work bring increased risks. Examples could be business plans, including cash flows and projections. Basically, these are likely to be cases where the preparer is aware that there will be third-party interest. The firm should take steps to mitigate its risk in such areas by confirming that the service is covered by a suitable engagement letter and that the document produced clearly states any assumptions used and the basis of its preparation. Most importantly, the firm should consider inserting a suitably worded disclaimer.

A firm that takes on suitable clients and services them effectively and professionally has every chance of success in the market place. A firm that cannot meet these initial benchmarks will have considerably less chance. Time spent establishing sound procedures and practices will be a worthwhile investment. It will ensure that business advisers will be able to proceed with the work of developing and growing their business as the routine day-to-day operations work efficiently.



Clive Howells is a Technical Consultant at Mercia Group and carries out file reviews, provides technical support to clients and delivers training workshops and CPD courses. The early years of Clive's career were spent primarily in practice, but he also gained experience in roles in the construction and retail sectors before joining ACCA in 2001. Working as a senior compliance officer, he carried out monitoring visits to practices throughout the UK and Ireland. This involved monitoring the quality of audit work and compliance with ACCA's practising regulations. Clive also carried out reviews of general practice procedures under ACCA's Quality Checked scheme. The points above will be some of the types of issues Clive will be speaking about at the IFA conferences this autumn.

The journey continues

Almost two years ago the paths of the Institute of Financial Accountants and the Institute of Public Accountants merged. **Andrew Conway** answers questions on present and future developments.

TEN SECOND SUMMARY

- 1 The successful merger of the two Institutes continues and systems have been integrated.
- 2 The IPA Group plans to increase its global profile by enhancing standards.
- 3 Work continues to support an application for chartered status.

Twenty months have passed since the Institute of Financial Accountants (IFA) joined the Institute of Public Accountants (IPA) to form the IPA Group. *Financial Accountant* caught up with the IPA Group's Chief Executive Officer, Andrew Conway, to discuss progress since January 2015.

Hi Andrew, how would you describe the transition of bringing our organisations together?

Bringing two long-established institutes together is unusual; it's largely uncharted territory and we have learned and continue to learn a great deal. I think it would be misleading to say that we have got everything right. It is one thing for members and boards to agree to the group concept and to be enthused about the membership benefits that shared resources can bring; but it is another thing to do the hard work needed to bring those benefits to the table.

That said, we've had some great successes. A good example would be the integration of the member management and financial systems that the two bodies had in place in December 2015. Each was fit for purpose, but required a huge amount of work behind the scenes to bring them together for the resourcing benefits to become a reality. We have that now, but it was not a simple matter of flicking a switch.

It would be true to say that there have been many challenges, but it is important to note that we have maintained a clear vision and believe that this is the right thing to do; the cultural fit is strong and we are working together to create greater value for our members.



This collaboration has seen the back office and support services centralised in Melbourne which has helped us to realise operational efficiencies. There is no need for two member management or financial systems. Removing operational duplications means we can focus our resources where they are most required and that's on serving our members and growing our reach. This, in turn, will allow us to grow our base and further increase our influence on local and global markets.

I look forward to continuing to work with John Edwards and our team to streamline our services to provide greater value to our members and grow the business.

In forming the IPA Group, the largest SME-focused accounting organisation in the world has been established. Why was this important?

We looked to our operational focus on small business and the synergies for our respective member bases made it perfect sense to get together. The small business sector is vital to many world economies, as is the case in both Australia and the UK, and our members can have a very positive influence on the success of a small business. Having a shared vision in relation to small business will hold the IPA Group in good stead for many years to come.

Bringing the IFA into the IPA Group was not predicated on geography, but rather on a strategic alliance. Both organisations have been servicing the small- to medium-sized enterprise and small- to medium-sized practice sector for many years. A large majority of our members are either small businesses in their own right or are providing services to small businesses.

On the matter of support for small- to medium-sized enterprises, we published the first ever Australian Small Business White Paper outlining numerous policies to drive productivity within the small business sector. The white paper is a well-researched and evidenced-based document to inform government and relevant regulatory stakeholders and is the basis of much of our advocacy and lobbying work.



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While measures may differ, many of the chapters would ring true with the small business sectors of other economies: affordable and accessible finance, innovation policy, exporting, taxation, government regulations and red-tape, education and training requirements. These are all common issues.

We have just expanded the Research Centre within our university partner – Deakin University and we will now expand its field of reference to include the UK market which is really exciting. This will greatly assist in our advocacy efforts on behalf of members in the UK.

Small business policy is an area of common interest and we will work to promote the credible voice for small business which has been well established by our team in the UK.

And what lies ahead for the IPA Group?

It is important to stress that the IPA “Group” refers to the group of collective resources we have. The IPA Group continues to be governed by the IPA Board and we have a Group CEO. In that sense it is an entity concept as opposed to a stand-alone company. Within the IPA Group we have the IPA and the IFA.

The IPA repositioned itself in the market in 2011 (it was formerly the National Institute of Accountants) and has seen significant growth over the past five years. Now, with the IPA Group, we have witnessed the total cohort of members and students doubling from 17,500 to 35,000 and we have forged a strong, well-resourced and leading voice for small business.

We aim to continue our growth path and become the professional accountancy body of choice in the global regions we serve. This means we need to build strong cash reserves to reinvest in our service delivery and the provision of continuous professional development and other member benefits. It is also vital that we increase our profile globally by further enhancing our regulatory and professional standards and giving members a voice on matters that affect them, their business and the accountancy profession.

Along with looking after the needs of our domestic members in the UK, the UK team is focused on continuing growth in regions such as Russia, Ukraine, the Baltic states, South Asia and Africa. We should also acknowledge the challenges of operating at a global level. We need to focus on delivering varying member benefits to different markets.

Some members believe we should cater only for our members in the country of origin, but no one can avoid globalisation. Recently, we took a member delegation to China and what they experienced was fantastic. This was not merely experiencing a different culture, but learning how China does business. China is the IPA Group’s fastest growing division. Members who are serving small businesses in international trade made some invaluable new business connections that can only benefit their clients.

While I have spoken of the operational efficiencies, we are starting to realise within the IPA Group that there are a raft of other benefits to come from this venture. We can learn so much from each other; we can share knowledge, innovation, systems and more. We can take the best from two hemispheres and share them to build best practice. We are looking to improve the support we provide and make available to members. We are currently working with an external body to further develop sponsorships and partnerships that will offer new products and services to benefit members and their clients. We are also looking towards 2017 to develop new communications to keep members better informed and updated on technical and regulatory issues.

I know our UK members will be interested in hearing of any progress in attaining the Royal Charter. Is there an update?

It remains the stated aspiration of the IPA Group to secure a Royal Charter and this was affirmed at a board meeting in November 2015.

A considerable amount of preparatory work has been completed already. In undertaking this work, it has become apparent that the charter application process is lengthy and resource heavy. Accordingly, it is potentially very expensive.

It is also apparent that, although immediate priorities continue to be those directly associated with the complex task of integrating the IFA and IPA and the delivery of enhanced member value, we will continue to undertake the work needed to support an application for chartered status, particularly in the area of governance. All realistic indications at this time are that a full application will be made in three to five years. We continue to work with our UK team to deliver this outcome. We shall of course keep members updated as matters progress or if there are any changes to this time frame.

In the meantime, the IPA Group journey continues based on a sound foundation of respect and collaboration and I am looking forward to greater outcomes for our members, our staff and the small business sector.



Andrew Conway FIPA FFA is Chief Executive Officer of the Institute of Public Accountants (IPA) Group. He has been chief of staff in the Australian Government Treasury Ministry and was awarded the Centenary of Federation Medal through the Order of Australia. In 2009, he became the youngest CEO of a public entity and in 2011 was presented with the Young Professional of the Year award. Andrew is co-author of the Australian Small Business White Paper and chair of the IPA Deakin University SME Research Partnership. In 2014 he received an award as the Australian Financial Review, Boss Magazine Young Executive of the Year. Andrew’s academic background and qualifications are in commerce, education and commercial law.

100 | Past to present

The past 100 years have been a busy time for the Institute of Financial Accountants in its various forms. Our timeline provides some of the highlights.



Bookkeeper – 1900s

1946

29 September 1946

The first district society, London and South East Counties, is formed

1914

28 July 1914

First World War begins

1916

23 September 1916

Institute of Book-Keepers Limited established by Alfred Day, Mark Butcher and Herbert Eldridge

1917

30 March 1917

The first AGM is held at Salisbury House, London

1920



Accountancy examinations



IFA conference – 1940s

1920 Launch of *The Institute of Book-Keepers Journal*. It is subsequently renamed as the *Book-Keepers Journal* (1952), *Administrative Accounting* (1981), *Accounting World* (1987) and *Financial Accountant* (2003)

1939

3 September 1939

Second World War begins. The Institute provides study and examination facilities for British prisoners of war with the active support of the Red Cross



IFA southern conference – 2014

1991

1998

1998
International Working Group established to promote the IFA's qualifications overseas

23 September 1991
75th anniversary

1987

23 December 1987
The Institute becomes the Institute of Financial Accountants Ltd

2011

16 November 2011
IFA joins International Federation of Accountants

2012

2012
IFA gains Ofqual status and updates its qualifications in 2013

10 June 1966
The Institute changes its name to the Institute of Book-keepers and Related Data Processing Ltd

23 September 1966
50th anniversary



IFA officers – 2014

1966

1982

8 October 1982
The Institute becomes the Institute of Administrative Accountants

2015

2015
IFA joins Institute of Public Accountants to form the IPA Group

1974

1 November 1974
The Institute becomes The Institute of Administrative Accounting and Data Processing Ltd

2016

23 September 2016
100th anniversary



IFA staff – 2013



IFA at Accountex – 2016



2016 and beyond

Olivia Kirtley believes that there are future opportunities galore for the accountancy profession.

TEN SECOND SUMMARY

- 1 Accountancy is a valuable global profession.
- 2 International collaboration and tax issues.
- 3 The benefits of technology and automation.

Globalisation presents the accountancy profession with some truly remarkable opportunities. How we respond to them, how we identify trends and issues, and how we stay ahead of the curve is vital.

We know that the value and impact of the accountancy profession is significant. Based on recent research, we have found that the almost three million professional accountants represented by member organisations of the International Federation of Accountants (IFAC) contribute almost a quarter-trillion US dollars to the global economy. There is also a strong correlation between the number of accountants working in economies and gross domestic product (GDP) per capita.

Clearly, professional accountants add value to society. And, bound by high-quality, global standards, independently developed in the public interest, ours is truly a global profession.

Through IFAC's Statements of Membership Obligations (SMOs) and the work of our Compliance Advisory Panel, we monitor progress on the adoption and implementation of these standards. As well as the standards on accounting and auditing, the SMOs oblige us to adhere to a rigorous ethical code, establish investigation and discipline mechanisms, and ensure that our skills remain up to date and relevant.

But a global profession is only as strong as the sum of its parts. The professional accountancy organisations (PAOs) that are IFAC members contribute greatly to training, organising, and developing skilled professional accountants in their jurisdictions. They advocate powerfully for the profession, and the public interest, by speaking out on the issues where the profession has a viewpoint and a role.

Future challenges

Some of the challenges and opportunities facing the accountancy profession in 2016 and beyond will depend on national contexts. But there are a number of important, truly global opportunities ahead, and our profession – in partnership with

regional and national accountancy organisations – must respond strategically and intentionally. Several of these opportunities are embedded in IFAC's 2016-18 strategy, *Charting the Future of the Global Profession*, which also identifies macro trends with significant implications for the profession, outlines IFAC's planned activities in response, and highlights the economic benefits of those activities.

Smart regulation

In late 2015, IFAC conducted its first Global Regulation Survey. It underscored how complex regulation is hindering economic activity. More than 80% of respondents said regulatory impact had become more significant – and that it will continue to affect them more significantly going forward; 63% felt regulation was affecting their organisation's opportunity to innovate.

To be clear, smart, consistent regulation is an important part of the global economy. The profession needs to speak out, not just on regulation that affects accountants, but on regulation that impacts economic activity – and therefore the public interest. To facilitate orderly and informed debate, IFAC convened senior executives and experts from regulatory agencies, financial markets, government, academia, listed companies, investment funds, and the accountancy profession, who developed ten guiding principles to facilitate high-quality regulation.

Taxation

Tax is both a major local and international issue. The issues are complex, and clarity is required to assess the scale of the problem – which only proper international collaboration can solve.

IFAC supports the holistic approach of the Organisation for Economic Co-operation and Development. The OECD's recently revised action plan on base erosion and profit shifting (BEPS) offers a rare opportunity to help address how we make taxation work better in a globalised, digital economy. Our profession has tremendous knowledge and skills to help governments understand possible solutions and then tackle it.

Fraud and financial reporting

Another professional concern is fighting fraud and corruption. According to Transparency International, corruption costs the planet US \$2.6



Olivia Kirtley CPA CGMA became President of the IFAC board in November 2014, having previously served as deputy president from 2012 to 2014 and being first elected to the board in November 2007. Ms Kirtley is a business consultant on strategic, risk and governance issues. She is also a non-executive director of three public companies: US Bancorp, Papa John's International Inc, and ResCare Inc. She was previously vice-president of finance and chief financial officer of a global manufacturing company and a joint venture of Emerson Electric Co and Robert Bosch GmbH. Visit: www.ifac.org

trillion or 5% of global GDP each year. Our role in fighting corruption is also linked in part to our ethical standards – a critical differentiator of our profession. We possess the expertise and skills to combat fraud and corruption, and must be a leading voice in the fight against them. To win the fight, global collaboration is vital, and whistleblowing protection must be strengthened throughout all organisations.

There is growing awareness that traditional financial statements do not tell the whole story. The public and the investor community are increasingly interested in corporate stewardship of non-financial resources. Integrated Reporting – or <IR> – speaks to the public's interest in good governance and high-quality information, and that makes it an excellent opportunity for the global profession.

IFAC strongly supports <IR>, and we've published *Creating Value with Integrated Thinking, The Role of Professional Accountants* to discuss how accountants working in every sector can facilitate it.

Supporting SMPs and PAIBs

Irrespective of the maturity of our economies or professions, the role of small- and medium-sized entities (SMEs) is one of enormous significance – they are engines of growth, kernels of innovation, and sources of the majority of private sector value add. Professional accountants provide vital knowledge and advice on their formation, growth, strengthening internal controls, enhancing reporting, and assurance for their financial statements.

In many jurisdictions, the small and medium practices (SMPs) that provide these services account for the majority of those working in practice. IFAC's annual Global SMP Survey corroborates many findings from our Regulatory Survey regarding the risks and complexity of over-regulation. Other key challenges identified for SMPs also included attracting new clients, differentiating from the competition, and pressure to lower fees.

Professional accountants in business (PAIBs) support a range of key organisational improvement factors including reporting, internal control, and treasury functions. Raising awareness of their abilities to contribute insights and value across the entire organisation is an important IFAC goal. IFAC produces issues papers and guidance to help support their work, including publications on topics such as integrated reporting, sustainability, business resilience, and managing risks as an integral part of organisational management.

Given that PAIBs play critical roles in ensuring organisations are successful, the ongoing development of their professional skills in an ever-changing world is vital. We work to boost the number of qualified accountants available to work in business, and continuously seek ways for them to be professionally equipped and supported.

IFAC's Global Knowledge Gateway, which includes discussions on topics such as attracting and retaining talent, collaboration, and financial leadership, provides excellent tools and resources to SMPs and PAIBs, as well as all accountants.

Talent acquisition

It is crucial that our profession understands what attracts and retains the best possible talent. Young people today have more choices and preferences in their work environment. Generally, these rising professionals are ambitious and eager to seize opportunities for leadership and senior management. But they also want to make a difference in their communities and enjoy life. Our profession offers incredibly exciting opportunities for young people to contribute to society in meaningful ways, and can be their passport to the world because we are truly a global profession.

Diversity and inclusion is also a critical issue for our profession to reach optimal success. It is not just the right thing to do; it's smart business strategy. Teams comprised of men and women of all races and socioeconomic backgrounds think more creatively to implement strategic solutions for the benefit of their clients, their business, and the economy.

Technology

Accountancy started as a manually intensive craft, but technology has helped standardise and systematise much of our work. Today, automation is impacting routine transactional tasks including accounts payable and receivable and processes involving inventory management enabling greater efficiency.

Technology and automation also make an impact higher up the information value chain by enabling the analysis and presentation of information to stakeholders. For example, world-class companies typically provide self-service accessibility to reports. The top ten technology trends with the potential to reshape the profession are explored in the ACCA publication, *Digital Darwinism: Thriving in the Face of Technology Change*.

Technology and automation also enable the analysis and presentation of information to internal and external stakeholders. In this environment, it's clear that a child born today will be a very different kind of professional accountant in the future.

Ever-faster, more powerful computers are now being coupled with learning algorithms to enable vast amounts of data to be collected and analysed. In a future filled with more and more data, the risk of misinformation and data overload will also increase – making our profession evermore critical to provide decision makers with reliable and complete information. This will be a great opportunity for professional accountants and the clients they serve.

I am proud to be a professional accountant. I know of no other profession that matches our effort to be global – bound by the same standards of excellence that transcend borders and language – and to enhance the success of all those we serve in meaningful ways. There are big challenges and great opportunities ahead. I am excited about what is possible when working with our great profession and appreciate the ability to travel the world to meet other accountants.

FURTHER INFORMATION

Charting the Future of the Global Profession:
tinyurl.com/h77pms9
 IFAC Global Regulation Survey:
tinyurl.com/h5u5rs3
 Ten guiding principles to facilitate high-quality regulation:
tinyurl.com/za2am9c
Creating Value with Integrated Thinking, The Role of Professional Accountants:
tinyurl.com/ptlhryy
 IFAC's Accountability Now programme:
tinyurl.com/gqhbjbj
 IFAC Global SMP Survey:
tinyurl.com/h7x36rn
 IFAC's Global Knowledge Gateway:
tinyurl.com/o58omw6
 ACCA, *Digital Darwinism: Thriving in the Face of Technology Change:*
tinyurl.com/lrrkfw
 Integrated Reporting: <http://integratedreporting.org/>



Overseas markets

Russia and Ukraine are important elements in the growing international membership of the IFA and the IPA Group.

TEN SECOND SUMMARY

- 1 Conflict with Russia exacerbated economic problems in Ukraine.
- 2 Accountancy and good communication provides new opportunities to Ukrainian enterprises.
- 3 Russia sees younger candidates applying for IFA qualifications.

The Institute of Financial Accountants has a substantial overseas membership. Our representatives from Russia and Ukraine give their views on accountancy practices in their regions.

Ukraine

Ukraine is a lower middle income country with gross domestic product of \$3,050 per person in 2014 and unemployment of 10.5%. Our country is a major grain exporter, the world's fifth largest iron ore producer, and has substantial reserves of magnesium and coal.

Unfortunately, as conflict with Russia escalated in 2014, Ukraine's economic and financial situation deteriorated and inflation accelerated, caused by exchange rate depreciation and increasing prices. The rate peaked at 61% in April 2015 and, although decelerating, was still 52% in September 2015. Signs of economic stabilisation appeared in spring 2015, with industrial production bottoming out, inflation moderating, international reserves recovering and the completion of negotiations on external market debt restructuring.

According to official data, in 2014 Ukraine had 341,000 enterprises, which employed about 6.2m workers. Of these businesses, only 497 were large enterprises, the remainder being SMEs – including 279,000 private entrepreneurs. About 30% of the working population are engaged by large enterprises, about 43% in medium, and the remainder are in small enterprises. Thus, SMEs not only provide the lion's share of revenue, but also create jobs – especially important in times of crisis.

As well as inflation, problems for SMEs include: a poor business climate; an unclear tax system; large-



scale corruption in state structures; an inadequate legal system; the high cost of credit; and an unstable exchange rate.

To improve matters, we need deregulation in the business environment and simplification of government administration. This would be a breath of fresh air for small businesses, which operate under a heavy burden of tax rules and regulations.

On a more positive note, accountancy professionals play an important role in improving business conditions in Ukraine and increasing the competitiveness of our SMEs which are integrating into the world economy. Accountancy is the language of business and the ability to communicate clearly provides new opportunities to Ukrainian enterprises.

Business Education Alliance operates in the Ukrainian professional education market and our partnership with the IFA is highly valued. To date, the following IFA certificates have been issued:

- Diploma in IFRS: 1,025
- Diploma in Financial Management: 501
- Diploma in Strategic Management: 323
- Diploma in Internal Audit: 252

I am pleased to report that IFA graduates are successfully implementing their acquired knowledge and skills in the Ukrainian economy.

Elena Baryshnikova, IFA/IPA, ACCA, MBA, director, Business Education Alliance, Ukraine.

Russia

The IFA appeared in Russia on the eve of the Millennium. In cooperation with Headquarter – Postgraduate-RAA the Institute has provided educational services relevant to SMPs and SMEs to Russian accountants, auditors and managers.

Training and certification on International Financial Reporting Standards (IFRS) is especially noteworthy. This became relevant in 2002 as Russian companies sought external funding, first of all on the London Stock Exchange and latterly in New York.



Elena Baryshnikova IFA/ IPA, ACCA, MBA is Director of Business Education Alliance, Ukraine. She can be contacted by email at: bea@bea.com.ua



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Since 2005, Russian banks have moved to IFRS following the decision of leading experts at the Central Bank of Russia that bank auditors must have the international diploma in IFRS. From 2010, holding companies and, therefore, their daughter companies must report in accordance with IFRS as well. Some joint stock companies, insurance companies and participants of the security market must also comply. Each year, about 500 people are trained and pass examinations on DipIFRS IFA at Postgraduate-RAA and its partners' centers.

So far about 15,000 students have taken IFA and IAB exams successfully. Among them are many executives and experts from SMPs who are working with SMEs. Our auditing and advisory company REANDA RusAudit (a REANDA International Network member) works closely with the all-Russian SME public organisation.

An interesting development in the past 18 years of working with the IFA is that our candidates are now much younger. As a result, we have increased our activity at student auditoriums in universities. This all means that we have increasing confidence of further development of joint IFA and Postgraduate-RAA activities throughout Russia. We are looking forward to the future with great enthusiasm.

With all my best wishes and sincerest congratulations to all IFA members.

*Igor Zhuravlev,
IFA International Vice-President,
Director for IFA in Russia and CIS.*

Getting involved in future

The IPA Group has members and students in more than 80 countries and our representatives and agents operate on our behalf across the world. They:

- support the training providers and universities who deliver our qualifications (face to face and through distance learning);
- arrange academic and commercial partnership agreements; and

Country	Contact details
Africa	Pending appointment of a new agent. Please contact Jonathan Barber at IFA Head Office if interested in becoming an IFA agent. Email: jonathanb@ifa.org.uk
Australia	For membership enquiries please contact: Arthur Burt T: +61 3 8665 3100 E: arthur.burt@publicaccountants.org.au
Bangladesh	Pending appointment of a new agent. Please contact Jonathan Barber at IFA Head Office if interested in becoming an IFA agent. Email: jonathanb@ifa.org.uk
Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand & Vietnam	For membership enquiries please contact: Jane Gao T: +61 3 8665 3100 E: jane.gao@publicaccountants.org.au For student enquiries please contact Susan Divall at IFA Head Office susand@ifa.org.uk
China	For membership enquiries please contact: Rhona Rong Chen T: + 86 10 8446 7570 E: china.office@publicaccountants.org.au E: china.membership@publicaccountants.org.au W: www.ipaa.org.cn For student enquiries please contact Susan Divall at IFA Head Office at susand@ifa.org.uk
India	For all membership and student enquiries contact: Andy Eames and Ranjit Kumar T: 0091 484 3194449 E: andy.eames@gmail.com
Latvia (and the Baltic States)	Pending appointment of a new agent. Please contact Jonathan Barber at IFA Head Office if interested in becoming an IFA agent. Email: jonathanb@ifa.org.uk
Pakistan	Pending appointment of a new agent. Please contact Jonathan Barber at IFA Head Office if interested in becoming an IFA agent. Email: jonathanb@ifa.org.uk
Russia	For all membership and student enquiries contact: Dr Igor Zhuravlev T: + 7 495436 0927 E: zhur@ur.rags.ru W: www.ifa.org.ru
Sri Lanka	Pending appointment of a new agent. Please contact Jonathan Barber at IFA Head Office if interested in becoming an IFA agent. Email: jonathanb@ifa.org.uk
Ukraine	For all membership and student enquiries contact: Elena Baryshnikova T: +380 (44) 220 10 39 E: bea@bea.com.ua W: www.bea.com.ua

- provide points of contact for existing and new members and students, liaising on their behalf with our UK head office staff.

Many of our offices have their own dedicated microsites in their native tongue. **Contact Details** are shown above.



Igor Zhuravlev PhD, FFA, FIAB is an Associate Professor and Director of the IFA in Russia and the Commonwealth of Independent States. He is Director of the SME Support & Development Centre at the Presidential Russian Academy for National Economy and Public Administration, Rector of the Institute for Professional Development "Postgraduate-RAA", and Chairman of the board of the audit and consulting company REANDA RusAudit. Igor is also the International Vice-President of the IFA, and Vice-President of the International Association of Bookkeepers (IAB).

Be assured

Anne Davis explains why the IFA is preparing a new assurance unit and how this will help members improve their client services.

TEN SECOND SUMMARY

- 1 Assurance services can include credibility of controls, process, performance and compliance.
- 2 The assurance unit will benefit members by developing understanding and skills.
- 3 Guidance will also be provided on the different assurance engagements.

Demand for assurance services by an independent professional accountant has increased over the past few years. As a result of regulatory changes, small- and medium-sized organisations no longer need an audit of financial statements. Further, the market for traditional audit services has become ever more saturated and is viewed by some as a compliance requirement rather than something that adds value to the business.

The incidence of scandals and an increased focus on risk and reputation are of real concern to business owners, management, investors, lenders, regulators, governments and other key stakeholders. They all need to have confidence in information, processes and reporting to make valid business decisions. Lenders and owners may need assurance on the business sustainability of an organisation. Management may need assurance on risk, internal controls and processes. Regulators may need assurance on statutory accounts or reports for a particular sector or industry to have confidence that they comply with their requirements.

Assurance unit launch date

In recognising the need for assurance and the opportunities for independent financial accountants such as our members, we will launch the IFA assurance unit in early 2017.

Because our members do not conduct audit engagements, the IFA assurance unit will be focused on other assurance services. As suggested above, the audit market is increasingly competitive and is limited in scope to financial statements. Assurance services, however, cover a broader remit. This area can include specific requirements relating to a particular sector such as the civil aviation air travel organisers' licensing (ATOL) returns or independent examinations in charities. It can also encompass the broader demands relating to credibility of controls, process, performance, and compliance among others.

Further benefits

A real benefit of the IFA assurance unit will be to develop further our members' understanding and skills in providing assurance services, covering both general assurance services as well as more sector specific services.

At first, the unit will sit alongside the current IFA education provision (IFA level 4 diploma for SME financial accountants, the level 5 diploma for SME financial managers, and the level 5 diploma for SME finance and business managers) as a stand-alone unit. However, at the next qualification review it is likely to be incorporated into the qualification structure because the Institute sees it as such an important part of the role for so many members.

Studying and examination

Registration to study for the assurance unit will not only be available to existing IFA members, but will also be open to those aspiring members and non-members who have sufficient experience and knowledge of financial accounting to be able to access and apply the learning in the context of assurance

Because the unit will be achieved through self-study, the length of time it takes to complete will very much depend on how much time an individual can dedicate to studying – assuming that most will be working and studying at the same time. However, it should be possible to complete the unit within 150 hours. Assessment will be through examination administered by IFA using a multiple choice question format. There will be a wide range of guidance and resources signposted within the unit as well as the standards of the International Auditing and Assurance Standards Board (IAASB).

Successful completion of the unit will provide comprehensive knowledge of an assurance engagement including professional and regulatory responsibilities. The unit takes students through the different stages of conducting assurance engagements, exploring what is required at each stage and why. This will include differentiating an assurance engagement from other types of services and having a clear understanding of why assurance is required – the nature and value of internal controls. The importance of a clear understanding of professional requirements and the ability to grasp the relevance of and apply the IFA code of ethics will also be reinforced as underpinning competencies of those wishing to undertake assurance engagements.

Next steps

Following on from the IFA's success in engaging with specialist sectors, we will also provide guidance on the different types of assurance engagements that IFA members may wish to work on including charity independent examinations and Civil Aviation Authority ATOL reports.

Our assurance unit will be of real benefit to financial accountants in the SME sector and we will provide more details once it is formally launched.



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 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 treasurer for the charity Carers' Trust Cambridgeshire. Anne can be contacted by email: Anned@ifa.org.uk.

Thinking of the future

Thoughts from two previous officers who have helped steer the IFA towards the future.

TEN SECOND SUMMARY

- 1 The importance of IFA governance.
- 2 Thoughts from Beryl Shepherd.
- 3 David Woodgate looks to the future.

Although now part of the IPA Group, the IFA retains its separate board and constitution. The governing body of the IFA is its board of directors who have the authority to appoint members to the IFA member advisory committee. The Institute's chief executive officer, John Edwards, has the absolute authority to manage the IFA operationally, while the tasks of the advisory committee are to provide support, assistance and advice in achieving the Institute's objectives. Although not involved in the Institute's day-to-day operations, it should act as a "critical friend" and sounding board, providing a degree of challenge for new initiatives to ensure that the IFA remains "on course".

The IFA relies on the experience, integrity and professionalism of its board and council members and our centenary issue has some comments from two well-known previous members: Beryl Shepherd, IFA council chair from 1995 to 1998, and David Woodgate, IFA chief executive from 2007 to 2015.

Beryl Shepherd

I became a member of the IFA in 1977 when it was called the Institute of Administrative Accounting. I was elected to the all-male council in 1984 and, although this was not a popular decision in some quarters, the mostly elderly gentlemen with old school manners would begin meetings with remarks such as "Good morning gentlemen ... and Beryl."

I think my election was in no small measure due to asking challenging questions at conferences. I once asked what percentage of the membership were women; I never did get an answer. However, it did not take long before I was accepted and was elected the first madam chairman in 1995. However, and despite my best efforts, it took almost 20 years before council welcomed another woman and this time there were three.

Overseas trips took me to Malaysia, Singapore and several times to Hong Kong, China and Sri Lanka where I was treated with courtesy and respect. During these visits, I sought to further the IFA's cause at all times.

I would like to think that my election as the first woman to council and to the position as chair was at least as significant as all the changes to our name.

David Woodgate

If we turn the clock back to the start of 2008, the IFA was grappling with difficult questions around its strategic direction. Although the majority of members were working in small and medium practices or SMEs, the IFA had not explicitly positioned itself as the professional body for the SME sector with a particular emphasis on small and micro-entities. Consequently, strategic plans were developed for the Institute to specifically focus on the needs of the SME practitioner.

This work was underpinned by the need to improve external recognition of the IFA. Membership of the International Federation of Accountants (IFAC), the global umbrella body for professional accountancy bodies, was considered to be the gold standard in terms of recognising quality and standards in professional accountancy bodies. The process was started and we became associate members, sponsored by the ICAEW, in quick time, with this status being confirmed in November 2008. By November 2011 we were confirmed as full members of IFAC following a due diligence process undertaken by CIMA.

Our education programme was completely overhauled and Ofqual recognition was achieved as a means of highlighting the integrity of our qualifications. We started the process of raising our profile with important external bodies such as HMRC and HM Treasury – important in view of our anti-money laundering supervisory status – Companies House, the Charity Commission and its equivalents around the UK, banks and building societies, and other government bodies without a financial regulatory remit.

Following a rebranding exercise and much marketing activity, membership started to increase. However, we had to recognise that, in the UK, we were operating in a mature, saturated market with a large number of other accounting and financial institutes.

To grow, expand our offering to members, and develop critical mass, we had to consider a formal alliance or amalgamation with a like-minded professional body. Since about 2002 we had been aware of the Institute of Public Accountants in Australia. The IPA operated in a similar market segment and its members faced the same opportunities and challenges as did IFA members and its outlook and philosophy were broadly in tune with ours.

Informal discussions between the IFA and IPA started in 2010 and in 2014 the decision was taken to formally amalgamate. Undoubtedly, this move has helped the IFA to secure its future for its second 100 years while building on the traditions and heritage of its first century.



David Woodgate is Chief Executive of the Independent Schools Bursars' Association and a Board Director of the Independent Schools Council. He was IFA chief executive 2008 to 2015 and CEO of the Institute of Administrative Management (2001 to 2007). He championed the IPA amalgamation and spent a year as group strategy consultant. David is a qualified barrister with an MBA and a BSc in French and Law. A chartered banker, he spent 19 years in banking ending up as director, e-commerce for the RBS corporate bank.



Beryl Shepherd had various jobs before becoming an accountant. She was first employed by a firm of chartered accountants in Portsmouth and in 1968 became accountant for a drawing and electronics company. She also qualified as a further education teacher and taught in several colleges. She worked for a data company from 1981 to 1984 and then for a glass reinforced plastics business. From 1997 to 2001 she was accountant for a food container manufacturing firm. Beryl became a Fellow of the IFA in 1977 and served on the IFA and IAB council becoming chair from 1995 to 1998.

Changing environment

Does a changing world need a change of focus in accounting education, ask *Trevor Hassall* and *John Joyce*.

TEN SECOND SUMMARY

- 1 The skills of accountants must change.
- 2 Professional accountants must understand the broader aspects of clients' businesses.
- 3 Personal skills are essential.

The increased global reach of many businesses, coupled with ever increasing rates of technological developments, has brought about many changes in the way that accounting and finance professionals carry out their work. In general, accountants now devote less time to the "input" of data and have more time available to focus on the interpretation of financial information. They are therefore able to become more involved in the operation of the business and the audit profession has become more involved in the risk management of organisations. Management accountants tend to spend more time as internal consultants, analysts and valued business partners. Companies that are looking for competitive advantages now use their accountants in ways that add value to the company.

Changing environments

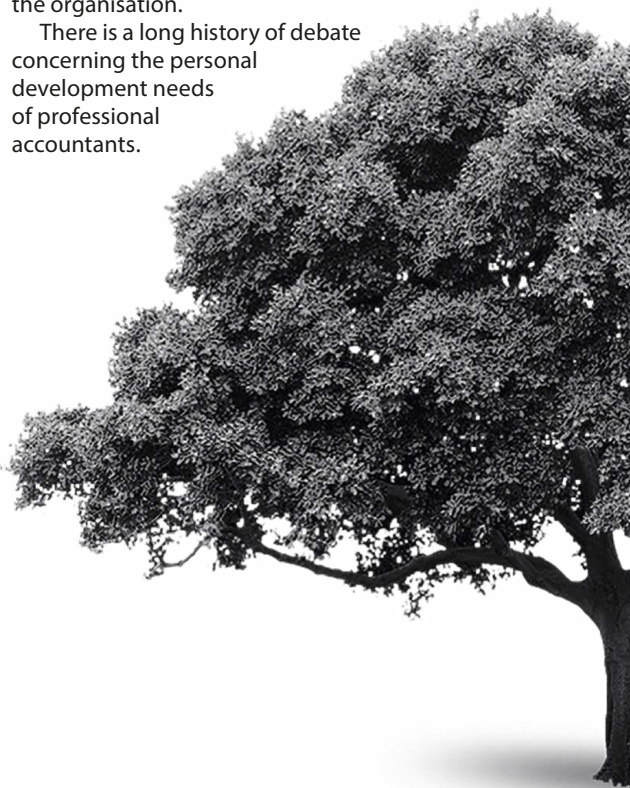
Accountants are increasingly required to work in complex, demanding and constantly changing environments. Therefore, the skills profiles of accounting and finance professionals must also change to enable them to perform successfully the duties expected of them. In this new environment the success of these professionals will be judged by how responsive they are to the widening demands made by clients. Consequently, the future of the accounting profession appears to be one in which accountants need to identify the new skills required of them by their clients and to put their existing skills to new uses. Accounting and finance professional bodies must be the drivers that help their members to develop the necessary skills profiles. Therefore, accounting education and training for all levels, from novice entrant through to perceived expert, must necessarily change to meet these emerging demands. If the accounting profession cannot meet such demands,

the opportunities offered in the new environment will be lost to other professions. Increasingly, accounting professional bodies and accounting professionals themselves are emphasising this to operate in the new dynamic business environment.

New skill sets

Accountants cannot rely on technical accounting knowledge alone; they also need excellent analytical, communication and interpersonal skills and an understanding of the broader aspects of the businesses that they represent, together with an appreciation for the interrelatedness of the financial function with other functional areas within the organisation.

There is a long history of debate concerning the personal development needs of professional accountants.



Central to this is the balance between technical accounting and business knowledge, and personal skills and qualities. Personal skills such as communication, teamwork, time management and problem solving enable technical accounting to be exercised in the relevant context.

There is a consensus between employers and academics that these required personal skills and qualities are, in many instances, not being exhibited. This is a serious concern both in terms of recruiting and developing the accountants of the future and for the continuing professional development of the current members of the profession.

Into the future

The future of accounting lies in the development of the skills areas of interpretation and communication. Interpretation becomes even more necessary because the increased use of information technology enables more data to be fed into decision-making models.



Professor *John Joyce* is a Professor of Accounting Education in the Sheffield Business School at Sheffield Hallam University. He is a fellow of the Chartered Institute of Management Accountants and has a Masters in Business Administration. Professor Joyce has extensive involvement with professional bodies including CIMA and AAT sitting on advisory boards and research and development panels. His research interests include professional development, financial literacy and research informed teaching.

Accountants are no longer restricted to just the data available from their own organisations, the emergence of “big data” is already beginning to affect us all. The ability to manipulate and understand the implications of this information in enlarged decision-making models will be vital.

Traditionally, accountants have not been known for great communication skills. This must change. There is increasing recognition of the importance of communication in management development and working in a team. This can be extended further to be seen as essential in developing leadership skills.

Communication underpins most of the other desirable personal and professional skills for accountants. If these new skill areas are so central to the success of existing and future accounting professionals how are they being developed and accredited?



Technical developments

Along with these developments there has been a continuing development of the accounting technical knowledge base. The volume of formal legal and regulatory information that accountants are required to deal with continues to grow. It is therefore relevant to question the traditional form of assessment used by the accounting profession. This was developed on the conceptual base of remembering and recall. Is this relevant in our modern society? Do we have to accept new ideas about knowledge? Is it more relevant to be concerned with “knowing how” rather than “knowing that”? Would it be more relevant to test a candidate’s ability to locate the required information and to correctly apply it? Should realistic tests of competence such as scenarios and case studies replace more traditional approaches to assessment? Further, it also is rare in modern practice for individuals to write for an extended period of time such as three hours. The immediate

question that arises if computer-based assessment is used is security. To reflect the reality of replicating actual practice this needs to be overcome.

Breaking down barriers

As a profession we must acknowledge that barriers to the development of these personal skills and qualities exist. A critical factor may be that when individuals make their vocational choices they are unaware of the range of skills required by the modern accountant. This means that there may be a misalignment between the “image” of accounting held by some accounting students and that of the profession itself. Allied to this is previous research on vocational choice. This found evidence that perceived skills deficiencies in individuals was significantly related to the personally perceived desirability of certain professions. If there is a misalignment between the perceived image of accounting as a career and the actual skills necessary to successfully pursue that career this may indicate a problem. To an extent, this could mean that accounting is attracting the wrong type of applicants. The profession may have admitted individuals who might have difficulty making the necessary changes to respond to the changing business environment. The image of the profession must be changed. Personal skills should become a major part of all recruitment literature and job specifications. Performance measures should be developed to measure the required skills during the selection process.

Developing competence

Taking this a stage further, how do we ensure the development and maintenance of competence in these skills of interpretation and communication? We suggest that the first step is to recognise their role as at least as important as the technical skills of accounting to the future of accounting and accountants. For new entrants to the accounting profession educational approaches must be developed that recognise there may be barriers to the development of these skills. Traditional approaches to personal skills development have been shown not to work where these barriers exist. In fact, it is necessary to remove these before development can take place. Pedagogies should be changed to incorporate these techniques using theoretical approaches such as self-efficacy, ambiguity tolerance and emotional intelligence.

Bringing about change

Courses should be developed and incorporated into qualifying and continuous professional education to bring about the changes needed to equip accountants with the skills and qualities that will ensure the future direction of our developing profession. Young accountants wanting a successful future in the accounting profession may well wish not only to establish their technical accounting skills, but also to concentrate on the continual development of their interpretation and communication skills.

FURTHER INFORMATION

Sheffield Business School at
Sheffield Hallam University

Visit: www.shu.ac.uk/sbs



Professor *Trevor Hassall* is an internationally-renowned Professor of Accounting Education. He has taught in the Sheffield Business School at Sheffield Hallam University for more than 35 years. His research interests include financial literacy and professional development for finance and accounting specialists. He is a member of the editorial advisory board of *Accounting Education* – an international journal – and a visiting professor at Victoria University, Melbourne, and the University of Western Sydney. He is also member of the Life Long Learning Policy Committee for the Chartered Institute of Management Accountants.



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Richard Curtis canvasses the views of branch chairs – why not take a leaf out of their book?

TEN SECOND SUMMARY

- 1 The local branch network is integral to the development of the IFA.
- 2 Engagement is vital to the success of local branches, which are there for the benefit of IFA members.
- 3 Phenomenal changes seen to the IFA in the past few years.

The IFA is vocal and enthusiastic about its local branch network and, at the risk of laboring the point, the Institute is keen that all members play their part in it. That might be simply by attending on a regular basis, volunteering to help in branch matters or chairing it. But let's not stop there. Perhaps you have some specialist knowledge or experience that might be of interest to other members and would be prepared to talk on this. Alternatively, perhaps someone in your own network might be interested in doing this. Remember that an important aspect of networking is not simply expanding your own group of contacts, but helping others develop theirs. This is an area where the saying "what goes around, come around" can be particularly apt.

Remembering how you helped someone else might make them more likely to help you when the right opportunity comes along. But don't just take it from me, what do some of our branch chairs have to say about the local network.

A view from Yorkshire

I joined the IFA on 29 October 1982 and have been a member ever since. Of course, in those days we were known as the Institute of Administrative Accounting and Data Processing. In the 34 years of my membership, the Institute has gone through a number of phases including being linked to the Institute of Book Keepers for several years. There were also a number of opportunities to amalgamate with other accounting bodies but, for one reason or other, these did not materialise. The Institute council took a number of brave decisions to maintain our effectiveness as a professional organisation and ultimately we became the Institute of Financial Accountants.

During David Hunt's presidency some management changes took place such as the appointment of David Woodgate as chief executive officer. Robin Liddell as president gave full support to David and his team to steer the IFA through tough times, before we became a full member of IFAC. This has strengthened the IFA brand globally and increased its recognition within the UK.

Under the leadership of David Hunt, Robin and David Woodgate, and with John Edwards,



Mujibur Rahman AFA/ MIPA MAAT is Director of Rahman Simmons Ltd. He is also chair of the IFA's South West Midlands branch. Mujibar can be contacted by telephone on 0121 340 3434 or email: mujibur_rahman@msn.com.

the team successfully negotiated the Institute's amalgamation with the Australian Institute of Public Accountants increasing global membership to 35,000 from 1 January 2015.

I very much doubt that, at the formation of the Institute in 1916, the council would have envisaged that one day their organisation would be known as the Institute of Financial Accountants and would be celebrating its centenary.

The IFA's management has made significant progress over the past decade to achieve what we are today. I congratulate them on their dedication and the valuable contributions they have made in achieving our prominent place in the global accountancy market representing SMEs.

It was with much pride that members of the IFA's North and West Yorkshire branch celebrated that hundredth anniversary on 21 July 2016.

*Zeeshan Rizvi,
Chair, North and West Yorkshire Branch.*

Northern powerhouse

Having taken over the chair of the Scotland branch back in 2012, and reinvigorated its attendance, I was happy to attempt to do the same with the Manchester, Cheshire and Lancashire branch when I moved back to Yorkshire. Thus, in 2016 we reconvened the branch and I was delighted when so many people attended. I was also very pleased that John Edwards and Michael Colin from IFA head office came to the first meeting to lend support and respond to questions. We now have between 40 and 50 regular attendees.

I try to hold five meetings a year (February, April, June, September and November) and aim to include content relevant to our local membership. I have canvassed members on the topics on which they would like to be updated and the best times for our meetings. From 2017, we have agreed that meetings from 5pm to 7pm are adequate and that continuing professional development is the most important aspect. In this way, local members can achieve ten hours a year simply by coming along to meetings. When combined with external courses, IFA conferences and their own technical reading, this will ensure that they are fit to practice and advise local SMEs and entrepreneurs.

The level of engagement is vital to the success of the branch. IFA members need to feel it is their branch where they can meet colleagues, network, learn and develop as practitioners. In that sense, I try to obtain engaging speakers on subjects from payroll to cloud accounting, financial reporting standards to employment law and Companies House to HMRC. It helps if the speakers are entertaining and can deliver a good presentation of about 45 minutes. I want my members to feel they are taking something valuable away with them.

Local branches can play an important part in the future of the IFA by engaging with students

and other young people and becoming a focal point recognised for good quality CPD. I would encourage all members to become involved in their branch and to engage with the Institute in working together towards achieving chartered status and beyond. If my members have an idea about how the IFA or the branch can be improved, I want to hear about it. I know that John Edwards and his team are committed to making the IFA the best institute it can be to serve the SME sector, and I am happy to play my part in helping them to achieve it.

*Justine Riccomini,
Chair, Manchester, Cheshire and
Lancashire Branch.*

From strength to strength

Before becoming a member, I did not encounter the IFA during my studies or ten years in business. However, with its focus on SMEs, the Institute was a perfect match for me and, on applying, my qualifications and experience were sufficient to gain AFA status and my practicing licence.

At a Midlands conference, the future plans for the Institute were discussed: the expansion of the branch network, plans to amalgamate with the IPA, and improved member involvement. These immediately gained my attention and my interest to be a part of this journey.

The changes that I have seen to the IFA in the past few years have been phenomenal. The branch network now covers the whole of the UK, there is greater recognition in the finance industry, our qualification is embedded in post-graduate qualifications across many colleges and universities and, most of all, the Member Advisory Committee (MAC), of which I am a member, was formed. The management team led by John Edwards have a clear direction for the Institute and the formation of MAC puts the promises made by management for greater member involvement into practice. The committee gives all members a chance to express their opinion and raise any concerns they may have through the local branch chairs.

The South Midlands Branch, among others, is a new addition to the local network and we have had some great speakers. Not only does this mean that our meetings are a great place to gain valuable CPD hours, but the refreshments provided encourage members to network with others and create some great contacts. I urge all members to get involved, attend meetings and spread the word. We are all ambassadors of the Institute and play a pivotal role in promoting greater recognition and increasing members for the future.

The IFA is going from strength to strength and it is a great time to get involved and become a member. The plans for a royal charter application in the near future will surely put us in the same league as the other chartered bodies as well as demonstrating the qualities of its members.

A happy centenary year and prosperous future.

*Mujibar Rahman,
Chair, South West Midlands Branch.*



Zeeshan Rizvi FFA, FFTA is chair of the IFA's North & West Yorkshire branch. Zeeshan is the Principal of Rizvi & Co, Incorporated Financial Accountants. He can be contacted on 0113 230 4295 or email: rizviandco@gmail.com.



Justine Riccomini is a Senior Manager at Mazars where she provides an employment tax and HR consulting service to clients across the UK. She also writes for AAT and ICAS and is a policy adviser to the Chancellor at the Office of Tax Simplification at HM Treasury. Justine is chair of the IFA's Scotland branch.

The right way

Philippa Foster Back explains why doing business ethically makes for better business.

TEN SECOND SUMMARY

- 1 Business ethics is the application of ethical values to business behaviour.
- 2 The reputation of a business is based on how it values its relationships with stakeholders.
- 3 A culture of integrity and openness can support employees to do the right thing.

Talking about ethics can raise different emotions in people: they might be offended ("How dare you! No one has ever suggested I was anything but ethical!"), too busy ("I don't have time! I've got real work to do."), or just don't care ("Whatever.") Business ethics is seen as being about misconduct, corruption and black and white behaviour, but it is much more complex than that. By the coffee machine, in the pub, at the away day, people will often be heard talking about ethical issues without even realising it; issues such as fairness, trust, conflicts of interest, and those "what should I do" dilemmas.

Defining ethics

So what exactly is business ethics? The IBE defines business ethics as the application of ethical values, (such as fairness, honesty, openness, integrity), to business behaviour. It is about how business is done. Are colleagues treated with dignity and respect? Are customers treated fairly? Are suppliers paid on-time? Does the business acknowledge its responsibilities to wider society? Put simply, business ethics is "the way business is done around here."

Ethical values are the compass by which we live our life. They are what is important to us.

For example, is it important to you that you give an honest quote, even if that means losing out to the competition (who may not be so honest)? Would you turn down a big client if you felt they were asking you to do something unethical?

Ethical dilemmas arise in the grey areas between different values. These "values sets" impact upon behaviour and choices, but if they seem to be in conflict, they create tension and ethical problems.

- *Personal values.* These values originate, for example, in upbringing, family, community, country culture and religion.
- *Company and organisational values.* These are the values that an organisation expects employees to demonstrate while they carry out their job. Be aware that actual values sometimes differ from stated values.

- *Professional values.* These are usually defined by a professional body and govern how professionals are required to behave as a member of that profession; for example, the IFAC Code of Ethics.
- *Societal values.* These are the shared values of civic society. For example, as members of a community, sports team, citizens of a country or followers of a religion or faith.

Ethical dilemmas

Let's look at some dilemmas that could face anyone working in financial services:

- "My sales figures are low. I'm going to have to make this sale, even though this old lady doesn't really need our product."
- "We've got to meet this reporting deadline, but it'll mean cutting a few corners..."
- "I might be fired if we don't get this client. I'll have to think of a 'sweetener' to make sure we do."
- "This client wants me to massage the figures; I know we shouldn't do it, but I can't risk losing his business."

So why bother? Reputations are based, not only on a company's delivery of its products and services, but on how it values its relationships with its stakeholders. Few will deny the importance of trusting relationships with customers, employees, suppliers and the community. Indeed, the success of any organisation depends on it.

The Institute of Business Ethics believes that all organisations, should "do the right thing" because it is the right thing to do.

However, there is research demonstrating the benefits that businesses which take their ethical values seriously can enjoy.

- An open culture improves morale, with possible benefits of increased productivity and loyalty – vital ingredients in the current climate when employees may be pushed to the limit. An organisation based on sound ethical values is likely to attract and retain high-quality employees, enhance its reputation and generate trust among customers. A company's ethical approach to doing business is taken into account by 70% of graduates. For most, it is the determining factor when assessing potential employers.
- Good relations with customers leads to an enhanced reputation. Demonstrating sound ethical practices can often generate "word of mouth" goodwill that attracts more customers. Demonstrating sound ethical practices has become a condition for tendering for contracts with large customers needing to ensure the integrity of their supply chain. Good relationships with customers based on a commitment to honesty and transparency will enhance a company's reputation. Businesses that are familiar with these demands will have a competitive advantage.
- Ethical companies outperform their peers financially in the long term.



Philippa Foster Back CBE is Director of the Institute of Business Ethics. She began her career at Citibank NA before joining Bowater in their Corporate Treasury Department in 1979, leaving in 1988 as group treasurer. She was group finance director at DG Gardner Group, a training organisation, prior to joining Thorn EMI in 1993 as group treasurer until 2000. Philippa speaks widely on business ethics issues, encouraging high standards of business behaviour based on ethical values. As director she runs the IBE delivering, with the team, advisory work, publications, training and events, all with the purpose of raising awareness and sharing of best practice of business ethics, in line with the IBE's charitable aim. Visit: www.ibe.org.uk

IBE research suggests that, where there is a culture of doing business ethically, there is a consequent improvement in overall reputation and subsequent improvement in financial performance.

Encouraging an ethical culture

In the past, when society was far more homogenous, certain values were assumed as shared. For example, Victorian factories employed staff drawn from the local community or “old boys” networks of bankers who went to the same school or the same university. In today’s globalised world, we draw our values from rich and diverse cultural and personal histories.

Because of the diverse nature of how we interpret different ethical values, small companies are seeing increasingly the benefit of making their

corporate values explicit and providing guidance to staff on how to translate those values into their day-to-day work.

For SMEs, operating on a much more informal basis than large global corporations, there are often close relationships between staff and employees have an implicit understanding of acceptable and unacceptable behaviour. However, as a company begins to grow, the dynamics of the business may change and a more formal and explicit approach to ethical values and their application may be needed.

Actions that can be taken to encourage a strong ethical culture include the following.

First, identify the core values the business wishes to be committed and held accountable to. Such values might include: responsibility, integrity, honesty, respect, trust, openness and fairness. The business should communicate these through everything it does, from client brochures to its Facebook page. It is important to insist that ethical values underpin the business’s mission statement, strategy and operating plan.

Second, translate ethical values into guidance for all employees on how to act responsibly in different circumstances. If ethical values are the compass which guides how business is done, a code of ethics is like a map. It sets out the expectations that the company has for how employees should behave in any given situation, to assist with decision making. So, for example, if an employee is offered an expensive gift or hospitality in return for a contract, they will be able to refer to the code to see whether that would be in line with how the company wishes to behave.

Third, offering training in solving ethical dilemmas can not only give practical tools for staff but also sensitise them to issues that may arise. For a code of ethics or a policy to be effective in influencing behaviour and decision making, it needs to be “the way we do things around here”. The IBE has developed an e-learning tool (tinyurl.com/zffk429) that can help with this.

Finally, do not underestimate the importance of leadership. It may be seen as a cliché, but the culture of an organisation is set by the “tone at the top” whether senior management or team leaders. Leadership means living the values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour as set out in the IFAC Code of Ethics. Leaders who talk about ethical issues, supporting staff and behaving in an open and transparent way, send the message to all employees, as well as the wider world, that ethics is taken seriously.

Conclusion

Creating a culture of integrity and openness – where ethical dilemmas are discussed and debated and employees feel supported to do the right thing – is a powerful way to mitigate against the risk of ethical failure. A healthy, trustworthy culture is the basis of a sustainable business in the long term. No company should feel that this is anything other than good management sense.

FURTHER INFORMATION

The benefits to IFA members of corporate IBE subscription
The Institute of Business Ethics was established by business people in 1986 to encourage high standards of corporate behaviour based on ethical values.

We raise public awareness of the importance of doing business ethically and help organisations to strengthen their ethics culture through the sharing of knowledge and good practice. We assist in the development, implementation and embedding of effective and relevant corporate ethics and responsibility policies and programmes.

Subscriber support, both financial and intellectual, helps us research, publish, provide training and tools to assist in the development of ethical business practice wherever it is needed. Through their donations, IBE subscribers help to promote ethical business practice. They may also take advantage of events, publications, training, free advice and other services.

Subscribers are also encouraged to make a positive contribution to the work of the IBE through the sharing of good practice and their experience of ethical issues.

Visit: tinyurl.com/zcnhe5q



Branch meetings

Linda Wallace provides details of forthcoming branch meetings and IFA autumn conferences.

TEN SECOND SUMMARY

- 1 Branch meetings for the coming months.
- 2 London conference: to be held on 1 November 2016 at the British Museum.
- 3 Midlands conference: 26 October 2016 at West Bromwich Albion Football Club.

This year's conference programme will provide delegates with technical updates and insightful information on "hot" topics. The conferences also provide seven hours of CPD, great networking and peer engagement opportunities. The conference programme is as follows:

- General tax update from Gabelle LLP.
- SME-focused economic update from HSBC.
- Navigating the auto-enrolment jungle from Smart Pension.
- An introduction to practice assurance from Mercia Group.

As well as the above, and new for 2016, will be morning and afternoon breakout sessions where delegates can choose between:

- Commercial property owners guide to accelerating tax relief and mitigating tax liabilities; or
- Money laundering and accountancy from a detective constable of the Money Laundering Investigation Team.
- Pitfalls of recruitment and the requirements of a contract of employment; or
- Practice development and the need for client and customer profiling.

Prices for the conference are:

- IFA and FTA members: £82 plus VAT.
- Non-members: £99 plus VAT.

The conferences will be held in London and the West Midlands as follows.

- Midlands: 26 October 2016 at West Bromwich Albion Football Club, The Hawthorns, West Bromwich, West Midlands B71 4LF.
- London: 1 November 2016 at the British Museum, Great Russell Street, London WC1B 3DG.

Members can book online or by calling the IFA office on 020 7554 0730 and quoting their membership number.

WEDNESDAY, 28 SEPTEMBER 2016 (4PM – 7PM)

WEDNESDAY, 9 NOVEMBER 2016 (4PM – 7PM)

Scotland Branch

Programme: To be confirmed.

Glasgow Caledonian University

Cowcaddens Road, Britannia Building, Glasgow, Lanarkshire G4 0BA

FRIDAY, 11 NOVEMBER 2016 (2PM – 7PM)

Northern Ireland Branch

David McDonnell and **Adrian O'Neill**, Investec: Identifying tax wastage, becoming more tax efficient and the economic overview after Brexit.

Dunsilly Hotel

20 Dunsilly Road, Ballymena, Northern Ireland BT412JH

THURSDAY, 20 OCTOBER 2016 (7.30PM – 9.30PM)

North & West Yorkshire Branch

Neil Butler, Companies House: Update on current legislations and electronic filings.

Weetwood Hall Conference Centre and Hotel

Otley Road, Leeds, Yorkshire LS16 5PS

THURSDAY, 29 SEPTEMBER 2016 (5.30PM – 9PM)

North West Midlands Branch

Programme: To be confirmed

Westwood Golf Club

Newcastle Rd, Leek, Staffordshire ST13 7AA

WEDNESDAY, 12 OCTOBER 2016 (6PM – 9PM)

Bucks, Oxon & Berks Branch

Programme to be confirmed.

Jurys Inn

Godstow Road, Oxford, Oxfordshire OX2 8AL

WEDNESDAY, 19 OCTOBER 2016 (4PM – 9PM)

Hampshire & Dorset Branch

Adam Tudor, Now pensions: "Workplace Pensions & Auto Enrolment".

Marwell Hotel

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

TUESDAY, 8 NOVEMBER 2016 (7PM – 9PM)**Northern Counties Branch**

Kate Hardy, Qdos: IR35 Overview & New legislation affecting contractors.

UNW LLP Chartered Accountants

1st Floor, Citygate St James Boulevard, Newcastle upon Tyne, Durham NE1 4JE

TUESDAY, 20 SEPTEMBER 2016 (6.30PM – 8.30PM)**Northern Counties Branch**

Edward Comeford, HMRC: "Making Tax Digital".

UNW LLP Chartered Accountants

1st Floor, Citygate, St James Boulevard, Newcastle upon Tyne, Durham NE1 4JE

MONDAY, 10 OCTOBER 2016 (6PM – 9PM)**East Anglia Branch**

Programme: To be confirmed.

Stoke-by-Nayland Hotel,

Golf and Spa, Leavenheath, Colchester, East Anglia, Cambridgeshire CO6 4PZ

MONDAY, 14 NOVEMBER 2016 (6PM – 9PM)**East Anglia Branch**

Programme: To be confirmed

Stoke-by-Nayland Hotel, Golf and Spa

Leavenheath, Colchester, East Anglia, Cambridgeshire CO6 4PZ

MONDAY, 31 OCTOBER 2016 (6PM – 9PM)**Essex Branch**

Programme: to be confirmed.

Jupiter House

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

WEDNESDAY, 21 SEPTEMBER 2016 (4PM – 9PM)**Hampshire & Dorset Branch**

Mike Couzens, Docsafe: "Cloud Storage, Client transfer of data and websites".

Marwell Hotel

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

WEDNESDAY, 5 OCTOBER 2016 (6PM – 9PM)**Central Counties Branch**

Programme: To be confirmed

Holiday Inn Gate West

500 Saxon Gate West, Milton Keynes, Bedfordshire MK9 2HQ

Branching into the future



Linda Wallace encourages members to take an active part in their local branch meetings and provides news of forthcoming conferences.

TEN SECOND SUMMARY

- 1 Increase understanding and knowledge of responsibilities under the Money Laundering Regulations 2007 at the forthcoming workshop.
- 2 Book now for two IFA autumn conferences in London and the West Midlands
- 3 Forthcoming Northern Counties and Manchester branch meetings will include the latest news from HMRC on Making Tax Digital.

All IFA branch meetings are free to attend and are an opportunity for members and non-members to network with their peers, further their knowledge and gain valuable CPD.

Members' support of their local IFA branch is of paramount importance. It enables us to engage with members face to face and learn about the issues affecting those operating in an SME or SMP. This, in turn, allows us to influence national regulators, government bodies and other institutions. It also helps us to better understand and recognise the needs of the micro and small-to-medium business sector. For more information on upcoming IFA branch meetings please contact the marketing team on marketing@ifa.org.uk. Dates for all local branches are available at: ifa@org.uk.

Anti-money laundering workshop

After the great success of the first anti-money laundering (AML) workshop, the IFA is delighted to announce a second workshop on 21 September at London South Bank University. This workshop is targeted at individuals in public practice who want to increase their understanding and knowledge of their responsibilities under the Money Laundering Regulations 2007. The workshop will provide an overview of the requirements of the Money Laundering Regulations for individuals and firms and how these requirements apply to day-to-day operations.

Spaces are filling up fast – so book today to avoid disappointment. Visit ifa.org.uk/events for more information and to book your place.

IAB and IFA conference

This year's joint IFA/IAB conference will be held on 23 November 2016 in Manchester. The conference provides seven hours of continuing professional development (CPD) as well as being an excellent opportunity to network, share ideas and solutions with fellow delegates and learn from respected external professional advisers.

The conference programme is as follows.

- *Session 1:* VAT – the latest.
- *Session 2:* Commercial property owners guide to accelerating tax relief and mitigating tax liabilities.
- *Session 3:* HMRC's Making Tax Digital programme.
- *Session 4:* Simplifying pensions automatic enrolment.
- *Session 5:* Accountants and bookkeepers' guide to successful social media.

Prices are: members: £82 + VAT, non-members: £99 + VAT. Members can book online or call on 020 7554 0730 quoting their membership number.

Making Tax Digital for Business

We are delighted to have representatives from HMRC speaking at two of our upcoming Northern Counties and Manchester branch meetings. The government is revolutionising the services it provides to taxpayers and, at Autumn Statement 2015, committed to invest £1.3bn to transform HMRC into one of the most digitally advanced tax administrations in the world. At the heart of this programme will be simple, secure and personalised digital tax accounts, bringing an end to the annual tax return.

Agent Services is part of HMRC's Making Tax Digital for Business programme. It will ensure that agents have access to the information and functionality they need to manage their clients' tax affairs online.

HMRC will outline:

- the MTD vision and high-level roadmap;
- the government's vision;
- HMRC's digital transformation;
- how the department is doing this;
- what it all means;
- how HMRC will support customers; and
- next steps.

There will also be an explanation of the Agent Services prototype and feedback on the beta service. Finally, there will be a question and answer session.



Linda Wallace is the IFA's Commercial and Business Development Executive. Linda can be contacted by telephone on 020 7554 5189 or email: lindaw@ifa.org.uk.

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IAB & IFA CONFERENCE

This year's joint IFA/IAB conference will be held on 23 November 2016. The conference provides 7 hours CPD, an excellent opportunity to network, share ideas and solutions with fellow delegates and learn from respected external professional advisers.

Session 1: **VAT – the latest**

Session 2: **Commercial property owners guide to accelerating tax relief and mitigating tax liabilities**

Session 3: **HMRC, making tax digital**

Session 4: **Simplifying pensions automatic enrolment**

Session 5: **Accountants and bookkeepers guide to successful social media**

Date/time: 23 November 2016, from 9:00 to 16:00

CPD Hours: 7.0

Venue: Old Trafford, Sir Matt Busby Way, Manchester, Cheshire M16 0RA

Prices

IFA & FTA members

£82 + VAT

Non-members

£99 + VAT