

Financial accountant

The official magazine of The Institute of Financial Accountants

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The rise of technology

Don't let your accountancy practice fall behind as business moves online

Payrolls

Avoid common errors that can lead to underpayment of tax and National Insurance. p8

Cashflow

Advice on cashflow can add value to the services provided by accountants. p10

Pensions

The introduction of "instant duties" means an early start to pension responsibilities. p16

Charities

New directions and guidance are important for examiners of charity accounts. p24

Great savings from IFA partners

Your membership gives you access to some fantastic offers and benefits through our approved partners. Here are our top picks for November/December.



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Arthur J. Gallagher

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The IFA welcomes more than 90 new Fellows.



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✉ I am always interested in the opinions and experiences of members, so please don't hesitate to email: IPAGroupfeedback@publicaccountants.org.au



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Maintaining trust, still the key

We recognise that the accounting profession still holds the status of the most trusted profession. However, accountants and accounting professional bodies cannot rest on their laurels if this status is to be maintained.

In the ever-changing global environment there are many areas, such as political spheres, where trust is being diminished and an ever-growing cynicism is creeping in. In fact, the 2017 Edelman Trust Barometer (tinyurl.com/yadenyvj) reveals that trust is in crisis around the world. The general population's trust in the four key institutions of business, government, non-governmental organisations, and media — has declined broadly; an alarming situation not reported since Edelman began tracking trust in this segment in 2012.

The recent presidential election showed that 57% of people in the US believed the political system was failing them. Further, based on the Edelman study, another 33% were uncertain when it came to the trust stakes.

The reliance on professional bodies is heightened in the wake of the technological revolution and this is where the accounting profession can work to ensure that trust is not only maintained, but secured for the decades ahead.

With constant technological change, people are looking towards those who can offer answers and solutions. Embracing change should always be a part of the accountant's armoury.

“With constant technological change, people are looking towards those who can offer answers and solutions. Embracing change should always be a part of the accountant's armoury.”

Similarly, an accountant's commodity is knowledge and the value of that commodity is determined by how current it is. This, in turn, stresses the need for accountants to constantly upskill and remain up to date. The role of professional bodies such as the IPA and IFA is to do whatever they can to be continually ahead of the curve. In doing so, the role of professional bodies is always one of enhancing professional standing and expertise.

This role is supported by the quality assurance work carried out along with continuous professional development for members. Creating this nucleus of knowledge and expertise is critical to engender, respect and reflect the public trust bestowed in their trusted advisers. In doing so, we all contribute to growing communities and, thereby, economies through the production and continuous development of professionals.

In summary, we all have an investment in the “trust game”; one in which we should be proud to partake and always ensure that we respect those who bestow trust in us.

As this is my last comment piece for 2017, I extend my very best wishes to you for Christmas and a safe and prosperous 2018.

A handwritten signature in black ink, appearing to read 'A Conway', with a decorative flourish underneath.

Professor Andrew Conway FIPA FFA
IPA Group CEO.

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

Relocation, regulations and renewals

This is my first comment piece from our new London head office in Clerkenwell. The move went smoothly and I would like to extend my thanks to IFA members for their patience while the relocation took place. The change reflects the need for more space as our team, membership numbers and aspirations grow. One aim is to run more continuing professional development workshops and training in-house providing greater flexibility and value for money.

On events, our conference in Birmingham was sold out and very well received. The use of an interactive poll gave some informative insights as to what those in the room thought on a range of subjects from whether a level playing field encourages small business to be competitive to what it would take for a business or practice to employ more people.

We will be holding a Midlands and a Northern conference next October and November respectively. Venues and exact dates will be confirmed soon. I can, however, confirm that the date for the 2018 London conference is Thursday, 10 May. Again, this will be at the Royal College of Physicians. Make sure you save the date.

In October, you will have received an email about revisions to the IFA's Articles of Association, bye-laws, Code of Ethics and regulations which come into effect from 1 January 2018. The articles in this edition of the magazine by Anne Davis, Head of Regulation and Policy (pages 20 and 28), provide information on the key changes. More information will be rolled out through forthcoming branch meetings.

“On events, our conference in Birmingham was sold out and very well received. The use of an interactive poll gave some informative insights as to what those in the room thought.”

It is essential that associate and fellow members in business and practice and students are fully aware of the revisions and act on any requirements if necessary. We will be looking at the changes as part of our monitoring and supervisory duties and failure to adhere to the Institute's requirements may lead to disciplinary action. Documentation can be found online at www.ifa.org.uk/regulations. As Anne says, “Ignorance is not bliss when it comes to the disciplinary process.”

I know that the end of the year is an exceptionally busy time for all of us and anything that alleviates the stresses and strains of completing paperwork is to be welcomed. That's why this year you will be required to complete your annual membership return online for the first time. This is a significant step for the IFA and one that I'm sure members will embrace with enthusiasm. We've developed step-by-step guidance through the process and this can be found at www.ifa.org.uk/renewals along with other details about the renewal process. Of course, our helpful membership team are always on hand if you prefer to speak to someone in person.

That just leaves me to wish you all a happy and healthy Christmas and a prosperous New Year.



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John

John Edwards FFA FIPA
IFA CEO.

REGULATORY

Workplace health

The Health and Safety Executive has launched a workplace health campaign, "Go Home Healthy" (www.hse.gov.uk/gohomehealthy/). Public Health England and Business in the Community have also launched a toolkit: *Mental Health for Employers* (tinyurl.com/y9c34c5q).

Both initiatives touch on work-related stress and musculoskeletal disorders.

tinyurl.com/ifa-6001

Legal costs

A report proposes that fixed recoverable costs will apply to all claims valued at up to £25,000 (the fast track) and some cases up to £100,000 if they can be tried in three days or less and with no more than two expert witnesses on either side.

tinyurl.com/ifa-5891

Probate costs

A price comparison website will help consumers find competitive quotes for probate services.

tinyurl.com/ifa-6003

House buying

The Department for Business, Energy & Industrial Strategy has published a study on the consumer experience of buying and selling homes in England and Wales. This covers the entire consumer "journey" of buying and selling homes.

tinyurl.com/ifa-6005

Compensation schemes

The Department for Business, Energy & Industrial Strategy has published information on claiming compensation under the Enemy Property Payment scheme or Baltic States scheme. This scheme relates to the UK government's confiscation of assets in British territories owned by residents of enemy countries under the Trading with the Enemy Act 1939.

tinyurl.com/ifa-6007

Payment practices

Guidance has been issued for companies and limited liability partnerships that must comply with the statutory reporting duty for payment practices and performance. Depending on financial year dates, reports are required from October 2017.

tinyurl.com/ifa-6009

DISCIPLINARY COMMITTEE HEARING – 19 JULY 2017

Mrs Christine Pease AFTA, Tax Assist Accountants, 1 Ware View Terrace, Spital Road, Maldon, Essex CM9 6GD

COMPLAINT

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

BACKGROUND

The complainants were clients of Mrs Pease. They complained that Mrs Pease failed to undertake the work she had been paid to undertake and thereby provided an inadequate service. Also, she had failed to respond to communications from her clients in relation to the services she was providing. The IFA brought a further charge of failure to cooperate in the IFA's investigation of the complaint.

CONCLUSION

The Disciplinary Committee found these complaints proved and considered that Mrs Pease's conduct fell below the standards expected of a member of the Institute. The Disciplinary Committee ordered that Mrs Pease be severely reprimanded and ordered to pay the IFA's costs of £1,953.

Rented accommodation

Landlords of privately rented domestic and non-domestic property must comply with the 2018 "Minimum Level of Energy Efficiency" standard (EPC band E).

This new standard applies from April 2018 when a new tenancy is granted and from 1 April 2020 if there has been no change in tenancy arrangements. Non-domestic properties will be within this regime from 1 April 2023.

tinyurl.com/ifa-6011

European GDPR guidance

Guidelines on profiling, breach reporting and administrative fines have recently been published by the Article 29 Working Party. This is a group of EU data protection authorities charged with agreeing European-wide guidance on the General Data Protection Regulation (GDPR).

tinyurl.com/ifa-5901

ICO helpline

The Information Commissioner's Office (ICO) launched a dedicated advice line on Wednesday, 1 November to help small and micro-businesses prepare for the new data protection laws.

tinyurl.com/ifa-6166

Anti-money laundering

Updated draft guidance has been published by the CCAB for the introduction of the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. Once HM Treasury approval is received, a final version will be issued.

tinyurl.com/ifa-5803

Whistleblowers

Those wishing to "blow the whistle" to a prescribed person rather than their employer must ensure this is to the correct person or body for that issue. A list of these persons and bodies has been published. See also the article "Blowing the whistle" in this issue, page 18.

tinyurl.com/ifa-6029

Tiny URL

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

Save the date

The 2018 London conference will take place on Thursday, 10 May at the Royal College of Physicians.

The Data Protection Bill

The Data Protection Bill was published on 14 September 2017. The bill will modernise data protection laws.

tinyurl.com/ifa-6162

BUSINESS

Digital engagement

A survey by PwC has found that, among the next generation of family business leaders, three in four have plans to use digital innovation to improve or expand their businesses. However, "generational challenges" continue to persist, largely in the areas of digital and innovation.

tinyurl.com/ifa-6158

Work accidents

A study by insurance brokers Simply Business shows small businesses are 37% more likely to have an accident on Monday than other days. Further, hairdressers, beauticians, fitness instructors and dog walkers are considerably more likely to have an accident at work than the traditional manual trades, such as bricklayers and carpenters.

tinyurl.com/ifa-6025

Export finance

The UK's export credit agency, UK Export Finance (UKEF), will help many more businesses, both exporters and supply chain SMEs, access financial support through their banks. Partnering with major banks, UKEF will be able to extend its support to supply chain companies of UK exporters.

Smaller companies that support big UK exporters will be able to secure government-backed financing to deliver products and services and benefit from their clients' international business.

tinyurl.com/ifa-6028

Acas report

Workplace expert Acas has published its 2016/17 annual report showing that its services continue to be in strong demand. It acted in 744 national and regional disputes, helping to settle nine out of ten collective disputes. Of more than 92,000 early conciliation notifications, only 17,500 progressed to a tribunal claim.

tinyurl.com/ifa-5925

NLW effects

Research by the Federation of Small Businesses shows that 64% of SMEs have accommodated the national living wage (NLW) by taking lower profits. Further, 39% of small businesses impacted by the NLW have put up prices to cope with the most recent increase to £7.50 an hour.

tinyurl.com/ifa-6041

Our new address

The IFA has moved to a new office.

We are now at:

Office CS111, Clerkenwell Workshops,
27-31 Clerkenwell Close, Farringdon,
London EC1R 0AT

T: +44 (0)20 3567 5999

Contactless payment

Mobile contactless transactions topped £370m in the first six months of 2017, a 336% year-on-year rise, according to the latest transaction data from payments processor Worldpay.

tinyurl.com/ifa-6043

Public sector contracts

A report by the Federation of Small Businesses – *Unstacking the Deck: Balancing the Public Procurement Odds* – indicates that more still needs to be done to ensure that small businesses can capitalise on opportunities offered by public procurement to scale up and learn.

tinyurl.com/ifa-6023

Business finance

HM Treasury has established a new matchmaking service for small businesses looking for finance. Eligible businesses struggling to access finance from big banks will be matched with alternative finance options.

tinyurl.com/ifa-6034

Your IFA benefits

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

Finance

- Alternative finance: Merchant Money Ltd
- Borrowing and lending: Quidcycle
- Foreign exchange: UKForex

Insurance

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

Learning

- Online CPD: Nelson Croom
- Top up degree: Northampton Business School
- Training and support: Mercia

Legal

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

Lifestyle

- Parliament Hill

Support

- Anti-money laundering: AMLCC
- Auto enrolment: Intrinsic
- Business support: The CV Interviews Advisors
- Career management: GaapWeb
- Ethics: Institute of Business Ethics
- Events: Brain Exchange
- Insolvency information portal: FA Simms
- Intellectual property: Intellectual Property Office
- Microsoft Office training: Excel with Business

- Mobile communications: Voice Mobile
- Practice advisory services: David Verney Associates
- Secure email: FRAMA UK Limited

Tax

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

Technology

- Office 365: Microsoft
- Online accounting software: Capium, Clear Books, Intuit and Reckon Software Ltd

Log on to www.ifa.org.uk/benefits to see the quality products and services available to Institute members.

London office space for hire

The IFA meeting room is available for hire

Seating 25 in training layout or 12 in boardroom style, the meeting room is located in our new offices in the heart of Clerkenwell. Farringdon station is a five-minute walk away.

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Per hour	1 hour	£45 + VAT	£50 + VAT

Please contact Jolene van Wyk at jolenevw@ifa.org.uk or +44 (0)20 3567 5999 for all availability and bookings.

Cheque clearing

Improved cheque clearing times will be introduced from 30 October 2017. Instead of paper cheques being physically exchanged between banks, digital images will be used. Clearing time will be on the next business day. The present six business day process will be withdrawn altogether from the end of 2018.

tinyurl.com/ifa-6021

Retention payments

The Department for Business, Energy & Industrial Strategy is consulting on the practice of cash retention under construction contracts. This is relevant to any party to a commercial construction contract as defined by the construction contracts legislation. The consultation closes on 18 January 2018.

tinyurl.com/ifa-6032

PENSIONS

Pension fines

A bulletin from the Pensions Regulator includes details of all organisations where a court order has been secured because they have failed to meet their pensions automatic enrolment duties. The regulator issued 14,502 fixed penalty notices in the first quarter of 2017.

tinyurl.com/ifa-5914

Pension loss

Following criticism by the Court of Appeal that the rules were not fit for purpose following changes in pension law and practice, new guidelines have been issued for calculating pension loss.

tinyurl.com/ifa-6047

Overseas pensions

A list of the pensions schemes that have told HMRC they meet the conditions to be a recognised overseas pension scheme (ROPS) is on the department's website.

tinyurl.com/ifa-6036

Registration rules

HMRC's powers to refuse to register and de-register pension schemes are to be extended to master trusts that do not have authorisation from the Pensions Regulator under their new authorisation and supervision regime, and to pension schemes with a dormant company as a sponsoring employer.

tinyurl.com/ifa-6038

Automatic enrolment

The fifth edition of *Automatic enrolment: commentary and analysis* reports that 78% of employees are now in pension schemes. The higher number of employers reaching their staging date has increased the number of times that The Pensions Regulator has had to use enforcement powers.

tinyurl.com/ifa-6049

Activate your AMLCC account

The IFA supervision fee includes the AMLCC suite of anti-money laundering compliance tools and this is free for members and up to three employees. To start, remember to activate your account. Log on to find out how to do this at: www.ifa.org.uk/amlcc.

Pension protection

HMRC has updated its guidance on applying for protection from the reductions in lifetime allowance. The protections currently available are fixed protection 2016 and individual protection 2016.

tinyurl.com/ifa-6099

Pension communication

To help pension scheme managers, human resources professionals and trustees tackle communications challenges, the Pensions Quality Mark (PQM), Landscape and industry experts such as Baroness Ros Altmann, have developed the *Good Communications Guide*.

tinyurl.com/ifa-6097

Cold-calling ban

All forms of unsolicited contact with individuals on pensions, including emails and phone calls, will be banned by the government. However, no timescale has been set in the government's response to the consultation on pension scams.

tinyurl.com/ifa-6045

EMPLOYMENT

National minimum wage

The Department for Business, Energy & Industrial Strategy has updated its document *National Minimum Wage Law: Enforcement*. The revisions include:

- an amended section 3.9 confirming national minimum wage enforcement for seafarers
- a new section 3.10 outlining a new interim approach to enforcement of sleeping time arrears in the social care sector
- a revised section 4 setting out strengthened criteria for HMRC's enforcement by criminal prosecution.

tinyurl.com/ifa-6195

Workplace stress

Workplace experts, Acas, have launched new guidance to help managers support stressed out staff at work and make businesses more productive. The new guidance will help organisations reduce stress at work by advising on better job design and highlighting how managers can identify problems and deal with them sensitively.

tinyurl.com/ifa-6193

IFA recognition

Members in Scotland and Charities Independent Examinations

As IFA members may be aware from our previous communication, the Institute has been in communication with the Scottish government for the past three years to request that IFA members (associates (AFA) and fellows (FFA)) be eligible to undertake independent examinations for charities in Scotland which prepare fully accrued accounts with gross income of more than £250,000.

We made a formal submission to the government and are delighted to inform members that the Charities Accounts (Scotland) Regulations 2006 have been amended to add the Institute of Financial Accountants to the list of organisations whose members are allowed to undertake independent examinations of charities' fully accrued accounts. This amendment is effective from 3 November 2017. Further information on the legislation change is available at tinyurl.com/yby7t8kr.

TAXATION

Finance Bill

Links to supporting documents for the second 2017 Finance Bill can be found on HMRC's website.

tinyurl.com/ifa-6191

Online tax forum

HMRC has launched an online tax forum and dedicated webchat service for small businesses and the self-employed. The Small Business Online Forum will assist with tax questions, as well as help with:

- starting a business;
- support for growing a business – including taking on employees and expanding;
- buying and selling abroad;
- completing tax returns; and
- tax credits.

tinyurl.com/ifa-6184

Resolving disputes

HMRC has updated its guidance on the internal governance arrangements for decisions on how tax disputes should be resolved. This should ensure that the department deals with all cases fairly and in an even-handed manner.

tinyurl.com/ifa-6179

Avoidance schemes

An updated list of tax avoidance schemes on which users may be charged an upfront accelerated tax payment can be found on HMRC's website.

tinyurl.com/ifa-6186

Employment and tax

Webinars, e-learning, emails and videos on employing people can be found on HMRC's website.

tinyurl.com/ifa-5967

IHT threshold

HMRC has provided guidance on whether an estate can obtain the extra inheritance tax threshold if a home is sold, gifted or downsized before death.

tinyurl.com/ifa-5969

Property letting errors

In relation to its Let Property Campaign, HMRC has published examples of some of the tax errors that landlords make when letting property in the UK and abroad.

tinyurl.com/ifa-5971

HMRC strategy

HMRC's document *Our Strategy*, outlines the department's strategic approach to its work and activities.

tinyurl.com/ifa-5943

Charities

Detailed information for charities on how to register for tax, obligations, reliefs and exemptions has been published.

tinyurl.com/ifa-5976

Litigation decisions

HMRC has updated its list of cases where tax avoidance was involved.

tinyurl.com/ifa-5950

PAYE guide

HMRC has published an updated version of *CWG2: Further guide to PAYE and National Insurance contributions*.

tinyurl.com/ifa-6182

Criminal finances

The Criminal Finance Act came into force on 30 September 2017. There are fears that HMRC will be anxious to demonstrate that the "new legislation has teeth".

tinyurl.com/ifa-6188

Autumn Budget

The Autumn Budget is on 22 November and relevant publications can be found on the GOV.UK website.

tinyurl.com/ifa-5809

Penalties for enablers

HMRC has published draft guidance on penalties for enablers of defeated tax avoidance schemes.

tinyurl.com/ifa-6175

Litigation strategy

HMRC's has updated its commentary on the Litigation and Settlement Strategy. This is the framework within which HMRC resolves tax disputes through civil law processes and procedures.

tinyurl.com/ifa-6177

Growth support

HMRC has launched its Growth Support Service for mid-sized businesses.

tinyurl.com/ifa-5908

Avoidance case win

HMRC has won a landmark case against a tax avoidance scheme promoter that could lead to the recovery of £110m. The scheme promoter failed to report a mass-marketed tax avoidance scheme, known as Alchemy.

When considering whether tax avoidance is in point, reference can be made to the *Professional Conduct in Relation to Taxation* guidance (tinyurl.com/ifa-PCRT).

tinyurl.com/ifa-6173

Tax challenges

Tolley has produced a report, *An industry at crossroads? What does the future hold for the tax profession?* This highlights the key challenges affecting tax and accountancy professionals.

tinyurl.com/ifa-6169

IFA students

Institute exams

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

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

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

To err is human...

Samantha Mann looks at common payroll mistakes and the errors that may become common place in the future for the unwary and unprepared.



© iStockphoto/Squaredpixels

TEN SECOND SUMMARY

- 1 Most benefits in kind cannot be offset against salary when calculating the minimum wage.
- 2 Do not overlook the employee's date of birth.
- 3 Spot checks will ensure that employers comply with their duty to provide a workplace pension.

Error, blunder, blooper, gaff, clanger or faux pas; call it what you will, we all make them. Indeed, my granny always said: "the man who never makes a mistake never makes anything" she also said a lot of other things about grandad but that's a story for another day!

However, in payroll as in any area of work, mistakes happen. We work in a complex profession where rules are foremost and whether that rule structure is guided by contract, common practice or legislation, processes need to be robust enough to ensure that errors are picked up by us rather than the increasing number of employment compliance agencies. For the purposes of this article we will limit these to HMRC and The Pensions Regulator.

The impact of the minimum wage

Before 1998 and the introduction of the National Minimum Wage (NMW) Act the amount that could be paid to an employee was largely a matter of contractual agreement, subject to sectoral variations which for simplicity we will overlook.

The legislation brought with it a legal minimum hourly rate that, subject to age restrictions, should be paid to all workers. Directors, the genuinely self-employed and volunteers sit outside of this legislative requirement.

In 2016, the national living wage (NLW) was introduced which is payable to workers aged 25 and over and will increase the number who will be in receipt of the legal minimum wage for their age group. For simplicity, I will refer to both NMW and NLW as the minimum wage.

When the minimum wage was introduced it was estimated that almost two million workers would receive higher pay. It is now predicted that 14% of the worker population will be in receipt of the minimum wage by 2020. This growth has had inevitable consequences on employer compliance when it comes to its payment, indeed it is predicted that any employer who pays at or near the minimum wage is at risk of falling into non-compliance.

Salary sacrifice

Salary sacrifice is another area of pay and reward that has experienced enormous growth in recent years and, when coupled with the minimum wage, is an area where error is commonly found.

The only benefit in kind offset that can be made by the employer that will count within the minimum wage calculation is for employer-provided living accommodation and then only to the level of £6.40 a day or £44.80 a week. Childcare vouchers, pensions, cycle to work schemes and ultra-low emission vehicles (ULEVs)



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may indeed be excluded from recent changes brought in by HMRC with optional remuneration arrangements (OpRA), but they cannot be provided in exchange for salary sacrifice where an employee is paid the minimum wage – even though the benefit in kind is beneficial to the employee.

The introduction of the NLW has seen many employers revisiting their contractual agreements with employees to remove them from salary sacrifice schemes and revert to cash pay only. Calls for this area of regulation to be revisited to recognise the pay and reward structure of the 21st century have so far been unsuccessful.

Pay attachments

Employers may have to make particular deductions from pay, such as a charge for a Criminal Records Bureau check or sums owed to third-parties and these will not affect the worker's national minimum wage pay. However, an administration charge made by the employer for handling such a transaction *will* reduce the this pay. For many years this has caught out the unwary employer and indeed the payroll provider.

Debate continues to rage as to whether or not this payment is truly for the employer's benefit. However, for many years HMRC has made clear that – even if an employer is legally entitled and authorised to deduct it – the charge cannot be made if this will result in the pay rate falling below the minimum wage rate. An example is the £1 fee to cover the administration of pay attachments.

This is a situation that causes extreme confusion, not least because the payment can be made even where it takes the employee earnings below the "protected earnings" rate (a term associated within pay attachments). Confusing and arguably unfair to the employer, this has been known to catch out many during HMRC compliance visits – processes need to be in place to ensure that minimum wage checks are made where the deduction is routinely made.

Age-related errors

One final example (although there are many) of a common error with the minimum wage links to monitoring an employee's age to check whether they should move into a new rate bracket. This can happen at 18, 21 and 25 and is picked up and acted upon as from the first pay reference period after their birthday. As an example, let's say that an employee has a monthly pay period of 1 October to 31 October and their 25th birthday falls on 3 October. In this instance, they should be paid the current NLW rate as from the next pay reference period which will begin on 1 November.

Most payroll software builds in a "warning" function to highlight that a key birthday has happened and procedures need to ensure that this warning is acted upon or, even better, it has been predicted by the individual processing the pay run.

National Insurance contributions

On the subject of age, we also see a common error when it comes to the calculation and deduction of

employee Class 1 National Insurance contributions when state pension age is reached. Employer contributions are still due, but the employee no longer contributes. The employer must have evidence that their employee has reached this age and this could be by requesting their birth certificate, passport or a certificate of age exception. Traditionally, the latter was provided by the Department for Work and Pensions in advance of the date, but these are no longer being issued.

Again, payroll software can play an important part in ensuring success with this transition, but it should not be relied upon. Employer procedures are critical to ensuring this mistake does not happen even if payroll duties are outsourced because the employer remains responsible for ensuring good compliance.

Pensions auto-enrolment

As we approach the conclusion of pensions auto-enrolment staging and move into the steady state that sees these duties forming part of "business as usual", The Pensions Regulator has begun to carry out spot checks to ensure that employers and their agents are complying with their duty to provide a workplace pension.

The Regulator has updated all guidance and tools to reflect that, where new employers take on their first employee as from 1 October, their duties will begin immediately. Experience of employers who have staged, together with concerns raised by stakeholders, have seen The Pensions Regulator build in to its tools and guidance the recognition that an employer might be late in coming to their duties. The guidance has been adapted to recognise this and directs the employer and their adviser to ensure that they backdate their contributions to the date they should have begun.

The Pensions Regulator receives regular updates from HMRC from PAYE real time information (RTI) submissions and so they will be aware when employers begin to make PAYE submissions through RTI.

Commonly used excuses or reasons provided for non-compliance to both HMRC (over the years during penalty appeals) and increasingly to The Pensions Regulator include:

- I didn't know;
- I forgot;
- I was ill; and
- our payroll person left and I didn't know how to operate the pay system.

To forgive is divine

I'm not suggesting that either HMRC or The Pensions Regulator claim to be divine; however, both have an element of tolerance built in to their processes where an employer recognises and works to correct their errors.

The important message from both agencies to employers is do not ignore obligations and, even more importantly if they do, don't compound that mistake by ignoring communications from them because neither department will give up when it comes to ensuring good compliance.

FURTHER INFORMATION

The Chartered Institute of Payroll Professionals (CIPP) is the chartered association for payroll, pensions and reward professionals in the UK. The Institute is dedicated to raising the profile of payroll in businesses across the UK and internationally through education, membership and recognition.
Visit: www.cipp.org.uk



Cash is king

Makoto Fukuhara discusses why professional advisers should help clients to manage their cashflow.

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TEN SECOND SUMMARY

- 1 The importance of regular monitoring of invoices and payments.
- 2 Software packages are now available that allow advisers to offer help with their clients' cashflow.
- 3 Is working capital sufficient for business operations? If not, what action should be taken to rectify this?

How many times have we seen poor cashflow management damaging a client's business? Even if they appear to be performing well and making a profit, by the time it is realised that something is wrong, the business is beyond help.

Cashflow management requires clients and advisers alike to be realistic, to make a budget and monitor and manage how cash moves in and out of the business to keep it running smoothly. Easier said than done perhaps, particularly when many clients are demanding their adviser's attention. But now, modern software makes the task more manageable for both the client and the adviser. By using the tools and sharing some of these tips, clients can be helped to manage their cashflow easily and simply.

Monitoring cashflow

There are a few tasks that accountants can do regularly for their clients to make sure they stay on top of their cashflow. Here's our basic checklist.

1. Look at the balance in the bank account at least once a week and reconcile the invoices issued or paid with the cash-in and cash-out transactions that have gone through the bank account. This sounds as though it is a simple job but, if it isn't done regularly, it makes it almost impossible to monitor the cash position.
2. Check whether there are any overdue invoices – are suppliers owed or are there outstanding client invoices? If payments have been reconciled it is possible to identify quickly what's still due.
3. Are there any large payments to be made? For example, VAT or quarterly rent? If the cash balance in the bank can be seen to be going into the red, there is an opportunity to act before this happens.

The adviser may well have some experience of the tools and software packages that are available to monitor cashflow. There are also plenty of free templates or calculators that can be downloaded.

A contemporary, easy-to-use software package will mean you don't have to spend hours in front of a laptop, managing the daily cashflow. Some allow the adviser to discuss cashflow with the client while both view the same screen. Avoid the spreadsheet at all costs.



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Preventing a cashflow shortage

Once you've got to grips with monitoring the cashflow, there are some steps that can be taken to prevent a shortage of cash occurring.

- *Make a cashflow forecast.* Making a 12-month plan at the start of each financial year is best and the adviser should counsel their client to include a realistic, rather than optimistic, sales forecast. Most businesses overestimate sales and underestimate expenses. The adviser is best placed to help clients make a forecast based on their understanding and knowledge of strategy and growth.
- *Keep reviewing the plan and comparing it with actual performance.* If there's a gap between the plan and reality, and it's getting larger, something has not gone as predicted. Identify what it is, help the client correct it if possible, and re-forecast.
- *Keep the accounting software up to date.* To be able to compare the plan with the client's actual performance, encourage them to update their accounting software on a regular basis. If that doesn't come naturally to them, perhaps one of the cloud accounting software packages might be suitable. These are much easier for the lay-person to use than the previous systems – and no knowledge of double-entry bookkeeping is required. Of course, if this still isn't where their strengths lie, the adviser could offer to do this for them as an added-value, chargeable, service.
- *Watch the invoice due dates.* When you or your client issue an invoice, update the accounting system with its due date. And when they receive an invoice, do the same. Get into this routine and projecting cashflow will be found to be that much easier.

In parallel to the above, help clients set up a system to send a reminder for outstanding invoices and chase every one that's not paid when due. There are systems available to help automate this – Chaser for example. In the absence of that, a manual process is fine; it's the implementation that is important.

Having a large number of unpaid invoices can severely affect working capital. Making one phone call to a client to resolve an overdue invoice payment is much cheaper than having to dip into an overdraft. And, of course, paying invoices to suppliers on their due date keeps a healthy relationship going and allows a few favours to be called upon if they are needed.

Monitor the cashflow forecast

Once a cashflow forecast is established, it must be kept up to date. Keeping an eye on finances in this way will provide an insight into what to do next.

For example, if the working capital isn't enough to run the business, what advice can be given to help the client improve it? This might mean increasing sales, improving margins, cutting costs or changing the terms of trade with customers and suppliers.

Alternatively, the client might need to apply for a business loan. For that, financial reports, bank statements, a cashflow forecast and a business plan will need to be prepared. This will be so much easier if these are already available as part of the adviser's management tools.

Increasing working capital

Nowadays, a client has many options to fix a cash shortfall, rather than use an overdraft or go down the traditional lending route.

When shopping around, look for the option that suits the client best. Take the opportunity to compare, not just interest rates among lenders, but the flexibility and speed that can be offered, and the security that is required. However, a word of caution: watch for hidden charges with any lenders. Their headline rate may be low, but are there any compulsory fees associated with the borrowing, such as an arrangement fee? Make sure to ask questions.

If the client has outstanding client invoices, stock or assets in their business, this widens their choice even further to some of the following.

- *Invoice finance or factoring.* This can be used to free up some or all the cash tied up in the invoices. Whole of ledger or selective invoice finance arrangements are available.
- *Stock finance.* This can free-up some of the cash tied up in stock sitting somewhere.
- *Trade finance.* This allows the client to pay the essential suppliers they need to so that a large order can be fulfilled. Trade finance is typically associated with international trade, but it does not have to be.
- *Asset finance.* This is for when the client needs to buy new assets – a printer or a van for example. Asset finance allows them to spread their payments over the asset's life.
- *Merchant cash advances.* These are for cash-based businesses such as shops and restaurants and commonly mean an advance on future credit card sales. Typically, they are paid for each business day as a percentage of total credit card sales for that day.

Keeping a lookout

Any small business can run into challenges, but the adviser should use their knowledge to keep a special eye out for those that could be in most urgent need of help. A lifetime of loyalty can be earned by the adviser who can help guide a client through a sticky few weeks.

A suitable software system can highlight any clients nearing a danger zone, meaning that the adviser does not have to rely on memory or have to sort every client to find those that should be contacted. The system should immediately navigate to clients who need priority help.

A small amount of additional effort could help to remove the stress that clients experience and embed the adviser as a valued and trusted business partner. Anything that helps keep clients focused and exceeding their expectations can only be a good thing.

➤ FURTHER INFORMATION

CaFE integrates easily with your clients' Xero, FreeAgent and QuickBooks accounting software to provide reports and proactive alerts on their cash flow position. Advisers can become a CaFE partner by visiting www.cashflowcafe.co.uk

Whaling expedition

Jim Elliott explains the facts about cyber-crime and how a business can protect itself and its clients.

TEN SECOND SUMMARY

- 1 Cyber-crime “whaling” attacks are increasing as is “Friday afternoon fraud”.
- 2 Attackers intercept emails between companies and learn how to impersonate style and content.
- 3 The General Data Protection Regulation comes into force on 25 May 2018 and the UK’s decision to leave the European Union will not affect its commencement.



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Cyber-criminals are using email as a tool to defraud businesses of millions of pounds. This new phenomenon – “whaling” – involves the use of highly focused messages targeting finance staff, encouraging them to expedite payments to suppliers that the managing director or chief executive cannot authorise because they are away from the office. Many medium and large-sized businesses have been targeted. Snapchat is the latest high-profile victim, revealing employee payroll information to unknown attackers. It has been reported that these attacks have resulted in losses of £520m since 2013.

Some business sectors are targeted more often by cyber criminals because the rewards are greater. According to the Solicitors Regulation Authority (SRA), 75% of all cyber-crimes reported to them have involved “email modification” fraud, more commonly known as phishing or whaling attacks.

Looking at all reports, 50% were related to email modification fraud against conveyancing proceeds. And 25% of firms have reported being targeted by cyber-crime, with one in ten cases resulting in monies being stolen.

The professional principles in the Legal Services Act 2007 include a duty to maintain client confidentiality. The SRA also requires solicitors and law firms to keep the affairs of clients confidential unless disclosure is required or permitted by law or the client consents.

Cyber-crime has become a part of everyday business life and organisations must act against this very real threat.

The facts

The scale of the problem can be illustrated by several statistics.

- £2.3bn was lost by global businesses from email fraud (2013/15).
- 75% of cyber-crime reports to us are Friday afternoon fraud.
- 43% of all cyber-attacks are aimed at small businesses.
- Nine security breaches in 2015 featured more than ten million personal records being exposed.

How does this affect clients?

More so than any other industry, solicitors are failing to warn clients about the risks of using email during property transactions, despite explicit guidelines from anti-fraud authorities and



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their own trade body, the Solicitors Regulation Authority and there are lessons here for accountants and other professional advisers.

A quarter of firms have been targeted by online fraudsters. In one in ten of such cases, money had been stolen from clients as a result. The victims of these conveyancing scams lose £101,000 on average.

There are 10,500 solicitor firms in England and Wales, according to the SRA. Based on its numbers 2,625 companies have been targeted by fraudsters, with criminals having been successful in almost 300 cases. But under-reporting of cases and size of the loss means the actual numbers are likely to be far greater.

How it is done?

Attackers are able to intercept emails between companies and freely read their content. Over many weeks or even months the attacker learns how to impersonate the style and language of those sending and receiving the emails. The attacker is then able to send a bogus request for money including new bank account details for the transfer.

Because the attacker has a substantial amount of information about the target, the request will appear genuine and money is very often transferred to the attacker's account.

The General Data Protection Regulation

As well as defending against email fraud, the new General Data Protection Regulation legislation comes into effect in May 2018.

The General Data Protection Regulation (EU) 2016/679 is the means by which the European Parliament, the European Council and the European Commission intend to strengthen and unify data protection for individuals within the European Union (EU). It also addresses the export of personal data outside the union.

The regulation was adopted on 27 April 2016 and, as mentioned, enters into application on 25 May 2018 after a two-year transition period. The government has confirmed that the UK's decision to leave the European Union will not affect its commencement. The regulations will provide a single legal framework that will apply to all EU members, streamlining and hopefully simplifying what is currently a mix of different laws for each member country. Directly concerned with the collection, storage and use of personal data, this will impact every business that holds any personal data in any format.

How will it affect business?

If a business collects, stores or uses personal data then the General Data Protection Regulation applies and now there is an obligation to meet the requirements of the regulations, with serious penalties for those that do not.

Most companies will already be looking at how they acquire, store and manage personal and sensitive data. Many organisations, however, are not aware of the risks concerning the transmission of this data between internal employees and external clients.

Businesses need to be able to answer the following points.

- What measures are currently in place for sending sensitive personal or financial data by way of email?
- How does a business prove it is compliant in this situation?

The consequences of inaction.

Non-compliance may leave a business open to substantial fines under the regulations. Article 83(5)(a) states that infringements of the basic principles for processing personal data, including the conditions for consent, are subject to the highest tier of administrative fines. This could mean a fine of up to €20m or 4% of total worldwide annual turnover, whichever is higher.

Conclusion

Cyber-attacks on businesses and their clients are becoming more frequent and all businesses, not just those in the legal arena, need to take steps to secure digital communication with clients. They should also implement a system able to prove that these measures are being adhered to. Anything less jeopardises the privacy of clients and, in many cases, their money. It also damages the reputation of businesses that are now, under the new data protection legislation, open to large fines for non-compliance.

With these new stringent rules and large fines, can you afford not to act?

➤ FURTHER INFORMATION

Sources: Action Fraud, CRN, FBI, Symantec, the Solicitors Regulation Authority, *The Telegraph*, Information Commissioner's Office, GDPR Guidance

The rise of technology

Andy Bailey warns of the dangers of lagging behind in the move to accountancy automation.

TEN SECOND SUMMARY

- 1 The new approach to accountancy focuses on running the client's business, rather than accounting compliance only.
- 2 Online flexibility has risks and practitioners must take cyber-security seriously.
- 3 Does accountancy competition mean the cheapest compliance offering or adding value by advising clients on business growth and efficiency?

From the first use of double entry bookkeeping in the 14th century to the mainframe computing and desktop accounting systems of the late 20th, how we record accounting records has changed from paper to PC. However, it is fundamentally the same process – the introduction of software has just meant it has become so much faster.

The late 1990s saw a more widespread adoption of PCs and eventually we got one each in my office! Leading accounting software of the time, such as Sage and QuickBooks, had computerised the same manual processes.

It was the widespread adoption of wi-fi and broadband in the UK that significantly changed our lives with social media, film and music streaming, and smart phones; remember, only ten years ago most of us didn't have these things.

For the accountancy profession, especially in the UK, the real disruption came from a small New Zealand start-up called Xero. Its approach was to focus on the data an entrepreneur needed to run their small business, rather than only accounting compliance using a single ledger. It sounds simple, but this was such a departure from the existing accountancy and compliance-based software that many were sceptical it could work. I can say with some confidence that hundreds (thousands?) of accountants with Xero clients in the early days would ask their clients to print out a general ledger so that they could process it in their "traditional" accountancy systems.



This approach certainly shook things up. However, without the cloud platform it was built on, leveraging the new mobile internet we were all enjoying, Xero would not have reached the heights that it has. But that firm was not alone. At the same time, Exact were migrating their products to the cloud in The Netherlands, QuickBooks rebuilt their bookkeeping software in the US and Sage did the same in the UK. This presented an opportunity for new applications that could never have existed before. ReceiptBank followed Xero's lead, starting with the entrepreneur rather than the accountant. Taking a photo of an expense with a smartphone, before sending it by way of an API (where two applications share data) to Xero for processing. The only reason for an entrepreneur to keep paper receipts now was because their accountant was sceptical of whether a photo would be accepted by HMRC in the event of an enquiry.

Skip forward ten years to today, when cloud adoption is the norm. Paper and spreadsheets still dominate, but when looking for software now it's almost certainly cloud first.

Mobile communication and bots

It took 25 years for PCs to replace 600 years of paper-based double-entry bookkeeping, but PCs are already being replaced by smartphones as the prime method of data capture. And even they are already being chased down by new technology.

Phone calls are not just made at our desks, but wherever we are in the world, in a coffee shop,



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travelling on a train, walking to an appointment. Access to client data means that we don't have to stop serving them the minute we leave the office.

We may still write letters to our clients, but it's more common to email them as PDF documents, perhaps adding electronic signatures as well. Certainly, the volume of letters has reduced, with emails and instant messaging taking their place.

This flexibility is profoundly altering how we work and communicate, but it's not without risks. Having the correct communication tools with encryption, firewalls and cyber-security in place is essential. The data may be in the cloud, but it's still the accountant's responsibility to keep it safe.

Bots are already live in our business software systems. At the Sage Summit their communications bot Pegg was demonstrated, including interactions made through Amazon Alexa. Salesforce have shown their Einstein AI system communicating with IBM's Watson. For example, taking Watson's global weather data, Einstein can highlight customers who could be affected and recommend stock adjustments.

Evolution of apps

Progress in the business software market is phenomenal and only accelerating, what might the future look like? Why use a phone to photograph a receipt, when the vendor can send it to your phone when a contactless payment is made? Why type in a sales invoice when you can ask Alexa to create it for you?

Even that still requires input. What if your technology learned that your stop at the coffee shop at 8am on the way to the office was to buy breakfast which is, of course, a personal expense? A visit to the same shop later that day, when a meeting was booked in your calendar with a client and where you bought your usual drink plus a different beverage, is a business meeting that could be expensed. And what if the smartphone could tell from its pedometer that you must have driven and a mileage claim should be recorded?

We're not there yet, but everything I've suggested is already possible with the technology we have, it's just waiting for a company to turn this into a profitable business model.

Don't get left behind

"Not my practice", some may say, "not my clients". Quite correct, they won't be clients for much longer. To compete in this market, many accountants will need to offer the cheapest compliance service or be able to add value by advising clients on improved business growth and efficiency. Those who do not may not be in business in five years, because their competitors have done this already.

Most people don't like change; they prefer the stability and security of time-honoured systems and processes. Of course, change for change's sake is a waste, it is evolution we need to focus on. How can a business evolve to meet 21st century challenges? Don't need to? Clients like it how it is? Still using an abacus?

Those who cannot see the need to evolve, should hope their junior staff do. At my first accountancy job, we received our first PCs just after the managing partner retired.

Data analytics and business advice

How can all this new technology help accountants stand out? It has already become a cliché that accountants need to change and become trusted business advisers to succeed, but many accountants don't realise that they already are one.

Many think they're not qualified to offer business advice – this is a lack of confidence. During my accountancy training I learned that improving gross profit margin would make a business more profitable, that if a business was running low on cash it should reduce its expenses and forecast how this would impact the figures. Is that not giving business advice?

SME leaders trust their accountant for business advice more than anyone else, but accountants who see clients only once a year to tell them the business profit from nine months ago (and please sign here) are doing these customers a disservice.

Cloud technology opens the door to this brave new world. It allows accountants and their clients to see the same information in real time. The advantage accountants have over many of their clients is that they understand what this means. Explaining this data to clients and advising them on business improvement will win a client for life. And not just a client, an evangelist for the accountant and their practice.

➤ FURTHER INFORMATION

Unsure which software is the right for you and your clients? Octopus Blue can arrange a complimentary software review. We can recommend the right software to ensure that a business is as productive as possible.

Partnered with more than 50 software vendors, Octopus Blue are independent business software experts. Experienced consultants can implement and configure an entire software stack, empowering accountants to focus on what they do best.

Visit:

www.OctopusBlueUK.com

Staying on track

The Pensions Regulator reminds employers of their auto-enrolment responsibilities and recommends that new employers should get to know their workplace pension responsibilities.

TEN SECOND SUMMARY

- 1 Research shows that automatic enrolment of employees into a workplace pension scheme is easier to implement than anticipated.
- 2 The start of "instant duties" means that workplace pension responsibilities start as soon as an employee is taken on.
- 3 It is the employer's ultimate responsibility to make sure they use a qualifying scheme and that the correct pension contributions are paid.

With more than 800,000 employers having now put about 8.7m staff into a pension, the roll-out of automatic enrolment continues to be a success.

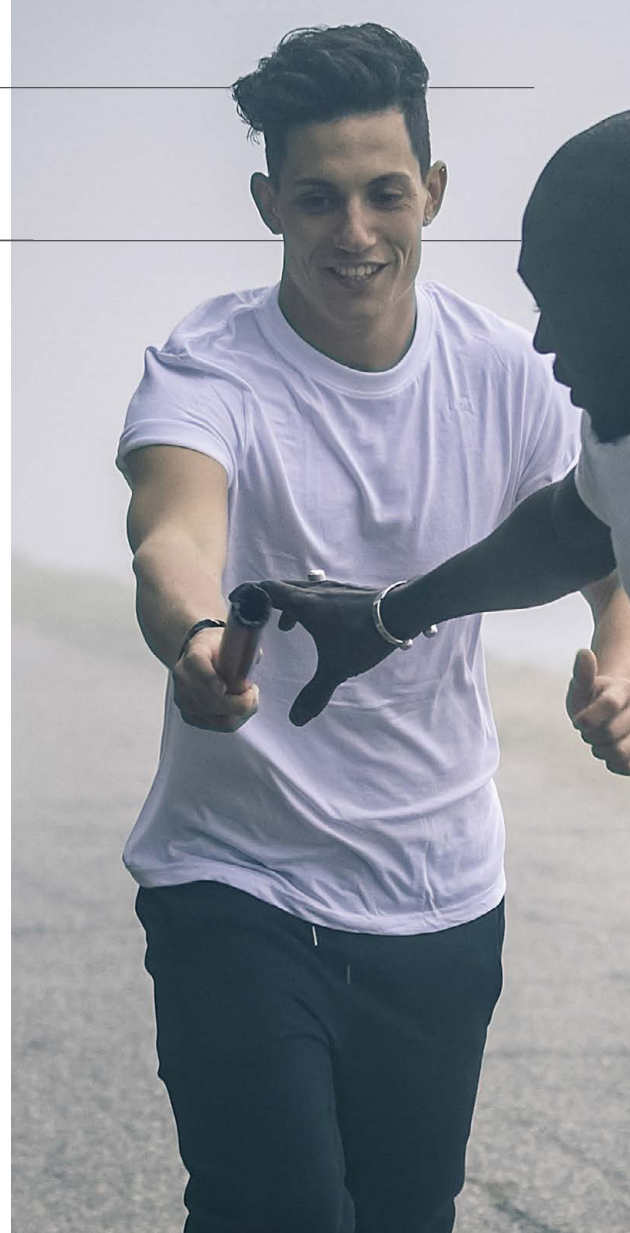
Recent research by the Department for Work and Pensions (*Automatic enrolment: Qualitative research with small and micro employers* at tinyurl.com/ycsbmxb) has shown that employers took a pragmatic approach to automatic enrolment and found it easier to implement than they had anticipated. The Pensions Regulator's website was the first port of call for employers and those who were surveyed urged other employers approaching automatic enrolment to start planning in good time. They said a clear majority of their staff did not choose to opt out and thought that automatic enrolment was a "good idea". Employers were also aware of and prepared for the increase in minimum contributions.

Challenges

The research illustrates how far we have come since the start of automatic enrolment five years ago; however, we continue to be alive to the challenges ahead. We will continue to ensure employers and their advisers are equipped with the information and tools they need to meet their duties.

The Pensions Regulator

The Pensions Regulator
The Pensions Regulator (TPR) is the UK regulator of workplace pension schemes. We make sure that employers put their staff into a pension scheme and pay money into it. We also make sure that workplace pension schemes are run properly so that people can save safely for their later years.



Advertising

Recent TV advertising launched by The Pensions Regulator and the Department for Work and Pensions highlights the benefits of automatic enrolment for employees. The message is that while they work, their pension works for them. The advert aims to encourage staff not to see their pension as something complex, but as a benefit they should engage with. At the same time, radio advertising will target employers with the message that automatic enrolment is the law and, as well as other things they provide their staff, they have a legal duty to provide a pension.

Instant duties

This autumn saw the start of "instant duties". This means that as soon as a business has been set up and staff taken on, the employer will have workplace pension responsibilities. The Pensions Regulator has a suite of new tools and information (tinyurl.com/ycwalycn) for new employers and their advisers. These will tell them quickly the action they need to take and when to do this. Advisers should help ensure clients setting up a new business build automatic enrolment into their plans from the start.

Increase to minimum contributions

The minimum pensions contributions for employers is set to increase in April 2018 and



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there are several tasks employers and their advisers will need to do to ensure staff receive the contributions they are entitled to.

Employers will be required to increase their staff's total minimum contributions to 5%. Employers will need to increase their contributions to at least 2% and their staff's contribution will be increased so their contributions make up the shortfall needed to bring the total minimum contribution up to 5%.

In April 2019, the contribution levels increase again. The employer will be required to pay a minimum of 3% with the total minimum contributions needing to reach 8%. The employer's staff must then make up the shortfall.

The increase in the minimum contributions should be simple, but business advisers can help clients by ensuring their payroll systems are ready to deduct the increased contributions when they rise in April 2018 and 2019.

Employer responsibilities

Advisers should also ensure their clients are aware that, although pension scheme providers are already making the necessary changes to support the increases, it is still the employer's ultimate responsibility to make sure they are using a qualifying scheme and that the correct amount of pension contributions are paid into it.

When staff were first automatically enrolled, the letter they received from their employer should have advised them that contribution levels will increase over time. There is no additional legal requirement for employers to write to their staff about the increases, but they may wish to do so to help minimise queries or reduce the number of employees subsequently opting out.

More information about contribution increases can be found at tinyurl.com/y9jq1b27.

Re-enrolment

As well as preparing for increases to minimum contributions, employers also need to complete re-enrolment. So far, 30,000 employers have done this, meaning that they put those eligible staff who opted out originally, back into a pension.

Employers have a six-month window for choosing their re-enrolment date, which is three months either side of the third anniversary of their staging date. Within this window, employers can choose a date for re-enrolment that is suitable for their business. Employers must assess their staff and write to them about re-enrolment and they must then complete a re-declaration of compliance. More information about re-enrolment can be found at tinyurl.com/y9ke5yr3.

Compliance and enforcement

Earlier this year, The Pensions Regulator started to carry out spot checks on employers in towns and cities in the UK.

These checks help to identify employers who are not meeting their duties correctly or not paying across the pension contributions their staff are entitled to. It is not fair if some employers are non-compliant when most have met their duties and enforcement action will be taken if necessary.

The inspections also help us understand the challenges employers have and whether we need to update our information and support.

Spot checks have been carried across Glasgow, Edinburgh, Manchester, Sheffield, Birmingham and South Wales and will continue in other areas across the country in the coming months. Employers selected for a visit will receive a statutory notice alerting them.

While compliance remains above 95% and the vast majority of employers do meet their duties successfully, a small minority become non-compliant. We want to help employers, but we will act if an employer fails to meet their duties.

A compliance notice is usually enough to get employers back on track, but some do become subject to financial penalties.

For the small number of employers who remain non-compliant despite being fined, The Pensions Regulator now publishes a list of those who have been subject to county court judgments for failing to pay an escalating penalty notice or failing to comply despite having paid the notice. We publish quarterly compliance and enforcement bulletins showing where these powers have been used (tinyurl.com/yd78s6d4). The next bulletin is due to be published in November.

FURTHER INFORMATION

The Pensions Regulator Website:

www.thepensionsregulator.gov.uk/
New employers' tools and information:
tinyurl.com/ycwalycn
Quarterly compliance and enforcement bulletins:

tinyurl.com/yd78s6d4

Online suite of information and tools for new businesses and their advisers: www.tpr.gov.uk/employers

For clients: www.tpr.gov.uk/employers

For business advisers:

www.tpr.gov.uk/business-advisers

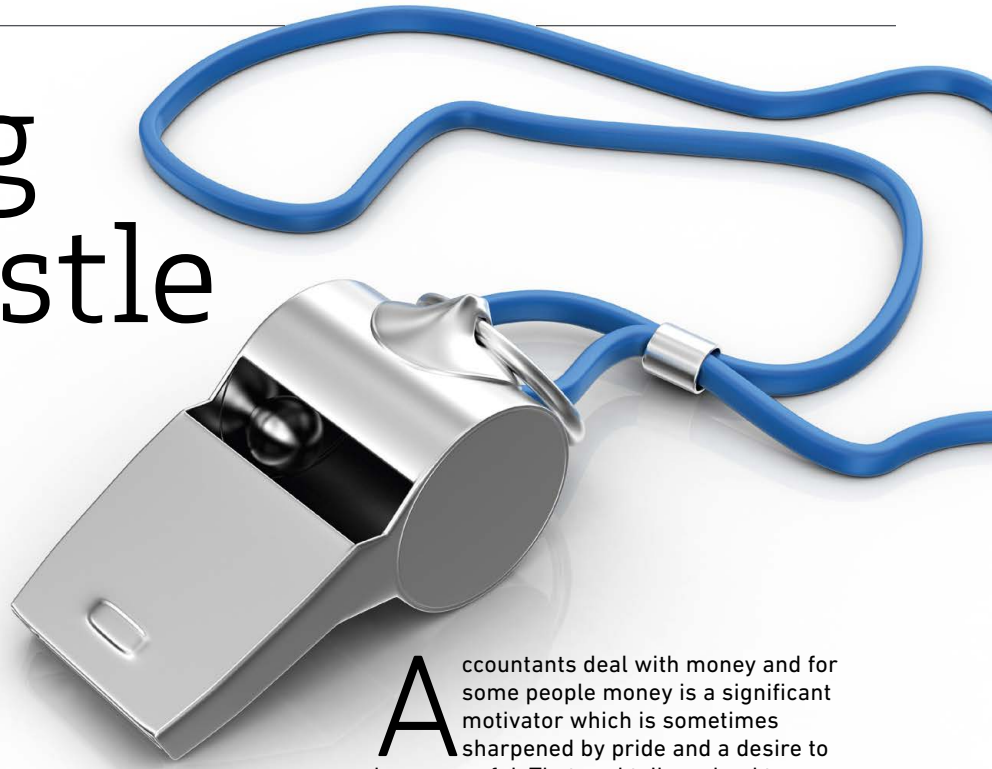
For director-

only businesses:

www.tpr.gov.uk/director-exemptions-from-automatic-enrolment

Blowing the whistle

Pressure to hit financial targets, false accounting, abuse of power and compromised staff. *Paul Boyle* explains the importance of speaking up about wrongdoing.



Accountants deal with money and for some people money is a significant motivator which is sometimes sharpened by pride and a desire to be successful. That cocktail can lead to over-stating profits, over-valuing assets, theft of assets, bribery for commercial advantage and tax evasion.

Professional accountants may well encounter inappropriate or unethical behaviour at some stage of their careers. It is a hallmark of professional accountants that they should have regard not only to their own interests, or those of their clients or employers, but also to the public interest. These obligations mean that professionals cannot honourably just turn a blind eye and move on – we must face the challenge of what to do about it. The codes of ethics of the professional bodies explain how accountants should respond to non-compliance with laws and regulations.

In some cases, the right course of action will be relatively clear. For example, if the behaviour has been undertaken by a staff member this needs to be challenged and, if appropriate, disciplinary steps taken. Auditors also have obligations, in certain cases, to report inappropriate behaviour by their clients to the relevant authorities.

However, in other cases the appropriate course of action will be less obvious. Whistleblowing (raising a concern within or outside the organisation) may be relevant.

The two main situations where professional accountants might need to think about whistleblowing are:

- When they become aware of or develop concerns about inappropriate or unethical behaviour.
- When they have responsibilities for the leadership of an organisation.

Behaviour concerns

In well-managed organisations with a good culture it will be clear what workers should

TEN SECOND SUMMARY

- 1 Inappropriate or unethical behaviour may be encountered by accountants.
- 2 Workers should feel confident that they can speak up safely if they have concerns.
- 3 Those in senior leadership roles have a degree of responsibility and accountability for the speak-up culture in their organisation.

EXPENSES FRAUD

The facts

EB was a finance manager at a small branch of a debt collection agency whose parent company was based in the USA. He was concerned that his general manager was fraudulently claiming for personal expenditure on the company credit card. EB said that in one month the relevant credit card bill was 15 times the amount the general manager recorded in the accounts. EB thought that head office would notice the discrepancy at year end, however he was worried that his boss would have covered his tracks by then.

Our advice

Public Concern at Work (PCaW) advised EB to contact head office, explain the problem and ask them to carry out a spot check or require further documentation to support accounts.

The result

EB called to say that the parent company had intervened soon after he raised his concerns and his boss had been immediately dismissed. EB said his employers had wished he had come forward earlier but were grateful that he had raised his concerns.

COMMONPLACE FRAUD

The facts

JM was the finance manager for a successful family-run engineering firm. To help with its expansion plans, it had recently raised investment capital.

When in the past the directors had put through the books some private work done on their own homes, JM had let it pass because it was a family business.

Two employees had recently told him that the scale of these private works was now reaching new heights. JM was worried about this and doubted that the non-executive directors, who the new investors had put on the Board, would approve. He thought something should be done, but knew that the directors had a well-earned reputation as hard men in the local community. He feared that if he said anything to the non-executive directors he would lose his job or worse.

Not surprisingly, the dilemma had undermined JM's commitment to the firm. He rang Public Concern at Work (PCAW) for advice.

Our advice

PCAW advised JM that if he wanted to stay with the firm and deal with the issue, the best way was for him to raise the concern with the family directors. By referring to the fact that staff were talking about it and the risk that they might report the wrongdoing elsewhere, he could help the family see why the private works should be stopped. As this approach made his role part of the solution, it was unlikely he would be victimised. If the malpractice continued, we would discuss other options with him.

We explained that if he lost his job, he would be protected by the Public Interest Disclosure Act 1988. However, this meant he would be fully compensated – not that he couldn't be sacked. The other option was for JM to find a new job and then decide whether to raise the concern himself.

The result

Thankful for the advice, JM took the second option.

do if they become aware of, or have concerns, about behaviour and they will feel confident that they can speak up safely. However, in many organisations this will not be the case. Relevant procedures may not be well-publicised or workers may feel uncomfortable about speaking up for fear of adverse consequences from co-workers or from superiors. Alternatively, staff may have spoken up but remain concerned that the organisation has not responded adequately.

In such situations, professional accountants may need to consider speaking up or whistleblowing themselves. This can be a difficult and lonely experience. It can be helpful to talk about the situation to someone who can give an independent perspective. The accountancy professional bodies offer ethics helplines to which members can turn for advice.

However, professional accountants should also consider calling Public Concern at Work (PCaW). Thousands of calls each year give a valuable insight into the public interest issues that workers might face as illustrated by *Expenses Fraud* and *Commonplace Fraud*. These anonymised case studies are from the organisation's database.

Accountants in senior leadership roles

Those in senior leadership roles have a degree of responsibility and accountability for everything that goes on in the organisation. However, most organisations will be too large for executives and non-executive directors (NEDs) to have direct awareness of all the actions being taken by the people working in those organisations.

For this reason, there has been increasing focus on the responsibility of executives and

NEDs to establish an appropriate culture in their organisations. However, there can be a distance between the culture those in the boardroom would like to see and the "on the ground" culture. It is not enough for executives and NEDs to set out the desired culture, they should take steps to ensure it operates in practice. Also, they need to do so in full awareness that some individuals or teams may behave inappropriately, many perhaps not aware they are even doing anything wrong.

An internal auditor can help executives and NEDs identify bad behaviour – they are sometimes referred to as "the eyes and ears of the board". But even well-resourced internal audit teams might only be one percent of the workforce and they cannot reasonably be expected to see or hear every example of bad behaviour. So, it would be much better if executives and NEDs could engage all employees to be their eyes and ears by having appropriate procedures to allow them to raise concerns on matters arising in the workplace.

Conclusion

A culture where speaking up is encouraged and taken seriously is essential and it is the responsibility of senior executives and NEDs to put those procedures and culture in place. In some industries, such as financial services, it is a requirement to appoint a board "whistleblowing champion" to oversee the arrangements. However, even if senior executives and NEDs are committed to effective speak-up arrangements, they must take steps to learn whether their arrangements compare to best practice and are effective. This will be for the best interests of both themselves and their employees.

FURTHER INFORMATION

Public Concern at Work is the whistleblowing charity. Its motto is "Stop harm sooner by speaking up safely" and it aims to protect society by encouraging workplace whistleblowing. PCaW operates a free, confidential advice line for workers with whistleblowing dilemmas. It supports organisations with their whistleblowing arrangements, undertakes research, informs public policy and campaigns for legislative reform.

Telephone:
Whistleblowing advice line:
020 7404 6609
Email:
Advice line:
whistle@pcaw.org.uk
Business support services:
services@pcaw.org.uk
Visit: www.pcaw.org.uk



Paul Boyle is a chartered accountant and recently retired as Chief Audit Officer of Aviva plc. He was chief executive of the Financial Reporting Council from 2004 to 2009 and President of the Chartered Institute of Internal Auditors from 2016 to 2017. Paul is currently the chair of legal whistleblowing charity, Public Concern at Work.

Change on the way

Anne Davis provides an important update on the revisions to the IFA's articles of association, bye-laws, code of ethics and regulations.



Anne Davis is Head of Regulation and Policy at the IFA. She has responsibility for regulation, policy, disciplinary, anti-money laundering and making representations in response to consultations affecting the profession. She is a chartered accountant and has a wide range of experience in management and financial accounting, project management, system implementation, policy and regulation. Anne has worked in retail, financial services and the not-for-profit sector. She is also a trustee for a couple of charities. E: AnneD@ifa.org.uk

TEN SECOND SUMMARY

- 1 Key changes to the articles of association include the simplification of provisions relating to general meetings.
- 2 The IFA's new code of ethics is also changing will be based on the code of the International Ethics Standards Board for Accountants.
- 3 Public practice regulations will cover practising certificates, professional indemnity insurance, death, incapacity, and client money.

Throughout the year, the IFA has been busy updating its articles of association, bye-laws, code of ethics and regulations and these will apply from 1 January 2018. They can be found on the IFA website at www.ifa.org.uk/regulations. The changes will apply to members (associates and fellows), students, affiliates and member firms. For the purposes of this article, in general, I will refer to this grouping as professional accountants.

In a nutshell, the revisions were driven by legal and regulatory changes, the need to align with the IPA bye-laws as far as possible, and the desire to

raise standards and enhance public trust in the accountancy profession.

Articles of association

Our articles of association are of limited consequence to members, students, affiliates or member firms because the changes govern the interaction between the IPA and the IFA rather than the IFA and its professional accountants. However, some of the key changes include the replacement of the Council with the Members' Advisory Committee, the simplification of provisions relating to general meetings, and the standardisation of some wording.

Bye-laws

The bye-laws govern the relationship between professional accountants and the IFA. The bye-laws have not been amended significantly since 2005 and required a refresh in light of the amalgamation with the IPA, changes in legislation, and best practice in the accountancy profession. The key changes are as follows.

- **Governance.** Amendments to governance arrangements that are linked to changes in the articles. The proposed changes to the governance arrangements in the bye-laws are intended to link to the proposed changes in the articles and to clarify the delegation



of authority from the IPA to the IFA Board of Directors and its Chief Executive. This is particularly the case in relation to future changes in bye-laws and regulations.

- **Scope.** Increasing the scope of the application of the bye-laws to include members, students, affiliates and member firms.
- **Definitions.** These include additional definitions to clarify key terms that are required in the bye-laws. In particular, note the definition of “affiliates” and “member firms”. An affiliate means a person who is a director, partner, or limited liability (LLP) member in a firm regulated by the IFA, but who is not a member of the IFA. Broadly, a member firm is a sole practitioner, partnership, limited partnership or body corporate engaged in public practice where more than 50% of the rights to vote on all or substantially all matters of substance are held by IFA members.
- **Membership.** Clarification of criteria for membership, categories and designations of membership, obligations and rights. Where possible, we have tried to align the IFA categories of membership to that of the IPA, both in terms of entry criteria and designations. This strengthens the reciprocal membership arrangements between the two organisations.
- **Member firm.** Introduction and implementation of member firm which is deemed to be best practice in the accountancy profession when monitoring and supervising individuals and firms falling into the scope of the Money Laundering Regulations 2017.
- **Register of members and member firm.** The creation of a register of members and member firms which is best practice in the UK accountancy profession. This is a requirement by some regulators for recognition purposes and one that is being encouraged by HM Treasury for the purposes of anti-money laundering (AML) monitoring and supervision.
- **Students.** Clarification of the eligibility criteria, obligations and disciplinary process.
- **Continuing professional development (CPD).** CPD requirements for members and their obligations in relation to these are set out. These requirements are covered in greater detail in my article on CPD regulations (see this issue, page 28).
- **Public practice.** Clarification of conditions for engaging in public practice, eligibility to hold a practising certificate and issuing a practising certificate. For the avoidance of doubt, members in public practice who are directors,

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partners or principals of a firm, must have a practising certificate issued by the IFA.

- *Supervisory authority, compliance and monitoring.* Refining the IFA's requirements for compliance and monitoring purposes.
- *Data protection.* Updating the data protection statement to clarify our obligation to disclose information to proper authorities.
- *Notices.* These set out our methods of communication and what we consider to be due service to our members. This is important for our regulatory, supervisory, compliance, monitoring and disciplinary activities.

Code of ethics

As mentioned in the July/August edition, the IFA's code of ethics is also changing. The new code is largely based on the code of the International Ethics Standards Board for Accountants (IESBA), which is part of the International Federation of Accountants (IFAC) independent standards setting bodies.

Professional accountants have a responsibility to take into consideration the public interest and to maintain the reputation of the accountancy profession. Personal self-interest must not prevail over those duties.

The code helps professional accountants meet these obligations by providing them with ethical guidance. Failure to follow this code may lead to a professional accountant becoming liable to disciplinary action as outlined in the IFA's Disciplinary Regulations.

The revisions to the code are as follow.

New sections 225 and 360

These relate to non-compliance with laws and regulations (NOCLAR). The code includes guidance on what professional accountants should do if they encounter actual or suspected instances of NOCLAR at their client or employer. These are new sections 225 and 360 of the code respectively.

NOCLAR is defined as any "act of omission or commission, intentional or unintentional, committed by a client or by those charged with governance, by management or by other individuals working for or under the directions of a client which are contrary to the prevailing laws or regulations." Potential illegal acts could be a breach of a range of laws and regulations concerning fraud, corruption and bribery, money laundering, terrorist financing, proceeds of crime, the securities markets and trading, banking and other financial products and services. This also encompasses data protection, tax and pension liabilities and payments, environmental protection and health and safety.

The laws and regulations that are relevant to the professional accountant for the purposes of the NOCLAR guidance are those with a direct impact on material items in the financial statements or are fundamental to an organisation's operations.

The NOCLAR provisions in the code do not take precedence over local laws and regulations

regarding the reporting of actual or suspected non-compliance with laws and regulations. If there is a conflict between local legislation and the code, the professional accountant must adhere to local legislation. Therefore, professional accountants must always be aware of the disclosures that could amount to "tipping-off" under the UK Anti-Money Laundering laws and regulations.

The introduction of the NOCLAR framework in the code has resulted in consequential amendments to other sections in the code such as section 140 "confidentiality". Accountants are permitted to set aside the duty of confidentiality under the code to disclose NOCLAR to appropriate public authorities in specific circumstances.

Further guidance on implementing NOCLAR is available through the IESBA website at tinyurl.com/IESBA-non-com.

Other sections

Other sections of the code of ethics that have been revised are as follows.

- *210: Professional Appointments.* This has been revised to include additional guidance on client acceptance and continuity as well as changes in professional appointments.
- *220 and 310: Conflicts of Interest.* These sections have been revised to include more specific requirements and provide more comprehensive guidance to support members in identifying, evaluating and managing conflicts of interest.
- *240: Fees and Other Types of Remuneration.* This section has been updated to include guidance on calculating fees and advice on fee information and fee disputes.
- *290: Independent – Audit and Review Engagements and 291: Independence – Other Assurance Engagements: Amendments for non-assurance services.* The changes to these sections include new and clarified guidance on what constitutes management responsibility as well as additional guidance on the types of engagements that should be regarded as review or assurance engagements.

As well as the above, if appropriate, the IFA has added references to various UK legislation and regulations.

Disciplinary regulations

The IFA Disciplinary Regulations were last updated in 2015 for minor amendments.

- *Definitions.* These include additional definitions to clarify key terms that in turn will help with the disciplinary process.
- *Complaints.* A new section on complaints explains which type of complaints will be considered by the IFA and provides an explanation of why complaints may not be taken forward.
- *Disciplinary process.* Discretionary powers are issued to chairs of the relevant Conduct Committee to issue interlocutory orders and/or intervention orders.

- *Investigations Committee.* The sanctions that are available to the Investigations Committee are amended and allow it to issue an order for fines or costs in addition to sanctions.
- *Disciplinary Committee.* These include regulations on circumstances such as when a hearing will proceed without member attendance and when the hearing will be adjourned as well as amendments to sanctions.
- *Appeal Committee.* These include regulations on grounds for appeal and related processes as well as the introduction of circumstances when a hearing will be adjourned.
- *Publicity.* An amendment will clarify that all disciplinary cases that are proved will be publicised, except for a caution issued by the Investigations Committee. Such a caution will only be included as part of a member's disciplinary record and not publicised externally.
- *Death or permanent incapacity.* The regulations require all members in public practice to make adequate arrangements to ensure the continuity of the management of the practice at all times in the event of sickness, ill-health and death. Members have a duty of care to their clients and without these arrangements serious difficulties may arise, prejudicing the interests of clients. The regulations make it mandatory for sole practitioners to have a nominated person or firm (an "alternate") to discharge the obligations of the practice in the event of ill-health or death. Failure to appoint such a nominated person or firm may result in the Institute not issuing a practising certificate to the member and may also lead to disciplinary action. Members in a partnership or corporate firm may nominate other directors, principals or partners in that practice to act as their alternate as long as these persons are competent and have the capacity to undertake the additional work to continue the practice. When arranging for the continuity of practice, members must consider the competency and capacity of the individual or firm and whether arrangements require specific legal measures such as powers of attorneys, wills or other legally binding arrangements. These arrangements should be periodically reviewed by relevant parties.

Public practice regulations

For the first time, the IFA has issued public practice regulations which cover the following areas.

- *Practising Certificates.* IFA members are only entitled to engage in public practice in the UK if they hold a practising certificate from the Institute. Under the regulations, public practice means members and member firms providing accountancy services to the public for reward in the UK. This is whether in the capacity of sole practitioner, in partnership or through the medium of a body corporate or otherwise. Therefore, practising certificates are required for directors and partners of firms engaged in public practice. However, they will not be required for employees working in public practice firms unless there are no other professional accountants in positions of seniority or supervision over the employee or the clients of the public practice firm are led to believe that the employee is the partner or director of the firm. For the avoidance of doubt, this means that a member must have a practising certificate with the IFA and not another professional body to engage in public practice as a member of the IFA. The rationale for this is that different professional bodies have different eligibility requirements for practising certificates and the scope of the services covered by such certificates differ between professional bodies.
- *Professional indemnity insurance.* Subject to certain exemptions detailed in the regulations, professional indemnity insurance (PII) requirements apply to all members and firms engaged in public practice. Directors, partners or LLP members in a firm engaged in such work are responsible for their own work and that of their employees and subcontractors. These responsible individuals must protect their clients, their business and themselves by having adequate PII cover. The regulations prescribe the terms of the cover for the PII insurance, the IFA's approach to monitoring and supervision in this area and the requirements for insurance arrangements on the cessation of a practice.
- *Client money.* This applies to money of any currency that a firm holds or receives for or from a client and which is not immediately due and payable on demand to the firm for its own account. Fees paid in advance for professional work agreed to be performed and clearly identifiable as such are excluded. The regulations require client money to be kept separate from funds belonging to the firm. For this reason, client money must be kept in a separate bank or building society account which is in the name of the firm, but includes the word "client" in its title. The client account can be a general client account or an account designated to a particular client. Professional accountants are reminded in the regulations about their duties under the Money Laundering Regulations 2017. These aim to ensure that the client bank account is used for lawful and legitimate purposes. The regulations also include requirements regarding the withdrawal of money held in client bank accounts, record-keeping and monthly reconciliations between clients' bank accounts and clients' ledgers.

Conclusion

There is much change coming for IFA members and it is imperative that they take the time to read and familiarise themselves with the revisions. Further, if necessary, they should act on any requirements detailed in the regulations above.

The IFA will be looking at the above areas as part of its monitoring and supervisory duties. Failure to adhere to the Institute's requirements may lead to disciplinary action. Ignorance is not bliss when it comes to the disciplinary process.

➤ FURTHER INFORMATION

Member benefits

Tax portal:
ifa.org.uk/taxportal
 PI insurance:
ifa.org.uk/ajgallagher
 Tax fee protection insurance:
ifa.org.uk/qdos
 Online CPD support:
ifa.org.uk/nelsoncroom
 Secure email platform:
ifa.org.uk/frama
 Branch meetings:
ifa.org.uk/events

Many of our partners offer technical helplines at preferential rates for members. Visit: www.ifa.org.uk/memberbenefits.

IFA articles of association, bye-laws, code of ethics and regulations:
www.ifa.org.uk/regulations
 Further guidance on implementing NOCLAR:
www.ethicsboard.org/responding-non-compliance-laws-and-regulations.

Careful scrutiny

Anne-Marie Barry explains the importance of understanding the new directions and guidance for independent examiners of charity accounts.



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TEN SECOND SUMMARY

- 1 The Charity Commission of England and Wales has recently updated its guidance for those carrying out independent examinations of charities.
- 2 The role of the examiner is to provide an independent scrutiny of accounts and help maintain public trust and confidence in charities.
- 3 The revised guidance includes three new directions relating to conflicts of interest, the disclosure of related-party transactions and the charity's financial circumstances.

With the Charity Commission of England and Wales updating its *Independent examination of charity accounts: directions and guidance for examiners (CC32)*, this is an appropriate time to remind ourselves what an independent examination is, who can be an independent examiner, what the updated guidance consists of, and how it can be used to support best practice.

What is an independent examination?

The CC32 document tells us that an independent examination "is a form of external scrutiny that

provides a limited check on specific matters. This limited form of check (sometimes referred to as 'negative assurance') contrasts with an audit. The examiner is only required to confirm whether any material matters of concern have come to their attention, whilst an auditor is required to provide an opinion on whether a charity's accounts provide a 'true and fair view'."

Independent examination is a proportionate and less onerous form of external scrutiny for smaller charities. It is more appropriate for such bodies than a costly audit designed for large companies and is carried out to national and international auditing standards by a registered auditor.

An independent examiner carries out enough work to provide a negative assurance that no evidence was found of:

- a lack of accounting records;
- a failure to reflect those records;
- the accounts failing to comply with the Charities Act 2011 and The Charities (Accounts and Reports) Regulations SI 2008/629; and
- other matters that need to be reported; as examples, these might include:
 - material expenditure outwith the charity's purpose;
 - the examiner not being given all the information they require; or
 - the trustees' annual report being inconsistent with the financial statements.

Summary of abilities

Summary of skills, knowledge and experience required to carry out an independent examination.

Skills, knowledge and experience	Receipts and payments	Accruals	Any accounts over £250,000
Financial awareness and numeracy skills	✓	✓	✓
Familiar with the basic principles of fund accounting (ie restricted and unrestricted funding)	✓	✓	✓
Good understanding of accountancy principles and standards		✓	
Knowledge and understanding of the applicable SORP		✓	
Understanding of the responsibilities of trustees	✓	✓	✓
Understanding of the role of the charity's governing documents	✓	✓	✓
Required in the case of more complex accounts: practical experience of the type of charity being examined (eg acted as a successful examiner of a smaller charity in the past).		✓	✓
A professional qualification as listed in the Charities Act 2011		✓	✓

Independent examinations are one important element in a larger system of regulation and scrutiny of charities. Charity law requires all trustees to prepare accounts for their charity and the trustees of registered charities must prepare a trustees' annual report. Together, the report and accounts tell the Charity Regulator, donors and others what the charity is set up to do, what it has done in the year, and how it raised and spent its money. The role of the examiner is to provide an independent scrutiny of the accounts and, in this way, help maintain public trust and confidence in charities.

Eligibility

The following bodies are eligible for independent examination.

- Registered charities.
- Excepted charities (often churches or scout or guide organisations).
- Many charities that are also registered as companies became eligible for independent examination for year-ends from 31 March 2009 onwards.
- Charities whose governing documents and constitutions do not specify an "audit".
- Charities where there is not a donor or funder who requires an "audit".
- Charities that are "smaller". Those with annual income not exceeding £1m and gross assets not exceeding £3,260,000 must have an independent examination (unless an audit is required for some other reason). Charities with an income not exceeding £25,000 are not required by law to have an independent examination, but may elect to do so.

Who can carry out an examination?

The Charities Act 2011 states that the trustees of the charity subject to an independent examination must be confident that the person conducting it:

- is independent; and
- has the requisite ability and the practical experience to carry out a competent examination of the accounts.

An independent examiner does not always need to be a professional accountant. A person with "financial awareness" and "numeracy skills" should have the requisite ability to act as an independent examiner for receipts and payments accounts. Most charities have an income of less than £250,000 and are not companies. These can prepare receipts and payments accounts and have them examined by someone the trustees believe has the skills and experience to carry out an independent examination. Examples include, but are not limited to, bank and building society managers, and book-keepers or treasurers of other charities.

Additional requirements

There are additional requirements for accruals accounts and accounts above £250,000. For the former, the examiner should have a good understanding of accountancy principles, accountancy standards and knowledge of the Charities SORP (Statement of Recommended Practice).

Trustees who have had the charity's accounts prepared on an accruals basis should select a member of one of the accountancy bodies listed in the Charities Act 2011 as amended by the 2015 Order. In England and Wales, anyone examining accounts over £250,000 must have a professional qualification from a prescribed list (see CC31 or CC32), which includes Fellows of ACIE (the Association of Charity Independent Examiners).

Overall, depending on the complexity of the accounts, an independent examiner should also have practical experience of the type of charity they are examining, which might include having:



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Summary of directions

Summary of the directions issued by the Charity Commission of England & Wales (the more heavily shaded sections, 2, 7 and 9 indicate a new direction).

	Direction heading (first line of the direction)	Applicable to receipts and payments	Applicable to accruals accounts
1	Check whether the charity is eligible to have an independent examination	✓	✓
2	Check for any conflict of interest that prevents the examiner from carrying out their independent examination	✓	✓
3	Record your independent examination	✓	✓
4	Plan your independent examination	✓	✓
5	Check accounting records are kept to the required standard	✓	✓
6	Check that the accounts are consistent with the accounting records	✓	✓
7	If the accounts are prepared on an accruals basis and one or more related-party transactions took place the examiner must check if these were properly disclosed in the notes to the accounts	-	✓
8	Check the reasonableness of the significant estimates and judgments and accounting policies used in accounting for the types of fund held and in the preparation of the accounts	Part	✓
9	The examiner must check whether the trustees have considered the financial circumstances of the charity at the end of the reporting period and, if the accounts are prepared on an accruals basis, check whether the trustees have made an assessment of the charity's position as a going concern when approving the accounts	Part	✓
10	Check the form and content of the accounts	✓	✓
11	Identify items from the analytical review of the accounts that need to be followed up for further explanation or evidence	✓	✓
12	Compare the trustees' annual report with the accounts	✓	✓
13	Write and sign the independent examination report	✓	✓
-	Statutory duty to report matters of material significance to the Commission	✓	✓
-	Discretion to report relevant matters to the Commission		

➤ FURTHER INFORMATION

Independent examination of charity accounts: directions and guidance for examiners (CC32): tinyurl.com/y7os5onw
Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015): tinyurl.com/y7x6ruqf
Charities Act 2011: tinyurl.com/cvtubkb
Association of Charity Independent Examiners: www.acie.org.uk

- an involvement in the financial administration of a similar type of charity;
- acted as a successful independent examiner of smaller charities in the past;
- relevant experience in accounting and/or commerce; and
- a working knowledge of charity accounting.

See also the **Summary of abilities** chart.

What are "the directions"?

Section 3 of the CC32 document states: "All independent examiners must follow the directions below."

These directions set out what an examiner must do when carrying out an independent examination. The content of the examiner's report is set out in the 2008 Regulations. These and the directions are mandatory and apply to examinations of both registered charities and those charities currently exempted from registration.

The new directions take account of the increase in the threshold for independent examination reporting periods (financial years)

ending on or after 31 March 2015 and the revised list published, on 13 April 2017, of reportable matters of material significance to the charity regulator.

The revised guidance includes three new directions relating to conflicts of interest, the disclosure of related-party transactions and the charity's financial circumstances – all shaded (2, 7 and 9) in the **Summary of directions** box above.

The Commission has responded to feedback to ensure that there is now a closer alignment of two of the new directions (7 and 9) with the role of the trustees in overseeing or preparing a charity's accounts.

The changes made to those two directions were as follows.

- Dropping consideration of conflicts of interest and how these were managed by the trustees from the new direction 7. The feedback was that this went beyond the role of the examiner in checking the accounts and so the requirement is now limited to the consideration of the disclosure of related-party transactions where accruals accounts are prepared.

- Refocusing the new direction 9 on the role of the trustees in considering the financial circumstances of the charity at the time the accounts are prepared in place of asking the examiner to consider the trustees' assumptions concerning the financial sustainability of the charity.

Three new directions

Let's take a closer look at the three new directions:

- **Direction 2.** This sets out requirements for examiner independence. Examiners must check for any conflicts of interest that may prevent them from carrying out the independent examination. The examiner must not be influenced, or perceived to be influenced, by either close personal relationships with the trustees of the charity, being a major donor or having control or significant influence over a major funder to the charity, or through day-to-day involvement in the administration of the charity being examined. The examiner must ensure that there are no matters and no potential matters that would reasonably give rise to a perception of their independence that would affect their ability.
- **Direction 7.** This requires examiners to check that related-party transactions in "SORP accounts" (cases where charity accounts are prepared on an accruals basis) are properly disclosed. The examiner must check that the trustees have considered whether there were any related-party transactions in the reporting period and check whether the trustees have made the disclosures required by the applicable Statement of Recommended Practice (SORP) in the notes to the accounts.
- **Direction 9.** This requires examiners to check whether the trustees have considered the charity's financial circumstances when preparing the accounts and, for SORP accounts, whether the trustees have made an assessment of the charity's position as a going concern. Where accruals accounts are prepared, the examiner must ensure that the disclosures about going concern required by the applicable SORP are made and that the trustees' assessment of going concern is reasonable given the available information. In particular, the examiner must check that any material uncertainties related to events or conditions that cast significant doubt on the charity's ability to continue as a going concern are disclosed in the notes to the accounts. Where either receipts and payments or accruals accounts are prepared, the examiner must consider whether the trustees have assessed the invoices, bills and commitments that remain outstanding at the end of the reporting period and whether the trustees have identified if they can settle these as and when they fall due.

Other changes

Other significant changes made include the following.

- Making a clear distinction between what is a legal requirement, what is good practice and what is recommended practice.
 - Where the Commission uses the term "must" there is a legal or regulatory requirement or duty that the independent examiner must comply with or must follow in the conduct of their examination.
 - The term "should" is used to mean guidance that is good practice which the Commission expects examiners to follow.
 - The term "recommended" is used to describe practice that the Commission believes that independent examiners may find helpful in carrying out their independent examination. The examiner has discretion to exercise their own judgement and follow different practices if they consider that these are more suitable for the charity's particular circumstances.
- The expectation that the trustees would have approved the accounts prior to the examination is dropped, recognising that most examiners considered this impractical and they often work with trustees to improve the accounts during their examination.
- Adding new guidance on the independent examination of consolidated (group) accounts for the first time.
- Including new guidance setting out when the examiner can provide other services to the charity and still carry out their examination (with the proviso that the examiner adheres to published ethical standards).
- Dropping the expectation that examiners will be knowledgeable about the whole range of the Commission's guidance and publications when reporting relevant matters to the Commission.
- Adding an appendix with an extract of the regulations to meet the needs of those professional examiners who wish to develop their own report formats.
- Adding guidance on fund accounting to help those examiners carrying out the examination of receipts and payments accounts who would be unfamiliar with the SORP's guidance on fund accounting.
- Publication of a standard checklist to assist examiners carry out their examinations.

The updated directions and guidance must be followed by independent examiners when carrying out their independent examination. For examiner's reports signed and dated on or after 1 December 2017, the new directions and guidance must have been followed for the independent examination to have been done correctly. The new directions are mandatory from 1 December 2017. However, examiners are encouraged to follow these directions and the guidance immediately rather than wait.

➤ FURTHER INFORMATION

ACIE is the only professional body whose sole focus is independent examinations. Our full membership procedure is the only route available to people wanting to have their work in this area scrutinised and validated. Full membership is the only way for people without a professional accountancy qualification to undertake examinations at the higher level (above £250,000) in England and Wales. Whether you become a full member or affiliate (open to anyone with an interest in independent examinations), ACIE can help you keep up to date with developments in practice, changes to charity regulations and charity accounting. With members right across the UK, we provide a forum for discussion and debate as well as an opportunity to network with other examiners. Our training and support will help you with the theory, principles and practicalities of undertaking an independent examination. We also recognise that being a good independent examiner requires a good understanding of the charity sector in general and that is why our training events and conferences cover a wide range of issues such as tax and gift aid, anti-money laundering, managing reserves and reporting to the Regulator. To find out more about independent examinations and how to become a member of ACIE, visit our website www.acie.org.uk or email: info@acie.org.uk.

Staying out in front

Anne Davis explains how professional knowledge can be the key to IFA members keeping one step ahead of the crowd.



Anne Davis is Head of Regulation and Policy at the IFA. She has responsibility for regulation, policy, disciplinary, anti-money laundering and making representations in response to consultations affecting the profession. She is a chartered accountant and has a wide range of experience in management and financial accounting, project management, system implementation, policy and regulation. Anne has worked in retail, financial services and the not-for-profit sector. She is also a trustee for a couple of charities.
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TEN SECOND SUMMARY

- 1 The CPD requirements of the IFA are changing from 1 January 2018.
- 2 Members must certify that they have met the CPD requirements or are exempt as part of the membership renewals process.
- 3 CPD enables knowledge and skills to be kept up to date enabling the delivery of high-quality services.

Continuing professional development (CPD) is a core element of being a professional. It is an ongoing process by which members gain and document the knowledge, abilities and experience they have acquired to enhance their skills and remain competent. Whether in practice or business, IFA members are in a position of trust and their clients, work colleagues and the public, expect members to be competent and demonstrate high professional standards. In common with many professional bodies, the IFA has its own CPD requirements; however, these are changing from 1 January 2018 as detailed in the Institute's Continuing Professional Development Regulations. Why the change I hear you ask? The three main reasons are as follows.

- Alignment with the IPA bye-laws and CPD pronouncement, thereby ensuring Group members must meet similar requirements, taking account of jurisdictional differences.
- Forthcoming changes from the International Federation of Accountants (IFAC) outlined in their recent consultation on International Education Standards (IES 7) – Continuing Professional Development.
- Feedback from members which told us that the combination-based approach – a mixture of input (measures number of hours) and output (measures learning outcomes) – was confusing, difficult to implement and measure.

Key requirements

So, what are the key requirements of the new regulations? Members must take the following action.

- Keep training and development needs under review having regard to the professional and other work they undertake. Where a specific need for training or development is identified, prompt action must be taken to meet this.
- Compliance with the CPD requirements must be certified annually with the IFA. A minimum of 40 hours of CPD in any year must be completed, of which 20 hours must be verifiable.
- If requested, members must co-operate with the IFA compliance and monitoring process and provide evidence of their CPD records.



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CPD activities

Examples of CPD activities include the following learning commitments.

- Attendance at training courses, conferences, seminars, workshops, branch meetings and other meetings.
- Online learning or training.
- Studying for professional exams with formal testing.
- On-the-job training, including secondment, work shadowing, visiting other departments, performance feedback or professional guidance from a mentor or coach.
- Participation in and work on boards, technical committees, networks and other sector activities.
- Writing articles, papers or books that are technical, professional or academic in nature.
- Researching relevant subject matter, including reading professional literature and journals and technical discussions with colleagues.

Examples of evidence in support of verifiable CPD include, but are not limited to:

- course outlines and teaching materials;
- confirmation of participation in events or courses by a provider, instructor, employer, professional body, mentor or tutor; and
- independent confirmation that a learning activity has been completed successfully; for example, examination results, certificates, appraisals and assessments by an employer.

CPD exemptions

Members may be “CPD exempt” if they fall into the following categories.

- They provide no accountancy services (with or without reward).
- They do not act as trustee, director of a legal entity or in any other capacity which carries with it an equivalent level of legal or financial responsibility.
- They have no intention of providing the above services in the future.

Members will be asked to certify or declare to the IFA whether they have met the CPD requirements or are CPD exempt as part of the annual membership renewals process.

Recording of CPD

For some, recording CPD will be a bureaucratic chore and one they would like to avoid. To minimise this feeling and the email exchanges, questions and answers required by an IFA reviewer if selected for CPD monitoring, here are some practical tips.

- It is much easier to record CPD activity immediately after it has been undertaken. Not only does this make it easier to record the description and the evidence of the learning activity, but also the learning outcome and whether this was met.
- Evidence to support CPD activity should demonstrate what has been learnt. Superficial commentary such as “attended branch meeting” or “attended this conference because it was relevant to my work”, with relevant attachments to prove that you attended these events, does not demonstrate why the CPD activity was useful and what has been learnt.
- Use the IFA dashboard to record CPD activities electronically. If selected for monitoring, and with permission, the IFA reviewer can have access to the information recorded in the CPD section of member’s dashboard, making the review process much simpler.
- Ideally, those not using the IFA dashboard should keep electronic records to support their CPD activities.

Conclusion

In summary, the new regulations ensure that CPD activities relate to members’ roles, responsibilities or career, have specific learning outcomes and are supported by evidence. It should be a proactive rather than reactive or passive process and should not be a bureaucratic chore.

The importance of CPD should not be underestimated – it is a career-long obligation for professionals. While the Institute requires its members to meet specific CPD requirements, at its core this is about the personal responsibility of professionals to keep their knowledge and skills up to date so they can deliver high-quality services to their clients, employers and other stakeholders. It is also there to safeguard the public, the reputation of the Institute, its members and the accountancy profession.

➤ FURTHER INFORMATION

CPD regulations: www.ifa.org.uk/cpdregulations
Branch meetings, conferences and webinars: www.ifa.org.uk/events
CPD member benefits – Accountingcpd at: www.ifa.org.uk/nelsoncroom
Excel With Business: www.ifa.org.uk/excel
Institute of Business Ethics: www.ifa.org.uk/ibe
Intellectual Property Office: www.ifa.org.uk/ipo
Catax – R&D CPD training: www.ifa.org.uk/catax

Branch meetings

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

TEN SECOND SUMMARY

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

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

Branch events are free, keep you up to date with IFA news, important issues and contribute towards your CPD. They are an excellent way to meet local members.

There are local branches in the following locations.

- Antrim
- Brentwood
- Bristol
- Glasgow
- High Wycombe
- Ipswich
- Leeds
- Leek
- Leicester
- London
- Manchester
- Newcastle upon Tyne
- Plymouth
- Reddich
- Winchester

New branches

If you do not currently have a branch near you, and are interested in setting one up, we can provide all the necessary assistance and support to make it happen.

Email us on mail@ifa.org.uk with the following information:

- your membership number;
- telephone number; and
- your enquiry.

28 NOVEMBER 2017 (4:45PM – 7:30PM)

Manchester

Steve Murray, Iris and Keytime: anti-money laundering

[University of Manchester](#),
Room 2.219, 2nd floor, University Place, Oxford Rd,
Manchester M13 9PL

23 NOVEMBER 2017 (5:00PM – 8:30PM)

Plymouth

RBS, Cyber-crime workshop

Andrew Garvey, Freeagent: an overview of the company and software demonstration

[Plymouth Albion Rugby Club](#)
Brickfields Recreation Ground, 25 Damerel Close
PL1 4NE

30 NOVEMBER 2017 (7.30PM – 9:30PM)

Leeds
 Chancellor's Autumn Statement
 Weetwood Hall Conference Centre and Hotel
 Otley Road, Leeds LS16 5PS

5 DECEMBER 2017 (7:00PM – 9:15PM)

Rotherham
 Budget 2017 – The Chancellors Autumn
 Statement is no more
 Ibis Hotel
 Moorhead Way, Bramley, Rotherham S66 1YY

30 NOVEMBER 2017 (4:00PM – 7:00PM)

Redditch
 Julie Rawlinson-Smith, Centurion VAT:
 VAT update
 Abbey Hotel
 Hither Green Lane, Redditch B98 9BE

Meet your local branch chairs

During 2017, we have been introducing members to their branch chairs. This time it's the turn of *Robert Britton* and *John Chapman*.

Robert Britton FFA/FIPA, FFTA

I am chair of the IFA's NW Midlands Branch.

On leaving school I started work as an audit clerk for a firm of chartered accountants gaining experience and promotions through employment at several accountancy practices and businesses.

In 1982 I started my own accountancy practice which continues to this day, although I now operate on a part-time basis. During this time, for several years I was also appointed as financial director and managing director of two retail businesses as well as assisting another business to reduce debtors and streamline its accounts department.

In addition to running my own practice, I spent about ten years managing another accountancy practice as its owner moved towards retirement.

Interests

I seem to have little time for hobbies because I spend much time helping to look after with my grandchildren. I have recently become vice chair of their school parent-teacher association.



Contact details

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John Chapman FFA/FIPA, FFTA

I have been a member of the Institute of Financial Accountants for about 40 years and have been active as former council member as well as my involvement with the local branch.

I run my own practice which I started in 1998. This has continued to grow, helping small and medium-sized businesses. We aim to give understandable business advice as well as undertaking the compliance work that clients require.

I am always willing to help local Institute members if they require assistance.



Contact details

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Welcome to Fellows

The IFA is pleased to welcome more than 90 Members as Fellows.

Being a Fellow is the highest level of membership attainable within the IFA. It enhances your credentials and demonstrates your commitment to the profession. When you become a Fellow you will benefit from:

- Dual membership designations for the IFA and IPA – FFA/FIPA.
- Fellow certificates from both the IFA and IPA.
- Increased recognition locally and globally.
- Standing out in a competitive market.

Congratulations to the following who have achieved Fellow membership.

Mr Kenneth Adamson FFA FIPA
Mr Paul Alder FFA FIPA
Mr Christopher Anscombe FFA FIPA
Mr Christopher Arkeell FFA FIPA
Mrs Geraldine Baird FFA FIPA
Mr Donald Barraclough FFA FFTA
Mr Gordon Batchelor FFA FIPA
Ms Jacqueline Bligh FFA FIPA
Mr Sergei Bogrov FFA FIPA
Mr Kevin Bowditch FFA FIPA
Mr Nicholas Brook FFA FIPA
Mr Anthony Brown FFA FIPA
Mr Paul Bryan FFA FIPA
Mr Robert Campbell FFA FIPA
Mr Andrew Chappell FFA FIPA
Miss Tracey Clare FFA FIPA
Mr Roger Cogan FFA FIPA
Mr Robert Comer FFA FIPA
Mr Douglas Cosbert FFA FIPA
Mr Christopher Cottee FFA FIPA
Mr Thomas Crosbie FFA FIPA
Mr Nigel Cummins FFA FIPA
Mr Nicholas Ditton FFA FIPA

Mr Richard Edwards FFA FIPA
Mr Michael Eracleous FFA FIPA
Mrs Michelle Francis-McDonald FFA FIPA
Miss Nina Gallagher FFA FIPA
Mr Sorin Gheorghiu FFA FIPA
Mr Zeeshan Haryani FFA FIPA
Mr Glyn Hoyle FFA FIPA
Miss Barbara Hunter FFA FIPA
Mr David Ingram FFA FIPA
Mr Paul Kelland FFA FIPA
Mr Robin Lake FFA FIPA
Mr Darren Laker FFA FIPA
Mr Ian Larmont FFA FIPA
Mrs Sarah Lebar FFA FIPA
Mr Alasdair MacLean FFA FIPA
Mrs Shirley Mallett FFA FIPA
Mrs Louise Manning FFA FIPA
Mr Christopher Marlow FFA FIPA
Mrs Christine Marshall FFA FIPA
Mr Adrian Martin FFA FIPA
Mr Craig Mill FFA FIPA
Mr Alan Mitchell FFA FIPA
Mr Andrew Morris FFA FIPA
Mr Patrick Murray FFA FIPA
Mr Ian Nicholls FFA FIPA
Mr Michael Norton FFA FIPA

Mr Laurence Oliver FFA FIPA
Mr Narendra Patel FFA FIPA
Mr Yogesh Patel FFA FIPA
Mr Terry Peachman FFA FIPA
Mr Geoffrey Peck FFA FIPA
Mr Daniel Perrin FFA FIPA
Mr Tubraiz Pervaiz FFA FIPA
Mr Martin Plank FFA FIPA
Mr Philip Press FFA FIPA
Mrs Linda Pryce FFA FIPA
Mr Paul Raven FFA FIPA
Mr Steve Rayner FFA FIPA
Mr Gordon Reilly FFA FIPA
Mr Andrew Richardson FFA FIPA
Mr Craig Ridge FFA FIPA
Mr David Roberts FFA FIPA
Mr Martin Sans FFA FIPA
Mrs Caroline Scoles FFA FIPA
Mr Premkumar Selvaratnam FFA FIPA
Mr Peter Sewell FFA FIPA
Mr Dee Shah FFA FIPA
Mr Mohsen Shahi FFA FIPA
Mr Faisal Sheikh FFA FIPA
Ms Susan Smith FFA FIPA
Mr Martin Tapley FFA FIPA
Mrs Elizabeth Tapley FFA FIPA
Mr Stephen Thomas FFA FIPA
Mr Peter Tucker FFA FIPA
Mr Stuart Whitehouse FFA FIPA
Mr Nigel Woodhouse FFA FIPA
Mr Keith Yates FFA FIPA
Mr Alan Yerrell FFA FIPA
Mrs Julia Young FFA FIPA

To find out more on how to upgrade your membership visit:
www.ifa.org.uk/upgrade



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