



Letter to: Peter Owen

Copies to:

P. Wyman
M. Ede
J. Malthouse
E. Kench
A. Slater
S. Field

5 November 2002

Dear Peter

Joint Meeting PSD/GPP/SPA on 28 October 2002

It seems worth summarising the key points and subsequent analysis arising from our meeting to assist understanding and acceptance later on. I have attempted to order and number these points as they come into play within this process – not in order of significance.

1. Firstly on behalf of SPA and our 1300 plus member practices, I welcome the opportunity to discuss ongoing development of the scheme with GPP and PSD representatives. Hopefully our proposals for improving the scheme can be embodied rather than deflected

2. At the outset of our joint meeting I stated there was considerable debate at Council's October meeting whether such a scheme should be extended to all Chartered Accountants, i.e. including those in commerce or elsewhere. You indicated that an announcement would be made before June 2003 to the effect that this scheme was to be so extended. In our view the actuality and timing of such an announcement would have a profound effect on any vote amongst all the Institute's membership – please confirm our understanding of your intent is correct.

3. The original words agreed at the first meeting last January to describe the objectives of the scheme were:

- To maintain and enhance the standards of members in practice
Please do not patronise us by 'sugaring the pill' with repeated (and repeatedly rejected by SPA) added 'objectives' which both your and our survey show to be unattainable, namely:
- That it will raise the profile of members, and differentiate our work and standards from the unqualified and unregulated competition
- That it will create a competitive advantage to member firms, through a promotional campaign around the scheme

These are not selling points and are both infuriating and alienating small practitioners.

4. From ongoing daily correspondence and conversations it is clear that many members remain opposed to the perceived intrusive nature of such regulation - you have their full attention and, if the scheme is seen to be forced on them, there is high probability that hundreds – if not thousands – will walk away from our Institute.

5. A surprising omission in the research programme is that no evidence is being collected directly from visits to sole or small practitioner practices – and despite such an invitation being made to the PSD; closing the gap between PSD perception and the reality of a small practice becomes harder to achieve.

6. It will be helpful if you will confirm that inspectors will not be challenging practitioners on actual guidance, advice or figures provided, but will be checking how the provision of such client services is managed, quality controlled, and complies with the established standards. If it is intended that inspectors look at the actual 'results' then this has serious implications in terms of the experience such inspectors should have.

7. Practice Assurance is statedly to be an educative process with 'light touch' regulation, and, to demonstrate this a clear distinction in approach should be made from the application of Auditing Standards - where any breach – irrespective of size and significance - remains a breach; here our Institute has criminalised members with impeccable histories for breaches of no consequence.

The inspectors' 'Terms of Engagement with Practitioners' will need to be clearly understood together with the process of dealing with breaches and any penalties proposed to ensure no inadvertent return to what was an oppressive and damaging 'audit' style regime.

8. Practitioners should believe from the outset that any Practice Assurance scheme is not onerous and may be flexibly applied, thus Practice Assurance should be 'Best Practice' with standards written as 'should' instead of 'must'. This will enable 'not applicable' areas to be identified in small practices.

9. Each practice should perhaps be invited to describe in writing against set criteria how it manages the separate services it provides to clients, for example:

- Acceptance of a new client
- Control of work/services undertaken
- Adherence to deadlines
- Completion of work
- Quality control of work
- Approval of work/services by client
- Staff control
- Related CPE undertaken

It is suggested such a 'map' of each practice could be maintained and updated as a permanent statement of practice and compliance and, in the instances of very small practices, should eliminate the need for separate 'tick box' forms on each client file. It is suggested that it should be acceptable if such a system were computerised.

It is suggested that any inspection should use such a 'Practice Map' to assess quality control and should test this against selected client files.

10. As presently proposed the language of the standards and the annual return cannot be described as friendly. It appears to reflect a highly procedural audit approach and needs 'translating' to make it more 'user friendly' and less dictatorial. 'Must' should be replaced by 'should' wherever possible.

11. Given that there were an acceptable scheme ready to take formally through Council in March 2003, SPA's view is that small practices should be given a 9 month lead in time to prepare their practices – introducing any practice management or other controls or standards as are relevant to them.

12. It is apparent that a significant amount of work and redrafting remains to be completed by March before the scheme can be said to be ready, and the presence of GPP and SPA representatives to review progress at regular intervals would appear to be essential to the success of this process. Please confirm the date of the next meeting which it is suggested should primarily review standards and related research findings.

13. Our general responses to the Draft Standards and Annual Return are attached.

Please do not hesitate to get in touch if you wish SPA to provide any further information or consider other proposed amendments.

Yours sincerely



Peter JD Mitchell
Chairman

General response to Draft Standard and Annual Return

1. Standards

- Draft version number and date should be reflected on documents
- Still reflect unattainable objectives
- Language should reflect 'Best Practice' with 'should' rather than 'must' in standards definitions
- Practicality of all standards being applied to a small practitioner is obviously less than 100%, hence should be applied 'where applicable'
- Practices should be asked to expand/explain where 'not applicable' areas exist within their 'Practice Map'

2. Annual Return

- See suggestion for 'Practice Map' to supplement 'Practice Information'
- 'Should' should replace 'Must'