

# SPA NEWS



..... *Strength in Numbers*

**October 2002**

*Issue 31*

## HIGHLIGHTS

*Practice Assurance  
AGM  
JMU Visits  
Letters*

### **SPA's 7th Annual General Meeting - Friday 29 November 2002**

#### **Is Practice Assurance a Done Deal? One Day That Could Make A World Of Difference!!**

**I**t is said people only attend AGM's when there is something that affects them adversely or they have something to complain about. Well, if the response to our recent survey is anything to go by, there is something that concerns us all - Practice Assurance!

This year our CPE session will be a Discussion Forum on the proposed compulsory whole firm regulation, led by Maurice Ede on behalf of the Professional Standards Directorate who are in charge of ongoing development of Practice Assurance. You may have already attended Road Shows and may not feel the need to be involved again, but the purpose of our Forum is to emphasise concerns and encourage participation to help shape the scheme. This is a unique opportunity for us to speak with one voice direct to our Institute officials on a measure that will have huge impact on our future working environment.

A general question and answer session with our President, Peter Wyman, will follow. Please make every effort to join your colleagues to make certain your views are aired.

A hot buffet lunch will allow time to cool off, and SPA can inform you that several Group Service Providers have accepted our invitation to join us, giving you the opportunity to discuss your practice needs during morning coffee and lunch. The formal AGM will commence at 2.00 pm.

### **Moving On – Your Endorsement of Our Future**

**W**hilst our early years have principally been taken up by internal considerations - building a resilient structure and developing economic support services - it is evident that we are becoming more supportive of our external environment, namely our practice staff, families and clients. It might be said we are collectively developing a trustworthy brand representing the high quality, economic and lasting services that we provide to clients.

Response from our recent survey showed that support for SPA is stronger than ever and, although the long-promised formation of an ICAEW Practice Society is now under discussion, our members demand SPA continue as an independent body to represent sole and small practitioners.

At last year's AGM discussion was initiated on the possibility of offering SPA membership to other professional chartered accountants (ICAI, ICAS, ACCA, CIMA) indeed, several such members have contacted us in the past, but we have been unable to accept them because of the limitations of our Constitution. With this in mind your Steering Committee is recommending that, whilst our initials SPA remain, our name be changed to 'Society of Professional Accountants', and our Constitution and Rules be amended to admit members of these Institutes. A copy of the amended Constitution and Rules is enclosed for your consideration, with amendments marked in bold italics, and a vote is to be taken on these proposals.

This 7th AGM may be very significant in our short, but illustrious, history. Yes, SPA has made a difference - and we want to continue doing so. Please give us your support - complete and return the attendance form as soon as possible (if you have already returned the form from September SPA News you don't need to respond again) – just one day could make a world of difference!!

## New Services Launched this Month

### United Kingdom National Practitioners

Whilst the present community of small practitioners is coming to terms with email and websites, it is evident that this means of communication and providing information electronically will be second nature to the next generation – and UKNP (which is 25% owned by SPA) is here to help fulfil that role.

On offer is free membership for the first year giving free access to a range of web based business information services plus economic telephone CPE lectures and technical enquiry services.

UKNP is led by SPA member Chris Thomas – author of last month's article on whether DPB registration is required for investment business. All you need do to sample this service is complete and return the enclosed short application form to obtain your access code - it must be worth a try!

If this phased launch is successful further planned services will come on line to strengthen our members' market position.

### Our Bespoke Equity Release Scheme Arrives

The benefits and flexibility of this scheme, managed by Northern Rock, bear repeating:

- release of funds is related to age – once over 60!
- interest rolls up and is repaid with sum borrowed when property ultimately sold
  - either at base rate + 2% (currently 6%)
  - or 'fixed for life' at 7.5%
- no restriction on use of funds
- no application fee – normally £150 – to pay
- no responsibility should negative equity occur
- provides opportunity for IHT planning, residential home care and other funding needs

With property values generally very high, many of us and our clients will attract IHT on our estates, and this scheme, together with IHT planning, is a compelling reason to review our own and our clients' circumstances for those who might benefit.

Our brokers for this plan are Financial Management who recently designed our successful Stakeholder Pension scheme. If you would like full details please contact Phil Harper or Colin Brown on 01494 485820.

## SPA PII Scheme in Good Shape

Your Chairman met the Norwich Union underwriter at the SBJ Stephenson offices last month to discuss our scheme. Overall very encouraging progress has been made – and our scheme remains the best value for money in the market. Some useful pointers emerged against a market background of



huge claims at the top end and a reduced number of organisations providing underwriting, to the future:

- Tax Issues still head claims table
- Some claims have been paid only because members do not keep adequate records of client instructions or decisions, also where members 'dabble' in areas of insufficient knowledge or understanding' leading to poor advice!
- A general increase of no more than 20% expected in 2003
- Premiums will also generally increase pro rata to any increase in your annual fee income
- Maximum age for new entrants to our scheme is 62 (60 elsewhere) – best to stay with your existing scheme if this age reached
- No maximum age once you are in the SPA scheme
- Regrettably a very few members are ineligible as elements of their practice work fall outside the scheme's parameters – and all work must be covered – no exceptions
- The scheme's parameters - and premiums - are based on our profile of low risk work, but exclude high risk areas:
  - Practices with a high element of financial services work
  - Practices carrying out work anywhere other than in the UK jurisdiction
- Although the vast majority of clients never give cause for concern the Underwriters expect us to undertake risk management in respect of any whose background or activities are 'unclear'
- A bi-annual PII Newsletter is to start this autumn

In conclusion, Norwich Union look forward to continuing and developing their long-term relationship with us. Please contact the Office if you still haven't got a quote for your practice.

## **Why You Need to Prepare for a JMU Visit – An article from Steven Everett, our Retained Regulatory Consultant**

**F**irms are still being caught out by JMU visits, leading to avoidable time, trouble and expense.

Reading the SPA Helpsheet is strongly recommended. This will help firms identify “risky” clients and other areas to address. They can then review and make sure that their audit files are fully up to scratch. For example, charities and small flat management companies that require an audit can cause problems. These audits are often performed for no or low fees but sometimes with correspondingly less recording of audit work on the files.

If the clients require a report from a Registered Auditor, then do not forget that the full Audit Regulations and Standards apply.

Another issue to check is that any undertakings previously given following JMU visits have been fully implemented and can be demonstrated to the Inspector. It can be a good investment of time to follow the Helpsheet and seek further help if you still feel you need it.

A pre JMU visit by an external reviewer can be of maximum help at this time. It gives an independent and objective view and if timed properly will allow time to put any changes that might be needed into effect.

The purpose of such reviews is to help the practitioner identify any weaknesses and then remedy his procedures. An external reviewer can give an objective view of the risks faced by a practice and can offer advice as to the best ways of mitigating them. This objective approach can be very useful as the key risks perceived by the practitioner often differ from those seen externally. This is sometimes the cause of JMU visit problems, with the Inspector seeing matters in a different way to the practitioner.

Generally, the JMU visits firms where it perceives that there are above average risks. For smaller practices, these can be fairly easily foreseen. Examples are: public interest clients; regulated clients, large numbers of audits per practitioner; "high risk" types of client audits and reliance on sub contractors. The Annual Return is the means by which the JMU finds out about the practice's risk profile. The practitioner should therefore look at these as though he were the JMU. By doing this, an appreciation of the likelihood and nature of a visit can be obtained.

Remember, prevention is better than cure. Get a cold file review before the JMU notifies you of a visit.

## **Council's Review of Practice Assurance Development**

**T**he October meeting held a public discussion on progress of this scheme, with both your Chairman and John Malthouse (General Practitioner Panel) echoing similar concerns!

Most significantly a stronger member presence was sought in the development process and this has been accepted with representatives from both SPA and GPP now set to meet with PSD officials.

In this manner it is hoped to get a grip on what has so far appeared as an insensitive and ill-fitting process. Watch this space!

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## **A Proposed Practice Society – tabled by John Malthouse**

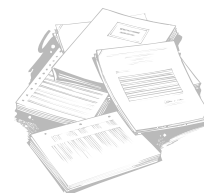
**T**he same Council meeting endorsed the request that this proceed to the consultation stage. A survey may be anticipated seeking support for this subscription based support group, with further consideration on its formation given in spring 2003.

As SPA's earlier invitation to provide access for potential PS members to our Group Schemes had been declined, your Chairman commented that this separate development would ensure SPA maintains a parallel rather than converging path to our Institute, and that should a PS come about no doubt we would find a method to co-exist.

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## **Flyers**

**I**n September SPA News we reminded you of the software offered by Group Service Provider **Cashflow Manager** and the discounts available to SPA members. Their flyer is enclosed with this Newsletter to give you more information and highlight their offer of free on-site staff training. Just fill in the reply slip or phone them on 01376 509102



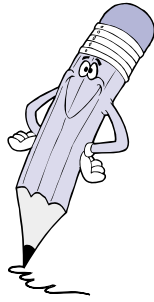
## **Formations Direct – The Company You Keep!**

Enclosed is a flyer reminding you of the economic and efficient service offered by one of our earliest and most used service providers. Nothing but praise has been heard from members for the support they give – and remember, if you form 8 companies within 2 years, the 9th is FREE, even at their low prices!

## **Autumn Recruitment Campaign**

Letters are on their way to our uncommitted ICAEW small practitioner colleagues reminding them of SPA's membership benefits. We use the Institute's database for this purpose and, should you inadvertently receive a copy, please forgive us – the system ain't perfect!

## LETTERS



Dear Sir

### **In a Spin!**

Thank you for sending me the initial details of this year's AGM (SPA News September 02).

Prior to reading the cover article I had intended attending the AGM, but now that I see the good works and research carried out by SPA is being ignored by the spin doctors at Moorgate Place I do not intend wasting my time.

Unfortunately it increasingly appears that the final decision regarding Practice Assurance has already been made, probably even before it was considered by those few members of our 'beloved' Council who bothered to attend the December meeting.

I for one will not countenance intrusion into my business by the paid lackeys of the Institute who are bound to seek fault to justify their mere existence.....For the best part of 30 years I have been in practice, most of the time as a sole practitioner, I have never fallen foul of any serious complaint from either clients or the bureaucratic machine, so why should my business practices now become open to criticism from a team of grey suits? Especially when I will be paying for that 'privilege' through my recently increased subscription. Unless the ICAEW materially alters its stance regarding the small practitioner I will be resigning before the year is out. Sadly this will also force my resignation from SPA because I will no longer be eligible for membership.....if you ever feel an alternative body of professional accountants is called for, then I for one will be happy to join and to pay a full subscription.

KH

*Editor*

*Unusually for me in this section I would like to make several points to our writer:*

- 1. We can't force anyone to come to the AGM, we can only stress how important it is to get as many SPA members together to show the strength of feeling on this issue – there really is 'strength in numbers'*
- 2. The final decision has not been taken. It is still on Council's agenda and you should be lobbying your local Council Member to make sure he/she is aware of your views – and represents them to Council*
- 3. You won't be paying through your annual subscription – there will be a separate annual charge of £275!*
- 4. If you read the proposed amendments to our Constitution & Rules (enclosed with the AGM papers*

*with this Newsletter) you will see that, should you resign from ICAEW, far from having to resign from SPA you will be most welcome to continue your membership with us.*

*5. Please come along on 29 November – it is so important that we keep the pressure up*

Dear Sir

### **Practice Assurance – more spin!**

.....The extremely biased spin placed on the Institute's questionnaire response is worrying and merely attempting to justify the continued pursuit of the scheme.....The position is now clear – everything an ICAEW member does will have the same regulation as audit work, yet the non-member will have no regulation and as a consequence, significantly lower costs, thereby making members' fees for work currently unregulated wholly uncompetitive.

Can SPA enclose a pro forma letter in the next SPA News for members to send direct to ICAEW expressing the view that the present proposals should be immediately abandoned, since they are unreasonable, will fail to achieve the desired objectives and will merely serve to increase the unregulated accountants.....?

Such a letter, if unambiguously worded, may prevent the Institute from putting an in-favour spin on a totally against representation. Of course anyone not sharing the view that the Practice Assurance proposals should be abandoned can merely throw the letter in the bin, albeit that would be an action akin to the turkeys voting for Christmas!

GP

*Editor*

*I can only repeat most of my comments above – Come to our AGM and express your views in person.*

**Your Steering Committee asks you to consider very carefully attending this year's AGM on Friday 29 November at Stonebridge Golf & Conference Centre, Birmingham. Your opinions matter to us and our Institute should hear them.**