



NEWS

The Newsletter of The Society of Professional Accountants

..... *Strength in Numbers*

March 2003

Issue 33

HIGHLIGHTS

PA Revised Proposals

SPA Telecom

2000 Registrations

SPA Member Certificates

5th Golf Day - 6th June 03

BUPA

Thank you to all our PMI members who returned their new standing orders and January top-up cheques promptly. It has been a great help to the admin. team especially at such a busy time of year!

You will have received new travel documents for 2003 recently and SPA would like to confirm that this covers both business and leisure travel under our group scheme.

Practice Assurance - Council Accepts Revised Proposals

In his address to Council on 5 February, Peter Mitchell emphasised the significant progress made jointly with GPP and PSD since October 2002 in re-shaping proposals towards achievable and more acceptable 'Best Standards'. Given that further time was provided to complete the task a suitably polished and professional scheme should emerge.

Peter commented that the purpose of Practice Assurance was stated as 'maintaining and enhancing public confidence' which was not an issue to smaller practitioners, but was for our members in business holding key financial positions in plcs or similar bodies, and where to get it wrong potentially affected thousands of employees, pensioners and shareholders.

He argued that unless these business members were also included in our Institute's PA scheme much would be written but little practically achieved where it mattered most.

After a wide ranging debate Council voted almost unanimously to note progress made, approve the PA scheme in principal and target the 2004 AGM at which members would be asked to adopt the scheme.

This decision provides the necessary timescale to finalise considerable remaining detail, test out and refine Standards and Annual Returns, and enable practitioners to gain confidence in what is now proposed – a fundamentally different and flexible scheme. Further meetings with the PSD are scheduled and progress will be reported.

3rd Inter-firm Comparison

With many new members joining since our last exercise in 2001 we have asked KATO to run a further inter-firm comparison, allowing you to benchmark your firm's performance against similar sized practices throughout the country and help answer important questions:

- How does my practice management measure up?
- Could my profitability and performance be improved?
- What areas of development are other firms exploring?

The fee remains at £50 (+VAT).

The information you provide will be completely confidential with your practice allocated a unique identification code. Please complete the 'Answerback' at the end of this Newsletter and return to SPA with your cheque and a questionnaire will be sent to you. This should be returned to KATO by the end of April so that data can be processed for publishing of results by the end of June 2003. **RSVP**

New Group Service - SPA Telecom

Following an earlier survey on alternative telecom provision, SPA has been in negotiations with Metro Business Solutions to provide an exclusive service to SPA members giving substantial savings on telephone call costs. The carrier is Energis and switching is programmed via your local BT exchange, hence no need for access to your premises or additional equipment to be installed. (Peter has transferred his personal line to test the service, with no noticeable disruption!). If there is sufficient interest in this new service SPA may consider extending the offer to include your home line and possibly your clients.

The SPA tariff and an application form are enclosed with this Newsletter for completion and return to our Office to take up this attractive offer. If you require any further information call Daphne on 01494 864414.



Official Recognition for SPA Members...

For some time we have considered issuing SPA Members with membership certificates and, following our change of name at the November AGM 2002, we are pleased to enclose your personalised certificate for displaying prominently! Now nobody should forget their membership number!



... and Special Recognition for Nigel Reynolds - Registration No. 2000

Nigel, a Chartered Accountant aged 51, is a sole practitioner. He started his practice 10 years ago. Prior to that, his career included working as chief accountant for Clarksons the world's largest shipbrokers and working as a "big ticket" lease broker.

Nigel is a co founder of the Highams Park Town Group and he is a member of the Council of South Essex Society of Chartered Accountants.

Referring to Mark Spofforth's recent Institute publication "The Profitable and Sustainable Practice", he described his practice as enterprising. Reynolds & Company has six staff, all of whom Nigel says are excellent and thankfully staff turnover is minimal. The firm's clients range from self-employed tradesmen to medium-sized companies.

Nigel is a pillar of the local community being a school governor of Highams Park School and a Past Captain of Royal Epping Forest Golf Club.



To celebrate this latest SPA milestone, your Chairman Peter Mitchell, Vice Chairman Michael Hoy (pictured here with Nigel) and the always overworked Daphne took Nigel out to dinner – and enjoyed a very pleasant evening.

Editor

We won't tell you that Peter vandalised the train at Marylebone Station making it nearly 20 minutes late leaving!!

Swinging into the New Year ...

With our invitation to all members to join us for our fifth annual golf day at Harewood Downs. We have provisionally booked Friday 6 June – and with no World Cup this year we do not anticipate any need to change the date!! Nigel Reynolds has already marked the day in his diary and we hope that many of SPA's new members will come along and join our regulars for an informal and friendly day in pleasant countryside with prizes for all. Put the day in your diary NOW. A booking form will be in the April Newsletter.



Audit Regime Getting Tougher - Get a Check Up

Whilst the DTI consider the impact on the financial community of audits 'lost' between £350K and £1m before implementing the European level of £4.8m (see later item) our regulators are coming down heavily on minor breaches - imposing mandatory fines alongside restrictions on continuing audit work – such as 100% hot file reviews and follow-up JMU visits at your cost. Steve Everett, retained SPA compliance consultant, reports that faults found in the Annual JMU Return are being dealt with severely. Particular areas of concern noted by JMU Inspectors include:

- CPE not recorded accurately
- Files not completed accurately

All this can be avoided – so take the right steps at the right time! Remember, don't wait for your JMU visit – be prepared, get a monitoring check-up first.

Power of Attorney - Do You Need One?

Our recent survey noted only a low percentage of us have Power of Attorney - but a real need for one arose recently in a two-partner practice, where the very junior partner took advantage of the managing partner's absence through illness to waltz off with half the clients! With no signed partnership agreement a very difficult position arose for the senior partner's wife who, despite being the practice administrator for 20 years, found herself totally unable to act to defend her sick husband. Think about it – just one good reason amongst many why you may benefit from having a Power of Attorney in place.

Good Old Gordon!

The need for many non-profit making organisations to pay Corporation Tax on any gross deposit interest should largely disappear now that the first £10,000 of any income subject to corporation tax is taxed at 0%. Hopefully this will lead to a concession that such organisations need not file a Corporation Tax Return. A written IRPC note on this is available from the Office.

DTI Review of Audit Threshold Impact

We have been invited to submit a commentary on the impact on our members and their clients of the current threshold of £1m introduced in July 2000. Some questions were posed in our 2002 survey that we will use, but attached is an Answerback which please complete and return so that a fuller response may be prepared.

Our submission will be considered within the ongoing exercise of 'Modernising Company Law' where SPA members remain strongly in favour of raising audit thresholds to the EU maximum of £4.8m. **RSVP**

Escape the Audit Trap

As audit regulation becomes more onerous and the audit threshold appears to be stuck at its present level there is a possible escape route for practitioners and their clients reports Regional Representative Michael Shenker.

This is to use a Limited Liability Company incorporated in the State of Wyoming (USA). Since the company is registered in the USA it is deemed to be a foreign company in the UK and is registered as such at Companies House. Not only is an audit not required but Companies House does not at present apply a penalty regime for late submission of accounts. The only report that would be required is a 'books and records' type of report. All normal UK taxes and reporting requirements are applicable. It is possible for an existing company to 'hive up' its trade to a LLC with no adverse effects.

The cost of a LLC is £495 for set up and first year's maintenance and £270 per annum thereafter. The only filing requirement in Wyoming is a short declaration that the UK agents deal with.

Editor

Contact details will be provided to those wishing to pursue this option.

Bogus Data Protection Registration - Be Aware

For the second year SPA has received a 'Final Demand' from an organisation purporting to be the official Data Protection Agency and demanding a registration fee of £95 or the prospect of a £5,000 fine. They give their address as Summerseat House, 39 Summerseat, Liverpool L3 6HB. **THEY ARE NOT THE DPA.** The official DPA office is in Wilmslow, Cheshire. Daphne contacted our local Trading Standards Office and she has been asked to advise members that, should they receive a demand from this office in Liverpool, it should be forwarded to the investigating officer – Michelle Vaughan, Misleading Advertising Unit, Office of Fair Trading, Fleetbank House, 2-6 Salisbury Square, London EC4Y 8JY. Please send a covering letter on your official headed paper stating who you are and when you received this demand. They are investigating!

Letters

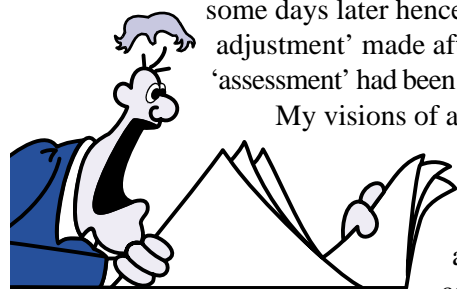


Nearly a Windfall for SPA member!

I have this week received a copy Statement of Account which purported to show that one of my clients must have suddenly become my most wealthy client because his balancing payment due for 2001/02 was £2,476,336,609.00 against which net adjustments from SA Return were £2,476,330,593.48 leaving a net liability of £6015.52!!!

Apparently during capture of the return by the Revenue the client's telephone number had been included in the original calculation!! The mistake only being spotted

some days later hence the 'net adjustment' made after the original 'assessment' had been sent to my client.



My visions of a large fee to advise on this new found wealth vanished almost as quickly as the thought that

one day the Revenue might introduce a system of checks to ensure that such mistakes don't leave their offices!

KJ

Editor

This personal tax liability must be worthy of a place in the Guinness Book of Records!

Just to say 'Thank You'

Dear Daphne & everyone else at SPA

Thank you for this morning's mailing (December 02 Newsletter) – interesting reading! 2003 looks as if it could see some fireworks.

A thought occurred to me when reading through the Seven Year Report that, to step forward and put your neck on the block as figurehead for a ginger group like SPA requires qualities of determination, commitment and courage well beyond my own meagre resources of same. So, as well as the usual thanks to everybody, a particularly respectful bow of the head to Peter for what he has done in getting this organisation to where it is.

(Now if we can only find someone to do the same thing for this poor benighted country of ours!)

Anyway, I greatly appreciate what you all do, and when I compare the value I get out of my £80 pa with the equivalent deal from Moorgate Place, there is no comparison.

NW

Editor

NW is one of our more frequent correspondents and we always enjoy his offerings. Peter has said that he doesn't think he will stand for Parliament just yet – ICAEW Council is quite enough thank you!

Saved from the Gallows!

Dear Mr Mitchell

Further to our earlier telephone conversation and correspondence, I am delighted to confirm to you that the action against me was not only dismissed but I was also awarded full costs.

Please record my gratitude to SPA for the help, support and encouragement which they gave me during the extremely difficult time since I first brought this matter to your attention.

I telephoned the ICAEW for advice and assistance on this matter and was told that they could not get involved, but I should take legal advice. The response from the ICAEW, through its bureaucracy and its quasi civil servants, was to order a JMU visit to be undertaken at my firm, which was due to take place on the basis that it was 'in the public interest'. Again through concerted efforts of SPA and myself, I was able to have the JMU visit cancelled.

I thought a man was deemed to be innocent until proven guilty. Perhaps this does not work with the ICAEW.

DG

Editor

We were very pleased to be of assistance in this problem and delighted to hear of the outcome.