



NEWS

The Newsletter of The Society of Professional Accountants

..... Strength in Numbers

April 2003

Issue 34

HIGHLIGHTS

Working/Child Tax Credits

Money Laundering!

Higher Audit Thresholds

5th Golf Day - 6th June 03

Data Sheets flood in

Many thanks to all members who have responded so promptly to our annual survey 'Keeping Up To Date With our Members' – over 600 responses at the time of going to press. If you have not returned your data sheet yet, please do so urgently. The information is required to update your entry in the 2003 Membership Yearbook which goes to the printer in early May. Remember – the information we supply can only be as accurate as the details you provide.

Proud to be SPA!

Several members have asked if it is appropriate for them to use the initials SPA after their name on headed paper. SPA would be very pleased if members chose to reflect their membership in this way – also you may wish put the SPA logo on your headed paper - this can be emailed to you (or your printer) at no cost – just email the office on mail@spa.org.uk and we will send it by return!

Working or Child Tax Credits – Use 'em or Lose 'em!

The Inland Revenue have provided just three months for clients to register for these tax allowances i.e. by 30 June 2003 – hence urgency on our part to alert our clients affected.

As personal situations may change dramatically before 5 April 2004 it seems prudent to enter a protective claim for any child possibly eligible.

There is an on-line facility and calculator at www.taxcredits.inlandrevenue.gov.uk which checks eligibility based on income to 5 April 02 (any credits paid will be adjusted to actual income to 5 April 03). Potentially if you do not remind clients they could claim against you for missing the deadline and losing them this tax credit.

Money Laundering – Proceeds of Crime Act 2002

This becomes fully implemented from 1 June 2003 and affects us all. We include an article written by Michael Kaye, a solicitor, which you may find shocking – but do not be complacent as this will become, to plagiarise 'Star Trek' – 'Life Jim, but not as we knew it'.

Virtual Reception

Life at the SPA office is gently hectic – mainly responding to the many new members joining us in the past year – and the increasing number of telephone calls we receive. Daphne and Helen are always pleased to speak to members and hopefully answer their queries, but as neither work full time it does mean that the phones are not manned (or womanned!) all the time. SPA has therefore engaged the services of a telephone answering service 'Virtual Reception' and this seems to be working very well. When Daphne took a 'straw poll' of members who had been answered by this service recently not one of them was aware that they had not come through to the Office – we can't ask for better than that!



Anti-Money Laundering Legislation

Professional Lives will be Changed Forever

The Proceeds of Crime Act 2002 comes into full effect on 1 June next. The professional lives of all accountants, solicitors and other professionals will never be the same again. If you have the slightest suspicion of money laundering then it will be a criminal offence if you do not report it. Your obligation to report is triggered even if you have the merest inkling and what's more telling your client that you have done so is of itself, a separate offence.

The legislation not only has teeth but there are both Government and professional directives to actively enforce the legislation. Recently a solicitor was jailed for six months merely for failing to report a suspicion.

There are five basic offences contained within the Act:

1. Concealing, disguising, converting or transferring criminal property.
2. Being concerned in an arrangement facilitating the acquisition, retention or use of criminal property (advising falls into this category).
3. Acquiring, using or having possession of criminal property.

These prime offences carry maximum sentences of 14 years imprisonment.

4. The offence of tipping off (letting someone know that they have been reported).
5. Failing to establish or implement adequate compliance procedures.

The latter two offences carry maximum terms of imprisonment of two years.

It follows that the above offences revolutionise a professional's approach to his client and to the information that comes into his possession and equally affects the advice given to him. Moreover, it is not only the client who is affected. If in the course, for example, of an audit you see material that emanates from a third party that gives rise to suspicion then your obligation to report extends to reporting that third party.

Reports must be made to the NCIS (National Criminal Intelligence Service) on a prescribed form and once a matter has been reported it is frozen – you cannot work on it – until the freeze is removed. Further because of the 'tipping off offence' you cannot tell your client why you are not doing his work!

Having looked at the new offences and considered how they affect your day to day operation it is necessary to look again at the last of the offences, i.e. the offence of failing to establish or implement compliance procedures. There are very detailed provisions. You now have to carry out due diligence on your clients, obtaining copies of passports and utility bills, etc., to establish identity and address, even if you have known them for years. Equal provisions apply to those who in effect control limited companies. Having satisfied yourself on this aspect you must then consider the work that you are undertaking and apply a due diligence test to the commercial sense of the business that you are considering.

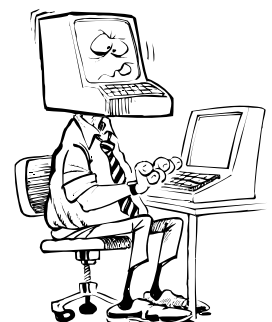
You must appoint a money laundering compliance officer and, bizarrely, if you are a one man band you must appoint yourself! You must have an office anti-money laundering manual setting out your office procedures. If you have assistants, e.g. an audit clerk then it is your obligation to train all of your assistants. Training must be renewed every three years and you must maintain a training record. Failure to train your staff constitutes a separate criminal offence aimed directly at you and carrying a maximum prison sentence of 2 years.

It is realistically impossible to give you the detailed knowledge that you now **MUST** have to comply with your legal and professional obligations and if you will forgive a commercial plug, you will find a flyer with this news letter that promotes a double audio CD lecture on anti-money laundering, giving three hours CPD points and giving details of a newly established web based training system which will enable both you and your staff to comply with training obligations.

This article has been written by Michael Kaye of Kaye Tesler & Co, Solicitors whose flyer is included with this Newsletter. Michael is a senior partner in Kaye Tesler & Co and is an authorised lecturer for CPD by both the Law Society and Bar Council, and has lectured extensively for more than 10 years.

Spring Recruitment

SPA is currently undertaking its bi-annual recruitment campaign towards 'uncommitted' ICAEW members. The software used to de-duplicate entries has been improved, but please forgive us if you do receive an invitation to join again – if the data provided by ICAEW does not match ours exactly the system throws a wobbly and won't recognise you!



We had a good response to our Answerback topic on the effects of raising the audit threshold from £350k to £1m.

Thanks to all those contributing, from which we submitted an article to Accountancy Age (17 April 03 - 'Raised audit threshold benefits accountants')

Beneficial Impact of Higher Audit Thresholds

As part of its contribution to the DTI's programme 'Modernising Company Law' SPA has surveyed its members on three occasions to determine what resistance existed to the proposed adoption of higher audit thresholds. Whilst removal of audit from a widening base of private corporate clients had earlier found favour with small practitioners, higher thresholds had been opposed by those with vested interest in retaining audits who suggested 'problems would arise when seeking finance' and lobbied for the introduction of an 'Independent Professional Review'. However such a report was rejected by the DTI in July 2002 when raising the threshold from £350,000 to £1m, proposing further consultation be undertaken on the impact of this increase before contemplating a move to the EU threshold of £4.8m.

SPA would prefer to see that appointment of a professionally qualified accountant be required of each limited company before commencing trading, to ensure compliance with requirements of Companies House, Inland Revenue and Accountancy Standards, and that this should form part of initial Companies House records.

SPA can now report with a degree of certainty that the impact of the £1m threshold has been beneficial to both practitioners and their clients, namely:

1. within 1500 practices recently surveyed 75% retain their audit registration, indicating a sizeable population of audits or corporate clients remaining between £1m and £4.8m
2. practitioners' time freed up from fewer audits was available to develop other more valuable client services
3. 90% of responding practitioners said their total fee income had not decreased or had gone up, with just 6% reporting a reduction and the balance of 4% in the process of retiring or running down their practices
4. most comments volunteered reiterated the negligible worth of small company audits and urged the introduction of the EU threshold
5. the removal of audits between £350,000 and £1m has provided cost reduction to corporate clients on average of over 10% of their previous annual audit plus accountancy charges
6. the freed up management time previously engaged on audit issues provides greater opportunity for business productivity
7. the incidence of any difficulty arising as a result of such accounts not being audited was a fraction of 1% - one finance company requested an audit and one prospective purchaser of a corporate business sought audit confirmation.
8. no reported difficulties experienced with obtaining bank finance, where invariably personal guarantees are given
9. given the achieved reduction in costs, SPA's research suggests that further annual savings of £85m are available to the small corporate client community if the limit were raised to £4.8m

These findings have reinforced SPA's earlier statements that there was little to be feared from raising audit thresholds, and in fact much to be gained.

Hopefully the DTI will take encouragement from the support practitioners are giving to this reduction in regulation, and move swiftly to introduce the ultimate threshold sought of £4.8m, which will ensure the vast majority of small private owner-managed companies are freed from the burden of audit.

Is the ICAEW Practice Society 'Value for Money'?

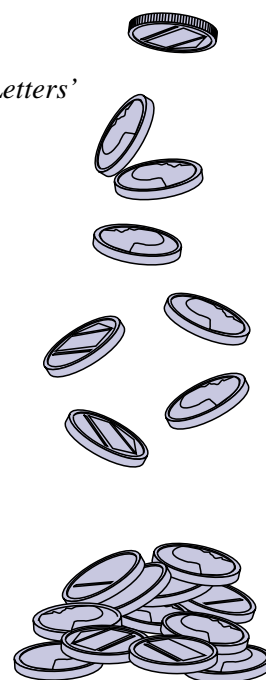
Members receiving information about our Institute's Practice Society have queried if there are any advantages over the group products and services offered by SPA. 'Is it worthwhile me joining them?' is a frequently asked question.

One of SPA's original aims when founded in 1996 was to encourage ICAEW to provide specific support for its many small practitioner members, so we can hardly complain that they have now – after 7 years – seen the value in our suggestion and, as we gave them our blueprint, there are bound to be similarities!

Look carefully at the products and services offered and see if they are 'value for money' to you. SPA has compared its BUPA scheme to their 'Healthnow' offer – see next article. Remember also that SPA is a wholly independent Society whose members have chosen to join like-minded colleagues. You have a direct voice to Council through your Chairman, Peter Mitchell and your views are always canvassed via the Answerbacks that appear regularly in our Newsletters on topics that directly affect your working environment. Then ask yourself – 'Is Practice Society value for money?'

Editor

See also 'Letters'



SPA's Healthy Private Medical Scheme

The new Practice Society offers private medical cover through 'Healthnow' and SPA asked its brokers Roy Pink & Co to compare this with our BUPA scheme. Their results are highlighted below:

'The ICAEW version is not discounted in any way, but is badged to appear as a special arrangement for it's members. Whilst the premiums and the hospital coverage appear competitive, there are a number of restrictions in cover (compared to SPA's BUPA scheme) that need to be considered carefully:

- Outpatient treatment limited to specialist consultations and diagnostic tests only.
- In patient/Daycare treatment limited to only 128 procedures or investigations (most common treatments)
- No Complimentary Medicine e.g. Chiropractic, Physiotherapy
- No radiotherapy/chemotherapy/oncolgy (In or Out Patient)
- No psychiatric cover (In or Out Patient)
- Age related (premiums increase as members get older)
- No private ambulance
- No NHS Cash Benefit
- Parental accommodation for member's child in hospital is not covered.
- No alternative medicine e.g. Homeopathy, Acupuncture
- No home nursing
- No cover for first 90 days so existing PMI plans must remain in force for 3 months.

In conclusion, whilst there are obvious merits for the 'Healthnow' scheme, in particular for younger members, the cover under the SPA Group Scheme is far more comprehensive."

Editor

If any member is thinking of switching cover please feel free to contact Don McGowan or Richard Pink on 01709 828882 to seek guidance

More con-tricks!!

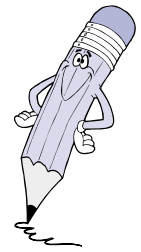
Following our report of bogus Data Protection Agency demands (SPA News March 03) 2 members have advised us that they have also received bogus demands from completely different organisations! It must be something in the water!

The address for the real DPA is as follows:

**Notification Department
Information Commissioner, Wycliffe House,
Water Lane, Wilmslow, Cheshire SK9 5AF**

If you receive a demand from any other office or for more than £35 IT IS A CON – don't pay!!! Please report any bogus demands to the Office of Fair Trading whose address was given in March SPA News.

Letters (and emails)



Hi Daphne & Colleagues

Thanks for the recent mailing (SPA News March 03) and also for the certificate – I am still hoping that this will end up in addition to, rather than instead of, my ICAEW ones – my membership number 14 is now preserved for all time.

Good work by Peter on the Practice Assurance Working Party – huge thanks to him.

Moving on to the biz in hand – I have just had my glossy mailing from John Malthouse. Should I cough up my £60+VAT? Let me think....

The Newsletter. So where is the article on Practice Assurance, the single biggest issue facing the general practitioner at the moment and an issue which, given a) that it is an ICAEW initiative, b) that the Practice Society is an ICAEW poodle (sorry I mean satellite group) and c) that there have been significant developments in Practice Assurance recently, there should be quite a chunky article in there somewhere, shouldn't there? Are they for it or agin it, I wonder!

I suppose it's a good idea, and it's only been 7 years since someone else had it in the first place (and they are only about 100% too half hearted and completely in thrall to the very body they need to be independent from. Looking at those disadvantages I suppose what we really need is something like SPA. Oh, wait a minute, we've already got it!)

I may have more to say on the subject, I can feel my cynicism throbbing away as I type, I must go and lie down for a moment!

NW

Editor

This is obviously from one of our 'fans' but others may choose to differ – such is democracy!

Practice Assurance

I am grateful for the time one of your colleagues spent on the telephone explaining PA. I firmly believe that it is an unnecessary regulation that will do nothing to enhance our Institute or Profession. It seems to me regulation for regulation's sake. Our Practices are individual, they are run by like-minded people but that does not mean they will all have to be the same!

PM