



NEWS

The Newsletter of The Society of Professional Accountants

..... *Strength in Numbers*

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HIGHLIGHTS

SPA Supports Raising Audit Threshold

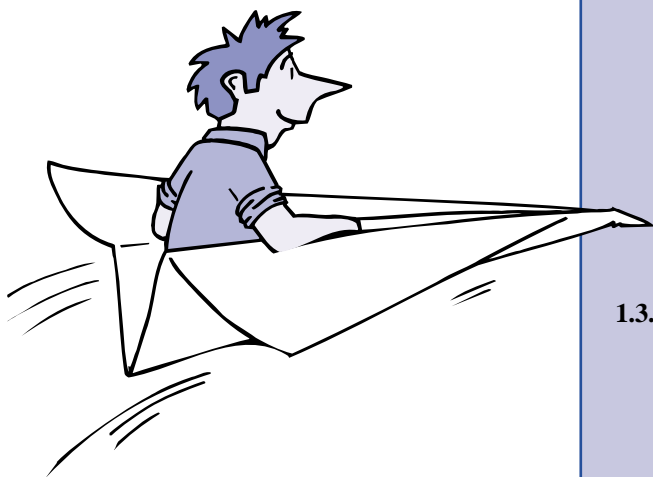
Steering Committee Changes

Practice Assurance Approaches

Website Redevelopment

8th AGM is just around the corner

SPA's 8th AGM will be on Friday 28 November. Replies to date indicate our highest ever AGM attendance. Space is being booked quickly, so if you haven't returned your booking form please do so urgently to avoid disappointment – all 'guest' places have been taken for the morning CPE session on Money Laundering led by solicitor Michael Kaye of Kaye Tesler. Notes on this will be published in December's SPA News.



SPA Supports Raising the Audit Threshold

The DTI is currently considering submissions on the proposal to introduce the European Audit Threshold of £5.6m. Both ICAEW and ACCA prefer to stick at £1m, but CIMA supports the higher level. Below is SPA's Executive Summary, with the full report available from the Office or from our website library at www.spa.org.uk

RAISING THE THRESHOLDS

1. EXECUTIVE SUMMARY

1.1. Benefits Obtained from Raising the Audit Threshold to £1 million

1.1.1. Our research and analysis has determined that the increase to £1 million has been well received by small practitioners and their small corporate clients, with almost no evidence of detriment to third party users of those accounts. It appears that savings in annual accountancy charges approaching £70 million may have been achieved. The proposal to increase the threshold further was also welcomed.

1.2. Adopting the European Audit Threshold of £5.6 million (the 'EAT')

1.2.1. The EAT is set higher than the anticipated level in 1999 of £4.2 million, nevertheless, given the successful outcome of raising the audit threshold to £1 million, SPA suggest there are few persuasive commercial, professional or statutory arguments why the EAT should not be introduced, which would provide estimated opportunity cost savings of approaching £100 million per annum in professional charges together with valuable freed up management time.

1.2.2. As the impact of the EAT will largely affect small practitioners and their corporate clients SPA urges Government to give due weight to their views, which undoubtedly contrast with those expressed by others possibly with vested interests in maintaining the status quo.

1.3. Benefits of Appointing a Professionally Qualified Accountant (PQA)

1.3.1. PQA's act as the custodians of the financial morals of the business community, and SPA suggests that the appointment of a PQA to any small limited company, besides deterring crime, will help ensure compliance with accounting standards, company and taxation law.

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1.3.2. The quality of accounts prepared by a PQA does not vary whether audited or not, and evidence of a PQA's involvement provides comfort to readers, especially financiers and the Inland Revenue. We suggest that such an appointment should be mandatory before a company commences to trade and should form part of Companies House accessible information.

1.4. Impact of Audit Thresholds on Money Laundering and Proceeds of Crime

1.4.1. Government's intentions towards harmonising UK audit thresholds with our European colleagues should not be obscured by the fact that criminal activity will remain whatever level is introduced; corporate criminals in 'small' companies are unlikely to appoint PQA's as accountants or auditors, and their activities may not be discovered for lengthy periods – if at all.

1.4.2. SPA suggests the ease with which a limited company may be formed and commence trading should be reviewed, with more positive vetting introduced to prevent potential crime.

1.5. Impact on the Registered Auditor Population

1.5.1. Raising the audit threshold to the EAT would cause more practitioners to give up their audit registration for economic reasons. However SPA suggests that a number of Registered Auditors then remaining would develop this sector of their practice to offer audit support to other practitioner colleagues retaining only a few audit clients.

1.6. Treatment of Groups

1.6.1. Should the EAT be introduced then SPA agree similar exemptions should continue to be afforded to groups of companies falling within the increased threshold.

1.7. The Thresholds Defining Medium Sized Companies

1.7.1. We support the government's intention to increase the threshold defining medium sized companies to the maximum permissible under EU law. We are unaware of any costs or savings that might arise from the raising of this threshold.

Steering Committee Changes – 8 Years of Loyal Service

After eight years of loyal service two founder members of SPA's Steering Committee are standing down at the AGM. Vice Chairman Michael Hoy, who has provided much support to our Chairman, is to concentrate his efforts on retirement (with as much golf as he can fit in). Michael's wise and good humoured support will be sadly missed but he will stay in touch with the Society and take an active part in our own Golf Day! Michael's contributions during the early years of the Society were crucial to the development into the strong community we share today. We wish Michael a long and happy retirement.

Simon Ripper is also standing down at the end of this term of office to concentrate on the web based services provided by UKNP Limited. During his time he spearheaded the introduction of SPA's website and made a significant contribution to the development of the Society. We wish Simon well with this venture.

All at SPA wish to record grateful thanks to both Michael and Simon for their valued support provided to the Society

... And to fill the gap, it is proposed to strengthen the central team which has remained at 5 since 1996 and, as permitted by our Constitution, 'convert' the 6 Regional Representatives to create a team of Chairman plus 10 Steering Committee members. The workload on your Committee is ever growing; having more hands directly available to tackle individual tasks and obtain wider opinions will consolidate what has been the working practice over the last year or so.



Practice Assurance - Consultation Continues as the Deadline Nears

Whilst the standards have already been 'agreed' with the joint SPA/GPP Working Party as the best we can negotiate, development of the Annual Return has straggled on throughout the summer – with a further meeting date on 18 November. Please review these on www.icaew.co.uk and let us have any constructive comments urgently. Pilot visits by Inspectors are taking place and we hope to see sample reports in the coming weeks. Thereafter there will be a further series of Road Shows and other communication to inform all ICAEW practitioners of the completely reworked proposals - which will hopefully appear reasonable, flexible and economic.

ICAEW remains the only accountancy institute without such a scheme which, if we do not develop one for ourselves, will in all probability be imposed by government. By March 2004 SPA expects to report to members whether we believe the ICAEW scheme is acceptable or not...And then we vote in June 2004!

Audit / Alternate Co-operation Survey - Keep Your Answers Coming!

Thank you to the 300+ Members who have returned this questionnaire. If you haven't replied yet please do so as soon as possible so that we can assess the value of the proposed co-operation scheme. Copy questionnaires can be requested from the Office or downloaded from our website. The early indications are positive – but we need all your replies!



Money Laundering Regulations - Parliamentary Campaign Update

Our thanks to the many members who sent in copies of responses from their MPs; hopefully many more of you have enlightened your MP on our concerns with this law. Whilst no immediate change is likely there may be an opportunity to discuss practicalities with the DTI Project Team being set up to make these regulations work. Latest news on this topic can be found at www.mlts.uklaw.net

Website - Redevelopment of Members Area

The Members' Area of our website has been temporarily downloaded for redevelopment by our web consultant. We hope to have this service up again before the end of the year when it will include such topics as:

- Details of our Group Service Providers, their products/services, discounts available to SPA members plus a hot link to their websites
- Details of the Member to Member services as they appear in the Handbook
- Technical Support area, for example
 - Letters of Engagement
 - Money Laundering Regulation Guidance
- Open Consultations – from SPA and other bodies where we need your input

The Library area has been redefined to provide a section for Press Articles where you can find Chairman Peter Mitchell's monthly 'Adviser' offerings published in *Accountancy Age*.

Editor

If you have any other items which you think would be of benefit to your fellow Members please let us know and we will consider them for inclusion.



Private Medical Insurance

Our PMI scheme is very healthy, covering more than 500 individuals. Naturally there are some policy holders who, for valid reasons, wish to cancel their policy. We must point out that any cancellation must be put in writing to the SPA Office and that this will take effect from the 1st of the month following notification and premiums must be paid in full up to this date.

Our small team of administrators thanks you for your co-operation in this matter.

We hope to advise you in our December Newsletter of premium rates for 2004 which are expected to rise.

Another Scam - Direct Broking of Shares - A Fool and his Money ...

“Officers” sounding wholly professional and situated in the Bahamas or central European cities are ringing business numbers of clients and practitioners to place shares ‘pre launch’ or whose prices ‘are about to sky rocket’, sometimes manipulating a thin market to demonstrate the ‘truth’ in their statements.



Remember, if it sounds too good to be true, it probably is.

Flyers

FD Registrars

Enclosed is a flyer reminding you of the economic and efficient service offered by one of our earliest and most used service providers. High praise has been heard from members for the support they give – including advice on company law – and remember, if you form 8 companies within 2 years the 9th is FREE, but remember to quote your SPA number to qualify for the discount!

Financial Management – Stakeholder Pensions

Our original provider Norwich Union reports that SPA remains the largest affinity group within its Stakeholder Pension scheme, but that to the future they will be concentrating on employers of more than 20 staff.

Financial Management, SPA’s broker, have developed a similar scheme with Standard Life to provide stakeholder schemes to those employers with less than 20 staff and enclose an informative flyer for you to consider. Representatives from Financial Management will be at SPA’s AGM.

Remember all those employing 5 people or more must have a scheme, and with very low management charges plus a low stock market, it may well be a good time to invest!

Letters

Guy Fallows - email

I’ve had an enquiry about a new tax levied on foreign nationals either living or owning property in Spain. If any of you can give me information on this I’d be most grateful. Please contact me by email – guy@fallowsandcompany.co.uk

