



...Strength in Numbers

The SPA Newsletter September 2018

Welcome

to the September 2018 SPA newsletter

The Money Laundering Edition

(See page 4)

SPA News

AGM 2019 - save the date

Next year's AGM will take place at Knebworth House, near Stevenage, Hertfordshire on 12 June 2019.

Another beautiful setting, with excellent facilities and a reasonably priced Novotel Hotel on site.

We look forward to welcoming you.

SPA responds to Kingman Review of FRC

In spite of the 45 (often quite intelligent and challenging) questions posed by Sir John Kingman's review of the FRC and the 6 week deadline SPA has risen to the challenge.

We believe that it was necessary to raise the voice of the smaller practice because we don't believe anyone else will and because the FRC issues the accounting and auditing standards which apply to us and our clients and supervises the disciplinary systems we operate under.

We've included a summary of our response later in this newsletter.

AGM 2018 - Hatfield House

Thanks to all who attended the 2018 AGM in June at Hatfield House and thanks for the kind words received afterwards - you seem to have enjoyed yourselves.

The SPA Steering Committee needs new blood

We need your help to develop the services which SPA offers to its members. Please contact Howard or any of the steering committee, if you would be interested in joining us.





...Strength in Numbers

The SPA Newsletter September 2018

GDPR - Engagement letters - Our suggested wording

Disclaimer: As we are all continuing to feel our way on this, we can make no guarantees that it represents the ultimate answer and do not accept any responsibility for consequences arising from its use.

Now to business

Following on from our GDPR guidance and checklist in the last newsletter, and in the absence of clear guidance from ICAEW, we suggest the following wording as the basis for a paragraph in your engagement letters.

“GDPR

We hold only the personal data that we need in order to provide you with the services you require and to enable us to assist you to meet your legal obligations.

We do not pass your details on to any third party, unless



- ***you specifically ask us to do so***
- ***there is a legal obligation for us to do so or***
- ***to gather information to enable us to carry out our obligations on your behalf.***

We keep personal data for a period of up to 2 years from the date that you cease to be a client or longer where there is a legal obligation to do so.

Partner X acts as the data controller for the firm. If you wish to verify your personal data held by us please contact him/her at the address on this letter. “

Please let us know what you think

We welcome any comments you have on the above so that we can make it as useful as possible.



...Strength in Numbers

The SPA Newsletter September 2018

SPA's response to Kingman

SPA members may question the relevance of FRC to their working lives but we think we need to remember (and included these points in our submission):

- We are all subject to the Financial Reporting and Auditing Standards issued by the FRC
- We are all subject to the Professional Conduct and Disciplinary regimes of our professional bodies which are themselves supervised by the FRC
- We are all hugely embarrassed by the high profile criticisms of the work of the Big 4 and other large firms, which causes reputational damage to the perceived quality of our professional work and are similarly embarrassed by the recent public criticism of the FRC, as criticism of our regulator clearly reflects badly on our professional standing.

Our main points made to the review were:

- The mission, function and purpose of the FRC are all unclear
- The assumption that transparency and integrity in business can be delivered by audit regulation is simplistic and deeply flawed.
- The SME sector is not represented on any of the FRC's boards or other organs (nor is it represented on the Kingman committee)
- There is unfairness in the way larger and smaller firms are treated in disciplinary matters.
- If directors are found to be at fault in the event of a corporate collapse, all directors, not just those with accountancy qualifications, should be subject to the same processes and sanctions.
- It seems probable that audit as currently defined in Company Law is no longer fit for purpose and should be replaced by a process which is more intelligent and forward looking, with commensurate changes to the way it is regulated.
- If independence of whatever body fulfils the FRC's role in the future is paramount, the only way to achieve this is to recognise that it must act for the public benefit and be publicly funded. If it is to be funded by other stakeholders, then it must be accountable to those stakeholders, but this may make the perception of independence impossible to achieve.



...Strength in Numbers

The SPA Newsletter September 2018

Money Laundering Regulations 2017 - what you need to know (and do) By SPA Member Keith Laurence of KL Compliance Solutions Ltd

As we reported in our January newsletter changes happened in the Anti-Money Laundering regime back in June 2017. We believe that there are 4 specific regulations with which all accountants should be familiar, because they have a direct impact on the things you should do - particularly if the QAD comes to call.

SPA member Keith Laurence has summarised them for you.

Risk assessment by firms - Regulation 18.

This is an area of concern for SPA members.

Firms are reminded they must take appropriate steps to identify and assess the risks of money laundering and terrorist financing to which its business is subject.

Risk factors include:

- its customers;
- the countries or geographic areas in which it operates;
- its products or services;
- its transactions; and
- its delivery channels.

In preparing their risk assessment, firms must consider the size and nature of its business and records must be kept of the steps taken in this process.

Policies, controls and procedures - Regulation 19

This is an area of concern for SPA members.

Firms must establish and maintain policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified in any risk assessment undertaken by the firm. These should be reviewed and updated, be proportionate to the size and nature of the firms' business and be approved by the senior or sole partner. All steps taken should be documented.



...Strength in Numbers

The SPA Newsletter September 2018

These policies, controls and procedures must include:

- risk management practices;
- internal controls including the reporting of suspicious transactions;
- customer due diligence;
- record keeping;
- the monitoring and management of compliance with, and the internal communication of, such policies, controls and procedures;
- training

The Nominated Officer (aka MLRO) - Regulation 21

A firm must appoint an individual to be Nominated Officer or Money Laundering Reporting Officer (MLRO). In smaller firms, the sole or senior partner is usually the Nominated Officer or MLRO. This individual is responsible for the firm's compliance with the Regulations. This appointment must be reported to the firm's AML supervisor within 14 days of their appointment

A firm must assess (i) the skills, knowledge and expertise of the individual to carry out their functions effectively; (ii) the conduct and integrity of the individual.

Where a disclosure is made to the nominated officer, that officer must consider it in the light of any relevant information which is available to the relevant person and determine whether it gives rise to knowledge or suspicion or reasonable grounds for knowledge or suspicion that a person is engaged in money laundering or terrorist financing.

A firm must have in place systems which enable it to respond fully and rapidly to any enquiries from its supervisory authority, an accredited financial investigator or law enforcement.

BOOMs and DBS checks - Regulation 26

The question has arisen about whether our members are required to apply for a Standard Disclosure and Barring Service (DBS) check with respect to approvals and prohibitions.

On the question of approvals and prohibitions, the Money Laundering Regulations 2017 offer little guidance save that:



...Strength in Numbers

The SPA Newsletter September 2018

- Beneficial owners, officers or managers of firms (BOOMs) or sole practitioners must have received approval from their supervisory authority;
- The application to the supervisory authority must contain or be accompanied by such information as the supervisory authority may reasonably require;
- The authority must grant approval unless the applicant has been convicted of a criminal offence;
- If an approved person is convicted of a criminal offence, the authority must be informed within 30 days of the firm or sole practitioner being aware of the conviction.

On the question of DBS checks, accountancy firms must apply for standard DBS checks for new appointees as principals in the firm. These checks will disclose all convictions including spent convictions. The convictions most likely to prove that an individual is unsuitable for the role of accountant relate to fraud or financial misconduct.

The guidance from our professional body in respect of DBS checks is unclear in respect of those accountants, who are already approved by their professional body and have been in situ since before the introduction of the DBS.

The SPA is making representations to ICAEW to clarify what is required of our members in respect of DBS requirements. We shall keep you advised.

Are you paying too much for your business insurance?

Business insurance designed for SPA members and tailored specifically to the needs of your business.

3 levels of cover available at competitive rates:

- Office package**
Typical cost: £300 per year
Ideal if you operate from a self contained office and need comprehensive package insurance to cover your contents, computers, revenues, your employees, your public liability and more.
- Business from home**
Typical cost: £150 per year
If you are looking for a comprehensive package insurance cover similar to above but you work from home, then this is for you.
- Professionals**
Typical cost: £100 per year
Insurance for self employed accountants working from home who need public liability and a small amount of business equipment cover.

Call our friendly, professional, team for a no obligation quotation:
Joe Penny on 0208 290 7761 or Tom Cowap on 0208 290 7767

ANTHONY JONES
INSURANCE BROKERS

Arlington

Insurance is provided through Anthony Jones Insurance Broker, an allied business to Arlington Insurance Services. Arlington has been providing Professional Indemnity Insurance to SPA members for a number of years.

Anthony Jones Insurance Brokers, Albany House, 31 London Road, Bromley, Kent BR1 1DG. Anthony Jones Insurance Brokers is the trading name of Anthony Jones (UK) Ltd who are authorised and regulated by the Financial Conduct Authority, registration number 304602.



...Strength in Numbers

The SPA Newsletter September 2018

Audit tips from file reviewer and SPA member Edward Epstein of HAS Ltd.

10+1 Key points to make audits more profitable and compliant

1. Remember

- DOCUMENTATION
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If your Audit work is not documented , the External Reviewer will assume you have not done the work.

2. Use ES-PASE properly.

3. Refer early on in the Audit to the key risk areas.

4. Spend 20% of the budget time on your Audit Planning Memorandum

5. Avoid, when possible, the checklist approach and use free- flow documentation.

6. Use Directional Testing to reduce your audit work.

7. Make use of your client's schedules .

8. Use substantive analytical review.

9. Ensure your going concern review is detailed and covers the period 12 months from the Audit Report date.

10. Put an audit highlight on each of the lead schedules

11. Use the External hot and cold file reviews to improve the quality of your audit files.



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