

Practice Management

Neil Colley

aat



Introduction

Welcome

Practice Promotion and Marketing

*** MORNING BREAK ***

Conduct of Work, Conduct and Compliance

*** LUNCH ***

Conduct of Work, Conduct and Compliance cont.

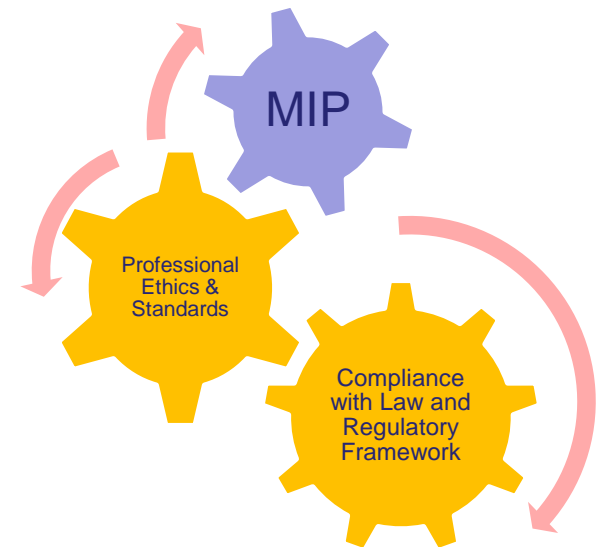
Quality Assurance

Money Laundering Prevention

*** AFTERNOON BREAK ***

Handling Client Monies

Data Security





Introduction

- **Practice Promotion and Marketing - Exercise**
- **Conduct of Work** – Conduct and Compliance
 - Client engagement and disengagement procedures
 - Letters of engagement
 - Fees and commission
 - Quality control of client work (to cover file management, file review, supervision)
 - Managing workload
 - Ownership of books and records
- **Credit Management**



Introduction

Continued

- **Quality Assurance**
 - Helping you prepare for AAT review visit
 - Complaints management
 - Professional Indemnity Insurance
- **Anti Money Laundering** – the essentials
- **Handling Client Monies** - Case Study
- **Data Security**
 - Data protection
 - Data retention and destruction
 - Disaster recover



Practice Promotion and Marketing



Practice Promotion and Marketing

❖ Building an Image

- Specific
- Target Market – “Say what’s on the tin !”
- Graphics

❖ Marketing

- Advertising
- Leaflets

❖ Creating a Website

- Content Management
- Hosting



Practice Promotion and Marketing

Image Perception





Practice Promotion and Marketing



**The
Business
Partnership**

Helping you realise the potential in your Business

Exercise – 20 Minutes



Practice Promotion and Marketing

Scenario

- MIP for 5 years
- Practice currently run on a part time basis from home
- Approved to provide the following services :
 - ✓ **Accountancy**
Bookkeeping, Financial Accounts and preparation, Budgeting and forecasting, Management Accounts, Independent Examination, Forensic Accounting
 - ✓ **Taxation**
VAT, Personal Income Tax, Business Income Tax, Corporation Tax, Capital Gains Tax, Inheritance Tax
 - ✓ **Consultancy**
Business Plans



Practice Promotion and Marketing

Scenario

- Has 11 clients (all small sole traders)
- Annual Fee Income = £6.5K
- Geographical/Economic Considerations - Commercially vibrant local community



Practice Promotion and Marketing



Helping you realise the potential in your Business

Vision: To grow the practice over the next 3-5 years to a self sustaining level

In your groups:

1. Comment on the design of the logo – is this fit for purpose ?
2. How you might develop a marketing and development strategy for the practice?
3. What do you consider the major milestones and hurdles to be ?
4. List a number of initiatives that could be used to grow the practice

[AAT MIP Factsheet - Building an image](#)

[AAT MIP Factsheet - Making the most of the market](#)

[AAT MIP Factsheet - Market share and focus](#)

[AAT MIP Factsheet - Building your own website](#)



Conduct of Work

Conduct and Compliance



Conduct of Work

Conduct and Compliance

- Client engagement and disengagement procedures
- Letters of engagement
- Fees and commission
- Quality control of client work
- Managing workload
- Ownership of books and records



Conduct of Work

Conduct and Compliance

Client Engagement

Pre-Engagement Considerations

- Know your client
- Knowledge of the clients business
- Are you approved to provide this service?
- Understand any ethical issues on engagement
- Transferring information to/from another accountant
- AAT Code of Professional Ethics – avoid conflicts of interest
- Client engagement and disengagement procedures

[AAT MIP Factsheet - Client Engagement Procedures](#)

[AAT MIP Factsheet - Disengagement Letter](#)





Conduct of Work

Conduct and Compliance

Client Engagement

Client Engagement





Conduct of Work

Conduct and Compliance

Client Engagement

Letters of engagement

- Respective Roles & Responsibilities
- Nature of Service
- Fees, Commissions or other benefits
- Anti money laundering legislation
- Client monies
- Ownership of records
- File destruction
- Client relations
- Third parties
- Applicable law
- Limitation of liability
- Agreement of terms

[AAT MIP Sample Letter of Engagement for General Clients](#)
[AAT MIP Letter of Engagement for Charities](#)





Conduct of Work

Conduct and Compliance

Client Engagement

Respective Roles & Responsibilities

Your responsibility for the preparation of accounts require you to:

1. Make available to us, as and when required, all the accounting records and related financial information and make full disclosure to us of all relevant information. The accounts need to be approved by you before we are able to issue our report.
2. Ensure that, to the best of your knowledge and belief, financial information, whether used by the business or for the accounts, is reliable
3. Conduct your business honestly and you have established arrangements designed to deter fraudulent or other dishonest conduct and to detect any that occur.
4. Ensure that the business complies with the laws and regulations applicable to its activities



Conduct of Work

Conduct and Compliance

Client Engagement

Our responsibilities for the preparation of accounts require us to:

1. Compile your annual accounts based on the accounting records [maintained by you] and the information and explanations given to us by you. I shall prepare draft annual accounts for your approval.
2. Advise as to the adequacy of your records for preparation of the annual accounts and make recommendations for improvements which I consider necessary NB. *No responsibility shall be accepted if, as a result of you not taking advice, you incur losses or penalties.*
3. Use reasonable skill and care in the preparation of your accounts but will not be responsible for errors arising from incorrect information supplied by you.
4. Compile accounts as part of my professional duty which conform with generally accepted accounting principles.
5. Report to you any variations hitherto.



Lunch



Conduct of Work

Conduct and Compliance

Continued



Conduct of Work

Conduct and Compliance

Client Engagement

Nature of Service

You should outline the specific services you have agreed with the client. Avoid the temptation to use a single template and ensure that this paragraph is tailored to the individual client.

Note - You may need to refer to this again when defending a claim/complaint.



Conduct of Work

Conduct and Compliance

Client Engagement

Fees and commission

Explain the basis for calculating and charging fees.

- Our fees are computed on the basis of time spent on your affairs and the responsibility and skill involved by the partners and staff of this firm. Our hourly rates are £().
- Unless otherwise agreed, our fees will be charged separately for each main class of work mentioned above and will be billed at appropriate intervals during the course of the year.
- Unless specifically agreed, payment of our invoices is due within 14 days from the date of the invoice.

Conduct of Work Conduct and Compliance Client Engagement

Fees and commission – continued

Alternatively for example

- It is our normal practice to request that clients make arrangements to pay a proportion of their fee on a monthly standing order.
- These standing orders will be applied to fees arising from work agreed in this letter of engagement for the current and ensuing years.
- Once we have been able to assess the amount of work and time involved we would be grateful if you would agree to pay an amount to us on a regular basis.



Conduct of Work

Conduct and Compliance

Client Engagement

Anti Money Laundering legislation

All accountants must comply with the duties imposed by

- Proceeds of Crime Act 2002,
- Terrorism Act 2000
- Money Laundering Regulations 2007 (the Anti Money Laundering Legislation),
- The Bribery Act 2010

Primary purpose are intended to inhibit the activities of terrorists and other criminals by denying them access to technical expertise.



= Conduct of Work

Conduct and Compliance

Client Engagement

Anti Money Laundering legislation - continued

If you fail to perform these duties, there is a risk of imprisonment.

Before you accept your instructions, you may need to obtain

- 'satisfactory evidence' to confirm your identity.
- we may need to obtain evidence confirming the identities of third parties,
- the source of any funds or other property, the purpose of any instructions or any other matter.



You may also need to obtain such evidence after we have begun to act on your instructions.



Conduct of Work

Conduct and Compliance

Client Engagement

Anti Money Laundering - continued

Assume that clients are honest and law abiding. However, if at any time, there appear to be grounds to suspect that your instructions relate to 'criminal property', you are obliged to make a report to the Serious Organised Crime Agency (SOCA)

You are prohibited from telling anyone that you have made a report to SOCA



Conduct of Work

Conduct and Compliance

Client Engagement

Client monies

- From time to time, hold money on your behalf
- Client monies held in trust in a client bank account, which is segregated from the firm's funds.
- Total sum over £2,000 for a period of more than 2 months - placed in an interest-bearing client bank account; interest earned be usually paid gross.
- If there are grounds to suspect monies held in a client account is derived from any criminal activity whatsoever - may not release monies without express permission from SOCA.



Conduct of Work

Conduct and Compliance

Fees and Commissions

Commissions or other benefits

In some circumstances, commissions or other benefits may become payable to us in respect of introductions to other professionals or transactions we arrange for you, in which case you will be notified in writing of the amount, the terms of payment and receipt of any such commissions or benefits.

In any such event you may agree either of the following terms:

a. Any commission received will be paid to you, or;

b. While we are required to account to you for commissions received, you agree that we may retain any such commissions, or;

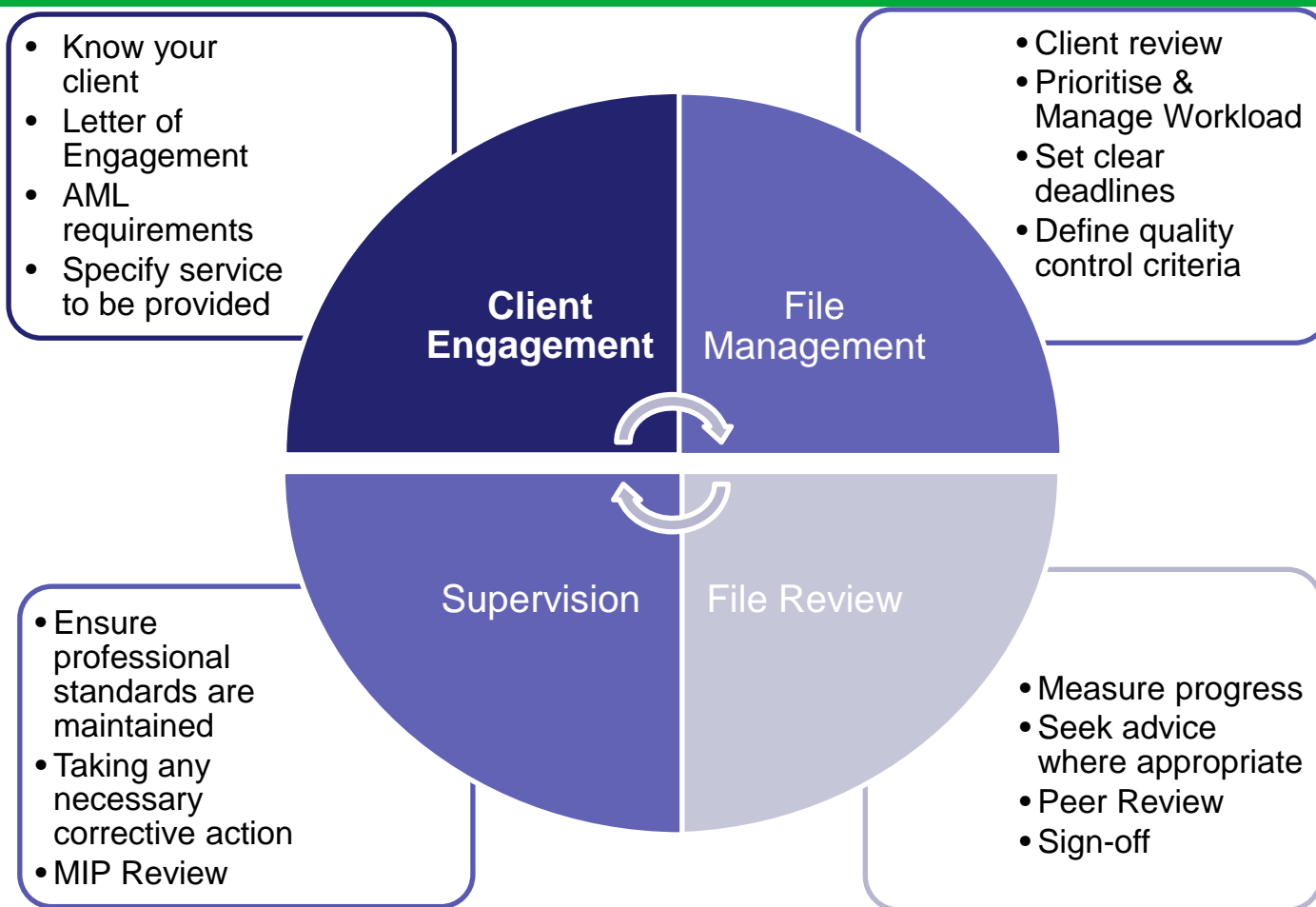
c. Any commission received will be paid to you unless we specifically agree a different basis of accounting for such commissions as appropriate to reflect charges for the relevant services provided by us.



Conduct of Work

Conduct and Compliance

Quality Control





Conduct of Work

Conduct and Compliance

Ownership of Books and Records

The right of Lien

In the event of non-payment of fees for services rendered:

- Reserve the right of **lien** over the books and records in our possession
- You may withhold the documents until such time as payment of invoice is received in full
- In exercising this right, will comply fully with any legal or professional obligations.



Credit Management

£



Credit Management £

A credit management policy should include:

- Clear settlement terms for work completed
- Accounting for payments rendered on account
- When and how to enforce a stop list
- Exercising the right of lien on a clients accounts
- Initiating recovery action (3 stage reminder system)
- Handling disputes (*this may be referenced to a Complaints Policy – see AAT MIP*)
- Formal court action (Incl. the charging of interest on overdue accounts)
- Liquidity Management/Cash flow management
- Financial Sustainability - Provision for Doubtful Debts



Credit Management £

Practical suggestions

- Assertion in letter of engagement that normal business practice requires clients to pay on a monthly standing order
- Always carry out a regular bank reconciliation
- Manage WIP
- Immediately investigate disputes over fees/work completed
- Instigate reminder system immediately upon default



Credit Management £

Practical suggestions

- Financial sustainability – Make adequate provision of doubtful debts
 - Specific Allowance on overdue accounts
 - 0-3 Months overdue = 2% of net exposure *
 - 4-6 Months overdue = 35% of net exposure
 - 6-9 Months overdue = 60% of net exposure
 - 9-12 Months overdue = 80% of net exposure
 - Over 12 months overdue = 100% of net exposure
- * *Net exposure being the amount owed net of any monies held on account*



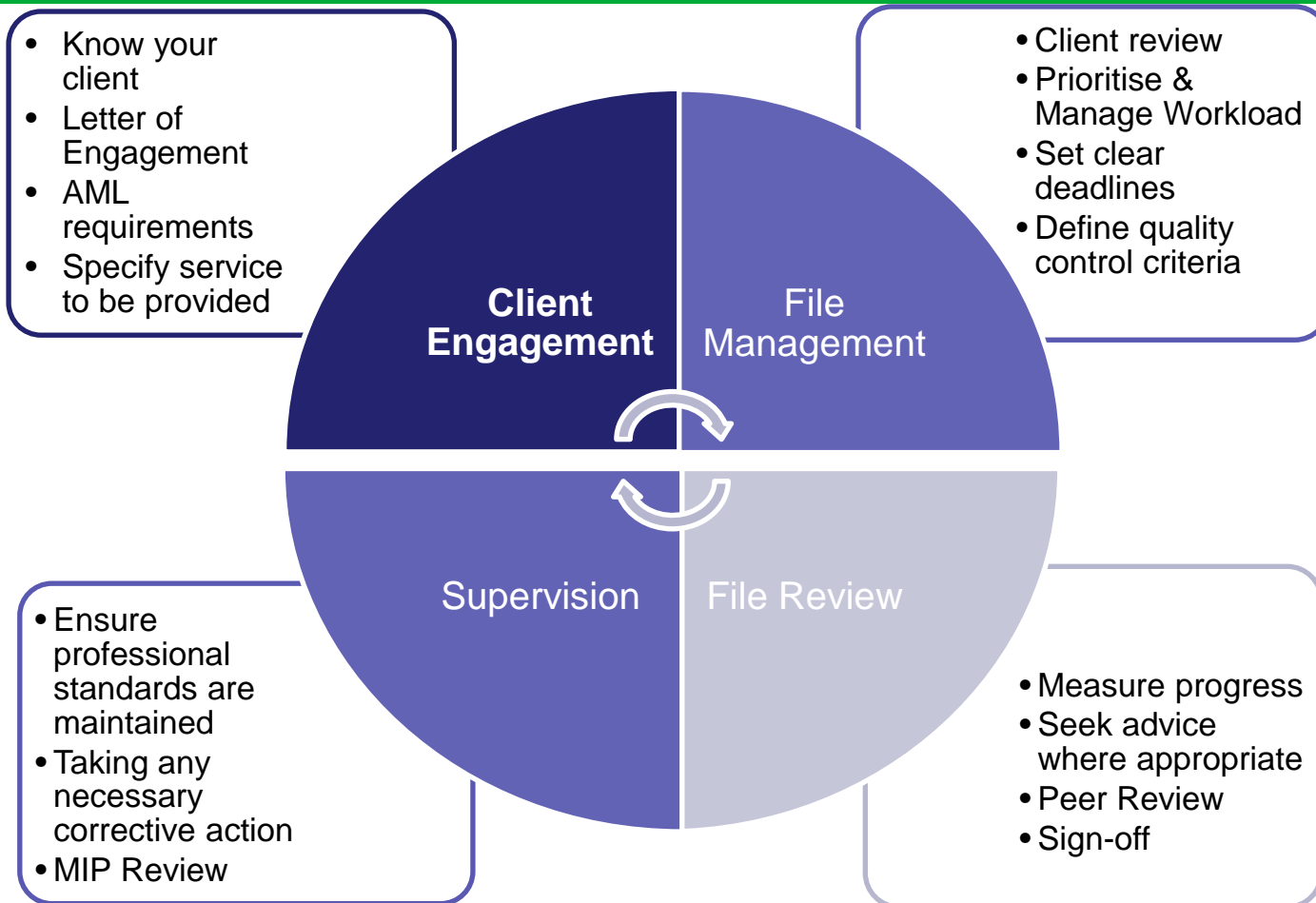
Quality Assurance





Quality Assurance

Quality Control and Assurance





Quality Assurance

Managing workload

- **Prioritisation**
 - Nature of the work
 - Complexity - skills, knowledge and experience required
 - Timescale
- **Client Sustainability**
 - Credit Management arrangement
- **Monitoring arrangements**
 - File Management
 - Supervision
 - Review
- **External Review**



Quality Assurance

Preparing for an AAT Review

Purpose of a review - Review activities are done to understand and support members in practice compliance with the **Code of Professional Ethics, the Regulations for members in practice and the Money Laundering Regulations 2007.**

The review process also ensures that AAT is able to:

- Help and support you to develop your practice and improve performance by adopting appropriate processes and procedures.
- Share best practice recommendations with you
- Assess your practice against the standards expected in the licensed areas.
- Review your anti money laundering procedures.

Selection for review – AAT risk based

[AAT MIP Factsheet - Preparing for an AAT review](#)

[AAT Code of Professional Ethics](#)



Quality Assurance

Preparing for an AAT Review - Continued

Notice of review

AAT will normally give you at least **four weeks' notice** of any review. The notice will include details about the visit including:

- The name of our representatives
- The format of the visit and how long it is expected to last. Although the length of the visit will vary depending on the size and complexities of your practice, we aim to complete most visits in one day.
- It is recognised that a practice visit may lead to some interference with the daily running of your business. In undertaking review activities, we take care to ensure that disruptions to your daily business are kept to a minimum
- An explanation of what will happen after the review.



Quality Assurance

Preparing for an AAT Review - Continued

Carrying out the review

The review will be conducted by an appropriately qualified and experienced AAT representative

Report

- Produced with details of work done, recommendations made and details of next review
- You have the right to comment on findings and action required.

[AAT MIP Factsheet - Preparing for an AAT review](#)

[AAT Code of Professional Ethics](#)



Quality Assurance

Complaints management

Good tips for a complaint handling process

- Have a process in place for receiving and recording complaints.
- Acknowledge complaints promptly.
- Assess the detail of the complaints.
- Action - have a process in place to investigate and action your findings.
- Feedback - ensure you provide the client with written response where appropriate and keep them informed of your investigation.
- Always send a closing letter.

[AAT MIP Factsheet - Complaints Management Factsheet](#)



Quality Assurance

Professional Indemnity Insurance (PII)

- Mandatory for all MIP's
- The minimum level of cover:
 - Individual members in practice including sole traders is the greater of 2.5 times the annual gross fee income or £50,000.
 - Firms, the minimum level of cover is the greater of 2.5 times the firm's annual gross fee income or £100,000.
 - It is your responsibility to arrange appropriate PII cover and you should carefully consider the circumstances of your practice before deciding the level of cover you require.
- Claims best mitigated through
 - Carefully worded letters of engagement
 - Due diligence
 - Good complaints process and mediation

[AAT MIP Factsheet – PII](#)



Anti-Money Laundering



= Anti-Money Laundering

The legislation

The UK Anti-Money Laundering Legislation (AMLL) consists of:

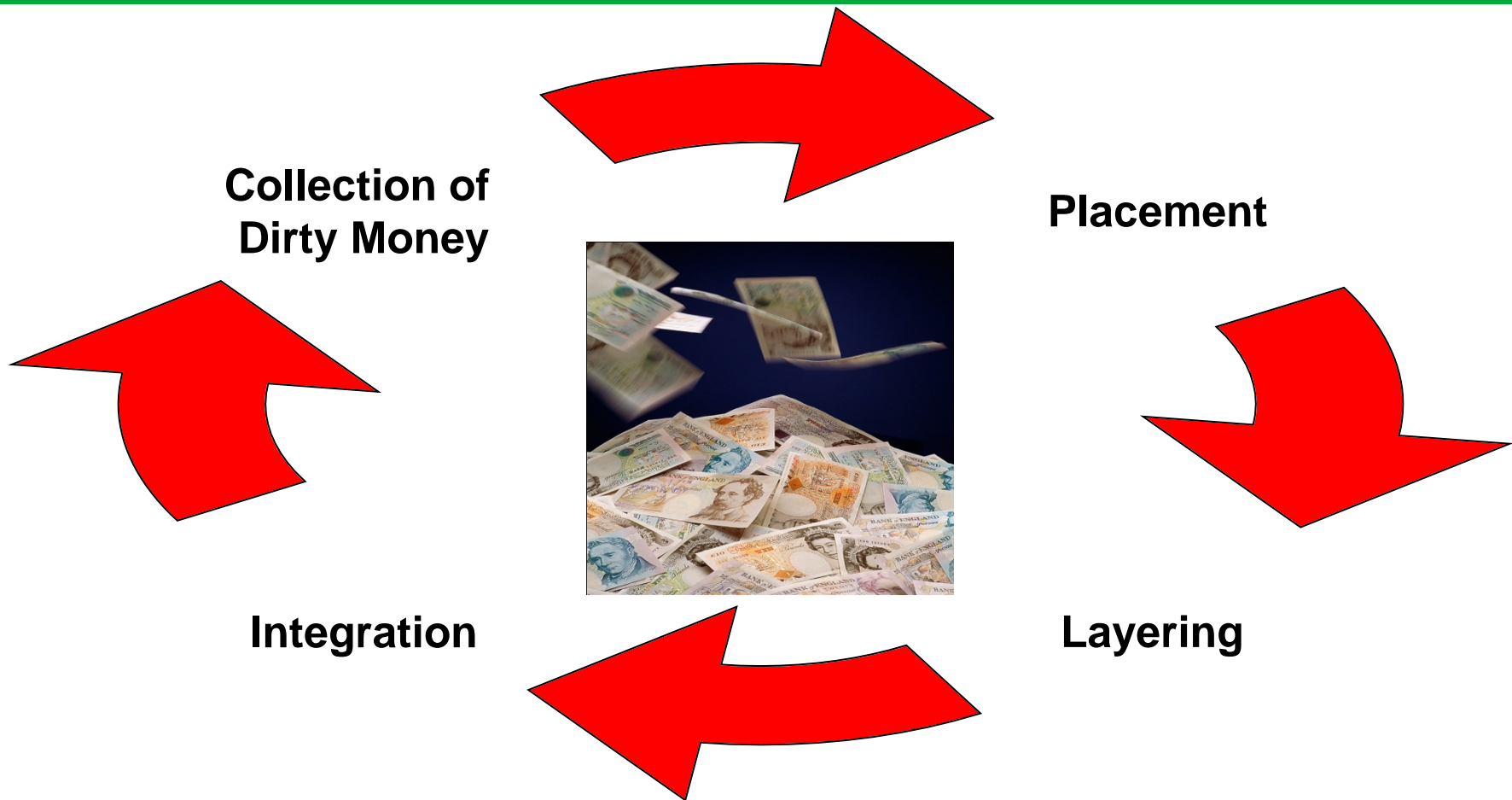
- The Proceeds of Crime Act 2002 (POCA)
- The Terrorism Act 2000 (TA)⁴
- Money Laundering Regulations 2007
- The Bribery Act 2010

‘process by which the true ownership and proceeds of criminal activity are concealed.’

[AAT MIP Factsheet – Money Laundering Supervision](#)

[AAT MIP Factsheet - The Bribery Act](#)

= Anti-Money Laundering



= Anti-Money Laundering

Statutory Responsibilities

- ❖ When you engage another client you must take **reasonable steps** to be satisfied that the person is who they say they are.
- ❖ To do this you must seek **identification** from your client. This means obtaining proof of who they are, where they live and their date of birth.
- ❖ You must **report any suspicions** to the Money Laundering Prevention Officer



Anti-Money Laundering

Identification

One of a government issued photographic ID such as:

- ❖ Valid passport
- ❖ Photographic Driving Licence
- ❖ HM Forces ID Card

Or

two documents – one showing name the other showing address





Anti-Money Laundering

Identification

Or two documents – one showing name the other showing address such as:

- ❖ Non photographic driving licence
- ❖ Bank statement (less than 3 months old)
- ❖ Notice of Tax Coding
- ❖ Letter confirming receipt of benefits
- ❖ Utility Bill (less than 3 months old)
- ❖ Council Tax statement

Check on your practise's identification policies

= Anti-Money Laundering

You should watch out for:

- ❖ Anything unusual from the normal pattern of transactions
- ❖ Reluctance to provide normal documentation required for ID
- ❖ Deposits of large sums of cash that cannot sufficiently explain its origin.
- ❖ Substantial increases in the amount and/or frequency of cash deposits without apparent cause, especially if these changes occur soon after the account is opened.
- ❖ Sudden unexplained expenditure without any explicable source of funds
- ❖ Sudden repayment of loans.

= Anti-Money Laundering

What should I do ?

- ✓ Promote awareness and compliance with AML policies and procedures
- ✓ Provide awareness training
- ✓ Receive internal money laundering reports from staff
- ✓ Make external reports to SOCA as appropriate



Afternoon Tea Break



Handling Client Monies £



Handling Client Monies

Case Study

Upton & Co

1. Upton bought a practice in 2004 and became a MIP of AAT
2. Upton & Co had 60 clients in 2004
3. By 2011 Upton had grown the practice to in excess of 800 clients by 2011
4. In 2011, the practice had a declared profit of approx £250K
5. Upton established the following:
 - A client account to enable clients to pay corporation tax and personal business/income tax through the practice
 - Upton set up an investment arm of his practice which was a managed fund by him on behalf of his investing clients



Handling Client Monies

Case Study

Upton & Co

Things were looking good

Upton amassed personal wealth including acquiring two luxury cars

So what went wrong ? (See Handout)



Handling Client Monies

Case Study

Upton & Co

The story continues

Extravagant lifestyle, the luxury cars, the mistress - see handout

In your groups, discuss and comment upon:

1. How the professional misconduct occurred?
2. What regulations and guidelines had been contravened?
3. What safeguards should have been in place to prevent or mitigate against such?
4. What action should possibly have been taken to prevent further deviant actions?
5. The lessons learned from this case



Data Security



Data Security

Data Protection

The eight Data Protection principles

1. Personal data shall be processed fairly and lawfully and, in particular, shall not be processed unless:
 - a) At least one of the conditions in Schedule 2 is met
 - b) In the case of sensitive personal data, at least one of the conditions in Schedule 3 is also met.
2. Personal data shall be obtained only for one or more specified and lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes.
3. Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which they are processed.
4. Personal data shall be accurate and, where necessary, kept up to date.
5. Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes. .



Data Security

Data Protection









The eight Data Protection principles – continued

6. Personal data shall be processed in accordance with the rights of data subjects under this Act.
7. Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.
8. Personal data shall not be transferred to a country or territory outside the European Economic Area unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data.



Data Security

Data Protection

-  1. Fairly and lawfully processed
-  2. Processed for limited purposes
-  3. Adequate, relevant and not excessive
-  4. Accurate and up to date
-  5. Not kept for longer than is necessary
-  6. Processed in line with clients'/customers' rights
-  7. Secure
-  8. Not transferred to other countries without adequate protection



Data Security

Data Protection

Data Protection Act 1998 – Came into force 1st March 2000

- Most business that process personal information of others in any form by way of business must notify the ICO under the Act.
- The internal accounting exemption

The notification exemption document also explains the internal accounts exemption as restricted to:

- Keeping accounts relating to any business or other activity you carry out
- Deciding whether to accept anyone as a customer or supplier
- Keeping records of purchases, sales or other transactions to ensure that the relevant payments, deliveries or services take place
- Making financial or management forecasts to help you carry out your business or activity.

This exemption will only apply to personal data created in the administration of your own firm and not when you provide accounting services to members of the public by way of business.

[AAT MIP Factsheet - Data Protection Act](#)



Data Security Data Protection

Data Protection Act 1998 – Came into force 1st March 2000 - Continued

- Notification under the Act is not a mandatory requirement under AAT's guidelines
- Members have a general obligation to abide by the fundamental principles contained in the Code of Professional Ethics one of which is that you comply with relevant laws and regulations and avoid any actions that brings the profession into disrepute.



Data Security

Data retention and destruction

- Whilst certain documents may legally belong to your client, unless told otherwise, correspondence and other papers that are held which are more than seven years old will be destroyed
- Other documents which are considered to be of continued significance will be retained.
- Client under an obligation to either request documents to be returned or request specifically that certain documentation be retained.



Data Security

- Data Security Policy
- Use of mobile devices for carrying data – Memory sticks
- Physical security
- Access control – Password protected
- Encrypted data
- Back-up Arrangements
 - Schedule – Daily ?
 - Off Site
 - Test recovery process



Data Security

Business Continuity Planning



[AAT MIP Factsheet - Disaster Recovery Plan Backing Up data](#)



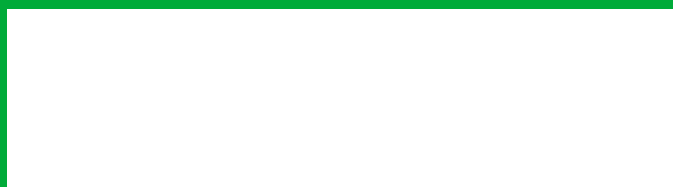
Points of Reference

- [AAT Practice Management toolkit](#)
- [AAT Regulations for MiPs](#)
- [AAT Code of Professional Ethics](#)

= Questions?

= Thank you





aat