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Dear Member

I am writing to let you know about CIPFA's proposal to introduce a Practice Assurance scheme from the beginning of 2008. This letter comes to you because the information that you have provided to us indicates that you may be working "in practice", as defined in the attachment to this letter. Of course, if our information is out of date we'd be glad to be updated.

Why CIPFA should introduce a Practice Assurance scheme

The Institute needs to implement a compliance structure for the new requirements under the Third EU Money Laundering Directive, which will be implemented in UK law at the end of 2007. The Directive will require all accountants who provide professional accountancy services to anybody other than their employers to be regulated, either by an approved professional body, or by HM Revenue and Customs. Failure to register with HMRC is expected to carry stiff penalties.

CIPFA's proposed Practice Assurance scheme is also intended to provide independent assurance that CPFAs who provide accounting and auditing services (other than to their employers) meet prescribed quality standards. The scheme is intended both to regulate this group in order to comply with the new law, and to provide them with protection, should there be a complaint made by a client or other interested party.

The attached scenarios at Annex A will help you to decide whether you will need to register under the scheme. For the avoidance of doubt, the scheme that will take effect in January 2008 is not intended to cover CPFAs who work for the National Audit Agencies, or those who work in a firm that is already subject to Practice Assurance from another CCAB body. Arrangements for CPFAs in either of these situations are being considered separately.

How the scheme will work

Later this year, you will be sent an application form that will ask you to confirm the services that you provide, and other key matters. These will include issues such as holding appropriate Professional Indemnity Insurance (PII) cover, compliance with CPD requirements, and what arrangements you have to ensure continuity of service for your clients. You will be asked to return this in good time for us to make the necessary operational arrangements.

Your acceptance into the scheme will be marked by the issue of a CIPFA Practice Certificate. You will be asked to reconfirm the matters covered by the application form every year, and you should expect to receive at least one compliance visit in each period of 6 years.

AT THE HEART OF
PUBLIC SERVICES 



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There will be an annual Practice Assurance fee, to be agreed by the CIPFA Council, and a one-off Practice Certificate application fee. These fees will be set at a level that does no more than recover the costs involved. The indicative figures for 2008 are an application fee of £100, and an annual scheme membership under £200. These figures compare favourably to the charges applied by the other CCAB bodies.

What needs to happen during 2007

The proposed Practice Assurance scheme should not contain any surprises for most CPFAs who are affected, as it will represent the kinds of good practice that we expect are already in place. Guidance material will be posted on the Institute's website, and a self-assessment check based on this guidance should help to ensure that the application and certification process run smoothly. This online resource will deal not only with the operation of the scheme, but will also involve practical materials, for example on the subject of money laundering avoidance.

Over the next few months, detailed design of the scheme will continue, and we will also be making preparations to take the proposals to the AGM in June for approval. We will be writing to you again between now and the issue of the application forms to keep you updated with key developments.

Of course, if you need clarification of any points, please do make contact. We have set up a special email address (practiceassurance@cipfa.org) for queries, and it would help if you would use this. This will help us to keep a good record, and in due course to create a "Frequently Asked Questions" web page.

Scheme Governance

There will be a Practice Assurance Panel, whose terms of reference will be to monitor the effectiveness of the scheme, and oversee future developments, and also to consider particular issues that emerge in respect of the inspection of individual CPFAs. It is not expected that many individual cases will need to come to the Panel; the experience of other CCAB bodies is that most issues identified at an inspection can be dealt with by means of following advice from the inspector. However, any disagreement that could not be resolved in this way would be referred to the Panel for consideration. The Panel would not itself be part of CIPFA's Disciplinary Scheme. However, failure to comply with the requirements of the Practice Assurance Scheme, and in particular failure to rectify any non-compliance, would be likely to be referred for disciplinary action.

The Panel will of course include members who are holders of Practising Certificates, and invitations for expressions of interest in serving on the Panel will be sent out later in the year.

Yours sincerely



Chief Executive

Practice Assurance Scenarios

Background

Forthcoming Institute bye-laws will require CIPFA members engaged in public practice to hold a Practice Certificate. For the purposes of the bye-laws, public practice will be defined as:

a/ Practising as an accountant (including, for the avoidance of doubt, the provision of financial and financial management, accountancy and audit services, including consulting or training in any of these areas) otherwise than as an employee or;

b/ Being a member who is director of a body corporate or a member of a limited liability partnership **which engages in public practice**.

Members holding Practice Certificates will be required to participate in the Institute's Practice Assurance Scheme.

The following scenarios aim to outline some circumstances where members will, and will not, be required to hold a Practising Certificate. If you believe your own circumstances may require you to hold a Practising Certificate, but the scenarios below do not quite equate to your situation, and you would like some advice, please e-mail the Institute at practiceassurance@cipfa.org.

Scenario 1

AB Consulting Ltd provides internal audit and financial accounting consultancy services to a wide range of public and private sector organisations.

Mr A is the sole director and sole employee of AB Consulting Ltd. As director of a corporate entity engaged in public practice, he will be required to hold a practice certificate.

Scenario 2

Mrs B has recently retired from employment in local authority finance and is now engaged as a self-employed financial trainer to a number of authorities.

As a CIPFA member engaged in activities falling within the definition of public practice, Mrs B will be required to hold a practice certificate.

Scenario 3

Miss C is an associate to a public sector consultancy firm. As an associate, she operates as a self-employed contractor.

As a CIPFA member engaged in activities falling within the definition of public practice, Miss C will be required to hold a practice certificate.

Her colleague, Mr J is also a CIPFA member. He is employed directly by the firm.

As an employee of the company, Mr J is not required to hold a Practice Certificate.

Scenario 4

Mr D has joined together with Mrs E and Mr F (both also CIPFA members) to form a partnership providing a range of finance and audit services.

As CIPFA members engaged in activities falling within the definition of public practice, all three will be required to hold Practice Certificates.

Scenario 5

Mr G is a public sector partner at a Big 4 accountancy firm. The firm is already subject to a Practice Assurance scheme operated by another CCAB accountancy body.

As a partner of a firm engaged in public practice, Mr G will be required to hold a Practice Certificate. However as his firm is registered for Practice Assurance with another CCAB body, Mr D will not be required to participate in the CIPFA Practice Assurance scheme.

Scenario 6

Mr H is a retired member, who acts as auditor to his local cricket club. Mr H receives a small honorarium for his duties.

Mr H will not be required to hold a Practice Certificate.

Scenario 7

Mrs K undertakes a series of temporary/interim appointments via a recruitment agency. She is employed by the agency.

As an employee of the agency, Mrs K will not be required to hold a Practising Certificate.