Think Ahead

Shaping your ACCA

Practitioners focus groups 2018

ACCA's extensive outreach programme has seen views received from over 170 ACCA members in 13 different locations across the UK. These focus groups covered members in public practice, the corporate sector, financial services, internal audit, health and the public sector.

Eleven focus groups were held with members working in practice – in London, Birmingham, Manchester, Leeds, Bristol, Edinburgh, North London, Norwich, Nottingham, Southampton and Swansea.

The purpose of these focus groups is to identify the challenges our members face in public practice and the support that ACCA might be able to provide them as they meet these challenges. These meetings play an important role in helping to shape ACCA strategy, products and services and ACCA is grateful to the members who attend these groups to provide feedback.

The focus groups took place against a backdrop of the implementation of the GDPR and the new anti-money laundering regulations.

Practitioners

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focus groups 2018

Contents

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The local economy

Brexit was mentioned at most locations for the lingering uncertainty that it has brought, its impact on exchange rates and bringing investment into the country – particularly from China. Many businesses are moving forward again despite the impending Brexit because the uncertainty has gone on for so long. There is still concern about the full effect of Brexit and there are some reports of manufacturers losing business.

Sector-wise, construction is the strongest sector in most locations but cautionary notes were being sounded about a possible slowdown. The IT sector continues to grow in many locations, but high street retail is being killed off by business rates and online retail. The leisure and hospitality industry is also struggling heavily with landlords exacerbating the problem through high rents..

Experiences with HMRC including Making Tax Digital (MTD)

There was little discussion about MTD in London this year because of a perception that MTD has been 'kicked into the long grass' for the time being. There is little activity at the moment although software companies want practices to be on board now for when MTD does come into place but they are still testing.

In many other locations, it was felt that HMRC is not ready for MTD. It still cannot manage RTI or 2018 tax returns, with many wrong tax calculations coming out. One attendee is in the pilot for testing MTD and does not feel that it is going well. HMRC's platform does not have the capacity, capability or stability to operate. It will be too much for HMRC's systems to cope if MTD is rolled out to all VAT-registered businesses in a year's time as intended. There will be a huge volume of calls and queries and the system will not physically be able to cope. It should not be rolled out to every VAT registered business in the same week but should instead be optional for existing businesses and only mandatory for new businesses – that would allow for a staggered change.

MTD will cause significant workflow issues for practices – the March year end rush will mean that extra staff are required.

Practitioners do not know what to aim for on MTD because HMRC keeps moving the goalposts.

Some attendees feel that MTD is a means by which HMRC is trying to remove agents from the process or get agents to do HMRC's work without providing any support. 'HMRC mistakenly thinks that the man on the street can do his own taxes'.

MTD will cause significant workflow issues for practices – the March year end rush will mean that extra staff are required, who will then have insufficient work at other times of the year. Clients are unwilling to pay for the extra work required each quarter under MTD and the software companies (and HMRC) have 'misled' the public into thinking that they are capable of doing book-keeping work themselves. The expectation is that for three quarters of the year, clients will make incorrect entries (which the software will accept) and then practitioners will have to spend considerable time correcting the accounts to make the final return of the year. The final return will be very different and cause HMRC to question why there is such a difference to the returns for the other three quarters that year.

Taking that one step further in one location, there was discussion about whether it matters what figures are reported for the first three quarters given that there are no penalties for incorrect figures. Rough estimates could be sent in for the first three quarters with an accountant tidying up the accounts for the final return. When it was suggested that such a practice could result in HMRC querying why the figures for the final quarter are so different from the other three, the response was that HMRC would need an army of staff to be able to investigate such anomalies flagged up by the algorithms.

Practitioners do not know what to aim for on MTD because HMRC keeps moving the goalposts. The advice they have to give clients changes as a consequence and that affects their credibility, with clients thinking that practitioners gave incorrect advice initially. HMRC needs to make a firm decision and then not make any changes for two years. One attendee is not taking MTD seriously until HMRC makes a final decision.

Outside of the big cities, some smaller clients lack computerisation and the skills to move to online accounting software.

Clients do not see MTD as a problem because they believe that VAT returns are the accountant's responsibility.

Some locations focused on HMRC's 'poor' communication about MTD and the lack of information on delivery. One attendee attended HMRC's MTD webinar last year but there has been no further guidance from HMRC since then about the new Government Gateway identifiers that agents supposedly need and which should have been rolled out by now. Agents were supposed to get a better platform for PAYE enquiries but there is no more development on that front now because of the focus on MTD – everything else has been shelved or mothballed whilst HMRC tries to rush MTD out. Clients are frustrated as they do not understand why they have to call HMRC to get PAYE information instead of the agent calling.

Outside of the big cities, some smaller clients lack computerisation and the skills to move to online accounting software. Where is the middle-ware that HMRC promised would enable clients using spread sheets to comply with MTD? None of the software houses seems to be producing it successfully. There is also concern that HMRC is requiring non-computer literate businesses to digitise all their data, but what will HMRC do with these huge volumes of data? How can they benefit from it? HMRC appears to lack the skill sets to carry out its role as it is.

Clients do not see MTD as a problem because they believe that VAT returns are the accountant's responsibility. Business as usual and GDPR are more of a priority so attendees are not paying much attention to MTD at the moment. There have been so many false starts that they have stopped warning clients that they need to prepare for it. They have heard 'horror' stories about agents participating in the pilot scheme so they are happy to leave software houses to sort themselves out before they get involved. MTD will be good for some clients but not others.

43%

DECLINED

17%

IMPROVED

A poll of over 200 practitioners[1] on whether HMRC's performance over the past 12 months had improved, declined or not changed for agents found that 40% felt it had not changed whilst 43% felt it had declined. Only 17% thought it had improved.

Operational issues with HMRC

Operational issues identified include automatic penalties for failing to file by the original deadline that HMRC extended for the non-resident and trust scheme, exclusions from this year's returns, etc. HMRC has systems problems in general – they have undertaken too many projects and are unable to cope.

A client of an attendee client moved from annual returns to quarterly returns and was promptly fined for not filing returns for the past four quarters despite the fact that he was on annual returns at the time and therefore did not need to file quarterly returns.

Inconsistency was the recurring theme of many of the comments made. For example, HMRC can send the bailiffs around within 24 hours of a tax bill being overdue, or they can allow a huge tax bill to rack up without chasing. Refunds can be quick or held up – it really depends. Another example was where one attendee filed returns for the two directors of a company once taxable income arose – one director received a demand for returns for the past three years whilst the other director did not.

Tax coding seems to be 'made up' by HMRC using assumptions that are completely wrong. Some clients have faced huge tax bills because of wrong tax codes issued by HMRC but the client blames the agent. Agents have no idea where HMRC gets these codes from.

Many attendees reported cases of HMRC refusing to listen to reason and insisting clients had underpaid where they had not – and in one case refusing to accept that a client had underpaid when the attendee knew that he had! HMRC insisted that another client had underpaid by £500 but could provide no justification for the additional tax bill and now the client is up to £4000 of penalties despite all payments being reconciled and all due tax paid.

Client dashboards sometimes show incorrect information, causing clients to demand that their accountant claim a refund when in fact the client needs to pay a tax bill. HMRC is sending out letters to clients saying that they have amended the tax returns filed by their agents, causing the client to think that the practitioner has made a mistake when in reality it is automated formatting change or something with no financial impact. One attendee had just received a raft of penalty notices when all filing was done correctly.

One attendee's client received a VAT bill for an extra £15,000. That client's previous adviser would have told the client to just pay but the attendee was sure of the computations that he had done for the client so he asked HMRC for information on where this extra VAT had supposedly come from. HMRC said it had sent the information to the client but the client never received it. The attendee re-checked his computations and sent the spreadsheet to HMRC which then accepted his computation and closed the file – still without any explanation of where it thought the extra VAT liability had come from.

1. Made up of live participants in an ACCA UK Practitioners' webinar in March 2018 and the attendees at these focus groups from April to June 2018

Multiple locations reported that HMRC's operational systems are unable to cope with PAYE and RTI.

Once anything goes wrong with HMRC, trying to unwind it is 'bordering on impossible'.

Multiple locations reported that HMRC's operational systems are unable to cope with PAYE and RTI. If filing is done by the 5th of the month and then paid on time then the numbers match up with HMRC, but if filing takes place before the 5th of the month then it is allocated to the previous month and taxes are deemed to be owed even though they have already been paid. When paid again, the taxes appear to go into a suspense account and HMRC has told one attendee that it will take months to refund the money. There are thousands of cases like this – HMRC's systems appear unable to cope if anything happens on a date which is not the deadline. Incorrect allocation by HMRC – or a failure to allocate at all – was a recurring theme. The absence of pay-in slips for corporation tax causes problems as well, as clients use their UTI to pay but the money paid is not allocated to their account. All of this affects the relationship with the client as the agent has to spend considerable time resolving the issue, but the client will not pay for that time as they do not feel that they have done anything wrong.

One attendee is arguing with HMRC over the penalties being imposed in a number of situations – they are disproportionate given the tax involved. The cause of the penalty is not in dispute – but the penalty is out of kilter with the tax involved. Other attendees said that penalties are inconsistent – some inspectors are better than others and will agree to suspend a penalty, whilst others are unwilling to use 'common sense'. Another attendee reported that HMRC had agreed that a client did not need to make a submission. However, a £450 late notice penalty was then received – despite the penalty for late notice being £150. Nobody contacted at HMRC would accept that if it was a penalty for late notice then it needed to be £150 but if it was something else then it needed to be classified as such. Yet another attendee had a client who was still in an appeal period yet HMRC instructed a debt collection company to collect the tax that was under appeal.

Once anything goes wrong with HMRC, trying to unwind it is 'bordering on impossible' – it is extremely difficult to get a refund and significant sums of money are being held back by HMRC. It is 'infuriating' to deal with HMRC – call centre operators just read off a script and when they cannot answer the query, the agent is promised a call back which never comes.

> There was concern that HMRC's R&D unit is encouraging and accepting claims in order to spend its budget.

> Technology will drive the services that practitioners provide – practitioners will need to move away from compliance work to higher value advisory work.

Some attendees feel that HMRC is becoming less cooperative with agents – in the past six months it has changed its policy on providing historical payroll data and will now only provide it directly to the client. The reason given by HMRC to one attendee is that HMRC wants people to do their own taxes but accountants are being paid to provide that service to clients and HMRC should recognise this. With PAYE and CIS, HMRC will not provide any information and insist that the agent provides all the information that HMRC already has before HMRC will even look at it. HMRC tells agents that clients can access the information on their dashboards, but of course agents do not have access to client dashboards.

There was concern that HMRC's R&D unit is encouraging and accepting claims in order to spend its budget but that HMRC will eventually consider some of these claims invalid. For example, practices are being told that they themselves would be eligible for an R&D claim.

There were some positive comments about HMRC - the helpfulness of visits by PAYE compliance officers, the Alternative Dispute Resolution (ADR) service, a greater willingness to engage via email, the dedicated agent helpline for self-assessment, and good teams in securities clearance, shares and EMI in particular. Attendees are sometimes able to negotiate sensible settlements with HMRC on IR35 schemes where they have been deemed to be avoidance schemes. HMRC is being reasonable and showing some flexibility.

How technology is changing practices and clients

Knowledge and awareness of cyber risk has increased in the past 12 months with some practices using secure client portals. Attendees are aware that cyber-crime is becoming more prevalent and sophisticated, and practices have started taking out cyber insurance policies. Making your practice secure requires significant investment in technology and people - a practice's own staff are the greatest risk because of social engineering. Repeated training of staff is required. Cloud hosting is seen as secure and is increasing in popularity but risk management is costly.

Practices must invest in technology in general in order to recoup the losses in time that increased regulation brings, but that is a leap of faith for smaller practices. However, practices must invest in technology to get the efficiencies. Technology will drive the services that practitioners provide – practitioners will need to move away from compliance work to higher value advisory work.

Cloud accounting is acknowledged as the future of practice. In marked contrast to last year's focus groups, there were extensive discussions about different software packages and the power and impact of technology in general at all locations.

One attendee has moved to a fixed fee subscription model with clients that incorporates cloud-based accounting software and is able to charge higher fees.

Clients such as builders, or older clients are not always comfortable using smartphone apps and cloud accounting.

Compliance work will be taken over by computers and practices will lose out if they do not move away from compliance work to advisory work. Online accounting software providers will improve their services and there are many accountancy-related apps that mean low-level accountancy will go. Many attendees are aware of the way the market is moving and are already restructuring their practices to move away from compliance work and offer different services.

Some attendees see MTD as an opportunity to roll out cloud-based accounting. One attendee has moved to a fixed fee subscription model with clients that incorporates cloud-based accounting software and is able to charge higher fees. Another attendee sees MTD as helping people to be where they need to be with their records and it is reducing compliance costs.

Having clients using cloud accounting software means real time access to information on how the client is doing, which in turn allows the practitioner to proactively advise clients more frequently. However, there are some concerns that technology takes 'the magic' out of accounts production and can reduce the ability of practitioners to sell themselves. Software providers are producing software that is aimed at clients rather than for accountants to use.

Clients need some knowledge to do their own book-keeping and often end up creating problems that the accountant has to solve – yet clients think that accountants have less to do because they are doing their own book-keeping and expect their fees to come down. One client managed to import the .csv file in such a way that the debits were credits and vice versa. If you take a client onto software and 'hold their hands' and they do exactly what you tell them that it is ok, but that rarely happens and some clients will never get to grips with it.

Many attendees are in the process of getting all of their clients onto software packages, but some clients still use manual records and have said that they will need their accountant to do the book-keeping work when MTD comes in. Practices do not have the capacity to do such work so the expectation is that clients unwilling to move onto software packages will be disengaged. Practices are using MTD to encourage reluctant clients onto a software package. Most practices are moving with the technology and will drop clients that will not make a similar move.

Whilst attendees agree that digital is a good thing and is the future, not every client is ready for that step, so for HMRC to force all VAT-registered businesses to become MTD-ready is felt to be unfair. Clients such as builders, or older clients are not always comfortable using smartphone apps and cloud accounting. Some attendees feel that they have to force their clients onto cloud accounting software like Xero or else do the book-keeping work for them and absorb the cost.

33%

READY

67%

NOT READY

A poll of over 200 practitioners[2] on whether they were cyber risk ready or still working on it found that 33% considered themselves cyber risk ready but 67% were still working on it.

As a profession, accountants need to service the market and raise awareness of what qualified accountants bring to a business so they understand why it is worth paying an accountant's fees.

Charity clients love cloud accounting and are embracing it and willing to pay the subscription fee. Charities often do not have offices so a cloud platform that they (and their volunteers) can use is ideal. Volunteers scan their receipts with their smartphones to claim their expenses.

A few attendees cited remote working as one of the major ways that practices are changing. Some practices do not have room for any more staff in the office so remote working is a solution, although it brings IT security issues and GDPR issues. Practices also have to change to meet GDPR requirements such as two-step identification, security of manual files, and the expensive process of scanning in old files.

Technology will drive the services that practitioners provide, and the age of the client base will have an impact – millennials will insist on advanced technology whilst older clients may resist any technological change. Practitioners will need to be flexible to help such clients adapt.

There was no consensus on one piece of technology that is invaluable but many attendees said that integrated systems are the key to operational efficiency, whilst cloud accounting software packages are a game changer for many practitioners. Some practices are already selling up because they do not want to make the necessary technological changes. Those carrying on will need to work smarter as processing work will go. Spending on technology systems has been increasing and will increase further over the next five years as practices have to adjust to the market place. Clients (particularly millennials) no longer want management accounts – they want information instantly to make business decisions and they want it online, so practices will have to invest to improve the technology they use to meet the needs of their clients. Advisory services will differentiate ACCA practitioners in the marketplace.

Time investment in software is a big issue for practitioners – practices are heavily software dependent and moving to a new piece of software involves considerable time both for initial set-up and for the first time that, say, an audit is done using software. Upgrades can take a significant amount of time to do.

2. Made up of live participants in an ACCA UK Practitioners' webinar in March 2018 and the attendees at these focus groups from April to June 2018

There are many good software packages in the market place and the change in the space of several years is dramatic.

In the big cities, practices also lose part-qualified staff to the Top 10 firms that are aggressively headhunting.

Many attendees are using client portals and document management systems. The cloud is a major way of communicating with clients and those who can leverage technology will achieve money-saving efficiencies. Those efficiencies will allow them to be competitive with their pricing. There are many good software packages in the market place and the change in the space of several years is dramatic.

For some attendees, hosting is a close second in terms of invaluable technology for the freedom and flexibility that it gives a practice.

The key barriers to practices being more successful

Recruitment and retention

All locations reported that recruitment is a huge issue with the attitude of millennials and the salaries offered by big practices being the biggest aggravators. Finding good graduates and suitable qualifieds are both problems. The big firms take all the best graduates but then do not train them very well, so they are not that useful when they leave. As soon as trainees qualify, they want a substantial salary increase. However, you have to pay such salaries in order to retain the staff you want to keep.

In the big cities, practices also lose part-qualified staff to the Top 10 firms that are aggressively headhunting. These staff members were unable to get into these firms initially but after gaining experience in a smaller firm, they are offered more money by the big firms which will also pay off any fees from a training contract. They offer a more senior role that the trainee is actually not ready for in order to tempt them to break their training contracts.

Good quality qualified accountants with experience can demand whatever salary they want – even more so if they have audit experience.

Smaller practices train up staff and then lose them to the big practices, who offer 15% more for salaries.

Millennial trainees expect much higher starting salaries now but are often reluctant to do overtime or use the telephone because they are too used to texting or emailing. They do not like confrontation and find it safer to give bad news to a client via an email when a phone call would be more appropriate. To a degree, this is being reflected in younger clients who prefer to receive an email from their accountant and reply at their convenience rather than talk. Trainees come across as having a sense of entitlement and do not seem to care to impress in their work. Apprentices seem more interested in their studies and passing exams than doing the work.

It is not only Big 4 practices that offer larger salaries - HMRC also offers higher salaries than practices can in Manchester. HMRC has a large presence there with four offices including forensic specialists for criminal fraud. In Southampton, one attendee lost a staff member to the NHS – the NHS was offering £10K more and the role did not require overtime.

Recruitment agencies in Leeds say that there are nine jobs for each accountant. Good quality qualified accountants with experience can demand whatever salary they want – even more so if they have audit experience. Salaries are higher now as a consequence for such staff. Even at junior levels, the last 12-18 months has seen salaries increase significantly despite their lack of experience.

In Birmingham, one practice has responded to the challenges of recruitment by creating a clear four year fast-track training structure for trainees so that they can see how they will advance over that time period. It has resulted in most trainees staying for four years and the practice expects to lose them after that time but the next year's intake will take their place.

Retention is also a problem. Smaller practices train up staff and then lose them to the big practices, who offer 15% more for salaries. Recruitment agencies are constantly targeting such staff through social media. Staff are encouraged to be public-facing and have a profile on LinkedIn to show clients the people behind the practice, but it makes them ripe pickings for recruitment agencies. Fresh blood is good and some staff need to move on so that younger staff can move up otherwise you have bottlenecks – however, if you lose several key staff in quick succession then it is very difficult to replace them.

Recruitment is very expensive because of the need to use agencies, so that makes retention a key issue. Once staff have completed two years of experience post-qualification then they often look to leave for a job that does not have long hours.

ACCA offering four sittings a year for exams has made management of staff more difficult for practitioners in some locations. However, for the sake of retention, they have to allow their trainees to sit exams whenever they want.

Partnership aspirations are 'not what they used to be' – people want work-life balance.

The sheer volume of regulation and regulatory risk for practices and their clients is difficult to keep on top of.

There is widespread concern that in all sectors including accountancy, that young people come out of full time education and are not work ready – they need 'coddling' in the workplace. The suspicion is that millennials are told by universities that they will get a big salary as soon as they graduate. They expect the working world to be easy and to move jobs regularly. Retention is therefore a real challenge for the profession. Being flexible will help with retention – if you can be flexible with staff on their working patterns then they will be loyal. In Southampton, many of the attendees already allow flexible working to attract and retain staff that need flexible hours for childcare, etc.

Succession planning

Partnership aspirations are 'not what they used to be' – people want work-life balance and they do not want the risk that partnership brings and do not have the drive or ambition. Some millennials do not even want to do their exams and get the qualification – they are happy as they are and do not want any more from their work lives. The lack of interest in partnership may be exacerbated by an inability to borrow from a bank to buy into a partnership on the basis of goodwill – people are already heavily mortgaged from property purchases. Consequently they are uninterested in having financial responsibility for a practice.

Practices will need to adapt to this generation that wants 'everything now' – otherwise there will not be any partners to replace existing ones and they will instead go to the financial services sector or industry or the tech sector. Good staff have already been lost to these sectors that do not offer fewer hours necessarily but they do offer flexibility. The accountancy profession must adapt.

Increased regulation

The sheer volume of regulation and regulatory risk for practices and their clients is difficult to keep on top of. Attendees listed the constant changes to regulation - there was the Criminal Finance Act, the Bribery Act, RTI, auto-enrolment, FRS 102, anti-money laundering 2017, ever increasing regulation of audit and now GDPR – these are all burdens on small business and practices. GDPR in particular has taken up a lot of time in May. The amount of change is making practices inefficient – the amount of extra time that it takes cannot be charged to clients so it affects profitability.

The increased regulation brings in advisory work for practitioners, but it reduces the time that they have to do business advisory and compliance work for clients. Smaller practices need support from ACCA - targeted guidance for micro businesses on what must be in place for the practice and clients for regulations coming into effect.

Fee pressure is a key barrier for a number of attendees – clients do not want to pay for the additional work that MTD brings.

One attendee lost a client of 20 years to an unqualified who was only charging a third of the fees.

The administration around a life in practice is a key barrier. The term SME is too broad and practitioners have to sift through mounds of information to try to find relevant information. This is so time-consuming that it means that more time is spent on practice management than client service when the latter is what practitioners want to spend time on. This is particularly important with the advent of MTD.

Fee pressure, MTD and competition

Fee pressure is a key barrier for a number of attendees – clients do not want to pay for the additional work that MTD brings. As big an issue, if not bigger, is that new technology is allowing unqualifieds to do compliance work and significantly undercut the attendees. Technology has created a whole new level of competition for practitioners - automation and unqualifieds are taking compliance work away. Technology in the future will make accountants redundant. There could be fewer small practices in the future although book-keepers cannot give advice and access to funding requires the help of an accountant. However, there will also be more enquiries going forward which will bring work to qualified accountants.

Competition is coming from both directions in some locations - bigger practices are now trying to pick up smaller clients and unqualifieds undercut ACCA practitioners. One attendee in Swansea explains 'the cost of ignorance' when faced with fee comparisons to an unqualified accountant – what the mistakes that an unqualified will make will cost their client.

One attendee lost a client of 20 years to an unqualified who was only charging a third of the fees. The unqualified excluded all work in progress when filing the next return so the corporation tax was only a sixth of the previous years. HMRC is unlikely to pick that up at that level. It is very frustrating for practitioners to lose clients who mistakenly think that the unqualified is better because of the lower tax bill.

Attendees in Leeds contrasted the regulation that they face with the apparent lack of regulation of unqualifieds. The attendees were interested to hear that the new anti-money laundering regulations require unqualifieds to register with HMRC at a cost of approximately £500 for a two-partner practice. There was some scepticism that unqualifieds would be picked up for non-compliance under the new regime. ACCA firms are registered via ACCA for free.

Clients do not see the value of audit unless they are big and the owner is somewhat removed from the business.

HMRC is not prepared for MTD or Brexit and the impact of that on VAT.

Several locations identified the loss of audit work as a barrier. One practice has gone from 40 audits to 9 audits over a period of five years because of the increase in the audit threshold. They are concerned about how to replace the lost audit work and what other work they can do to keep such clients. Another attendee is not sure that he wants to continue with audit work since he only has a few audits now. He is starting to outsource audits – particularly where it is a specialist audit. A third attendee is acquiring audit work from a sole practitioner neighbour.

Brexit may also have an impact on audit work – some attendees expressed concern at what will happen to audit with Brexit and whether the threshold will still go up. There is ever increasing regulation with audit because of the failure of the Big 4, yet smaller practices have done nothing wrong. The checklists in audit software programs get longer and longer with each update including more and more questions. Clients do not see the value of audit unless they are big and the owner is somewhat removed from the business. In reality, whether or not you have an audit, the financial statements of owner-managed businesses are not affected.

It is expected that audits will be real-time in the future and provide 100% assurance (rather than be sampling-based) through the use of data analytics and artificial intelligence. However, attendees said that they would not invest in data analytics because of the cost unless it is forced on them.

HMRC and MTD was identified as a barrier – in HMRC's attempts to achieve its own efficiencies, it is putting the onus on agents to effectively do HMRC's job – RTI and MTD being the most obvious examples. HMRC is not prepared for MTD or Brexit and the impact of that on VAT. MTD in particular will result in extra work for agents for potentially no reward. Educating clients is a lengthy process and the workload of MTD will be a problem in terms of four or five deadlines a year towards the end of each quarter. The work will not be spread within each quarter.

It is too difficult to get through to ACCA UK's technical advisory helpline and attendees want greater access.

The administration involved with a life in practice is frustrating and practitioners need more support from ACCA.

What ACCA can do to help practices

Technical support

It is too difficult to get through to ACCA's technical advisory helpline and attendees want greater accessibility. Some attendees unable to get through to ACCA's helpline try to use other helplines from commercial providers, but sometimes it is a query that they need ACCA's input on. They do not need to speak to the helpline often but when they do need to, they are unable to. It can be harder to get through to ACCA UK's technical advisory team than it is to get through to HMRC.

The email service for the technical advisory team is useful for queries that are not time-sensitive, but often they need answers too quickly to be able to make use of it. Longer hours for the helpline would be extremely helpful – everybody has different working hours but some would like to be able to call at 8.30am, whilst others would like to be able to call in the evening - and some would even like to be able to call on a Saturday morning.

ACCA's website needs further improvement. A centralised resource for small practitioners containing targeted guidance, disclosure checklists, greater promotion of alternative funding sources, and recommendations for software for those starting in practice were requested.

ACCA factsheets are a good starting point for many. The monthly In Practice e-magazine is widely read and highly valued – the problem is that practitioners receive so many emails in general that it is hard to identify relevant information and there isn't the time to read everything. Some attendees felt that the problem lies with them for not finding the time to engage with ACCA rather than ACCA failing to support them. Communications is not the issue – it is the lack of time to read communications that is the root cause of the problems.

The administration involved with a life in practice is frustrating and practitioners need more support from ACCA. Practitioners rely on ACCA and gave the example of the GDPR update to ACCA's Engagement Letters product coming out only a month before the GDPR came into effect.

Whatever the government or HMRC wants to do, they are able to do with none of the professional bodies pushing back on the impact on small businesses.

Clients need to understand the value that a qualified accountant brings and the difference between qualified and unqualified accountants.

Lobbying the Regulators

ACCA needs to 'push back' with the Regulators on the practicalities resulting from increased regulation – it seems that whatever the government or HMRC wants to do, they are able to do with none of the professional bodies pushing back on the impact on small businesses. The compliance they have to do for clients is a burden for smaller practices and is a result of failures by the big practices – perhaps there should be separate requirements for different sized practices. Clients do not understand why they face increased compliance costs and requests for additional information from their accountants. Those auditing have seen the audit side of their business grow in the past 12 months but they have to educate clients on why it is so costly to have an audit now – it is no longer possible to do an audit for a reasonable price and still give value to the client.

The government and HMRC make out that accountants are all 'evil' and spend their time devising tax avoidance schemes, so ACCA should visibly lobby on behalf of members. In most locations, the attendees were largely unaware of the lobbying work that ACCA does on their behalf. ACCA's lobbying of HMRC and the government is not visible enough compared to other professional bodies. Attendees were largely unaware of ACCA's successful lobbying that saw HMRC delay the introduction of MTD.

Protection of the term 'accountant'

Protection of the term 'accountant' was not raised in every location and was not an issue for every attendee in the locations where it was raised. However, there were some comments that new practices are being undercut by unqualified accountants who do not have the same compliance overheads and Rulebook requirements. It was suggested that Brexit might provide an opportunity to protect the term if EU restraint of trade issues are no longer a consideration. Unqualifieds may not be able to undercut qualifieds by as much going forward – HMRC's free software will not be available for much longer. Qualifieds need to sell their value more and choose the clients who value them – clients thank you not for doing their tax returns but for the advisory work you do for them.

The way that clients are being serviced is changing – clients and the public need to understand the value that a qualified accountant brings and the difference between qualified and unqualified accountants. ACCA should play a key role in getting the term protected and promoting the value of qualified accountants.

ACCA offers support for the academic needs of trainees but support for the practical on-the-job needs of trainees on, say, GDPR would help practices.

ACCA should ensure that students cannot qualify too quickly so that they are work-ready by the time they qualify.

Recruitment and trainees

ACCA needs to help practices with recruitment – recruitment is 'killing' practices more than anything else. Improving ACCA's Jobs Board is one way to do that. Facilitating non-UK students to come to the UK to work is another way. Global recruitment is now difficult because of immigration changes which have reduced the labour pool that practitioners can draw upon. If non-UK students could come to the UK to work for 5-7 years then it would ease the recruitment problems that practices currently face.

ACCA could also help with the quality of candidates. Some attendees are finding that qualified ACCA members are unable to do basic double-entry work – possibly because they have only ever input numbers into software and do not understand how it is constructed. There was very little awareness of the recent changes to ACCA's qualification that will improve the quality of candidates.

The value of trainees and ensuring that they are retained is discussed internally at length in some practices. Could ACCA assist with its trainees to ensure they get more than just exam study package and internal training? For example, ACCA events or a more structured e-learning. ACCA offers support for the academic needs of trainees but support for the practical on-the-job needs of trainees on, say, GDPR would help practices.

The ACCA qualification

For some attendees, the one thing that ACCA could do to help their practices is to keep the qualification strong and relevant as that is where the reputation of practitioners comes from.

In the past, students have been able to qualify too quickly such that they can qualify but not be worth the market rate because they are not experienced enough to do the market job. ACCA should ensure that students cannot qualify too quickly so that they are work-ready by the time they qualify. It should change the training of students so that soft skills are incorporated, producing a more rounded accountant. Soft skills are valuable for bringing in new work and managing demanding clients but are not common amongst accountants. It should also place a greater emphasis on the advisory side rather than the compliance side.

The recent changes to ACCA's qualification will address these concerns and were warmly welcomed by attendees.

Agencies are considered a necessary evil but there is a deep reluctance to use them.

MTD and the need to train clients to use software is one of the greatest challenges that practices will face in the next 12-24 months.

Getting talent through the practice – recruitment methods

Recruitment agencies are the main means of recruitment – particularly for mid to senior level staff. Agencies are considered a necessary evil but there is a deep reluctance to use them. Some attendees would gladly use ACCA's Jobs Board if students could be educated to use it to look for jobs. There is considerable interest in developing talent in-house through apprenticeships but limited awareness of ACCA's apprenticeship schemes. The digitisation of the accountancy profession means that the low level accountancy work suitable for accountancy apprenticeships is disappearing and in future it may not be cost-effective to have a trainee at that level.

How practices will develop over the next 12-24 months and the challenges they will face

Last year's discussion about MTD taking business away from practitioners has moved on this year to a more general position that technology at large will take business away from practitioners and they must invest in new technology. Technology will drive the services that practitioners provide in the future rather than just improve the efficiency of the services they currently provide. In all locations it was agreed that practices will have to move from compliance work to advisory work with many attendees already starting to make the move and seeing increased fee income as a result. The cost of technology needs to be added into the pricing model that practices use.

Technology is already changing the way that practices operate and they must be able to utilise it for the production of management accounts, etc. Smaller practices must embrace it for all areas of their work. There is an overwhelming number of apps in the marketplace and the next 12-24 months will see technology have a huge impact on practices because HMRC is 'forcing' businesses to become digital for VAT. MTD and the need to train clients to use software is one of the greatest challenges that practices will face in the next 12-24 months.

> Practices are not getting what they could out of technology – there seems to be a separate spreadsheet or separate system for everything.

> The Big 4 firms are already recruiting people who are trained in data analytics.

In many locations, the attendees are spending a lot of time getting their clients onto cloud accounting software in anticipation of MTD next year, and expect to do so for the foreseeable future. It is very time-consuming and many are probably half way there in terms of getting key clients on software, but there are clients who have not used software before and are less adaptable. Some attendees have made the decision to absorb the cost of a software licence of a client that will not able to adapt (£1 per month in some cases) as it will save the practice money in the long term when they do not have to spend significant amounts of time training the client and then correcting entries made by the client.

A challenge for those already relying on technology in their practices is seeing more efficiencies out of that technology. There is a feeling that practices are not getting what they could out of technology - there seems to be a separate spreadsheet or separate system for everything. Technology should be making life easier but it does not seem to be. Software functionality such as tracking is used inconsistently across different teams within larger practices. Then getting the data into online accounting software is another process. Everybody should be at the same level and processes should be more integrated and streamlined.

Practices that audit will need to invest in resources that will allow them to utilise Big Data and data analytics. The Big 4 firms are already recruiting people who are trained in data analytics. It will be a challenge for smaller practices to invest in the resources required and educate their clients. Ultimately the time may come when it is not possible to make any money on an audit.

Practitioners need to let clients know about the other services that they can offer. Inheritance planning and probate work are ripe for practitioners to offer but they will need to raise this area with clients who may assume that only solicitors would do such work. Upskilling for comprehensive tax advice will mean that practitioners can offer higher value advice. As an example, practitioners are increasingly being asked about SDLT – even by solicitors. Many clients see their accountants as a default financial director and ask for advice regularly – accountants will need to bill clients for such value added services as that is the future of practice.

It is vital to develop raw talent to avoid a future skills shortage.

Being an accountant needs to be seen as important again.

Giving higher value advice is the future of practices but recruits may not be able to give such advice to clients if they never understand the basics. If something goes wrong with the accounts, technology may not pick it up – nor can technology identify where the problem has arisen. Recruits who do not understand the basics will also not be able to identify the source of the problem. ACCA-X could be used as part of the induction process for staff so that they can understand the basics – particularly the modules on Bookkeeping & Basic Finances, and Management Accounting. The modules are free to study and there is only a fee if somebody wants to take the exam. The younger generation will require software skills to analyse and manipulate data, and do programming work. It is likely that the type of staff recruited will change with more IT people being recruited rather than accountants for processing work.

Before the digitisation of the accountancy profession, there was low level accountancy work that trainees could do but with computerisation, that work is gone and any trainee needs to be able to start at a much higher level immediately to be cost-effective. However, it is vital to develop raw talent to avoid a future skills shortage. Some attendees expect to train fewer staff whilst others are training more staff and taking them on at every level – from apprentices to school leavers to graduates. A pure accountancy qualification may not be suitable for the accountancy practice of the future – hybrid practices that also offer legal services and professional services may be the future.

In many locations, you have to pay a premium to recruit or a premium to retain, but you can only pay what you know a recruit is worth in terms of the value of their work. As soon as they qualify, they are inundated with offers of much higher salaries so you have to match it or lose them. However, with salary rises far outstripping fee increases, the profession will struggle to survive – particularly at the smaller practice end. Smaller practices will have to undercut medium sized practices. Medium sized practices are already undercutting the Big Four so the squeeze is happening everywhere. One attendee has just picked up a large corporate client for £20,000 of fees – the client used to pay a Big 4 firm £50,000.

Practices need to convince clients that they still need practitioners. Software suppliers and HMRC are pushing the message that it is easy to do your own accounts by using software, so clients are starting to think that all a practitioner does is use software and they will have less work to do when MTD comes along. Accountancy is seen as more of a software product these days and people think that they can find the answer to any tax or accounting issue on the internet. Being an accountant needs to be seen as important again – their services should be seen as premium advisory rather than compliance.

Accountants will always move into new spaces because they are trusted business advisers.

The government does not understand small businesses so ACCA's role has to be to lobby on their behalf.

Deadlines and peaks of workload are already a challenge but will become more difficult once MTD is in place– particularly when flexible work for staff is a consideration. How can you structure the business to meet deadlines? The obsession with deadlines means that the focus of a practice is often not right – but clients focus on deadlines and the optics are poor if a return is not filed on time. A failure to file on time will only result in a £100 fine; however, it would affect the credibility of the practitioner with the client and practitioners are hard-wired to be compliant.

An interesting observation is that over the past 20 years, what was then the traditional work of accountants has disappeared but been replaced by new work. It was thought that the loss of audit work when the audit exemption threshold rose would leave a void, but accountants just moved into a new space. Nowadays, accountants are acting as IT advisers to clients. Accountants will always move into new spaces because they are trusted business advisers.

How ACCA can help over the same period

Practitioners want to see protection of small businesses and practices from the practicalities of regulation. FRSSE was good for small businesses but that has been replaced with FRS 102. The government does not understand small businesses so ACCA's role has to be to lobby on their behalf against huge changes that impact practitioners and their clients so dramatically.

In all locations, practices want technical support from ACCA for the challenges they will face in the next 12-24 months - specifically an adequately staffed technical advisory helpline. Partnership such as the one ACCA has with Bloomsbury to provide a free MTDfB manual to ACCA members was very well received and is very much what members want from ACCA. Time-savers such as ACCA's Budget summary and other similar tools and guidance are vital when there are significant changes to regulation. When there are significant changes coming into effect, ACCA needs to provide clear definitive guidance in a timely manner.

Attendees are largely unaware of the lobbying that ACCA does – it lacks a media presence.

A reduction in regulation and the simplification of the tax regime would be welcomed by many practitioners.

It would be helpful if ACCA could do a blog or otherwise let members know what software developments are happening – HMRC has an approved list of software providers for MTD on income tax, but members need information on things like the Application Programme Interface (API) that allows spreadsheets to feed into HMRC's systems. Members need to know which software house is developing useful software like API/middleware.

ACCA could highlight what is coming on the horizon so that practices can start preparing. It could focus CPD on those areas, particularly in relation to technology. Millennials may be fine but older practitioners will need more support. Soft skills training is increasingly important, so ACCA provision of such training would be useful.

ACCA needs to get the profession regulated so that unqualifieds do not take market share away from qualified accountants. ACCA should keep lobbying for the term 'accountant' to be protected and educate the public on what it takes for someone to become a qualified accountant and the difference between a qualified and unqualified accountant. Excellent advice from qualified accountants has enabled clients to secure their businesses financially since the last recession so they would be much better placed to cope with any potential downturn in the economy now - but the public does not realise that using unqualifieds could mean that a business does not survive any challenges.

Attendees are largely unaware of the lobbying that ACCA does – it lacks a media presence. Ultimately ACCA should raise awareness of the ACCA brand.

The things that would make life as a practitioner better

A recurring response in many locations was getting rid of the administration around practice life so they can spend more billable time with clients. One attendee estimated that he spends 40% of his time running the practice rather than being an accountant. All the regulation and changes mean that they do not have time to run their practices as they would wish to. 12-18 months of no change would give practitioners some relief and make their lives much better. Even better, a reduction in regulation and the simplification of the tax regime would be welcomed by many practitioners.

An improvement in the quality of staff coming through was also identified in several locations. The improvement would be from both an education and training point of view. This includes education from an early age which may be beyond the remit of ACCA.