



...Strength in Numbers

# The Society of Professional Accountants

10 September 2010

Professional Oversight Board  
Aldwych House  
71-91 Aldwych  
London  
WC2B 4HN



Dear Sirs

**Response to Professional Oversight Board Report – May 2010  
'Review of the Monitoring Arrangements by the UK Professional Accountancy  
Bodies of their Members who Practise Non-Regulated Accountancy Services'**

The Society of Professional Accountants represents some 1400 CCAB regulated smaller practices providing accountancy services to approaching 500,000 tax payers in the SME sector, and is pleased to comment on your Report dated May 2010.

On the positive side the very small sample size of the survey underpinning your Report underlined the significance clients placed on our technical ability and ethical standards; taxation services were confirmed very recently by HMRC as being 99% acceptable to them in terms of the quality of work submitted to them by agents on behalf of their clients. This is real evidence of the high standard of work and ethics maintained by the vast majority of accountants in practice.

However, and in contrast to this, your Report suggests that the level of breaches of regulations and standards identified by our Regulators raises concerns about compliance with ethical standards and the quality of service provided. The conclusion you draw from this is that wider regulation should be undertaken by the CCAB Institutes in areas which are currently unregulated. What our regulators have apparently failed to make clear to you is that the large majority of breaches represent technical breaches of what are often unnecessarily complex internal regulations, which cause no loss or harm to the public.

It also seems possible some of the technical errors noted by you may be attributable to the numerous and frequent changes to and complexity of surrounding legislation, including the voluminous 2006 Companies Act that has been introduced piecemeal causing real difficulty to software companies and our members alike in keeping precisely up to date.

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Breaches should be analysed and, if the outcome of the breach is that no harm has been caused to anyone, then consideration should be given (in compliance with current government thinking and policy) to simplifying the legislation. Our predominantly private clients have little or no interest in an insignificant error in narrative, or a non material software error.

Regrettably, we are unable to identify amongst your Board those members who may represent, or have extensive experience of working with, the SME sector of our profession and shall be grateful if you will confirm who these may be, or how input from this sector has been obtained in your consultations.

Our market is already uneven given that there is a significant presence of unregulated accountants who, unlike members of CCAB bodies, have no need to pay for regulation, and perhaps your survey should have included a question asking respondents how much more they would be prepared to pay for the recommended increased regulation. Certainly it would have provided a better balance to your recommendations if a question had also been included asking clients to grade their level of satisfaction with the accountancy services received.

It seems to us bizarre that you should recommend an increased burden of regulation in areas which, unlike audit and investment business, according to statute are "unregulated" amongst the membership of bodies which do seek to ensure compliance with technical and ethical standards. Yet you do not recommend any changes to the regime applying to accountants who are not members of these bodies, have no such commitment, and do not have to bear the cost of these regulatory mechanisms.

As a Society we would prefer the POB to focus its efforts where we believe the real risk to the public interest lies, namely at the plc level where the nature of statutory audit as presently practised seemingly fails to protect many thousands of the general public, whether creditors, investors, employees or pensioners against the rogue director or board.

Please let us know if you would like to discuss any of our observations in more detail with us.

Yours sincerely



Peter J D Mitchell  
Chairman