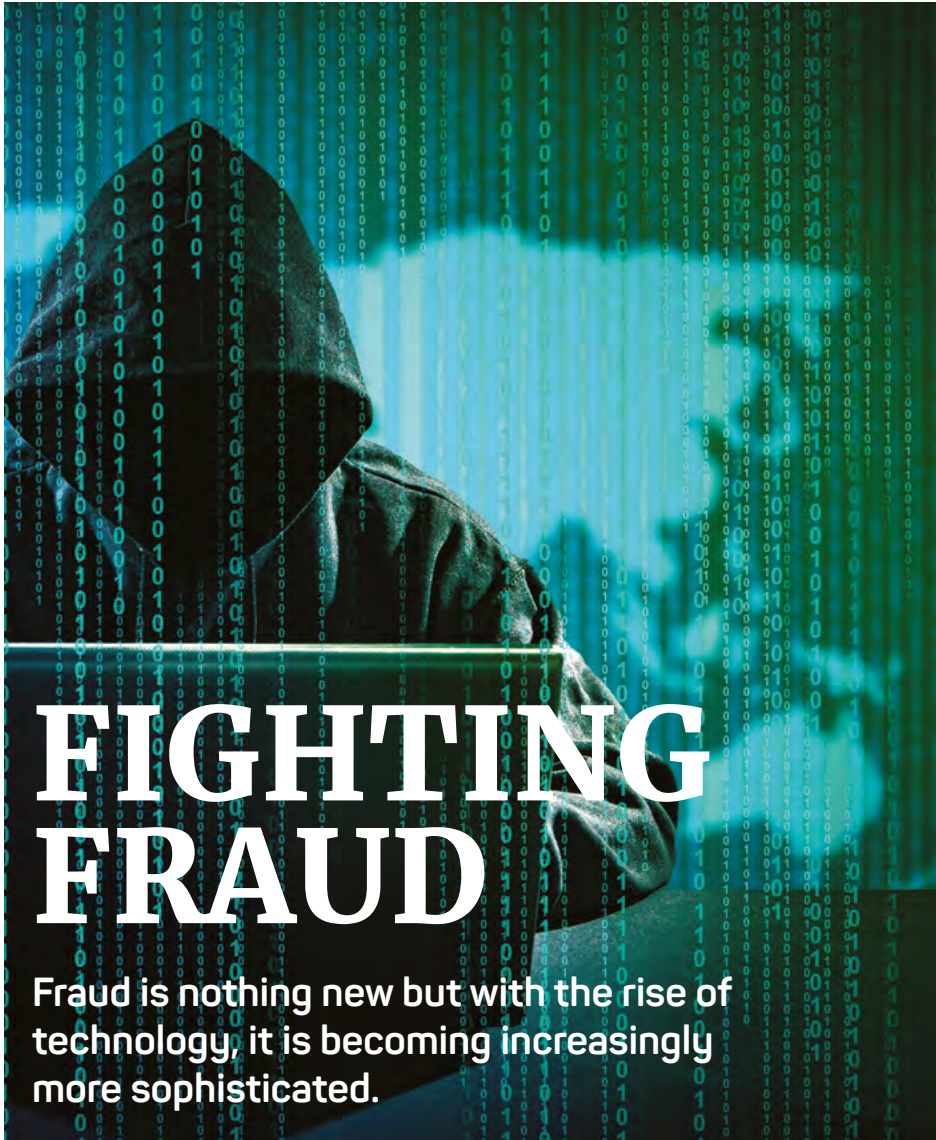


ProActivity

WINTER 2019



**Foxley
Kingham**
CHARTERED & BUSINESS
ACCOUNTANTS & ADVISORS



FIGHTING FRAUD

Fraud is nothing new but with the rise of technology, it is becoming increasingly more sophisticated.

A report published by the Centre for Counter Fraud Studies at the University of Portsmouth has suggested that fraud costs UK businesses £130 billion each year, and losses have risen by 56.5% since 2009. With an estimated 5.7 million businesses in the UK that amounts to, on average, almost £23,000 per business! So what can you do to protect yourself? *ProActivity* investigates three main areas of concern for you and your business.

TRUST IN KEY PEOPLE

There is a heightened risk of fraud anywhere where an individual has full control of financial processes, from dealing with paperwork and accounting records to making payments. Whilst trust is hugely important in business relationships and people think it would never happen to them, trust can sometimes be misplaced.

Welcome to the Winter edition of ProActivity!

This issue sees us delve into the murky world of fraud. In our first article we outline some traditional methods of fraud and take a look at more recent developments, allowing you to put steps in place to protect your hard earned funds. We also look at off-payroll working in the private sector (page 4) and changes to principle private residence relief (page 6). And of course, we still have the usual mix of news and comment, directly tailored to fit the needs of our clients.

Possibly our biggest news is that Foxley Kingham is about to move office! There are details on page 7, so feel free to pop in and see us in our new home.

As ever, if you would like information on anything in this issue or have any comments, please contact us at accountants@fkca.co.uk or info@gkp.co.uk.

PAYROLL

Beware the payroll operator with full control over processing, submissions and payments. A business lost over £100,000 in fraudulent 'overtime' payments to their payroll processor, as well as the associated PAYE and NI that couldn't be recovered; the paperwork submitted for authorisation was doctored after being signed off. Businesses with a high employee turnover also run a risk of fake employees being added to



the payroll for a time with fraudulent payments going to the processor.

SUPPLIER INVOICES

We've seen money extracted from a business through payment of fake invoices for work that was never done. It is also quick and easy to set up a company to enhance credibility that can then be closed at Companies House before any accounts are actually due. Nominees or family members can be put in place as directors to distance the company from the fraudster, making connections harder to trace. Therefore it is important to check; do you have an authorised supplier list? And if so, are invoices and payments checked against it?



KEY PERSON SAFEGUARDS

- Avoid one person having complete control
- Implement two signatories for bank payments
- Scrutinise original documents and bank statements
- Maintain (and check) an authorised supplier list
- Keep chequebooks, business cards, online logins and passwords safe
- Use two people to cash up if possible
- Monitor profit margins
- Watch out for staff who are never off sick or take holiday

SALES

If not extracting funds via fake purchase invoices, how about diverting sales from the real business? One previous client found his staff literally selling goods out of the back door. This turned out to be a major operation going on for some time and was estimated to have diverted hundreds of thousands of pounds of sales from the business.

Do you know what your margins should be and check actual results against this?

BANK

Where any one person has signing authority and/or access to online banking there is a risk of unauthorised payments, and if that person also maintains the accounting records it makes it so much easier to hide.

Cheques can be issued with forged signatures, or altered after signing. Credit cards can be used for fraudulent spending even where someone doesn't have signing authority, and the evidence can be covered up in the accounting records.

Ensure cards and cheques are kept secure and require dual signatories for maximum security.



CASH

Cash is always going to be a desirable target and over the years we have seen more than one case of those in positions of trust caught with their fingers in the till. From cash takings being diverted and covered up with a second set of books, to cash paying customers being overcharged and the difference pocketed. If it's not possible to have two people present when handling cash, at least ensure there is someone else in the process somewhere, and monitor and check your records regularly.

CORPORATE IDENTITY THEFT

One client had their registered office address at Companies House changed by an unknown individual. A new authentication code was issued and PROOF set up, effectively locking the client out of their own company. Another company had a fake website set up mimicking their own, but with different contact details which they then used to apply for finance in the company name. And a different business's Amazon account was fraudulently accessed and exploited!



IDENTITY THEFT SAFEGUARDS

- Use secure passwords and change them regularly
- Set up PROOF at Companies House



CYBER CRIME

The scale and complexity of cyber attacks is wide ranging, with significant under reporting and a lack of resources to police cyber crime, which results in financial losses to businesses of all sizes. The National Cyber Security Centre's last report (2017-18) covers common attacks and details useful mitigation measures.

URGENT PAYMENT REQUESTS

Beware of an email out of the blue from a senior official in your organisation, requesting urgent payment of an invoice. The 'from' name on the email will look completely genuine, and it is only by going into the name on the email and checking the specific address that the true sender is revealed. The invoice can look completely genuine. Whilst we probably feel that we are aware of the dangers, it only takes a moment's lapse in concentration at a busy time to fall into the hands of a scam. If it's a payment you are not expecting ALWAYS call the sender to verify if it's really from them.

BANK ACCOUNT CHANGES

We have heard more than once about a client receiving an email or letter advising of a change in supplier or employee bank account. The account is duly changed and the next payment run made. It is only when the supplier or employee asks where their payment is that it becomes clear that the correspondence was not genuine, by which point the money is

long gone. ALWAYS reconfirm bank account changes with your regular supplier contact or staff member.

PINS AND PASSWORDS

Phishing is now a well known term for when individuals are lured into revealing sensitive information such as pins or passwords to someone posing as a legitimate organisation such as a bank or HMRC. Treat any unexpected request with suspicion, watch out for poor grammar and spelling mistakes, hover over hyperlinks and carefully check if the address is genuine, don't open attachments and use a good virus/spam filter. If 'HMRC' tells you about a refund, check with us if it's genuine; they will never ask you to click on a link to claim it. NEVER give away or enter pin codes or passwords even to your 'bank'. Whilst this all seems so obvious, some appear so genuine and it only takes one lapse to potentially lose thousands of pounds.

We all know passwords are a pain. Combinations of upper and lower case letters, numbers, and symbols, why isn't it as easy as it used to be when one password covered all situations? Because these are all far too easy to hack. Protect yourself by using strong passwords that are unique to each site; this can be done by prefix/suffixing your 'usual' password with something unique to the site, such as initials, or using a secure password storage site. For extra security, use two-step authentication using an app on your mobile phone where possible.

FRIDAY AFTERNOON FRAUD

Be mindful how you use free unsecured WiFi! We recently heard of a solicitor responding to some client emails using unsecured Wifi in a well-known coffee shop. Someone else in the coffee shop was using a device purchased online to monitor emails. Using this device they could see the credentials the solicitor used to log in to his email, and more importantly, once in, they could send emails direct from the mailbox impersonating the solicitor. One of the clients was heading towards an exchange of contracts and the scammer took his opportunity. Logged on as the solicitor, he emailed the client advising that the transaction was ready to exchange and that they needed funds and provided the bank details. The client sent across the money and was only a few days later when the client emailed the solicitor asking for an update and confirmation that they had received the money that it dawned as to what had happened. The client got in touch with the bank but as it was they who set up the payments, authorised and processed it there was no recourse to get it back.



CYBER CRIME SAFEGUARDS

- Update security patches and virus protection regularly
- Don't use public WiFi for sending and receiving sensitive or confidential information
- Implement a policy on notification and confirmation of transfer details
- Use secure passwords and change them regularly
- Implement two step verification measures
- Call and check on requests for payment or bank account changes
- Be suspicious

Off-payroll working in the private sector (IR35)

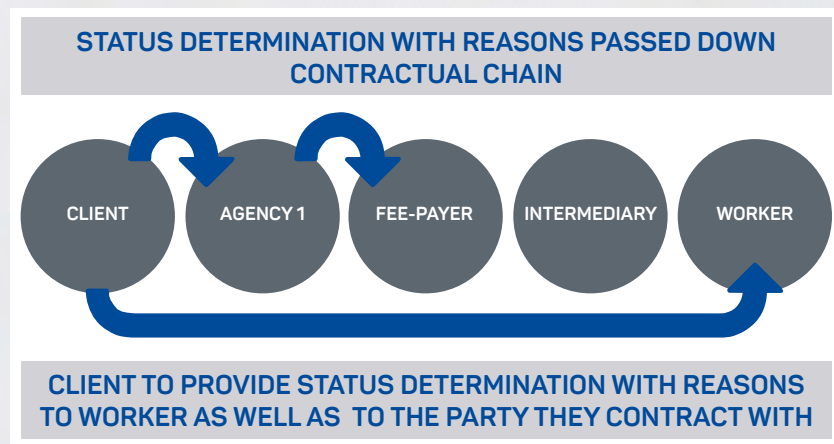
IR35 rules were introduced in April 2000 to ensure those who work 'like employees' pay the same tax and NI as employees. Individuals providing services through an intermediary, usually their own personal service company (PSC), are currently responsible for determining their status but compliance with IR35 is widely known to be low. In April 2017 changes were made to increase compliance in the public sector, making the public authority responsible for assessing status. These changes are now being extended to the private sector.

Scope of the changes

From April 2020 medium and large organisations in the private sector that engage off-payroll workers will be responsible for determining the status of the workers. Small organisations that engage off-payroll workers are outside the scope of the changes, but it's important to note that the 'small' definition applies to the engaging organisation, not the worker's company.

Flow of information

The client company is responsible for making the determination of a worker's status. They must pass this information down the contractual chain until it reaches the fee payer (see diagram below). They must also include reasons why they have classified the worker's status in a particular way. HMRC's CEST tool can help with this decision, although it has been argued it shows bias in HMRC's favour.



SO WHAT IS 'SMALL'?

Small is when an organisation meets two or more of the following criteria:

- **Annual turnover** <£10.2m
- **Balance Sheet total (Gross Assets)** <£5.1m
- **<50 employees**

If a previously small organisation breaches these thresholds and becomes large it will come into the scope of the changes at the start of the tax year after the filing date of the second year. Therefore a company with a 31 December year-end that breaches the thresholds for a second time on 31 December 2020 will be due to file by 31 March 2021, and the rules will apply from payroll year starting 6 April 2022.

The reverse applies for previous large or medium companies changing to small. A new company will always qualify as small in its first year, and subsidiaries of large or medium companies must apply the rules.



The fee payer is the organisation directly above the intermediary and is responsible for:

- calculating the deemed direct payment
- deducting tax and employee NI
- reporting and paying tax and NI (including employers)
- considering if the Apprenticeship Levy applies



The fee payer is not responsible for

- statutory payments
- deducting student loan repayments
- automatic enrolment into a pension
- holiday pay

Penalties and disagreements

Clients and first agencies must ensure compliance. The penalty for non-compliance starts with the first agency in the chain above the fee payer, but can be transferred up the chain if it can't be collected from the first agency.

Changes to obligations for public sector organisations

Public sector organisations must communicate the determination of a worker's status and the reasons behind the decision down the contractual chain. They must also communicate directly to the worker and have a disagreement process in place.

Preparing for the changes

- Review all current arrangements
- Review arrangements for contingent labour
- Establish processes to ensure status decisions are consistent
- Review internal systems to see if changes are needed.

What does this mean for the private sector?

Based on how this has operated in the public sector, it is likely that many medium and large sized clients who engage workers directly through a company may instead move those individuals onto the payroll to make it easier to manage.

Whilst clients are encouraged to review cases on their own merit and avoid making blanket decisions, it's a complex and time-consuming task that many won't have the resource (or appetite) for. If contracts are carried out through an agency, individuals working through a personal service company can expect to see their income decrease, as tax and NI is applied by the agency. All parties are encouraged to start the conversation now, to ensure no surprises come April 2020.

IT contractor wins £240k IR35 appeal

HMRC lost a challenge for a claim of over £240,000 of income tax and National Insurance after the First Tier Tribunal found that the IR35 intermediary legislation did not apply.

The key aspects of the case in determining employment status were mutuality of obligations, the level of control the client could exercise over work, and the ability to supply a substitute. Significantly, there was no obligation in the contract for the client to provide the contractor with a minimum amount of work, no specification of hours or days in total, or a commitment to renew. There was a requirement to hit certain milestones and achieve certain outcomes, but he could decide when he worked, and was only paid for the work actually completed.

Other evidence taken into consideration included the fact that a project was cut short without notice, and that the contractor was also working for other clients during the period the Tribunal reviewed.

NEWS

Reverse charge for VAT in the construction sector

Reverse charge VAT rules for construction services have been delayed until 1 October 2020 to help businesses prepare for the changes and to avoid a clash with Brexit.

Government scraps planned increase in probate fees

Changes due to come into force in April that would have meant substantial increases to probate fees for larger estates have been indefinitely delayed. For the time being, probate fees will remain at £215 for estates over £5,000, or £155 if families apply through a solicitor.

PPR changes in 2020

Changes announced last year mean some ancillary reliefs to the PPR will be restricted for disposals from 6 April 2020. This will commonly affect individuals who have retained a first property and have let it after moving out.

The main changes are:

- **Final period exemption: the final period exemption is being reduced from 18 months to 9 months**
- **Lettings relief: availability of the relief will be restricted to only those who share the occupation of their home with a tenant. Previously the entire property could be let.**

If you think these changes may affect you, please act quickly and contact us for advice.

Fuel Advisory Rate

A reminder that these rates apply from 1 September 2019. You can use the previous rates for up to 1 month from the date the new rates apply.

Engine size	Petrol amount per mile	LPG amount per mile
1400cc or less	12 pence	8 pence
1401cc to 2000cc	14 pence	10 pence
Over 2000cc	21 pence	14 pence

Engine size	Diesel amount per mile
1600cc or less	10 pence
1601cc to 2000cc	11 pence
Over 2000cc	14 pence

Hybrid cars are treated as either petrol or diesel cars for this purpose.

BREXIT NEWS

Well, what can we say? It's been another turbulent quarter, and with a general election looming on 12 December and a further deadline extension to 31 January, the next quarter looks just as choppy! Depending on the outcome of the election the existing deal could be passed through Parliament before the deadline; and whilst some parties support another referendum, businesses are still urged to be prepared for a No-deal Brexit.

Those who import or export goods to countries in the EU are certainly advised to prepare, as when we leave the EU the same import/export processes that apply to the rest of the world will then apply to our dealings with EU countries.

Prep for Brexit

- Get a GB EORI (Economic Operator Registration Identification) number – registration takes 10 minutes and it is usually processed within 3 working days.
- Prepare to make declarations – whether that is through a third party or by getting appropriate software (funding may be available).
- Check if you can use TSP (Transitional Simplified Procedures). Registration is free online and you need your EORI number.
- Prepare to pay VAT and excise duties; familiarise yourself with customs duty rates and due dates.

If you currently receive EU VAT refunds through the electronic system, claims can be made up until Brexit, but the system won't be available after. After Brexit refunds will need to be claimed directly from EU countries using existing processes for trade outside the EU.

Those employing EU citizens should ensure their workforce is aware of the need to register for the settlement scheme. Applications can be made online or by telephone and HMRC has issued a wealth of guidance and an employers' toolkit to assist.

Whatever the next few months hold, the only thing we can really be certain on is this news will be out of date by the time you read it! Call us if you need further guidance on how you can prepare your business for Brexit.



HAPPY NEW OFFICE

As we go to press we are about to move into our new offices at Butterfield Business Park in Luton. The move allows for future expansion and gives us a great space for future events. The new offices also have sufficient on-site parking!

Tara Aldwin, a director at Foxley Kingham said, "We are excited to start the next phase of Foxley Kingham's journey in this incredible new space. There have been months of planning invested into the move and we really feel this will be beneficial for both our staff and clients".

Please be assured that all correspondence sent to Rothesay Road will be forwarded on, and all phone numbers will remain the same. We will automatically update the address for those companies that have Rothesay Road as their registered office with no cost to clients.

Our new address is 260-270 Butterfield, Great Marlings, Luton, Beds, LU2 8DL

OUR NEW BRAND!

Foxley Kingham is delighted to unveil our new logo as part of a complete rebranding. There will be more details in the next issue of *ProActivity*, but we wanted to give our clients a preview. We hope you like it as much as we do!

It is an exciting time at Foxley Kingham; our new brand and our move to new offices both reflect our energy and focus as we look to the future.

As always, we continue to strive for the highest possible levels of service for all our clients. We are passionate about meeting our clients' needs and look forward to helping your businesses succeed.



MAKING TAX DIGITAL WELCOME TO OUR MTD DROP-IN SESSIONS

All clients are very welcome to attend one of our free drop-in information sessions on Making Tax Digital. These sessions are designed to answer any questions about the new HMRC regulations and to let you know how we can help.

Our sessions are held at the Foxley Kingham offices:

25th February 2020	2pm to 5pm	Drop in session
25th March 2020	2pm to 5pm	Drop in session

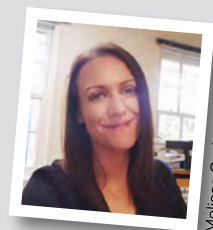
Please see www.fkca.co.uk for details of future sessions.

GKP PEOPLE NEWS

John Thorpe, accounts and audit senior at GKP is to retire. John, who has worked in the Ampthill office for the past six years, said that he will miss working with the staff and clients of GKP, but he is looking forward to spending time in warmer climes!

We wish him well in his retirement.

We were sorry to lose **Emma Jones** from the GKP admin team. However, we are delighted to welcome **Melissa Grube** to the team who joins us as office administrator and receptionist.



Melissa Grube

GKP TAKES NEW TRAINING STEPS

We are delighted to announce that GKP is now an ACCA accredited training provider. This accreditation is part of our commitment to professional excellence and the development of our staff.

Achieving the ACCA Approved Employer status and subsequent inclusion on the Approved Employer Directory acknowledges that we are providing the highest level of support and assistance to the ACCA members and students that we employ. This status also means that our in-house staff training, development and mentoring can now count towards ACCA approved accreditations for our staff.

ANNIVERSARY FOUNDATION PAMPER NIGHT

Following the success of the Pamper Evening at Barnfield College we're putting the finishing touches to a Pamper Night in the week leading up to Valentine's Day in February 2020. We'll keep you posted as our plans develop!





May we take this opportunity to thank all of our clients for your continued partnership in 2019. We wish you all a very Merry Christmas and a happy, healthy and prosperous New Year!

We will not be sending Christmas cards but instead making a donation to the Foxley Kingham Anniversary Foundation.

FESTIVE OPENING HOURS

Foxley Kingham:

23rd December: Closed from 12pm
24th December: Closed
25th December: Closed
26th December: Closed
1st January: Closed

GKP

20th December: Closed from 12pm
Reopening on 2nd January

Anyone working towards an end of December deadline for the submission of accounts to Companies House should aim to get signed accounts back to us in good time to allow for any holiday delays and avoid any late filing penalties.



Disclaimer: Please note that we cannot be held responsible in any way for any consequence arising from the information provided in this newsletter. Whilst every effort is made to ensure that accuracy of the content of all FK publications, no decisions should be taken on the basis of information given without reference to specialist advice.

Happy New Year Networking

The New Year brings new opportunities! Take your networking to the next level in 2020.

10 January 2020 | 10am

Business Buzz Luton

The Brache Beefeater, Osborne Road, Luton, LU1 3HJ

14 January 2020 | 12pm – 2pm

The Athena Network

South Beds Golf Club, Warden Hill Road, Luton

22 January 2020 | 9:30am – 12:30pm

14 Leadership Blindspots: Building a Bulletproof Business

Bedfordshire Chamber of Commerce, Hart House Business Centre, Kimpton Road, Luton

25 January 2020 | 9:30am – 4pm

ACAS – Managing discipline and grievance

The Barns Hotel, Cardington Road, Bedford

28 January 2020 | 9am – 1:30pm

How you could boost your business by working with Cranfield University's School of Management

Cranfield Eagle Lab, 1 Medway Court, Cranfield University

5 February 2020 | 10am

Bedford Business Buzz

Auction Room, 1 Duke Street, Bedford

11 February 2020 | 12pm – 2pm

The Athena Network

South Beds Golf Club, Warden Hill Road, Luton

14 February 2020 | 10am

Business Buzz Luton

The Brache Beefeater, Osborne Road, Luton, LU1 3HJ

Get FK and GKP online

Please visit the Foxley Kingham website www.fkca.co.uk and GKP's site www.gkp.co.uk to access information about our services and specialist sectors, as well as a wealth of online resources.

You can browse in-depth analysis from our specialists, and dip in for valuable bite-sized news and updates. We constantly review our content, adding helpful information, articles, blogs, newsletters, company announcements and client successes.

Foxley Kingham can also be found on Twitter @FkcaLtd

Printed by Priory Press, Unit 18, Apex Business Centre, Boscombe Road, Dunstable, LU5 4SB.
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