

Proceeds of crime

Money Laundering

the day job

the fast pace of a global investment bank

get out less

exam dates, tactics
and credit for prior
learning

go on spoil yourself

Looking after #1

Welcome to /Vital



the information & support
magazine for ICAEW students
issue #20

icaew tracking in the press

"Institute launch International assessment in IAS"

On approval from Council, the Institute is launching a new assessment programme in International Accounting Standards and International Financial Reporting Standards (IAS and IFRS). The campaign kicked off with an advertisement in the IAS Special Supplement in the FT on 23 February. The programme is aimed at all users and preparers of financial information and will enable them to demonstrate their basic competence and more advanced skills in understanding and applying international standards.

"Tax merger 'is no solution'"

Mark Lee, Chair of the Institute's Tax Faculty warned that the merging of the Inland Revenue with Customs and Excise would just "paper over the cracks" leaving the problems within the Government's tax departments unresolved. The Daily Telegraph 9 March reported that there might be plans for a merger of the two. Fans of the anticipated merger say it would create a "one-stop" shop, cutting duplication and costs.

"Companies' optimism surges"

Both the Evening Standard and the Independent reported on February 25 that London's accountants are much more optimistic about business prospects for this year. The report from the ICAEW and Alliance and Leicester polled more than 1000 accountants and found that 62% predict business will improve versus 16% who expect it to deteriorate.

Welcome to Vital#20

With the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 taking full effect on 1 March 2004, we decided to cover this in our lead article. Plus, on page 11 we bring you up to speed on some major changes to exam regulations and invite you to spoil yourself with some great offers on page 4.

news from council

Ever since the Money Laundering legislation was first mooted, the Institute's Council has been concerned the regulations could prove unworkable. One of our main worries has been about the lack of *de minimis* provisions. This meant that every incident would need to be reported and there were grave concerns that the National Criminal Intelligence Service (NCIS) would be submerged under the avalanche of paper that professional advisers and businesses would be obliged to submit. As a result of our lobbying with others, the NCIS recently agreed to adopt a two-tier abbreviated system of reporting whereby those reporting crimes of lesser intelligence value fill in a shorter, less time-consuming form.

Other current Council agenda items include preparing for International Accounting Standards, Practice Assurance and Continuing Professional Development. If you would like to know more about any of these or have other points you would like to raise please email: hl@hilarylindsay.co.uk

from national student council

Outgoing Chair **Lizzy Conder** and Vice-Chair **James White** reflect on the past year.

One of the main focuses of 2003 was to strengthen the relationship between student societies and all areas of the Institute. At a national level, the increased frequency of meetings along with the introduction of bi-monthly reporting has fostered closer relationships between student societies, helping to spread best practice and highlight student concerns in a quick and easy fashion.

With the help of Hilary Lindsay the Council member representing students, Lizzy and James have been raising the profile of Student Council at the Institute's highest level - Council. They attended a full Council session in October 2003.

At a regional level, student societies have been working closely with the district societies, young chartered accountants' groups and fellow young professionals to provide opportunities for pan-professional networking.

Nominations for National Student Council Chair and Vice Chair were posted in February for a vote at Student Council on 26 March. **Catherine Everard** from Cambridge, **Alistair Smith** from Leeds and **Manish Dev** from Liverpool were nominated for Chair. **Claire Harrison** from the Southern Society, **Sarah Clark** from London and **Salim Suleman** from Bradford were nominated for Vice Chair.

Vital went to print before the elections were held. Log on to the societies page at [/students](#) for the results.

YOUR RESPONSIBILITIES AS AN INDIVIDUAL

If money laundering makes you think of fat-gangsters in exotic tax havens with suitcases stuffed full of used dollar bills, think again. The new money laundering rules, which require accountants to report suspicious client transactions to the authorities, define money laundering as possessing or doing anything with the proceeds of any criminal conduct. This includes the proceeds of 'everyday' crimes such as theft, fraud and tax evasion.

The rules are contained in the Money Laundering Regulations 2003 which took effect on 1 March 2004. Many of the new responsibilities fall on individual accountants and other staff providing accounting services.

Every practice, except sole practitioners employing no staff, will need to appoint a Money Laundering Reporting Officer (MLRO). The MLRO's responsibility will be to ensure the firm has appropriate anti-money laundering procedures in place including systems to verify the identity of all new clients and to respond to any money laundering suspicions that may arise. It will also be the responsibility of the MLRO to ensure you and your colleagues receive appropriate training in the recognition and reporting of money laundering. If you have not yet received training, or heard about these new arrangements, you may like to discuss this with your line manager.

The definition of "Money Laundering" has been broadened by the Proceeds of Crime Act 2002, to include not just sophisticated laundering schemes but also the mere possession of the proceeds of any crime, by the offender or a third party. There are also

no *de minimis* limits allowed for in the legislation and this means any criminal act which results in a gain of any kind will almost certainly also result in a money laundering offence, which must be reported.



From 1 March 2004 you will almost certainly be committing a criminal offence if you form a suspicion that money laundering is taking place and do not make a report to your MLRO.

These draconian requirements on practitioners need to be considered in the light of the Government's drive to tackle criminality across the board.

The absence of *de minimis* provisions within the legislation has been the subject of considerable concern amongst members and the Institute and we have ensured that this matter was fully debated amongst decision takers in Government and beyond. The eventual form of law was decided because:

- Some very serious crimes, including terrorism and paedophilia, neither require nor generate substantial funds. Nevertheless, they can be detected and convictions obtained, with the assistance of the money laundering reporting regime (and some already have).
- Criminality can be complex and hidden. Only some aspects of the true situation may be visible to any single reporter. Small reports may help to uncover much larger problems.

Despite this, there will be many instances where both the amounts involved and the

criminal intent is negligible; where the nature of the suspicions will not be of conceivable use to the law enforcement authorities; or where the criminality involved is already being dealt with by an appropriate regulator or investigator, and the reporter's contribution would be negligible.

For completeness, the Government has retained the general requirement for reports to be made in respect of every suspicion but has acknowledged the importance of the need for manageable reporting levels and systems.

It is also worth remembering:

- Speculation is not suspicion. Just because a client is in a high-risk area for certain types of crime this does not mean they should be reported. No money laundering report should be made, unless there is an identifiable reason to be suspicious, beyond normal levels of professional scepticism.
- There will normally be no money laundering unless there are actual proceeds of crime. For example, mis-statements in a tax return will generally only result in laundering after the tax has become due and has been underpaid. In most cases, any issues with your client will have been resolved by that stage.
- Money laundering offences cannot arise unless the alleged offender knows or suspects that they are dealing with the proceeds of crime. No mistake of the law, or even inadvertent stepping over the line of legality, can result in money laundering, if it is appropriately dealt with when realisation dawns.

The money laundering legislation is aimed at tackling real criminality. The hope is that this new reporting regime will help to promote a law-abiding society, in which the unfair competitive advantage gained by those who flout the law is minimised.

We have also developed a range of Guidance and much more is in preparation. Much of this is available on the Institute website at www.icaew.co.uk/moneylaundering or you could call our Money Laundering Helpline: +44 (0)1908 248320

/in focus



In 2003 Student Support held six focus groups to get your thoughts on a range of topics. Your feedback resulted in the revamp of Vital magazine and changes to the website. We plan to run focus groups again and are looking for interested students to take part. The focus groups will be on:

16 June & 28 July - London

24 June - Leeds

3 August - Birmingham

To take part please contact the Student Support Team by calling: +44 (0)1908 248040 or email: studentsupport@icaew.co.uk

/looking after #1

Closer to you

The Student Support team will also be running a series of seminars to provide an update on key topical issues and enable students to meet Institute staff and network with other students training for the ACA. Planned themes include: *Accelerated Learning* and *How to Complete your Training Contract*.

This year's events will run from 6.00 – 9.00 pm in 6 locations, which we hope will mean a significant number of you will be able to attend.

Provisional dates for the sessions are:

Summer - 24 June, 15 July, 22 July

Winter - 11 November, 18 November, 14 December.

We will be emailing you with the details of the event nearest to you in the coming months. To ensure you receive your invitation make sure we have your current email address by calling us on: +44 (0)1908 248040 or emailing us at studentsupport@icaew.co.uk

Practice makes perfect

You may have chosen to study for the ACA because it is a highly regarded and widely recognised business qualification. Maybe you chose it because training in practice gives you a strong grounding and a wide variety of experience in all areas of business. Some of you will have chosen the ACA because you weren't sure what you wanted to do long term and wanted to leave your options open.

Many accountants will leave the profession within 2-3 years of qualification to pursue careers in commerce or banking. After spending three years in an audit or accounts role, you may feel that you too are ready for a fresh challenge. However a career in practice is not exclusively about audit and accounts preparation and there are many reasons why you may choose to remain in the profession.

Most partners within the profession will earn more than all but the very top tier of their commerce counterparts and clearly the role of partner is vastly different to that of audit senior. There could be several good reasons for you to remain in practice not least that spending 2-3 years post qualification gaining different experience can add significant weight to your CV and differentiate you from your peer group.

But what if you want to move away from audit or from your current firm? What are the opportunities in practice?

Chris Conner, Manager of Michael Page's London practice recruitment team, gives us an insight into the roles available in practice.

Corporate Finance

Corporate Finance is one of the most dynamic areas of the profession encompassing deal generation and execution, due diligence and financial modelling. Broadly speaking this exciting and challenging area can be split into two camps, Lead Advisory and Due Diligence.

Due Diligence/Transaction Support

Commercial and financial due diligence are crucial aspects of business acquisition. A key aspect of the role will involve helping clients produce a strong negotiating position. Working as a team, providing an expert commercial assessment of each deal and any risks attached forms a large part of the due diligence role, as does the drafting of warranties and indemnities.

For many newly qualified accountants, this role provides a first step into Corporate Finance and a platform to develop future deal making skills.

Lead Advisory

This is very much at the sharp end of Corporate Finance involving advice on selling or acquiring businesses, management buy-outs or buy-ins, raising venture or development capital. In practical terms this will involve winning business, helping it to grow and then advising on each successive stage of evolution. Probably one of the most satisfying aspects of this work is the direct contact with wealth creators and entrepreneurs. Understanding a client's personal objectives and how they align with business objectives is a key attribute for working in Lead Advisory.

Corporate Recovery

When a company is in financial difficulty, the earlier that professional help is sought the greater the chances of survival. Work can range from the operational/financial restructuring of businesses through to cash management and insolvency. When restructuring, assignments involve identifying the issues facing a business, before working with stakeholders (*management/investors/banks*) to address the under performance and effect a recovery. Formal insolvency appointments can include:

- Acting on behalf of a secured lender and realising a company's assets in order to recover a debt due.
- Acting for a troubled company in accordance with protective orders to facilitate the survival of the company.
- Winding-up the affairs of an insolvent company.

As a consequence of market conditions, vacancies currently exist in Big 4, medium tier and small accountancy firms for those with recovery/insolvency experience.

Forensic Accounting

If you are more a bloodhound than a watchdog, this could be for you! The integration of accounting, auditing and investigative skills yields the speciality known as forensic accounting. It involves dealing with complex financial issues where there is a legal or contractual dispute. This can range from personal injury and business claims through to criminal investigations. With the growing complexity of the business environment and the growing number of business related investigations, Forensic Accounting professionals are increasingly asked to assist in investigating financial and business related issues. Demand for forensic accountants remains consistently high and opportunities currently exist with Big 4 firms, Top 20 firms and forensic boutiques.

The above are just a few of the opportunities offered in the profession. For further advice you can talk to experienced consultants at the Recently Qualified Careers Service at the Institute on: +44 (0)1908 248032 or email: career.service@icaew.co.uk.



spoil yourself

The Institute has partnered with a number of leading brands to bring you discounts for entertainment, travel, music, wine, mobiles and shopping.

We've launched this service with companies such as **Boots**, **bmi** and **CD Wow**. To take advantage of these exciting new deals, log on using your student number and password to **/students**, click on professional or advanced stage, support and services in the menu and then lifestyle offers.

/students will be updated regularly with details of new offers, so make sure you add it to your favourites list. Enjoy!

Gary 25, recently qualified from a medium sized practice in Central London.

Where are you working now?

I work for a global investment bank – quite a daunting experience for a newly qualified accountant like me. On my very first day, I have to admit I was petrified. But by the end of the day I could tell that this was the type of organisation I wanted to work for. The environment here is dynamic and fast paced where decisions are made quickly. The bank I work for is one of the largest trading houses in the City as well as having an unrivalled investment banking operation. The company is highly innovative and there are great opportunities to develop and carve out a career.

What does your job involve?

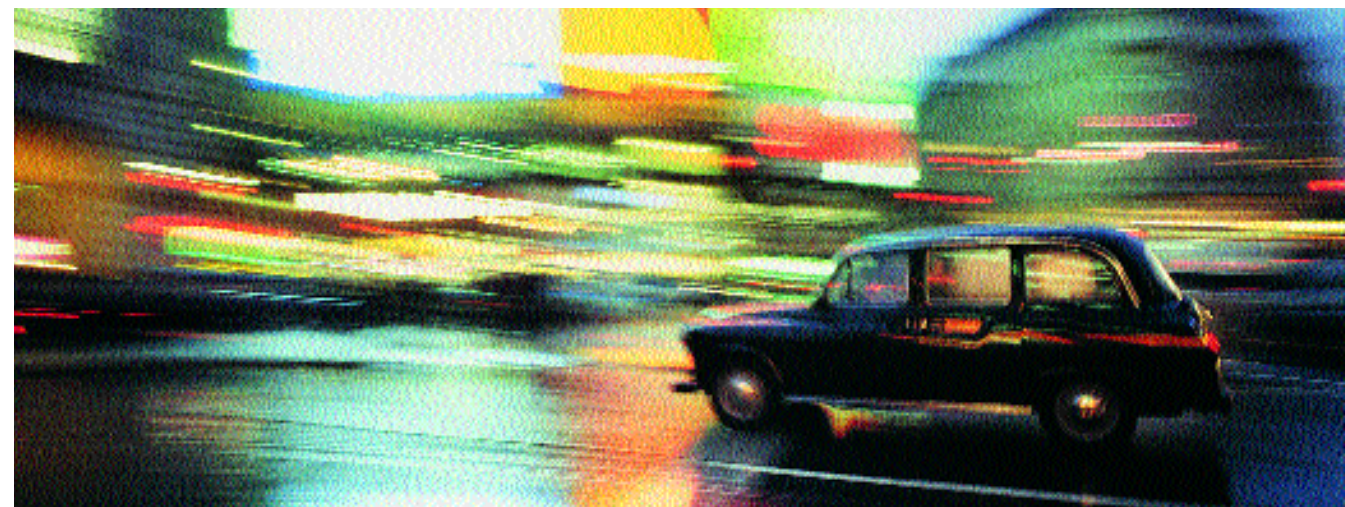
I'm currently working as a Product Controller supporting a small team of traders in the equities division. I prepare daily profit and loss reports (P&Ls) for the

... working in banking has made me realise that here ability is recognised and rewarded, not age!

equity traders. This enables me to see which products are making and losing money and which trading desks, sectors or geographic regions are the most successful. It also allows me to build up an understanding of various financial products and the financial markets.

Investment banking is a long way from a medium sized practice – is this a challenge?

It is a tough learning curve which I'll be on for a while yet, but is also incredibly rewarding. Often the traders raise ad hoc queries that have to be investigated. P&Ls



have to be extremely accurate as they are scrutinised stringently by all areas of the bank – all costs and revenues have a direct impact on the traders' potential bonuses! Daily deadlines must be met to provide the necessary information for the traders and there are a large number of systems which have to be mastered.

Working so closely to the business provides an excellent insight into how an investment bank operates and helps me to build an understanding of the day to day running of the bank as well as developing good working relationships. I work closely with other areas of finance and am in daily contact with colleagues who work in financial control, regulation, treasury etc.

What do you enjoy most about your job?

The atmosphere both on the trading floor and within middle office is very exciting, quick-paced and fun. I've found it surprisingly easy to get on with most people from senior managers to the other graduate trainees, provided I work hard and deliver the results they want.

There is a real mix of people from all sorts of backgrounds within investment banking which provides a diverse culture. There are also little signs of hierarchy within these environments – senior managers are easily approachable and friendly, both professionally and socially. Having worked for a large bureaucratic organisation in the past, working in banking has made me realise that here ability is recognised and rewarded, not age!

What do you do to relax?

Working in the City has many attractions – not only is the remuneration very attractive, but the social life is great with the local bars full of young professionals relaxing after a stressful day.

"Although they can be long, the days are very rewarding in such a young dynamic atmosphere."



/do the right thing

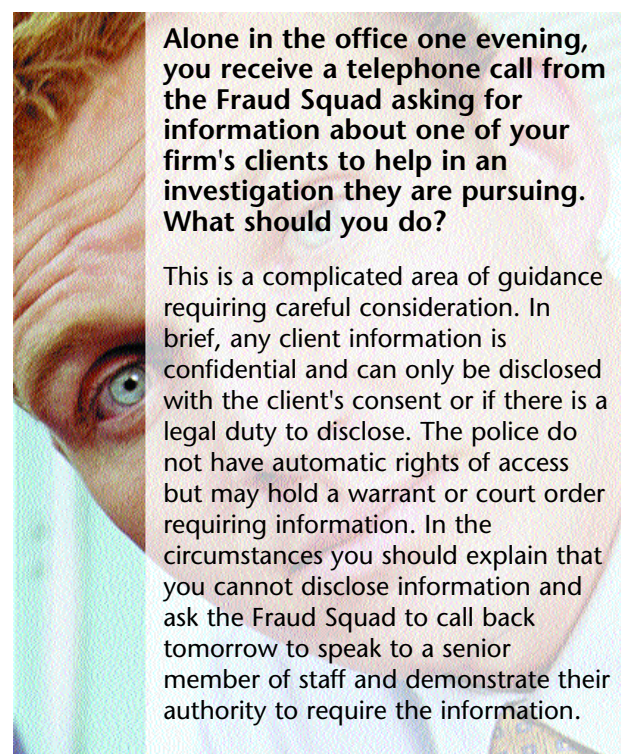
As you may have gathered, from our article on Money Laundering, it is very important that you work professionally and ethically throughout your training.

Your ACA training is designed to develop your understanding and practice of professional ethics. Your studies and exams will help you identify technical knowledge and expertise, how to apply these to business situations and what to report if things don't seem quite right. In addition, your work based learning will enable you to develop your professional judgement in a progressive manner, by relating an ethical question to one of your recent work assignments.

As a student you are bound by the Institute's code of ethics, based on 5 principles: **Integrity, Objectivity, Competence, Performance and Courtesy and Consideration**. You also have a duty of confidentiality to your employer and clients.

Take a look at the two situations below - would you do the right thing?

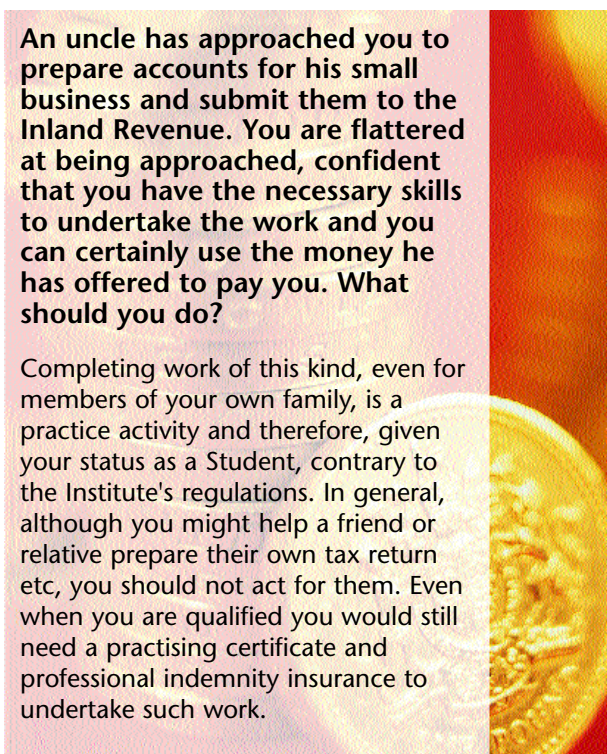
Disclosure



Alone in the office one evening, you receive a telephone call from the Fraud Squad asking for information about one of your firm's clients to help in an investigation they are pursuing. What should you do?

This is a complicated area of guidance requiring careful consideration. In brief, any client information is confidential and can only be disclosed with the client's consent or if there is a legal duty to disclose. The police do not have automatic rights of access but may hold a warrant or court order requiring information. In the circumstances you should explain that you cannot disclose information and ask the Fraud Squad to call back tomorrow to speak to a senior member of staff and demonstrate their authority to require the information.

Private work



An uncle has approached you to prepare accounts for his small business and submit them to the Inland Revenue. You are flattered at being approached, confident that you have the necessary skills to undertake the work and you can certainly use the money he has offered to pay you. What should you do?

Completing work of this kind, even for members of your own family, is a practice activity and therefore, given your status as a Student, contrary to the Institute's regulations. In general, although you might help a friend or relative prepare their own tax return etc, you should not act for them. Even when you are qualified you would still need a practising certificate and professional indemnity insurance to undertake such work.

Would you have known what to do? If in doubt it is better to ask than pretend you know. Our ethics advisory service is on hand to help you, just call: **+44 (0)1908 248258** or email: **ethics@icaew.co.uk**

To order the Institute's new Professional Ethics CD (*version 1.4*), which includes information on money laundering, please call the Student Support Team. (*£15 for a multiuser license*)

Credits & Exemptions

In line with other accountancy bodies the Institute is introducing a fee for students applying for exemption from Professional Stage subjects. A charge of £55 will be made for each subject applied for, although if you are claiming credit for one of the law devolved assessments you will only pay £27.50. The fees apply to everyone claiming credit for any subjects and will be payable from 1 May 2004.

All applications received after 30 April 2004 must include the appropriate fee or they will be returned. If your application is unsuccessful, the fee will be returned to you minus an administrative charge of £15 per subject.

Information on the learning outcomes and topics that you must have covered to be awarded credit is included in the application pack. You can also visit **/students** for more information on credits available for individual degrees and other UK professional accountancy qualifications.

/get out less

Examiners Feedback

From June 2004 our examiners will provide additional guidance in their reports, in place of the illustrative scripts, for each Professional Stage and TATC exam paper. The commentary published with the mark scheme will include:

- more feedback on how questions were typically answered
- more generic commentary on weaknesses in the exams overall
- detailed comments on areas where students did well
- descriptions of common student errors

The mark scheme will show the marks available for each section of the answer rather than splitting marks into individual or half units. This is to help students and tutors appreciate that half marks cannot be accumulated by including information in answers that is out of context.

We will continue to publish an illustrative script alongside the examiner's report for the Advanced Case Study as students and tutors find real examples useful for this particular exam.

TACTICS

Designed for use by re-sit students, TACTICS is also relevant to students at their first attempt. There is one booklet for each Advanced Stage exam and they aim to improve your performance and maximise your chances of passing. The series has been developed from examiners' experience of past performance and includes:

- What examiners are looking for
- Question style
- Characteristics of good answers
- Mind mapping

You can buy each book for £30 from **www.gillards.com/icaew**

exams dates & deadlines

Professional Stage exam

Closing – 6 May 04
Admission letter – 21 May 04
Exam – 8–10 June 04
Results – 16 July 04

Advanced Stage exam

Closing – 17 June 04
Admission letter – 2 July 04
Exam – 20–22 July 04
Results – 27 August 04

/get out more

Monday 19, Thursday 22, Monday 26 & Thursday 29 April

Professional Stage Tutorials with BPP

BPP Cambridge will be running PS tutorial evenings. Each evening will address one professional stage exam subject, and look in detail at a number of the tricky areas where people have indicated problems. To book email Gareth at garethjohn@bpp.com

Tuesday 20 April

Sheffield & District Student Society Night at the Dogs

Owlerton Stadium, Sheffield at 7pm. To book contact Carmel Smithson on 0114 2922415 or email carmel.smithson@icaew.co.uk

Wednesday 21 April

Bradford & District Student Society Bowling Event

Hollywood Bowl, Bradford at 7pm. To book contact Tracey Brankin at T.M.Brankin@Bradford.ac.uk

Thursday 29 April

Northern Student Society Quiz Night

Hosted by the University of Northumbria. Contact Pamela Rule on 0191 2577666 or email pmrule@yahoo.com

Friday 30 April

South Eastern Student Society Annual Dinner

The Hawaiian Spring Ball will be at the Copthorne Hotel, Effingham Park, Gatwick. £35 per person. Competition prize draw - a weekend for two to Seville. To book contact Antoinette Ashworth on 01329 239751

Thursday 6 May

Sheffield & District Student Society Bowling Night

Hollywood Bowl, Valley Centerentainment. Starts 7.30pm. To book contact Carmel Smithson on 0114 2922415 or email carmel.smithson@icaew.co.uk

Friday 14 May

Northern Student Society Teeside Annual Student Dinner

Presentation of the CU Peat Prizes. To book contact Pamela Rule on 0191 2577666 or email pmrule@yahoo.com

Friday 4 June

Sheffield & District Student Society YCAG Professional's Ball

Baldwins Omega, Psalter Lane, Sheffield. Arrive 7.30 for 8.00pm. To book contact Carmel Smithson on 0114 2922415 or email carmel.smithson@icaew.co.uk

Thursday 10 June

Sheffield & District Student Society Learn to Fly

Sheffield Aero Club, Netherthorpe at 6.00pm. To book contact Carmel Smithson on 0114 2922415 or email carmel.smithson@icaew.co.uk

Saturday 12 June

Northern Student Society Booze Cruise

River cruise on the Tyne. To book contact Pamela Rule on 0191 2577666 or email pmrule@yahoo.com

Wednesday 16 June

ICAEW Student Focus Group, Chartered Accountants' Hall, London

To take part contact the Student Support Team on 01908 248040 or email studentsupport@icaew.co.uk

Thursday 24 June

ICAEW Student Focus Group, FTC Leeds

To take part contact the Student Support Team on 01908 248040 or email studentsupport@icaew.co.uk

To find out what is happening in your society go to **/students**, click on **professional or advanced stage** and select **student societies** from the menu

The Institute is making a number of changes to the exam regulations. It is important you are aware of these and how they may affect you. These changes will come into effect from 1 September 2004.

Timebar We are changing the timebar to a simpler, easier to calculate regulation. You will have eight years in which to complete our examinations from the point at which your training contract starts or you register as an independent student (*whichever is the earlier*).

Advanced Stage We are also introducing a per paper attempt limit at the Advanced Stage. Students will be allowed no more than four attempts per paper at the Advanced Stage.

Transitional Arrangements There will be a concessionary period to the end of 2005 for any student who started the examinations under the existing regulations. Each application for a concession will be considered sympathetically and on an individual basis. To apply for a concession contact the Student Support Team.

Students timebarred under the existing regulations before 1 September 2004 will not be given any concessionary attempts on the grounds of the changing regulations.

Professional Stage The regulations for the Professional Stage are not changing and remain as follows:

Students will not be permitted more than the number of attempts at the Professional Stage paper based examinations as outlined below. (*Note: an attempt is defined as attending one or more papers in an examination session.*)

Students sitting the e-assessment in Accounting will have five attempts in which to pass the remaining Professional Stage papers.

Students who do not sit the e-assessment in Accounting will have six attempts in which to pass all the Professional Stage papers.

Students who have attempted both the paper based Accounting exam and the e-assessment in Accounting will have six attempts in which to pass all of the Professional Stage papers.

/exam regulations

Student Support Team:
Monday–Thursday 8.30am–5.00pm,
Friday 10.00am–4.00pm
Tel: +44 (0)1908 248040,
studentsupport@icaew.co.uk

Ethics Advisory Service:
Tel: +44 (0)1908 248258, ethics@icaew.co.uk
Library and Information Service:
Tel: +44 (0)207 9208620, library@icaew.co.uk

to contact us

File Edit View Help

Training Contract ▶
Work Based Learning
Exams ▶
Change of Details

Tel: +44 (0)1908 248040
studentsupport@icaew.co.uk
www.icaew.co.uk/students ▶

New Students
Professional Stage
Advanced Stage
Approaching Membership



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