


# Deloitte.

## Senior Accounting Officer.



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Alan MacPherson  
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Mark Kennedy

# Agenda

- Welcome and introduction 8.30
- Duties of SAOs of qualifying companies - HMRC 8.45
- Break 9.30
- What are other organisations doing? 9.45
- Close 10.30

Copies of this presentation will be available on our dedicated website:

**[www.deloitte.co.uk/SAO](http://www.deloitte.co.uk/SAO)**

# Are you a:

① Tax Manager

46%

② Head of Tax

31%

③ Finance Manager

6%

④ Head of Finance

13%

⑤ Other e.g. HR

4%

# What industry is your organisation?

① Consumer Business

8%

② Energy, Infrastructure and Utilities

15%

③ Financial Services

40%

④ Life Sciences and Healthcare

1%

⑤ Manufacturing

8%

⑥ Private Equity

2%

⑦ Professional Practices

5%

⑧ Real Estate

4%

⑨ Public Sector

1%

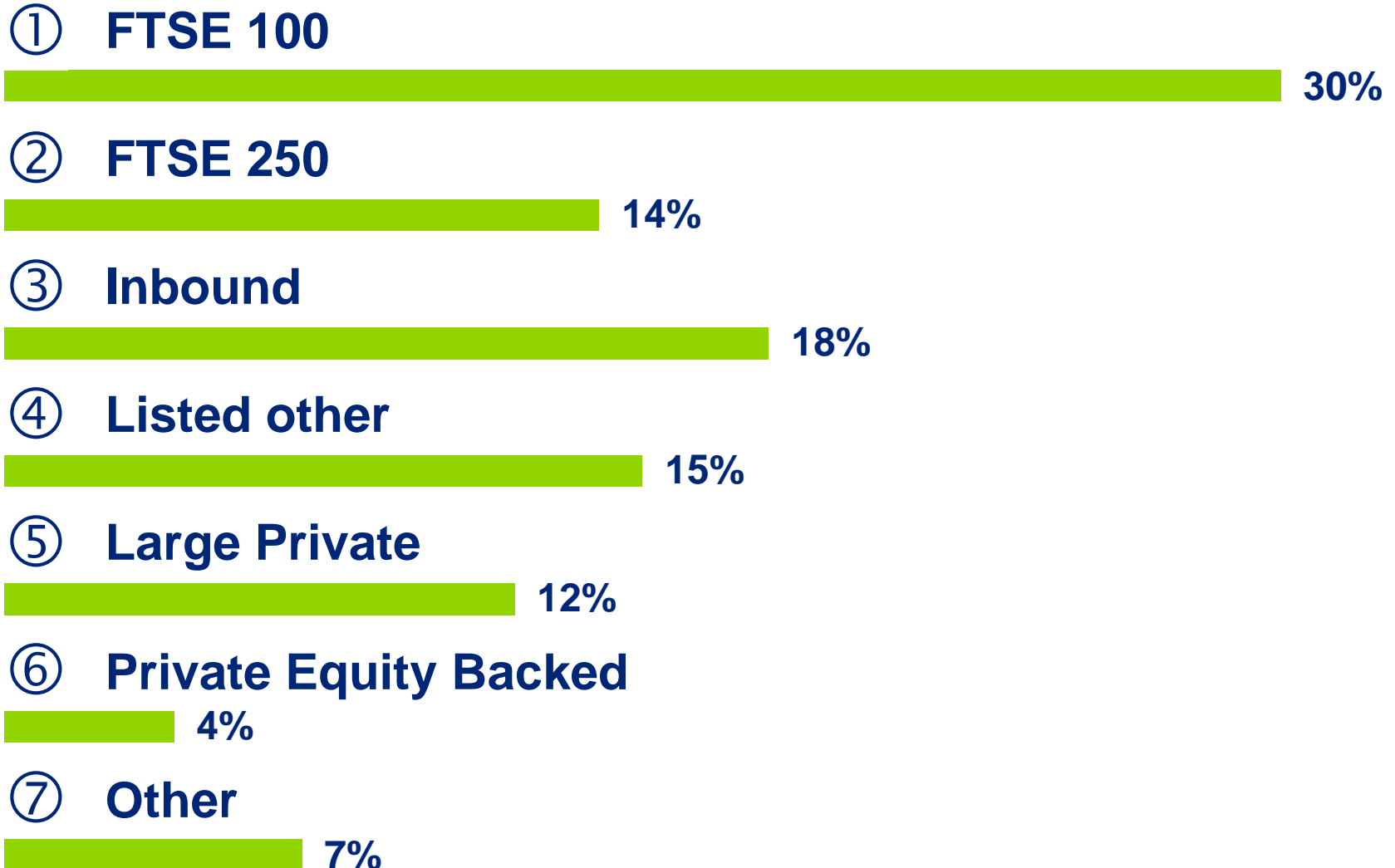
⑩ Technology, Media & Telecommunications

13%

⑪ Tourism, Hospitality & Leisure

3%

# What sector does your organisation fit into?



# Who do you think is the SAO in your organisation?

① CFO



② Financial controller



③ Head of Tax



④ Other



# Duties of SAOs of qualifying companies

Kate Ramm and  
Diane Williams



**HM Revenue  
& Customs**

# **Duties of Senior Accounting Officers of Qualifying Companies**

Kate Ramm

HMRC Business Customer Unit  
Large Business Team

13 October 2009

## What was the purpose of this legislation ?

- Large companies make a major contribution to the exchequer and most already maintain appropriate tax accounting arrangements but a minority do not .
- This legislation will help:
  - to underpin the good practices of the majority and,
  - require the Senior Accounting Officers of companies who have inadequate tax accounting arrangements to rectify that situation.
- This legislation will ensure that:
  - senior company officers are responsible for ensuring that the tax accounting arrangements are fit for purpose.

## How do we see this working

- The focus should be on key / significant risk areas - not about small insignificant amounts ( so common sense )
- Relationship and dialogue with the CRM key
- Not about generating revenue through penalties
- Not about generating unnecessary admin / bureaucracy

## View from CRM perspective

- Diane Williams CRM – Oil & Gas sector
- Consistent with Business Risk Review Process
- New approach to governance and delivery - Annex K
- About understanding key risks and discussing those

# Commencement

- Legislation applies to financial years beginning on or after 21<sup>st</sup> July (date of Royal Assent)
- There is no transitional period but will be a light touch for first year : -
  - Where SAO begins a review of the appropriateness of the tax accounting arrangements in first year will assume have taken reasonable steps
- Legislation not retrospective so don't expect businesses to revisit opening balances or standing data
- Guidance provides examples of how annual requirements apply in terms of different taxes

## What has happened so far & what happens next

- Announcement at budget
- Consultation with business, agents and rep bodies leading to amendments to the legislation
- Consultation with business, agents and reps bodies on the guidance - draft version published at Finance Bill , final version published 16<sup>th</sup> Aug 09 <http://www.hmrc.gov.uk/largecompanies/sao-large-companies.htm>
- Training across LBS and Large and Complex in Local Compliance being undertaken from middle of this month to end of year.



**HM Revenue  
& Customs**

**Thank you  
- any questions ?**

# How confident are you that your organisation could provide the necessary sign-off, given your current arrangements?

① Completely comfortable



② More or less comfortable



③ Some work required

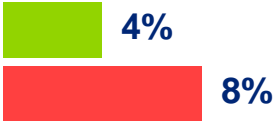


④ Not at all comfortable

0%

# How confident are you that your organisation could provide the necessary sign-off, given your current arrangements?

## Completely comfortable



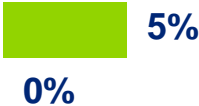
## More or less comfortable



## Some work required



## Not at all comfortable



# Are you intending to make use of the 'light touch' offered in the legislation for the first year?

① Yes



② No



③ Undecided



④ Not aware of this choice

0%

# How much do you think achieving compliance will cost your organisation?

① £0



② £50,000



③ £100,000



④ £250,000



⑤ £500,000



⑥ £1m+

0%

# How much do you think achieving compliance will cost your organisation?

£0



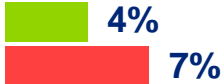
£50,000



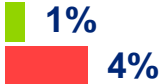
£100,000



£250,000



£500,000



£1m+

0%  
0%

■ May '09  
■ Now

# What areas of tax cause you the most concern?

① Corporation Tax



② VAT



③ PAYE



④ Excise and duties



⑤ Other taxes



What are other  
organisations doing?

Peter Gurr and  
Mark Kennedy

# What are other organisations doing?

## Summary of key risk areas

### What are organisations worried about?

- Complexity of their organisation and the rules
- Change (to business, organisational structure, economic environment, legislation, regulation etc)
- Diffusion of tax around the organisation – no single point of responsibility

### Process concerns:

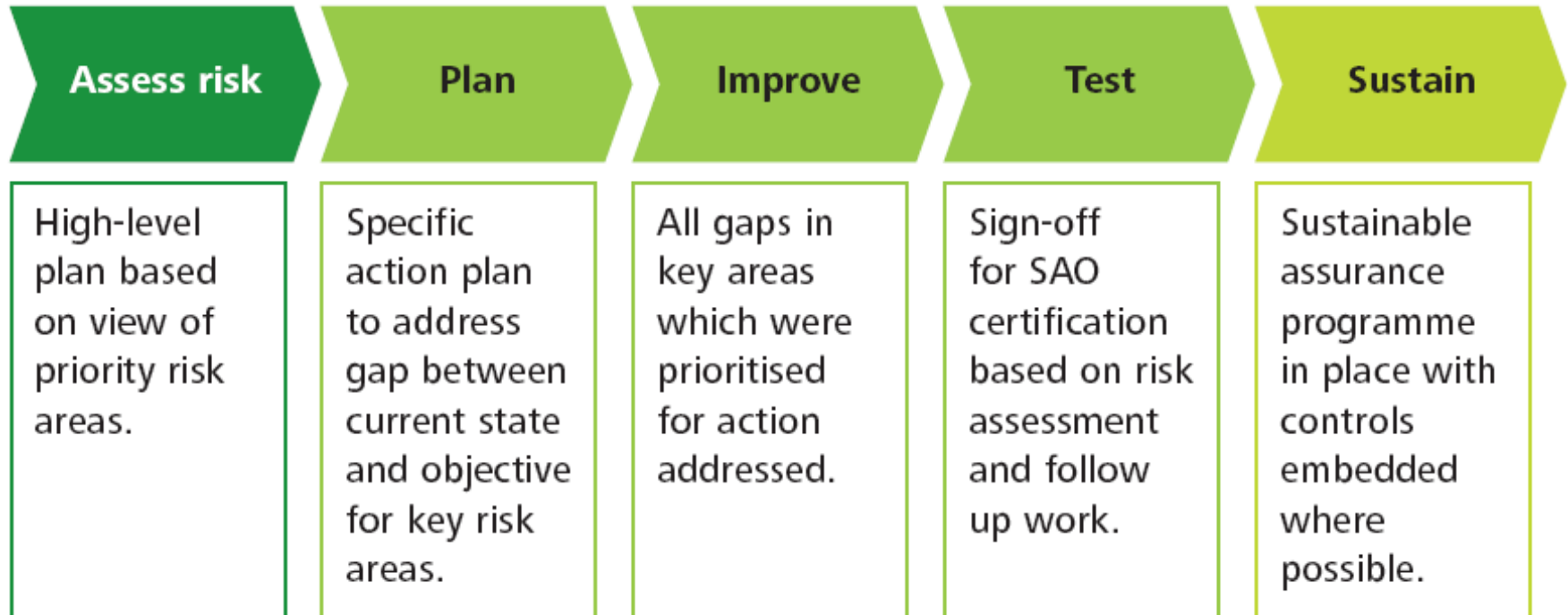
- Reliance on detective controls rather than preventative
- Issues with data quality entered at source
- Small issues which may repeat year on year

### Technical concerns:

- PAYE implications of internationally mobile employees
- Differences between management and statutory reporting

# What are other organisations doing?

## 5 steps toward compliance and beyond



# What are other organisations doing?

## Case study 1

- A FTSE 250 organisation is currently undertaking a risk assessment exercise to identify the following:
  - gaps in their knowledge of the organisation's processes
  - identification and prioritisation of the key risk areas
  - a plan for how to take compliance with the measure further

# What are others doing?

## Case study 2

- A FTSE 100 organisation who has good processes and documentation in place in most areas is focusing on the areas where they perceive there to be most risk, e.g. mobile employees and expenditure data input and analysis.
- The work being undertaken is as follows:
  - mapping of process flows
  - identification of risks
  - design of control objectives

# What are others doing?

## Case study 3

- A FTSE 100 organisation is confident in all aspects of their process and is focusing on working with their CRM to get some comfort that they are meeting their expectations.
- In particular, they are:
  - pulling together their documented process maps and control frameworks
  - carrying out internal audit testing of high risk areas
  - considering the best way to present the above to their CRM including dry runs and understanding the approach of other groups

# What are others doing?

## Case study 4

- A FTSE 100 SEC registered organisation who has good processes and documentation in place in most areas is focusing on building an assurance framework to sustain the process going forward.
- The work being undertaken is as follows:
  - Identifying areas where SOX controls are not sufficient to meet SAO requirements
  - Building additional controls into their SOX processes
  - Running a pilot to test the new controls
  - Training and communicating with the business to embed the new controls processes in the organisation
  - Working with internal audit to bring SAO processes into existing testing

# Senior Accounting Officer

## Next steps

- Managing the HMRC process by performing your own systems audits and presenting the results to HMRC
- Documenting processes for the purposes of evidencing and assuring both the CRM and internally
- Improving quality of data which supports compliance and may lead to additional cash tax savings
- Monitoring KPIs to increase visibility and buy-in of the organisation around tax reporting
- Preparing a timeline of major events in your organisation so that SAO actions can be identified early and resource appropriately allocated
- Benchmark yourself against other organisations

# What work have you done around SAO so far?

① Nothing - not started yet

41%

② Nothing - happy that organisation is compliant already

4%

③ Assurance framework put in place

18%

④ Risk assessment carried out

17%

⑤ Compliance work planned

10%

⑥ Process improvement planned

10%

⑦ Solutions put in place

0%

# What work do you intend to do around SAO?

① Nothing – Operating a wait and see policy

 4%

② Nothing – happy that organisation is compliant already

 2%

③ Put assurance framework in place

 17%

④ Carry out risk assessment

 34%

⑤ Document key processes

 32%

⑥ Carry out process improvement

 11%

# Do you expect to involve your internal audit department in SAO assurance work?

① Yes



② No



③ Unsure



# Do you think SAO will achieve its stated aim of putting Tax more firmly on the board's agenda?

① Yes



② No



# Does SAO give you the opportunity to gain resources and the opportunity to carry out transformational rather than merely compliance work in your Tax dept?

① Yes



② No



③ Not immediately but in the future



# Senior Accounting Officer

## Closing remarks

- Do you know which are your most risky areas and what you will do to fix these?
  - Do you have a wider strategy beyond immediate year 1 compliance with SAO?
  - How does your approach to tax planning interact with what you will need to do under SAO rules?
- 
- Whatever actions are taken the overall process should achieve the following:
    - Ongoing maintenance to update for changes
    - Continuous improvement
    - An understanding of resource requirements to ensure sustainability



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