



Choose and work with an accountant

Accountants can offer your business a range of services from basic bookkeeping to specialist business advice. They can save you time and help to make your business more profitable.

You may employ an accountant simply to prepare financial statements for your end-of-year tax return or you may use one for other added-value services, such as auditing. By law, accounts must be audited each year although qualifying small companies are exempt, eg where annual turnover is not more than £6.5 million and the business' financial year began on or after 6 April 2008.

This guide will help you understand what your business accounting needs are and how an accountant can help you with them. It explains how to find an accountant that is right for your business and gives advice on how to get the most from one.

How an accountant can help

If you run any business, you're legally required to:

- Keep certain records, for example PAYE (Pay As You Earn) records if you have employees and VAT records if you're VAT registered. This will involve regular bookkeeping work.
- Submit an annual tax return to HM Revenue & Customs. This will involve the preparation of financial statements.
- Appoint an auditor to carry out an annual audit of your accounts, unless the company is exempt, eg where annual turnover is not more than £6.5 million and the business' financial year began on or after 6 April 2008.

If you're a limited company you also have to file accounts with the Registrar of Companies. For more information, see our guide on filing accounts with Companies House: dates and checklist. In addition to basic accounting functions, many accountants offer **added-value services**, such as start-up business advice and management systems advice.

You could decide to do some of this work yourself - but many businesses prefer to turn to an accountant for at least some of it. Weigh up factors such as time, cost and know-how and ask yourself:

- What does my business have the **skills** to do in-house?
- What would be more efficiently and effectively **outsourced** to an accountant?
- What must, **by law**, be done by a qualified person?

Where to find an accountant

Bear in mind that it's best to start looking for an accountant well before you need to use one. If possible, don't leave such an important decision to the last minute.

Look for someone who has professional accounting qualifications. The best way to find a good accountant is by using professional associations or through personal recommendations.

However, this is a complex area and there are many accountancy associations to choose from. Some offer specialist services such as bookkeeping or the preparation of draft accounts and others offer guidance on specific business issues. You may wish to seek advice from:

- friends, family, business associates and contacts
- bank or lawyer
- professional or trade associations - this can be a particularly useful route if you're looking for an accountant that specialises in your industry

Once you have found some names and considered their reputations and qualifications, you should draw up a shortlist of about six accountants you'd like to contact.

What to consider before choosing an accountant

You need to consider the size and complexity of your business - your business may be small, but if its systems and organisation are complex you will need an adviser who is able to assist with more than basic bookkeeping. Or it may be that you need a firm that understands a particular type of business. Consider also whether the accountant provides all the services your business may require.

You should also carefully check the qualifications of any potential advisers, as anyone can call themselves an accountant or bookkeeper even if they don't have any professional qualifications. However, if any laws are broken or any bad

decisions are made you, not your adviser, will be liable.

It is also advisable to ensure that potential advisers have professional indemnity insurance. If there are any problems with the work the accountant has done, you could be able to claim for any financial loss suffered as a result of the accountant's advice.

Further guidance may be available from chartered institutes' and professional bodies' websites as these may have 'frequently asked questions' information which can help you when considering engaging a member of their organisation to help with your business.

Read more about the next steps in the page in this guide on choosing the accountant that's right for your business.

Professional associations

Qualified accountants usually have the words '**chartered**' or '**certified**' attached to their title. They also usually belong to one of accountancy's professional associations.

All the professional accountancy bodies in the UK and Ireland which have a Royal charter are members of the Consultative Committee of Accountancy Bodies (CCAB).

There are also further business-facing chartered institutes and professional accountancy bodies and organisations offering specific accounting services that work with businesses and individuals. For more information about some of these groups see our page on professional associations, institutes and organisations for the accountancy sector - [Opens in a new window](#).

Choosing the accountant that's right for your business

It's important to select an accountant who's right for your business. Speak directly to everyone on your shortlist, discuss their experience and services and outline your business needs. Ideally the relationship you have with your accountant will be long term, so these are important considerations.

Telephone your shortlist

Ask each accountant about their practices:

- **Experience** - do they have clients in your sector and experience of businesses of a similar size? Can they deal with your business' specific needs?
- **Charges** - what do these cover, how are they scaled and do they offer all-in fees?
- **Personnel** - who will look after your business most of the time - a partner or someone more junior? How many partners are there? Sometimes smaller practices suit smaller businesses.
- **Efficiency** - what response times do they work to?
- **Added value** - what additional services can they offer?

Choose about three to visit. Check whether you will be charged for this meeting.

See the page in this guide: [checklist: ten things to ask your prospective accountant](#).

Meet your prospective accountant

When you visit a practice, you should discuss:

- How the practice can help you develop your business.
- Whether it will be able to offer you advice.
- What services you will be charged for and how and when you will pay for them.
- The level of access you will be given to the data held about your business. This is important as you might need data to update your business plan or for a tender document. You will also want easy access to this information if you ever decide to change accountants.

Take your business plan and other useful information about your business to the meeting. A good accountant should want to know as much about you as you do about them.

A good accountant should also be happy to pass on names of clients for you to take up references.

Once you have chosen an accountant, let them know that you have selected them and they will issue a **letter of engagement**. This letter will be the contract between you and your accountant and should detail:

- your responsibilities
 - the accountant's responsibilities
 - their fees and how they will be charged
-

Checklist: ten things to ask your prospective accountant

An accountant can offer your business help ranging from basic bookkeeping to specialist business advice.

To get the best value for money there are things you should find out before you choose an accountant:

- ask about their qualifications
- find out how many partners there are in the practice
- investigate whether they are experienced in dealing with businesses of a similar size and at a similar stage of growth to yours
- assess whether they understand your business sector and its needs
- find out who will look after your business on a day-to-day basis
- ask about their estimated response times
- ask whether the service you will receive will be proactive - eg whether they will remind you when you need to submit accounts, or send you updates on changes in tax law
- find out if they offer any additional services - eg inheritance planning or advice on information systems
- ask whether the practice offers any specialist services - eg in start-ups or stock-market listing
- investigate their charges and what they cover - find out if a fixed fee can be arranged for the first 12 months

Managing the relationship with your accountant

The terms of the relationship with your accountant are set out in the **letter of engagement** issued to you. In addition your accountant can help you to manage and develop your business.

To get the best out of your accountant you should arrange to have regular contact with them. You should always allow yourself plenty of time to discuss tax implications before the preparation of year-end accounts.

Any problems in the relationship could be evidenced by certain types of behaviour on the part of your accountant. These include:

- being difficult to contact
- failing to provide you with information
- issuing unexpected fee invoices

It is important to have a good relationship with your accountant. Make sure that you:

- keep agreed records or deadlines
- inform your accountant of changes to your business
- discuss major issues such as the tax implications of amounts you take out as drawings, salary or dividend with your accountant

Reviewing the relationship

The needs of any business do not stand still and a good accountant should adapt with you. However, every three to five years, it can make good business sense to ask:

- Is my business still getting value for money?
- Is my accountant informative and easy to contact?
- Does my accountant still suit the needs of my business?

If the answer to these questions is no, then it could be time to find another accountant who is better suited to your current requirements.

If you need to complain about your accountant

If for any reason you suspect your accountant of misconduct then you could raise this with them directly or you can make a complaint to the professional body they are accredited with. However, the professional bodies will not help you get compensation for any funds lost as a result of the misconduct - to do this you will need to seek legal advice.

End the relationship with your accountant

There are a number of reasons why you might want to switch accountants. You may be unhappy with the service offered, your business could be in need of new specialist skills or the relationship may just not be working.

If you do choose to change your accountant, it's worth managing the process carefully. Bear in mind that you need to terminate the agreement with your existing accountant before you sign any agreement with a new one.

Before you do anything else **check the terms and conditions** that you have agreed with your accountant. You may find there is a notice period you

must honour.

You should then check that you have access to all the data relating to your business. You should aim to have these transferred to your new accountant prior to the handover.

Accountants should be co-operative if you wish to place your business elsewhere. But always clearly set out a timetable for the transfer and make agreed payments to the accountant on time.

If you don't, the accountant has the right to withhold your figures and other data they have on record about your business until payment under the agreed terms and conditions has been made. The exception is limited company accounts that must be filed with Companies House.

Here's how I used an accountant to help me in my business

Jenny Fitzpatrick

The Fine Food Store Ltd - Opens in a new window

Jenny's top tips:

- "Decide which accountancy services are appropriate for your business before you start."
- "Choose qualified accountants with a good reputation and satisfy yourself that they understand your business."
- "Develop a good working relationship based on trust, but keep hold of the reins."

Jenny Fitzpatrick set up her specialist food retailing business and coffee shop, The Fine Food Store, in Stamford, Lincolnshire straight from leaving higher education. From the start, she maximised the use of accountancy services as part of the business model.

What I did

Plan accounting needs

"My business plan always included putting sound systems in place as the foundation for growth. That included managing the books. Although I had a business management science degree and knew the basics of accounting, I also knew that it wasn't my strength. My business is open six days a week and I wanted to devote the time not spent in the shop to product development and marketing.

"Remembering advice from a senior lecturer, I decided to look for a bookkeeper and an auditor. It's good business practice to have your books audited separately and I wanted to start as I meant to go on."

Choose reputable practitioners

"When I was looking for an auditor, I got several recommendations from business associates. I got the auditors to look over my business plan, before I'd taken it to the bank, which was a useful 'trial' of their services. In the end I chose a reputable local firm with experience of dealing with small companies. I was impressed by the way they had read the business plan in detail and understood what I was trying to achieve.

"My bookkeeper was also recommended to me and I signed her up from day one to handle invoicing, management accounts, VAT returns, PAYE (Pay As You Earn) for my five employees and National Insurance contributions.

"My bookkeeper and auditor are both established local businesses themselves. It was important to me to work with people who knew the local market in which I was operating."

Build and manage the relationship

"Trust is the key to any business relationship, doubly so with accountancy services because you're handing over all the financial details of your business. I have a high level of trust in both my advisers, based on their reputation and my experience of working with them to date.

"From the beginning I knew I wanted monthly management accounts, rather than just quarterly, so that I could keep close tabs on capital expenditure and cashflow. My bookkeeper works closely with me to produce the accounts, but I'm still in control.

"I analyse the cashflow on a daily basis so I know exactly where the business stands, but she does the work of entering and checking all the figures. She also presents the figures on interactive spreadsheets to an agreed format, so that I have instant access to the financial information I need. There's no way I would

have the time to go into the kind of detail she provides.

"The relationship with my auditors is also very productive. They respond quickly to queries and I use them as ad hoc advisers on things like taxation and VAT. The fact that my advisers have an excellent reputation is very useful in dealing with VAT officials. I've found they're less likely to make life difficult if they know your advisers are trustworthy."

Read more case studies that describe first hand how people tackle real-life challenges and opportunities.

Business Link Helpline

0845 600 9 006

Companies House Contact Centre

0303 1234 500

Related guides on businesslink.gov.uk

Manage your personal list of starting-up tasks with our Business start-up organiser

Use our interactive tool to find out the records you must keep as a business

Financial and management accounts: the basics

Outsourcing

Filing accounts with Companies House: dates and checklist

Introduction to Self Assessment

Prepare a business plan

Companies House annual return

The employment contract

Choose and work with a solicitor

Review your business performance

Here's how I reduced supplier costs

Here's how a good balance sheet helped me to improve my business

Here's how I established an effective record-keeping system

Related web sites you might find useful

Chartered accountant search information on the Institute of Chartered Accountants in England and Wales website

<http://www.icaew.com/en/about-icaew/find-a-chartered-accountant>

Chartered accountant search on the Association of Chartered Certified Accountants website

<http://www.accaglobal.com/en/discover/find-accountant/recruiting-accountant.html>

Chartered accountant search on the Institute of Chartered Accountants in England and Wales website

<http://www.icaewfirms.co.uk/business/index.php>

Public service accountant search on the Chartered Institute of Public Finance and Accountancy website

<http://www.cipfa.org.uk/>

Practising accountant search on the Chartered Institute of Management Accountants website

<http://www.cimaglobal.com/cps/rde/xchg/SID-0AAAC544-EA0E9D2B/live/root.xsl/practicingaccountantsearch.htm>

Consultative Committee of Accountancy Bodies information on the CCAB website

<http://www.ccab.org.uk>

Choosing an accountant advice on the Bytestart website

http://www.bytestart.co.uk/content/19/19_1/top-10-tips-for-choosing-.shtml

Professional ethics guide on the Institute of Chartered Accountants in England and Wales website

http://www.icaew.com/index.cfm/route/136011/icaew_ga/en/Technical_and_Business_Topics/Topics/Ethics/Code_of_ethics/ICAEW_Code_of_Ethics

Complaint procedures on the Association of Chartered Certified Accountants website

http://www.accaglobal.com/members/professional_standards/complaints/

Solicitor search tool on the Law Society website

<http://www.lawsociety.org.uk/choosingandusing/findasolicitor.law>

You can find this guide by navigating to:

Home > Finance and grants > Financial planning and accounts > Choose and work with an accountant

© Crown copyright 2011