PCEF guidance notes
Area D – Practice development

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Unit PC5 – Set fees and secure income

This unit is about contributing to the fee generation of the organisation and ensuring that monies are collected from clients. It entails agreeing fees with clients for activities as well as any credit policy in relation to specific accounts. It also requires you to monitor work in progress and to calculate the fees that can be claimed from clients at specific intervals.

Element reference	Demonstrated behaviour and examples
Element PD1 **Set fees and credit limits for activities** Click here to view examples	• Cost activities so that they provide an acceptable level of profit for the organisation • Develop pricing methodologies • Clearly explain the fees and charges that apply to specific activities to clients • Negotiate fees with clients where necessary and where you have the authority to do so • Outline the payment terms that apply to fees claimed from clients
Element PD2 **Collect fee income from clients** Click here to view examples	• Analyse work in progress to determine fees which can be claimed immediately, the future worth of activities and when claims can be scheduled • Analyse timesheets and other relevant documentation and provide sufficient information to enable invoices to be prepared • Prepare invoices • Sensitively handle client queries or complaints about invoices sent to them • Follow up invoices where clients have failed to meet payment terms • Decide if client relationships need to be terminated owing to a poor payment record

Unit PC6 – Monitor resources to ensure service delivery

This unit is about cost and budget management. You are expected to take responsibility for others as well as informing subordinates about cost awareness and encouraging them to take responsibility for cost management.

Element reference	Demonstrated behaviour and examples
Element PD3 **Monitor and control activities against budgets** Click here to view examples	• Ensure expenditure is kept within agreed limits wherever possible • Analyse variations between actual and budgeted figures • Phase expenditure in accordance with a planned timescale • Report variations to management in a timely fashion giving adequate explanations and interpretations of the data
Element PD4 **Control costs to improve services to clients** Click here to view examples	• Informing others of their role in controlling costs • Recommending ways to improve efficiency and make cost savings • Assess cost information and take action to reduce costs where practicable • Identify both profitable and unprofitable business and communicate this to relevant people

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Unit PC7 – Monitor and maintain the security of property, information and people

This unit is about the crucial role of maintaining health, safety and security within the workplace. It has two elements which relate to the security of high value items and the health, safety and security of the working environment. You are expected to follow organisational procedures at all times including reporting any breaches of security that are suspected.

Element reference	Demonstrated behaviour and examples
Element PD5 **Monitor and maintain the security of high value items** Click here to view examples	• Follow organisational procedures relating to the security of high value and other 'attractive' items • Store high value and other 'attractive' items securely when unattended • Take appropriate action where breaches of security are suspected • Accurately record the inputs and withdrawals of cash, high value and other 'attractive' items
Element PD6 **Maintain the health, safety and security of the working environment** Click here to view examples	• Monitor legislation to ensure that staff working conditions satisfy current requirements • Follow organisational procedures relating to the health, safety and security of the workplace • Arrange workplace health and safety assessments • Report any accidents, incidents or defects in security equipment to the appropriate person(s) without delay and maintain appropriate records • Feedback any problems identified and make recommendations for improving the health, safety or security of the working environment

Unit PC8 – Develop and maintain the employer's information systems

This unit relates to the development and maintenance of information systems for use within your employer's organisation. The focus is on identifying and meeting the information needs rather than the technical solution that may be provided by specialists. Examples of the type of information systems that this module applies to are those used for billing purposes, external monitoring, taxation and personal information. This unit does not relate to the development and implementation of accounting systems for clients, which is covered by element SM2 within unit PC17.

Element reference	Demonstrated behaviour and examples
Element PD7 **Develop and maintain information systems to meet the employer's requirements** Click here to view examples	• Identify the information system requirements for your area of operation • Provide input to discussions and consultation on information systems design • Ensure minimum disruption to working when implementing new/changes to information systems • Ensure any systems designed specifically for your own area of operation are compatible with other organisational systems • Ensure all users of information systems have sufficient guidance and training to use them
Element PD8 **Monitor and control the employer's information systems** Click here to view examples	• Regularly monitor the ongoing capability of the organisation's information systems to meet requirements • Note opportunities to improve the organisation's information systems and report your ideas to the relevant people • Seek feedback from users about the value and usage of information systems • Take all necessary precautions to avoid system failures • Seek help on the use of information systems from the appropriate specialists

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Element PD1 – Set fees and credit limits for activities

EXAMPLE 1
I recently gained a new client, who was referred to me through a word of mouth recommendation from an existing client. I held an initial meeting to understand the client's requirements, and set out the work that would be required from our firm. The company was a new start up and so this would involve a mix of company set up guidance, assistance with business plans and grant applications, as well as preparing annual financial statements.

Following the meeting, I reviewed the requests to ascertain the level of staffing and work required for each task. From this, I then devised a fee quote for the client to agree with us prior to engaging.

Upon agreeing the fee quote with the client, I was able to agree a small credit limit initially with the credit controller, which satisfied the client also. After the first quarter's billing, the client paid promptly and we agreed to increase the limit.

EXAMPLE 2
As my role as audit manager developed, the engagement partner of one of our smaller clients (a UK subsidiary of a larger parent in the baking industry) gave me the task of agreeing the audit fee for the year with the FD. I discussed the partner's expectations for the fee which would increase by 3% on the previous year. I discussed this increase with the FD and advised that due to additional complexities on the audit, more senior members of staff were required. The FD then informed me that the draft accounts would be delayed by one day, although the final clearance date for group auditors would have to remain the same. I relayed this information to the partner who advised that the fee should then be increased by 4%, to reflect the reduction in time for the audit fieldwork. This was agreed and the FD accepted the increased cost.

EXAMPLE 3
As part of the process of bringing new customers on board I ensured that they were set appropriate credit limits and payment terms in order to minimise the company's exposure to financial risk. To assist me with this process I would review credit reports of companies and their trading histories, paying particular attention to the net balance sheet position, and set the credit limits accordingly. I would then schedule a telephone conversation with each new customer to explain the payment terms as agreed and then proceed to raise the initial invoice on their account for their attention.

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Element PD2 – Collect fee income from clients

EXAMPLE 1

As a manager, I'm required to work with the credit team to ensure clients pay within their payment terms, and where they do not I chase any overdue payments.

One particular client in the building trade has not paid their previous two invoices and, through on-going discussions with them, I was aware that there were some cash flow issues with the company. As the latest invoice was three months old, I called the client to discuss the matter and as expected, cash flow difficulties were highlighted.

I asked if he would be able to pay part of the invoice, with the promise to settle the balance at a later date. The balance of invoices was around £10,000 so we agreed that he would pay £2,000 now, with the remaining £8,000 in two weeks. The client agreed to this and thanked me for understanding.

Following this I set the client up on our direct debit scheme, which allowed him to spread the payments which were more manageable for his cash flow planning.

EXAMPLE 2

For one of my large audit clients, based in the manufacturing industry, the firm undertakes work for them throughout the year (for example controls testing as part of the audit planning, interim audit work and final audit work) and they prefer to be billed throughout the year. It is my role to ensure the quarterly invoices are raised on time and issued to the financial controller (FC) for payment. I then make sure that these are settled within the standard 30 days. On one occasion, the FC felt the audit team was not on-site for long enough to do the work properly and immediately queried the invoice raised. I reminded her that the team had spent more time on-site during the planning stage in order to reduce the time spent on-site during the interim audit. As the total fee was split over the year, the FC accepted this explanation and paid the invoice.

EXAMPLE 3

The credit controller sent me the weekly debtors' reports to ensure that all new customers were adhering to their payment terms and that no late payments needed highlighting. My responsibility was to ensure that debtors' days were as low as possible. One such customer initially queried his credit limit and requested an extension but based on the credit rating I was reluctant to grant this. Fortunately I did not grant their request and when they later defaulted on the payment terms agreed I was forced to chase the customer for the amounts owed. Despite the fact they then paid in full I am monitoring this customer's payment record very closely to determine whether or not a direct debit payment plan may need implementing or in the worst case scenario, their contract needs to be terminated in the event of future default.

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Element PD3 – Monitor and control activities against budgets

EXAMPLE 1

At the start of each job, I prepare a time and fee budget. This involves planning the amount of time spent on the job, the levels of experience and staffing required, as well as ensuring the profitability targets of the firm are met.

I was recently involved in planning, managing and supervising the work for a long-standing client in the meat packaging industry. This client had gone through some growth, and as a result had decided to change its systems. Further to this, the firm has decided to upgrade its systems, and also saw the retirement of a long serving member of our staff.

I prepared the time and fee budgets as normal, and began the job with my team of three staff who I was supervising. Upon carrying out the job, it became apparent that the retired member of staff had not fully passed on all their knowledge. This meant that a number of areas were not fully completed.

From reviewing this assignment, it was noted quite quickly that there was more work required than originally planned. As this was a long standing client, I was conscious not to upset them and I arranged a meeting with the finance director to discuss the matters. Initially, she felt that this was part of our remit to address these issues as part of the year end work. However, I explained the work we carried out, and the fact that a number of issues had arisen as part of a perceived lack of handover and training of staff. Although I could see quite clearly that the fee did not cover the work, I was conscious of our client relationship.

In conclusion, although we did not recover the year end work as expected in terms of profitability, I was able to address the issue by upselling a more lucrative assignment as a separate engagement. Also, I agreed with the finance director that we would raise the fee marginally in the following year, to allow some more time to conduct checks and ensure that systems and transactions are working well.

EXAMPLE 2

I was able to work on a due diligence project for one of my clients in the workwear sector. They wanted us to inspect the business they were interested in and ensure the price they were negotiating was a realistic one. The engagement partner and senior manager had agreed a budget for the work and it was my job to ensure that the work came in within budget. This was quite challenging in the end, as the team uncovered some issues with how the business valued its stock and there was a risk that the stock was over-valued. I kept the senior manager informed throughout the fieldwork and provided a weekly analysis of actual costs incurred against budget. The main factor was overtime costs of the staff as we all had to work longer hours to ensure the stock valuation was correct. The engagement partner was able to take my breakdown of costs incurred at the end of the assignment and agree a fee variation with the client to improve recovery.

EXAMPLE 3

As well as being responsible for the divisional forecasts and budgets I also tracked the actual costs of our operations against these forecasts and budgets on a monthly basis to ensure they were not exceeded and investigated any variances immediately. This involved reviewing expenditure requests from non-finance staff with the added challenge of ensuring they understood the financial implications of exceeding budgets. When conducting my review it appeared that the rental costs of the plant were exceeding those in the budget set at the start of the financial year so this was investigated further. The results of which were reported to management.

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Element PD4 – Control costs to improve services to clients

EXAMPLE 1

I recently carried out an exercise in my firm to move all our clients onto a direct debit system, rather than the traditional paper invoice fee structure.

To do this, I had to integrate the fee recording into our new system. I did this by uploading historical data as the opening balances on the new software. After providing training to the staff, and stressing the importance of them using this new method, they began to record their time in the software. I used this for the first quarter and found that it provided much more accurate reporting.

Although the software cost the firm a monthly fee, I noted a fall in admin time from the staff as it was much more user friendly than our old process. In addition, I was able to reduce costs on paper usage and printer cartridges, which was noted quickly after the change.

Due to the changes, I was able to increase chargeable time for the firm. In addition, moving clients onto direct debit was much better for both us and the client from a cash flow perspective, and the clients could clearly see the fees based on each engagement.

EXAMPLE 2

As part of my role, I was tasked with developing my people management skills. As part of this, I arranged a meeting with all of the staff who reported directly to me to discuss how things were going in their development. One recurring theme for our department was that full-day CPD courses could sometimes be repetitive and parts of the day were sometimes just not relevant. This seemed like an inefficient use of both time and money for my department. I researched other CPD providers local to the firm and came up with one that offered more frequent but shorter face to face courses covering core updates essential for everyone. It then offered specialist topics by webinar that would fit with small groups of people who had an interest in that area. I put a proposal together for the partners, highlighting the savings in terms of both costs from the course provider but also the time saved by our staff. This means that the practice saved money, which in the long run was not charged back within part of the client fees.

EXAMPLE 3

After the rental costs were reviewed it appeared that an increase in the cost of the plant's rental space had not been factored into the budget for the year. As an effort to control costs I investigated the possibility of moving our operations, albeit close by but to a lower pressurised rent zone in a less popular location. After a full cost benefit analysis and consideration of the logistics of moving it was decided that a move would provide genuine cost savings, not just in terms of rents but also the potential reduction in other utilities such as lighting and electricity due to the technological advancements of the alternative space.

As a result of the reduction in costs an improvement in the division's profit margins are expected in the medium term which will mean that we avoid passing the increased cost of producing our product onto our customers via increased sales prices.

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Element PD5 – Monitor and maintain the security of high value items

EXAMPLE 1

Within the firm I was responsible for ensuring the upkeep of all of our IT systems and software. As part of this, I was responsible for the upkeep of all our client data and ensuring its security.

As part of the new data protection requirements, I attended a number of training courses where I identified that we may not be fully compliant with the new rules.

Following my training course, I spent time reviewing our current software and upgrading our IT systems to ensure the safety and security of our items and client information.

In addition to this, I carried out an internal audit of all our IT hardware to ensure all equipment was accounted for, and created a register of all equipment and its location or staff member who held it.

EXAMPLE 2

As a senior member of my department, I am aware of the policies set out on the firm's intranet and it is important that I not only follow them but that I am seen to follow them, in order to set an example to more junior staff. I always lock client files away securely at the end of the working day and ensure that any of my staff working on-site at audits either have access to a lockable filing cabinet or that files are brought back to the office by a member of the audit team to be securely locked away. I always use my locking laptop cable when working at the office or at a client site to secure my laptop and I ensure I log off from my laptop before going out for lunch or if I am away from my desk.

EXAMPLE 3

I was responsible for managing the petty cash float up to the insured sum of £10,000 held within our company's safe. For added security only myself and one other member of staff (the finance director) know the combination to this safe and I adhere to a strict process whereby staff sign for any cash taken out of this float and provide receipts on request. On a monthly basis I count the cash in the safe (with the Finance Director double checking it) whereby it is then reconciled to the petty cash book and posted onto our Sage system.

Recently a member of the team purchased a small leaving gift for a member of staff but could not produce the receipt initially when they made a claim from me for the petty cash to cover the item. I adhered to the system and ensured that no cash was reimbursed until a viable proof of purchase was presented.

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Element PD6 – Maintain the health, safety and security of the working environment

EXAMPLE 1

In my role as senior manager for the firm, I am responsible for handling health and safety for the office.

Recently, I arranged for myself and three of my colleagues to attend a first aid course. This is a legal requirement to ensure that sufficient cover is available in the event of an emergency, to ensure first responders are available. We attended an off-site course conducted by St Andrew's First Aid, and this covered the basics of CPR and other key requirements. At the end of the course, I had to conduct an assessment to ensure I was competent, which I passed.

In addition to this, I am also responsible for ensuring that our health and safety procedures are up to date. In the last month I have arranged for the servicing of our fire extinguishers and also arranged for a test of the office fire alarm.

EXAMPLE 2

I am aware of the procedures regarding health and safety that are in place where I work. I am always conscious of health and safety, for example I use a laptop backpack rather than a briefcase to transport my work from office to client site to ensure I minimise the risk of injury or strain to me. When a member of my audit team informed me she was pregnant, I contacted HR to get their advice as to what I was required to do in terms of her work station and working environment. I ensured that as the team member got nearer to starting her maternity leave, she was not sent on audits that had a physical element. For example, one audit that she was due to work on involved a stock take of frozen goods and a great deal of lifting and climbing step stools to reach product was required. I ensured that she swapped her role with a colleague to minimise any potential risk to her wellbeing.

EXAMPLE 3

I am the key holder for the finance team and our building so I am responsible for ensuring that, as last to leave the building, I lock all windows and ensure the main door to the building is closed, secure and the alarm is accurately set. As key holder I am also the first point of contact for the security company who fitted our alarm; I was recently called at the weekend for an incident but it transpired that it was an alarm malfunction which the company duly fixed. A bi-annual fire drill is also carried out and I am responsible for ensuring that all new staff members are informed of the safety procedures to follow and where the designated meeting points are.

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Element PD7 – Develop and maintain information systems to meet the employer's requirements

EXAMPLE 1

As senior manager, I am responsible for ensuring all of our systems are updated with the current tax rates and statutory requirements, such as audit pack checklists.

Recently I carried out an update of the system's cloud-based software for the latest rates. Upon, checking our own software I then proceeded with an update to our client portal, to allow clients to update their own system, which links to our own system as their cloud based agent. I ensured the update was carried out over a weekend to ensure minimum disruptions to our clients as they would not be able to use the system whilst the upgrade was taking place

Following the update, I ran sample reports for some of my clients to ensure all updates were correct. I then sent an email to all clients informing them the updates had been successful and advising I was available should they need any additional support with navigating the updates.

EXAMPLE 2

During the year my employer had a major upgrade to the software it uses for the client portals. This is the system that clients log into to store their documents and have secure correspondence with the firm. The system was a few years old and with the added expansion of cloud accounting, it needed upgrading. Whilst the upgrade was mainly run by the IT department, I was involved in the project team to make sure the system we ended up implementing was fit for purpose. I discussed the pros and cons of the current system with existing clients and got their views on what was needed to improve the system. This feedback was reported back into the main project team, along with my own views on what made the system work well. After a few months the upgrades to the system were up and running with a much better level of functionality.

EXAMPLE 3

I was part of the Finance team assigned to implement a cloud-based expense system to replace our current spreadsheet-based system which was no longer fit for purpose. My involvement covered the design of a secure approval stream, setting up various applicable VAT rates as well as creating a comprehensive training manual for users which was accompanied by a training session prior to the 'go live' date.

With all new systems there was an initial reluctance to change from certain individuals within the business but once I had fully explained the benefits, mainly in terms of their time in submitting expenses and lead-times to receiving reimbursement, they accepted the change.

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Element PD8 – Monitor and control the employer's information systems

EXAMPLE 1

As a small office, part of my remit involves ensuring that our computer systems are up to date. I am the main contact for the office and I control our software licenses and ensure that appropriate updates are carried out.

Most recently, I have been working with our software provider due to the implementation of a new Financial Reporting Standard. As part of this, I have had to carry out software updates on our computer systems. As part of these upgrades our remote workers had advised that they could not see the upgrades, and they did not seem to be working for them. I liaised with our IT department and it was discovered that the remote workers would have to have the updates installed manually because they are not always connected to the server on a daily basis, so they do not get the regular system updates.

Once the updates were carried out, I tested the system by inputting some sample data and running reports. From the sample, I noted some new issues had arisen. I arranged a meeting at our offices with our software partner to discuss these, we were able to run through the scenarios, and managed to address the system issues through a further software update.

EXAMPLE 2

As technology progresses, I am aware of the need to be flexible with the ever-changing environment. One of my larger clients is based in the agricultural sector and a large part of the audit involves being on site in fairly remote agricultural locations. One issue this causes is that Wi-Fi can be patchy or unavailable and this can cause issues for the team member, as they have to wait until they return to the office to upload their findings from their local laptop to the firm's servers. I suggested that, whilst Wi-Fi was patchy in the area, mobile phone signal was not and that if we supplied those team members with mobile broadband, they could gain access to the firm's network and upload their audit findings immediately. This reduced the risk of losing data. I had to agree the extra cost with the partners and source the hardware through the IT department, but it is now standard practice for the audit of this particular client.

EXAMPLE 3

I regularly communicated the progress of the expenses project to management and acted as a 'super-user' once the system went live. This was to ensure that all staff had a central point of contact and felt supported. As part of ongoing operations I collated a report on the effectiveness of the new system, based on feedback I sought from a sample of colleagues. One issue this report highlighted was a recurring problem users experienced with one particular expense claim in relation to business mileage rates. This was reported back to the external software team who investigated and promptly resolved it.