

Claims Corner

Claims Corner features regular updates on audit procedures and claims.



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81% of claims made to AI are paid within 14 days of lodgment

Benchmarking as Audit Selection

Some key areas of the ATO's 2011/2012 compliance program are highlighted in this newsletter. This year they have launched a new theme of 'Prevention is Better than Cure', also referred to separately by them in major speeches.

The ATO have instigated and undertaken some new strategies to enact this theme, highlighting the seriousness of it.

No doubt all accountants would have so far received the ATO's unveiling of their benchmarking approach. They have introduced the future use of benchmarking as a means of audit selection, by sending out letters to taxpayers making a reference to a previous year.

The ATO have confirmed to us in writing that:

"The letter is issued by the ATO as an advisory product. Letter recipients are encouraged to review their business records. They are provided with the opportunity to report any errors or omissions that they identify or provide an explanation of their circumstances. Where a business believes that its records are correct, no response or further action is required."

The ATO have advised us in telephone conferences on this issue that any explanatory responses they do receive are merely filed away. Any amendments to tax returns resulting from a review that the accountant and taxpayer undertake as a result of this letter are voluntary disclosures. As such, for the issue of penalty consideration, they are treated as unsolicited voluntary disclosures.

This same preventative awareness approach is being used by the ATO in areas other than just benchmarking. I suppose, as practicing accountants, we can expect many more of these letters to come in, to try and make our clients more concerned about the accuracy of completing future returns.

Letters to taxpayers will be sent out by the ATO to encourage taxpayers to review their business records and explain their circumstances.

Our Claims Response Times

On another matter we have recently completed a review of our claims response times under our Underwriting Agency which has been in place since December 2009. Based on the time frame from the date we receive the accountant's invoice, to the date the accountant has been paid the claims by Accountancy Insurance Underwriting, the results are as follows:-

Days	%
7	73%
14	8%
21	8%
28	4%
>28	7%
100%	
AIU Claims Turnaround Report for period 01/12/09 to 31/08/10	

These results include claims where follow ups to the accountants for further information and clarification are required, including the response time back from the accountants.

The figures clearly show that the vast majority of claims are paid within 7-14 days, where they are initially presented completely and thoroughly.

There are still a number of claims which are being co-ordinated through Accountancy Insurance but are the responsibility of Vero, and so are not included in the above table. On or around December, all our policies will fall under the Underwriting Agency and will have their claims fully managed, processed, approved and paid by us.

"Offering the Audit Shield service gives our clients a sense of being looked after, and that we are protecting them and their business."

Genny Gullo, KNP Solutions