



HM Revenue
& Customs

Research into the Behavioural Effects of building in Risk Triggers to Third Party Software

HM Revenue and Customs Research Report 361

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Executive Summary

The majority of income tax Self-Assessment (SA) customers use an agent to assist them with their return. With an estimated £7 billion in lost tax due to error and failure to take reasonable care¹, one of HMRC's aims is to work with agents to reduce this. HMRC has been working with three commercial software providers (Andica, Iris and Keytime) to trial the introduction of 18-20 HMRC-defined "risk triggers" in SA returns software, which is used by agents to fill in their clients' returns. "Risk triggers" are used by HMRC to identify individual entries on SA return submissions that fall outside expected, pre-defined parameters or ranges, and therefore figures which may be mistaken or deliberately misleading. The software packages were used by approximately 800-1,000 agents to prepare returns between October 2014 and 31st January 2015.

Whether the triggers achieve higher levels of accuracy depends on how agents use and respond to this new information. The key objective for this research was therefore to **understand whether and how risk triggers influence agent attitudes and behaviour** when using SA returns software. For this qualitative study, 41 in-depth interviews with agents were conducted between 18th February and 25th March 2015.

The main findings of the study are:

- Agents reported that they understood what the risk triggers were and their purpose. They found the descriptions clear and comprehensible. Agents understood the rationale of why particular fields were flagged but not always the underlying formulae used or ratios or thresholds set.
- The entry of data into the SA software is the last step in the submission process, and is typically preceded by the compilation and review of relevant information in other software.
- Initial reactions to the triggers varied depending on frequency of their occurrence and agent confidence. Agents were most often surprised (at seeing the triggers or that their entries might be incorrect) or satisfied (as they had already noted the entry as a possible error) when they saw triggers, while a smaller number became anxious or irritated.
- Some agents reported having checked returns and accounts when they saw risk triggers where they might not have done so otherwise. A small number of agents reported going back to check figures with clients, but only when they had serious concerns about a return and wished to clarify the 'story' behind the figures. Agents who had not seen any triggers reported similar likely behaviours in response to, and attitudes towards, the risk triggers to those who had seen risk triggers in the software.
- Agent reaction varied depending on the relationship with the client, and their level of confidence and diligence. Meticulous and responsible agents have stronger relationships with their clients and are therefore more likely to go back to them with queries. Cautious

¹ Measuring Tax Gaps 2014 Edition: Tax gap estimates for 2012-13 (2014) HM Revenue and Customs

and time poor agents have weaker relationships so are less likely to, fearing a negative reaction from the client or not seeing this as part of their role respectively.

- Agents generally reported a high degree of confidence in their processes, professional knowledge and knowledge of their clients. Therefore only a minority of agents reported going back to accounts to check the accuracy and completeness of certain figures.
- None of the agents reported having changed their entire SA returns process or procedures in response to the risk triggers and none reported planning to do so in the future (e.g. updating the templates they already use to check the data given).
- The risk triggers are valued by the majority of agents as a helpful additional check or 'bonus'. Some agents also valued them as a way to open up dialogue with clients.
- The majority of agents had no concerns about the risk triggers being in their software.

The risk triggers have the potential to have a greater impact on agent behaviour with some improvements to the way in which they are designed and implemented. The key recommendations made by agents included:

- Flag the triggers during the data entry process and produce a summary report at the end
- Provide more information about the risk trigger parameters and ratios, and the rationale behind them
- Design the triggers to be more sector, and trade, specific
- Make it clearer in the software that the triggers are from HMRC
- Embed risk triggers in other software used in compiling accounts before the final data entry stage within an SA return
- Advise agents that they may wish to provide an explanation for a risk trigger being flagged on part of an SA return
- Include a greater range of risk triggers, notably ones which are seen as less "obvious" by agents

Part 1: Introduction & Background

1.1 Background

The majority of income tax Self-Assessment (SA) customers use a professional tax agent to assist them in their affairs. Tax agents may be defined as third-party intermediaries who conduct some or all of the tax affairs of the business or individual they have been appointed to represent. The term covers a range of bookkeeping, accountancy and advisory businesses, from sole traders to international corporations, and also includes a minority who work unpaid in the voluntary sector or on behalf of friends or family. Agents can play a vital role in improving tax compliance. To this end, HMRC's Tax Agent Strategy aims to transform its relationship with agents, through improving services for agents and to work with them to improve tax compliance.

One of HMRC's priorities is to reduce the estimated £7 billion in lost tax due to errors and failure to take reasonable care. HMRC is attempting to address this issue through a range of initiatives including dedicated account managers, toolkits, improving customer service and raising standards across the tax agent industry. It has been working with software developers and service providers to determine the role they could play in supporting compliance. A review on how HMRC works with paid agents and intermediaries identified that better software and virtual products would help improve this working relationship².

HMRC has been working with three commercial software providers (Andica, Iris and Keytime) to trial the incorporation of HMRC-defined "risk triggers" in SA return software used by agents. Risk triggers identify individual entries on SA returns that fall outside expected, pre-defined parameters or ranges. For example, a trigger may alert the user that an individual entry is higher than expected. The 18-20 specific risk triggers that were shared with the software providers alert agents to anomalies suggesting potential errors, enabling them to check and correct returns before submission with the aim of improving the accuracy of the agents' returns. While the triggers alert agents to possible errors, making changes is not mandatory and they can choose to ignore these warnings. The three software packages were used by approximately 900 agents to prepare both Self-Employment and partnership SA returns between October 2014 and the 31st January 2015 deadline.

1.2 Research objectives

The key objective for this research was to **understand whether and how risk triggers influence agent attitudes and behaviour when completing clients' SA returns**. This research sought to understand:

- The agents' baseline attitudes, knowledge and behaviour in relation to the SA returns process, contact with clients and any use of supporting software
- Agents' overall experience of using the trial SA returns software

² Agents Strategy: an overview (Jan 2014) (<https://www.gov.uk/government/publications/agents-strategy-an-overview/agents-strategy-an-overview>)

- Whether any actions are taken upon seeing risk triggers and any factors which influence this action
- Any triggers that are more or less likely to prompt action, and why
- Any implications for further incorporation of risk triggers into third party software

The research explored how the triggers are being used and valued by tax agents in order to understand whether they are influencing agents' practice.

1.3 The software providers

The three software providers (Keytime, Iris and Andica) incorporated the HMRC risk triggers in their packages differently.

- Approximately 500-600 participants used the Keytime trial software and submitted approximately 17,300 returns in total. Keytime opted to summarise the risk triggers which had fired in a return *at the end* of the SA submission process. They were shown as 'Extra Filing Rules' alongside the software's own internal validation checks.
- Iris implemented 18 of the provided triggers in its software. Approximately 300-400 trial participants used the Iris software and submitted approximately 10,700 returns in total. Iris opted to flag risk triggers which fired *during* data entry and also summarised them at the end of the submission process. During the process they were flagged using a blue information bubble containing an 'i'. They were summarised at the end as information points.
- Approximately 30-50 trial participants used the Andica software and submitted approximately 140 returns. Andica opted to flag risk triggers that fired on completion of each page, which contains a subset of fields, via a pop up prompt box which had to be acknowledged.

Part 2: Methodology and sampling

For this study, **41 qualitative research interviews with agents were carried out, 19 of which were conducted face to face and 22 of which were conducted by telephone.** The interviews were conducted between 18th February 2015 and 25th March 2015, each lasting between 45 minutes and one hour. The research included a pilot phase of three interviews to test the research materials. Agents received a cash incentive to thank them for their participation.

Before the interviews were conducted, agents completed a pre-task exercise which asked them to indicate which risk triggers they had experienced during the trial and to estimate the proportion of returns they completed where the risk trigger fired. They were then asked to provide more detail about how they responded in up to five cases when they experienced risk triggers. This exercise aided recall of the triggers and was used to prompt discussion about specific experiences during the interview.

During the interviews, agents were shown screen shots of the risk triggers in the software they had used in order to further prompt recall.

The sample included respondents who used all three software providers; the spread across the software providers approximately reflects the number of participants who used each type of software.

More information on the methodology and sampling can be found in appendices 1 and 2.

Part 3: Main Findings

3.1 Introducing the agents and their SA return process

3.1.1 The agents

Agents in the sample varied in their size, client base and services offered. The agents were typically small businesses and sole traders. They were largely general practices offering a variety of services including bookkeeping and SA returns.

The agents all had a range of clients but they frequently reported developing some sector specialisms, often due to word of mouth from existing clients within a trade or sector (e.g. construction; taxi drivers). They used this trade and sector knowledge when assessing SA returns for any unusual information. Many of the agents had long standing client bases and knew their clients (and the clients' businesses) well after working for them for many years.

The agents were typically Chartered Accountants and were highly experienced, having been in the industry for many years. Agents were typically highly confident however, even among the experienced agents, there were some who were less confident in their abilities and there were some levels of nervousness about their relationships with their clients and HMRC.

3.1.2 The segments

The agents in the sample can broadly be split into four segments. The segments focus on individual agents' attitudes and behaviour, notably their level of confidence in their abilities and relationships with their clients (rather than their type of business) which relate to their responses to the triggers.

Meticulous agents are those who are highly diligent and highly confident. They are experienced and have strong personal relationships with their clients (e.g. seeing them face to face once a year and feeling confident in approaching them with queries). They are likely to be small or mid-sized businesses, or sole traders with high net worth clients, and to provide a full range of services.

Responsible agents are confident in their abilities and procedures. They have medium to high levels of experience. Their relationships with clients may be less personal than the meticulous agents' and they may be in less frequent contact and less likely to see them face to face. "Responsible" agents offer a full range of services to a wide range of clients, and deal with larger volumes of work and clients than "meticulous" agents. They are often from limited companies.

Cautious agents are those who lack confidence in their skills and abilities. They are quite diligent and check information they receive but are cautious in their relationships with their clients, and in approaching them with queries. "Cautious" agents have a wide range of experience, from relative newcomers to the industry to those with decades of professional experience. However they are likely to have weaker relationships with their clients than the other segments, their responses often

suggesting they lack the confidence to challenge them or raise queries. They are likely to focus on a narrower range of services and are often low volume sole traders.

Time poor agents are highly confident but report behaviours which suggest low levels of diligence. They are highly confident in their skills, abilities and procedures, and in undertaking their role according to what is required of them. They are often sole traders who offer a full range of services to clients. They are often highly experienced but have weak relationships with their client base due to their high volumes of work. These high volumes are offered at low costs so relationships are of a lower quality, and there is a reluctance to undertake extra work where this is not needed. These agents lack the confidence or inclination to approach their clients with additional queries or to challenge them, believing that clients would not welcome this from their accountant and that clients could easily move elsewhere to another low cost agent.

3.1.3 Software choices

When selecting their SA returns software, the most commonly cited factors were cost and ease of use considerations. Some agents were also appreciative of good support models, online support and help lines. Agents were positive about integrated software packages, for example where data could be imported from bookkeeping software, and about the ability to compare easily with previous year's returns.

Agents had often been with their provider for at least five years and some for over 10 years; often agents continued using the same software provider specifically because it allowed for historical comparisons to be made. Some agents mentioned choosing their provider due to recommendations from family members, colleagues and associates in the industry. The vast majority of the agents use a range of other software packages, notably Excel, Sage and other Keytime packages as well as in-house packages, Quickbooks, VT, and Openbooks.

Agents use a wide range of services and sources to access support and information about wider SA return queries including the HMRC agents' helpline, professional bodies, colleagues, and forums (e.g. Accountancy web).

3.1.4 The Self-Assessment returns process

The process that agents use to prepare and submit a return is broadly similar across different types and sizes of agent businesses. Most agents tend to start completing returns in the summer but workload increases from October/November onwards and towards the January deadline.

The SA returns process can be initiated either by the client or the agent, if it is a returning client or someone who the agent also does bookkeeping for. Agents initially gather all of the relevant income and expenditure information from the client. This can be a formal process (information sent as Excel spreadsheets, Sage backups or other forms of bookkeeping) or informal (whereby the agent receives a box or bag full of receipts). The information is then entered into other software to assess it and perform calculations. This is frequently done through Excel templates created by the agents, in-house software in larger companies or other accountancy software (e.g. Sage, Keytime packages or cloud-based products).

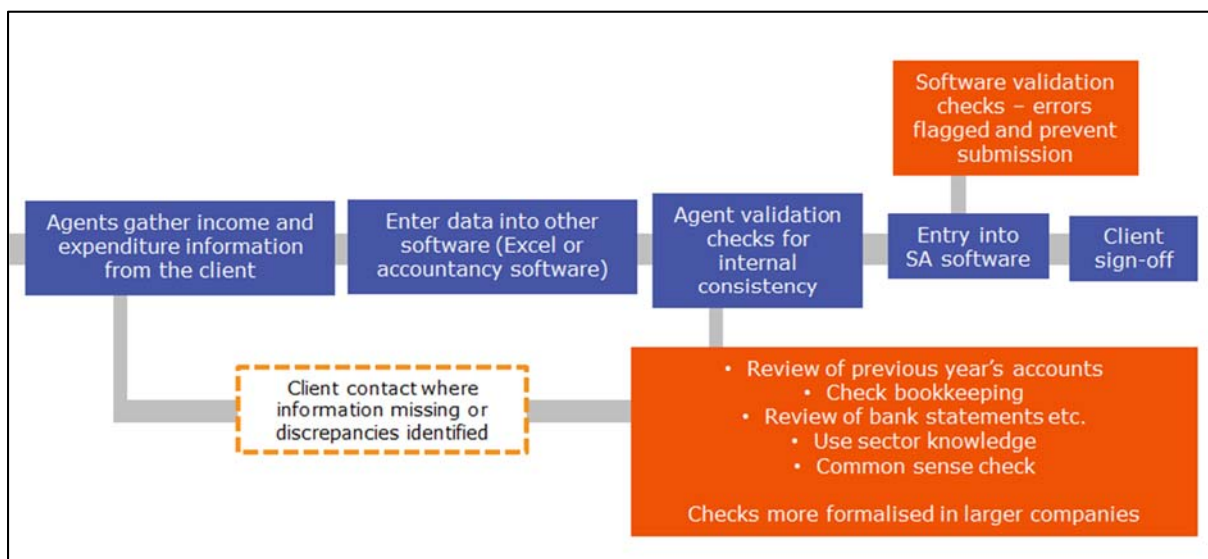
Following this initial stage, agents then perform their own validation checks on the internal consistency of the return. These checks commonly include reviewing the previous year's accounts (where these are available) and checking the bookkeeping, comparing to the previous year's return, reviewing and reconciling documents (e.g. bank statements and receipts), and then performing 'common sense' checks on the return or checks based on their knowledge of the sector. Agents may have contact with their client if information is missing (e.g. receipts) or they identify any discrepancies through these checks.

"If they give me a spreadsheet summarising the year or something I will look at it quizzically, just anything that seems unusual I'll try, if there is a business bank account, make sure it agrees with the bank account and those sorts of back checks." (sole trader, 6-20 returns using the trial software)

"It's a question of how well do you know your clients. I know which clients I would not be 100% certain they were giving me all the information at day one. There's some where I would go back to them and say 'are you sure?'" (sole trader, 6-20 returns using the trial software)

It is only after these checks have been performed, with varying degrees of diligence across the segments, that the agents enter the data into the SA returns software. Each software package includes its own internal validation checks which indicate any errors which mean a return cannot be submitted (for example, if a required box has been left empty). The agents then seek sign off from the client before the return is submitted. Some require a written signature whereas others reported accepting email sign off.

This process is summarised in the diagram below.



Agents reported the following areas of the SA return as those where they most commonly expect to find inaccuracies in the information provided by clients based on experience:

- Expenses – there is often confusion over what can be claimed for
- Drawings – this can be a warning sign for inaccuracy
- Repairs and renewals – sometimes there is confusion between repairs and capital expenditure in properties
- Rental income
- Overseas income
- Interest
- Poor record keeping around cash income (e.g. among taxi drivers)
- Missing receipts and paperwork (e.g. interest statements, CIS³ statements)

3.2 The HMRC risk triggers

3.2.1 Awareness and exposure to the triggers

Tax agents' awareness of, and self-reported exposure to, the risk triggers varied considerably across the sample. All agents using the software either had to opt out of the trial or were required to actively opt into it, depending on which software was used. Despite this, a minority of agents said that they were not aware of the trial and did not recall opting in to, or out of, it. A small number of additional agents were not aware of the risk triggers, confusing them with other internal validation checks in their software. This was more common where the risk rules were shown on the screen next to internal validation checks in the software.

Some of the sample had not seen any risk triggers, and a majority had seen fewer than five of the 18-20 triggers across their SA returns. This was established after the agents had seen the list of triggers in the pre-task and the screenshots, and through discussion in the interviews (to ensure they were not confusing the triggers with other validation checks). Some agents who were aware of the risk triggers were not aware that they were from HMRC and assumed they were from their software provider (despite all having been given advance explanation of the triggers).

The triggers which the agents in the study had most commonly experienced were those relating to:

- Expenses
- Capital introduced
- Drawings
- Expenditure to gross profit
- Sales to purchases ratios
- Cost of sales / turnover
- Professional costs

3.2.2 Understanding of the triggers

The risk triggers were well understood by all of the agents in the study, who found the risk trigger explanatory text clear and comprehensible. There was a consistent view that a qualified agent working in the industry would easily understand the issues and fields to which the triggers referred.

³ Construction Industry Scheme

The risk triggers themselves raised some questions from agents, notably why HMRC is interested in these particular aspects of the return. Agents also had questions about how parameters and ratios have been set and calculated; they perceived some of the thresholds to be too low and questioned the relevance of the triggers flagging entries which are divisible by 12, 52 or 100, often explaining that the values they enter in this format are plausible. Some of the agents also questioned the relevance of certain triggers; in particular, they were unsure why HMRC are interested in year-on-year increases in accountancy, legal and professional costs and to what the level of increase is set.

Some agents in the study who belonged to larger firms had discussed the triggers, their meaning and appropriate responses with colleagues. This was often when they had first seen, or started seeing, triggers. Sole traders tended not to question the risk triggers, although a small number had discussed them with former colleagues or associates in the industry. Only one agent in the study reported having tried testing figures to find which of them actually caused a risk trigger to appear and this was reportedly done “out of interest”.

3.2.3 Initial reactions to the triggers

Agents were asked about their initial reaction to the risk triggers. Agents were most commonly surprised or “satisfied”. Some agents - most often sole traders - were anxious, and a very small number were irritated (these tended to be those who dealt with higher volumes of returns and were either in the responsible or time poor segments).

Some agents were surprised because they had forgotten they were in the trial. More commonly, they were surprised because, as discussed in section 3.1.4, agents commonly perform their own checks *before* they enter the data into the SA return software. They were therefore surprised to see an error they had potentially missed. Many agents were often also satisfied when they saw a trigger. This was often because they were already aware of the risk identified from their own checks, and that this showed the software was working well and could help them to avoid future problems, such as questions from HMRC or an investigation for their client.

“... some of them I smiled at because they were ones that I had already considered before I even put the numbers into the Keytime software. In other words, every single one that came up, I went, yes, I’ve already checked that and it’s right as it is.” (limited company, 21-100 returns using the trial software)

‘I was quite happy to see it [...] Because it makes you think, ah, you think are things right? You know? Double-check the accounts.’ (sole trader, 6-20 returns using the trial software)

For some agents, sight of the risk trigger caused them to become worried. This was typically the less confident agents who became concerned their client was going to be investigated by HMRC. For example one agent said; *“you’re always worried about anything to do with the Revenue [HMRC], you don’t want anything to be noticed” (sole trader, 6-20 returns)*. A small number of agents became

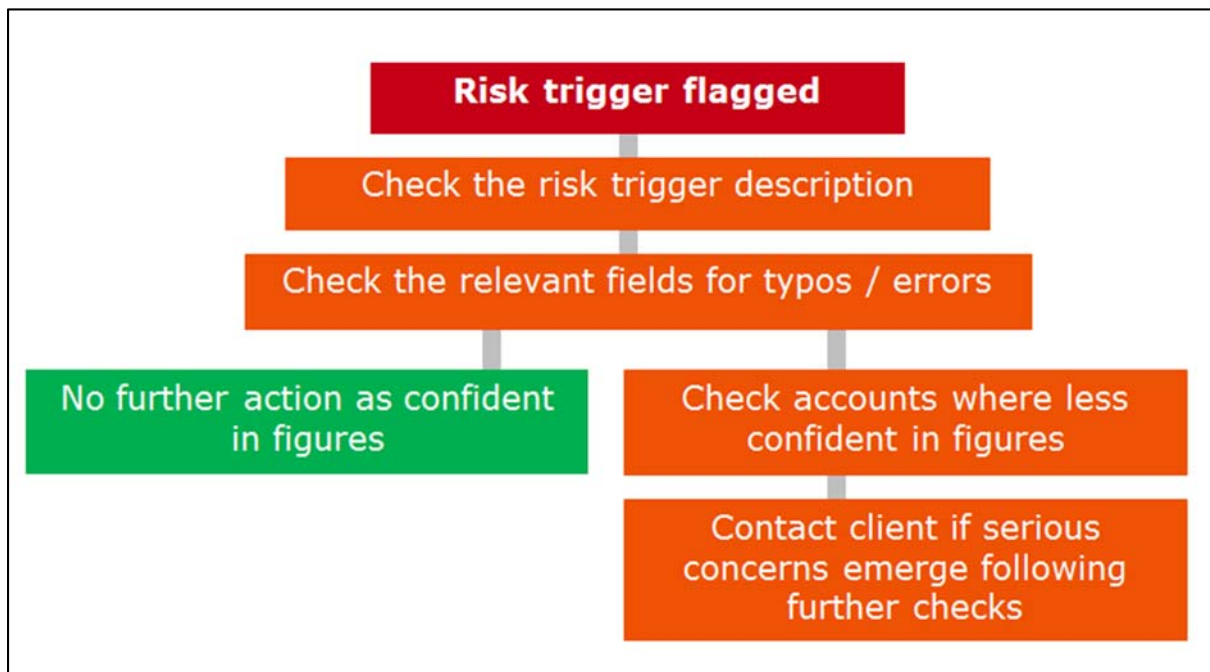
irritated by the triggers, particularly if they saw the same one repeatedly which they did not see as relevant to their clients or for which they perceived the parameters to be unhelpful.

Agents' initial reactions to the triggers varied depending on how frequently they had appeared and their level of confidence. Agents became less surprised and less anxious as they saw triggers more frequently. They were most likely to become "satisfied" over time, though a small number became more irritated.

3.2.4 Responses to the triggers

The interviews explored how the agents responded to the risk triggers they had seen⁴. Hypothetical responses from those who had not seen triggers broadly reflected the actual reported attitudes and behaviour in response to the triggers of agents who had experienced triggers.

Diagram representing agents' responses to the risk triggers:



When they see a risk trigger, the majority of agents check the data they have entered into the SA return but take no further action. This response to the triggers was common across all types of software used and segments of agent. No one had contacted HMRC or said they would do so if risk triggers were encountered. However a small number of agents had contacted their software provider when they saw triggers.

After seeing a trigger, particularly the first time, agents initially check the risk trigger description in order to understand the issue being flagged. They commonly then check the relevant field (which is easily identified in all of the software packages) for inputting errors. **The majority of agents take no further action as they are highly confident in the checking processes and procedures they have in**

⁴ Agents who had only seen one or a small number of triggers were asked to consider the list of triggers in the pre-task and whether they thought their response would be different for any of the other triggers. The 14 agents who had not seen any triggers were asked how they anticipated they would respond.

place, as well as their own professional knowledge and knowledge of their clients and their businesses.

“I’ve sat and prepared the accounts and gone through them in detail with the client. At the end of the day I have to be comfortable the accounts are right before they’re signed off so by the time we do the tax return the accounts are signed.” (limited company, 100+ returns using the trial software)

“Each one that cropped up, I clicked through to see the details... I understood why the warning had been triggered. However, in all cases it made no difference to the return that I submitted because the figure had already been reviewed by internal checks.” (limited company 21-100 returns using the trial software)

On some occasions, agents went back and checked the accounts for their client. This usually meant going back to bookkeeping software or their Excel spreadsheets. Agents would do this if they became less confident in the figures after seeing the trigger and reviewing the financial data again. Some agents said they took this action when they might not have done if they had not seen the trigger.

A small number of agents had gone back to clients to check figures. Others said that they hypothetically might do this in certain circumstances. Agents said they would only go back to the client if they have serious concerns about the accuracy, completeness or meaning of their return figures. This was usually if they thought information was missing, wanted to clarify figures (e.g. if something was actually a business expense) or if they wanted to clarify the details or reasons behind the figures. Where agents wanted to clarify the story, this tended to be a precaution by more meticulous or responsible agents in case reported information led to questions or an investigation from HMRC. Whether agents would go back to their client largely depended on the quality of their relationship with the client as well as their own level of diligence (see section 3.2.5).

Case studies are included in appendix 3 which reflect common reactions to the triggers by different agent segments.

3.2.5 Variation in responses to the triggers

Agent reactions to the risk triggers varied depending on a range of factors.

Reaction varied according to the **type of agent**. Agents from small companies, ‘higher-end’ agents (who charge more for their services) and less confident agents are more likely to investigate triggers, but subsequent behaviour differs.

- **‘Meticulous’** agents would double check figures. They have high confidence in their figures but may inform clients where an issue is identified by a trigger.
- **‘Responsible’** agents would double check figures if time permitted and may inform clients, but no further action beyond this is likely.
- **‘Cautious’** agents would double check figures but would be less likely to contact clients for fear of “rocking the boat” and receiving a negative reaction.

- **'Time-poor'** (cheaper, higher volume) agents are less likely to investigate issues raised by the triggers as due process has already been followed.

Responsible agents made up the bulk of the sample; there were a smaller number of meticulous and cautious agents, and a very small number of time-poor agents⁵.

Agent reaction varies depending on the **relationship with the client** as well as their level of **confidence and diligence**. Meticulous and responsible agents have stronger and more personal relationships with their clients as well as a high degree of confidence. They are therefore more likely to go back to clients with queries if this was seen as necessary. Meanwhile, cautious agents have weaker relationships with their clients and lack confidence, and therefore fear raising queries with clients in case they get a negative reaction (particularly during busy periods). Time-poor agents also have weak relationships with their clients (due to the high volume of clients served) but unlike cautious agents tend to have high levels of confidence, and do not see it as their role to go back and query information clients have provided.

Agent reaction also varied by **type of risk trigger**. Agents reported being more likely to go back and check figures when certain areas of the return were flagged. There was some speculation among the agents that those types of risks are more likely to elicit an HMRC investigation and they are therefore more likely to check and speak to the client to understand the reasons behind certain figures. Meanwhile, professional costs and triggers concerning numbers being divisible by 12, 52 or 100 are seen as less relevant and are more likely to be ignored. Agents are also more likely to ignore triggers that are perceived not to be specific enough for their clients.

There is also some variation in reaction according to the **type of client**. Agents reported a more diligent approach to their wealthy clients and to the returns of those clients with cash businesses where inaccuracies are more common. Taxi drivers were a notable example here. Agents' reaction also varied according to **how frequently they saw particular triggers**. Agents are more likely to ignore triggers which flag repeatedly where they do not perceive the parameters to be relevant to their clients or the thresholds to be too low.

3.2.6 Agents' future behaviour

Some agents who had not seen triggers stated that in future they would check figures - and may go back to clients if needed - were a risk trigger to appear on a return.

"Whereas I might in the past have just processed the figures, if it flags up one of these then you've got to think about it and therefore there's a process of going back to the client informing them saying to them you know are you sure these numbers are tight." (sole trader, 21-100 returns using the trial software)

⁵ The sample was small and not designed to be representative so this should not be taken as true for the entire agent population.

Despite most agents acknowledging that where risk triggers are flagged, they would merit a response (i.e. to review the risk trigger explanation and data entered in the submission), none of the agents in the sample had changed their entire SA return process and none of the agents said they planned to change this in the future. For example, none of them planned to alter their Excel template or to introduce regular checks on these specific issues that they were not already doing. Agents reported that checks on the accuracy of figures are performed at an earlier stage of the process (i.e. when compiling the accounts) so fundamental issues have already been addressed by the time they enter the figures into the SA returns software.

"The process will stay the same. We will carry out with our bank reconciliation. We will carry on with reconciling the sales and then the purchase ledger accounts." (limited company, 100+ returns using the trial software)

"It's a check, take a quick look just to see am I happy that the figures are right... I've prepared the accounts therefore I put the work in at that stage rather than putting the work in at the SA stage." (limited company, 100+ returns using the trial software)

In their current form and based on the responses by agents interviewed, the risk triggers are unlikely to significantly influence the majority of agents' practice. Agents who are meticulous, responsible and cautious already undertake a range of appropriate checks on SA returns.

For time-poor agents, due to the volume of SA returns they process and their lower cost of service, there is less scope for risk triggers to influence practice; any additional responses are seen as going above and beyond what is required for clients at the price they charge and with the relationship they have.

"Most people don't pay more than £250 [for SA Tax Returns Service], then why would I, you know, go over those things [the triggers]?" (limited company, 6-20 returns using the trial software)

There was a high degree of awareness of the risk triggers among those who had seen them flagged in their submissions; some agents made comments which suggest that this awareness itself could influence future behaviour.

"I am just more alert to the possibility of them [the risk triggers]." (sole trader, 6-20 returns using the trial software)

3.2.7 Value of the risk triggers

Many agents recognised the added value of the risk triggers, referring to them, for example, as an 'added bonus' or as serving an extra quality assurance function. The majority of agents are positive overall about the risk triggers and perceive them to help them to do their job.

Agents also see the triggers as a helpful reminder to pay attention to particular areas of the SA return, particularly when they are aware the triggers are provided by HMRC. The triggers are seen by some agents as a way to "see into HMRC's mind", to know what they are looking for: "it gives me

an insight as to what the other side are looking at" (sole trader, 6-20 returns). A number of agents expressed that they do not believe this to be the full list of checks HMRC perform on SA returns and would be interested in seeing a complete list. The risk triggers generally reflected well on HMRC; a number of agents said they expected that HMRC would use intelligence or algorithms such as these, and responded positively to them being shared.

"Certainly, you know resources [are] stretched and they [HMRC] need to specifically target those resources now and this is a nice way to do it." (limited company, 100+ returns using the

"I said to him [...] this may cause the Revenue [HMRC] to open an enquiry into your firm. You might want to have a look at your computer consumables because, looking at the amount of work that you do, did you really use that amount of printer ink, etc.?" (limited company, 6-20 returns using the trial software)

Some agents also find the triggers valuable for helping to open dialogue with clients who are less open in providing information or where agents suspect clients may be intentionally providing incorrect or incomplete figures. In these cases it is especially valuable that the triggers come from HMRC because the agent can

communicate this to the client. Some agents also thought the triggers could be useful in the future for training new staff and recently qualified agents.

3.2.8 Concerns about the risk triggers

The majority of agents did not have any worries or concerns about the risk triggers or the concept of them being embedded in their software. A small number were concerned that the concept may actually undermine them because the triggers may give the impression that anyone can file SA returns using the risk triggers as a guide on what to pay attention to. The triggers were therefore not seen by agents as giving them a competitive advantage and they would not discuss their existence with clients. Some agents, typically the time-poor agents, reported that they have clients who may be nervous that they are 'working with HMRC' rather than with the client if they knew about the triggers. These agents were also more likely to be concerned that clients could change agent (to one who asks less questions) if they do not welcome questions from their agent.

A minority of agents, notably the time-poor, were concerned about the feasibility of making additional checks on figures based on risk triggers, particularly during high volume periods (i.e. before the SA returns deadline of 31st January). Going back and making checks, and particularly re-contacting the client, takes time and may incur costs which either have to be charged to the client or absorbed by the agent.

"In January for example, it's not going to be easy [...] to get back to the client and say 'this is a load of rubbish you've submitted'." (sole trader, 6-20 returns using the trial software)

Finally, a small number of agents felt that risk triggers could be used by less scrupulous agents to avoid detection and investigations. By working out the trigger activation levels, they could potentially alter returns so that triggers are not fired (where they believe HMRC would be less likely to pay attention to them). One agent was also concerned that, by monitoring the triggers, HMRC

could turn them from something helpful into a “stick” to beat agents with if they choose not to respond to them.

“The concern would be that [a] trigger comes up, we’ve look at it and we are happy with our figures, the Revenue [HMRC] enquire, find something that we couldn’t find, for example because the client was lying to us, but then the presence of the triggers is used to say well there were these triggers and they were highlighted and you didn’t do anything about it [...] either to cast us in a poor light or to add in the penalty charge to the client.” (limited company, 100+ returns using the trial software)

3.3 Improving the risk triggers experience

3.3.1 Position of the triggers in the software

The three software providers chose to install the risk triggers in their software differently (see section 1.3). Agents reported that triggers flagged “live” during the entry process are most likely to be noticed. This approach means they are less likely to confuse them with the software’s other validation checks as had occurred among some users. However, there was also some concern among those who had used software which summarised the risk triggers at the end of the return that live flagging could be irritating and time consuming. Some agents were keen to stress that the risk triggers should not slow down the data entry process.

Overall, the combined approach of having live flagging (where clicking to expand flags and see further information is optional) in addition to a summary report at the end works well.

“It would just be helpful if it happened as you went along, because your mind is on that one. You know you just look at the figure and hold on. Or even if you’ve just put it in the wrong blinking box.” (limited company, 100+ returns using the trial software)

3.3.2 Method of flagging the triggers

Respondents were more concerned about the functionality of the triggers than their aesthetics.

Some agents had specific feedback on ways in which the flags could be made to stand out more. Some participants felt that labelling the warnings as coming from HMRC specifically may help to attract greater attention.

Some users of software which presented risk triggers using an “i” symbol thought the ‘i’ meant information and one agent suggested an ‘!’ would be more likely to draw their attention and create a greater sense of urgency.

“... because it was blue, it was only an ‘i’, I may have not paid too much attention to it. I think a red box with an exclamation... mark would [...] make more of an impression.” (sole trader, 6-20 returns using the trial software).

3.3.3 Specificity of the triggers

Some agents believe that if the risk triggers were more specific to trades, sectors and professions, they would be more likely to check returns and therefore the triggers could help to improve compliance and accuracy. This could give agents more confidence in the relevance of triggers.

“If they look at the parameters for a café, are they treating a small café the same as a big café, or should the parameters be adjusted slightly for the smaller self-employed business?” (sole trader, 21-100 returns using the trial software)

3.3.4 Other suggestions

Agents had a number of other suggestions for increasing the impact of the risk triggers:

- Creating links to other software and incorporating the risk triggers into other accountancy software. The SA returns software is used at the end of the process by agents and the triggers could be more helpful in bookkeeping and accountancy software used before this step.
- Providing an opportunity for agents to give feedback about their response to triggers and why they may have decided not to take any action (e.g. some agents reported doing this within an open box at the end of an SA return and this could be further advised, or alternatively a tick box acknowledgement option provided). However this opportunity should be optional to avoid being seen as onerous and time consuming by agents.
- Including a greater range of risk triggers which includes issues that are seen as less “obvious” by agents.
- One agent suggested that a trigger hierarchy should be devised. This could potentially indicate a grading system for the level of risk associated with a return. This could be based on the total number of triggers fired in the return, with the increasing number of triggers increasing the risk level to indicate a low, medium or high risk submission. Alternatively the grading system could indicate the risk associated with individual triggers with some posing a higher risk than others. A colour coding system could be designed with “high” risk triggers being

“The majority, they’re professional, caring people, and they’ll appreciate any additional triggers.” (sole trader, 6-20 returns using the trial software)

“Low risk probably just leave or have a little look into when there’s time. Medium risk go back to our procedures and high risk certainly talk to the client and even get them in straight away and say look this is, we cannot submit this.” (limited company, 100+ returns using the trial software)

flagged in red. The respondent suggested agents may respond in different ways to different triggers.

3.3.5 Segment specific recommendations

Some of the recommendations are likely to be most effective with particular segments:

The meticulous	<ul style="list-style-type: none"> • Further information or advice about the risk triggers, including detailed rationale • Greater sector/trade-specificity • Extra risk triggers (outside of SA returns software) or information that could support accurate submissions
The responsible	<ul style="list-style-type: none"> • More overt risk trigger flags within software, and space within SA to respond to risk triggers • Greater sector/trade-specificity • Increase awareness triggers from HMRC
The cautious	<ul style="list-style-type: none"> • Further information or advice about the risk triggers, included detailed rationale
The time-poor	<ul style="list-style-type: none"> • More overt risk trigger flags within software, and space within SA to respond to risk triggers • Trigger hierarchies to indicate high to low risk

Appendices

Appendix 1 – Sampling

Number of face to face and telephone interviews conducted:

	Face to face	Telephone
3 pilot	1	2
38 main stage	18	20

Number of interviews conducted according to which software was used:

	Keytime	Iris	Andica
Completed interviews – face to face	11	5	3
Completed interviews – telephone	13	5	4
TOTAL COMPLETE	24	10	7

Sample was provided for this project by HMRC. This was obtained from the three software providers. Agents opted in to (or had advance opportunity to opt out of) the risk triggers trial and to have their contact details provided to HMRC in order to be contacted for the research. All agents were sent a letter from TNS BMRB either by email or post and had at least one week to opt out of being contacted for an interview. Respondents were then contacted via telephone by TNS BMRB in-house recruiters. Those who volunteered to take part then received the pre-task via email, which they either returned to TNS BMRB before each interview or brought with them to the interview. Participants received a cash incentive for their participation.

HMRC Risk Triggers - Final Topic Guide

1. Introduction (2 mins)

- Introduce yourself, TNS BMRB, and purpose of the session
- Explain recordings and confidentiality (audio, and transcripts provided)
- Length 45-60 minutes

2. Agent background (5 mins)

- How they would describe their role
- How long they have worked in their role
- What services do they currently provide to clients
 - Do they specialise in any particular service or type of client
 - What does their client base look like (understand SME spread and capability)
 - Explore relationship with client base and level of influence over tax returns submitted (level of personal communication)
- Familiarity/comfort in using accountancy software
 - Range of software/packages currently used
 - Length of time used
 - Frequency of use (e.g. complete submissions in batches or piecemeal?)
 - Factors influencing choice of software/packages – benefits of the package
- Sources of information, guidance and update about SA issues
 - Contact with and attitudes toward HMRC

3. Typical Self-Assessment process (5-10 mins)

- Talk through the typical SA process (pre-introduction of risk triggers into their software)
 - information used
 - client contact
 - contact with HMRC or others
 - when completed (time of year) / time pressure (e.g. last minute before SA deadline?)
 - checks performed to ensure accuracy of information entered/submitted (explore whether/how particular areas of return are compared/contrasted, checks on data input and client information)
 - Probe – how else agents assess and manage information before entering it in to the software (e.g. in Excel or other programs)
- Particular areas of the SA return where inaccuracies in client-provided information are often identified, how identified, ease of identification and how addressed
- Views on accuracy of returns submitted

4. Risk triggers (20-25 mins)

RESEARCHER NOTES: Where participants have not completed pre-task or have completed this only partially, present with most frequent risk triggers first to prompt recognition. Where participants have not experienced risk triggers firing, ask them how they think they would feel and how they think

they would react to different triggers. Where participants have only seen one risk trigger, ask them to look at the list in the pre-task and how they think their response might differ for different triggers.

RESEARCHER NOTE: Please check the respondent understands the difference between the HMRC risk triggers (ONLY those listed in pre-task 1) and other internal validation checks in their software. Please ask the respondent their understanding of the difference and clarify if necessary

Probe:

- their understanding of the difference between the risk triggers and other validation checks in their software
- their understanding that the triggers come from HMRC
- whether there is variation between software providers and whether the participants were (i) aware of the trial and (ii) that the triggers come from HMRC

With reference to pre-task Part 1

- Recount risk triggers experienced.
- Understanding of why risk triggers were fired
 - Which risk triggers understood/less understood and how this changed over time (number of returns submitted where flagged)
 - How the triggers firing made them feel
 - Was it obvious what action to take in response
 - Any action taken to understand risk triggers (e.g. discussion with colleagues; contact with HMRC or software provider; internet searching)
 - How they think people might try to understand why a risk trigger has been fired (e.g. entering different figures into a field, to avoid the trigger happening again)
- How does your immediate response to a risk trigger which is fired differ: [*prompt for interviewer: reactive response*]
 - by risk trigger (i.e. do any triggers illicit *particular* responses/feelings)
 - by client (e.g. by size or type)
 - by time (e.g. before January vs during the busy period)
 - over time (e.g. whether reactive response to risk trigger changed as familiarity with trigger increased)
- Once aware initially that the risk triggers were included in the software, did you do anything differently to normal?
- Once familiar with the risk triggers, have you adapted the way in which you enter information or prepare submissions: [*prompt for interviewer: proactive response*]
 - If so, does this differ
 - by risk trigger
 - by client
 - by time (e.g. before January vs during the busy period)
 - over time (e.g. whether agent altered approach to SA return preparation/data entry as familiarity with trigger increased)
- Ask to talk through pre-task Part 2. Focusing on each return in turn:
 - Identify risk triggers fired
 - Thoughts/feelings as risks triggered
 - Understanding why risks triggered (i.e. did they know what to do in response)
 - Reaction to risks triggered
- Thoughts on the way in which risk trigger information is flagged in software (Note: use the screen shots as prompts)

- Utility of risk trigger timing (during process or at the end)
 - Information provided as prompt (Probe - were any less clear than others?)
 - Look and feel
 - How memorable/do people actually notice them
 - 'Trust' in trigger (unpick this in more detail)
 - How did they compare with the information that your software provider already gave you? (specifically, existing internal checks/prompts)
- Re-cap - actual changes to SA returns attitudes/behaviour as a result of risk trigger trial experience and reasons for change or no change
 - Where relevant, making comparison with behaviour of other agents (i.e. how other agents reacted to risk triggers)
 - Assuming that risk triggers were to continue being used in the software used for SA returns, how if at all would this influence the process used to prepare for and to complete returns
 - Probe – whether agents would like the opportunity to explain the presence of triggers to HMRC when they do not make any changes (e.g. in the open “white box” at the end of the SA return)
 - Views on value of risk triggers for them as an agent. Probe on:
 - Accuracy of returns
 - Competitive advantage vis a vis other agents (i.e. is there a business value)
 - Views on HMRC use of risk triggers
 - Understanding of rationale for risk triggers (increasing the accuracy of returns)
 - Has impression of HMRC been affected by knowledge that risk triggers used in the software were provided by HMRC?

5. Supporting more accurate returns (5-10 mins)

- Exploration of ways in which risk triggers have been embedded in software could be improved to support more accurate returns
 - Ease of use
 - Look and feel
 - Trust
 - Communication/information from software providers or HMRC
- Explore whether agents have any other suggestions for improvements
 - Probe – whether the triggers would be more useful if they were more trade / profession specific
- Concerns over software companies use of risk triggers within SA software
- Whether they think there are any risks associated with the inclusion of the triggers in the software (e.g. agents deliberately altering information so risk triggers don't flag)

Thank and close

Appendix 3 – Case studies

The following case studies illustrate common reactions to the triggers by the different agent segments:

Case study 1: Meticulous agent
Background <ul style="list-style-type: none">• The agent has three years' of experience as a sole trader with two part-time employees• They work in a full service agency which manages approximately 100 SA returns per year using Iris software• They also use BrightPay Payroll, Freshbooks, Clearbooks and Sage• They have a 'cloud-based' service with client communication via telephone, email and Skype/Facetime
Risk trigger <ul style="list-style-type: none">• The agent had only experienced one risk trigger, which related to expenses
Immediate reaction <ul style="list-style-type: none">• The agent's reaction was surprise, and they were also worried that something may draw HMRC's attention to their client• The agent was confident that due process was followed and the accounts were in order
Action/s taken <ul style="list-style-type: none">• Looked at the area of the SA return the trigger related to• Identified one particular expense that was high• Checked with the client that it was a business expense, which was confirmed• No changes were made to the SA return
Future behaviour <ul style="list-style-type: none">• High degree of reported diligence so no expected change to process beyond checking individual entries• The agent feels they are not a business advisor so feels a limited degree of influence over clients if books are wrong• The risk triggers do provide reason and therefore confidence for them to open up conversations with clients

Case study 2: Responsible agent
Background <ul style="list-style-type: none">• A Keytime user who is a sole trader processing 21-100 SA returns per year• They set up a small practice approximately 25 years ago• Agent has around 50 clients; most are small businesses and long standing clients• Agent sends clients out a questionnaire and uses Excel spreadsheets before Keytime software
Risk trigger <ul style="list-style-type: none">• Agent has seen one trigger multiple times concerning expenditure to gross profit ratio
Immediate reaction <ul style="list-style-type: none">• The agent did not know the Extra Filing Rules were HMRC risk triggers and rang Keytime to check what they were• The agent read and understood the descriptions clearly

Action/s taken

- The agent knew the client’s business and situation
- The client was a taxi driver who had had long periods of illness but still had to pay rent to his mini cab firm
- Agent checked the account but did not go to the client *“because it was so obvious”* what the issue was

Future behaviour

- The agent is positive about the triggers as they made them stop and think about the client
- However the agent will not make any changes to their process because they know their clients and their businesses well
- Many triggers do not apply to their clients who have small businesses

Case study 3: Cautious agent**Background**

- The agent is a Keytime user who has run their own business for over 20 years
- They are a sole trader who has submitted 1-5 SA returns using the trial software
- Their clients are mostly small and low profit businesses (sole traders and partnerships), and many sub-contractors in the construction industry
- The agent also uses HMRC’s own software and Excel spreadsheets
- The agent contacts HMRC occasionally with enquiries (e.g. to chase refunds or ask for technical advice)
- The agent has initial contact with the client before completing the return but tends to take them at their word in the interest of keeping fees low

Risk trigger

- Has not seen any risk triggers

Immediate reaction

- Finds a small number of the triggers slightly confusing when initially presented with them

Action/s taken

- The agent would cross check entries with their paper work but queries whether the triggers would stop them submitting the return

Future behaviour

- The agent finds it hard to see how the triggers would help as they would have made these checks themselves earlier in the process
- They would like to see more explanation of the rationale for the triggers and the opportunity to provide feedback to HMRC about their response
- They are concerned their responses to the triggers are being monitored by HMRC and that ignoring flags may mean an investigation is more likely in the future

Case study 4: Time poor agent**Background**

- The agent has up to three years of experience as a limited company and seems to be struggling to grow the business
- The agent offers bookkeeping and SA returns. They use Keytime and completed 6-20 returns with the trial software. The agent also uses Excel
- The agent sees clients face-to-face once or twice a year and has a low value client base, some of whom are unreliable concerning meeting attendance

Risk trigger

- The agent has only seen one risk trigger, concerning expenses and gross profit, but has seen it multiple times

Immediate reaction

- The agent assumed the trigger was for information only, rather than requiring a response
- In their opinion, the client is responsible for the figures provided
- The agent feels placed in a difficult position as they feel they cannot go back to the client with queries and issues

Action/s taken

- The agent used Google to find out about the risk trigger trial
- No action was taken to change figures on the SA returns

Future behaviour

- The agent will not change their process as this would require discussion with clients who the agent feels would not welcome this interference. They do not feel able to charge clients for more time