

## **GUIDANCE NOTES**

Thank you for purchasing Version 3 of the PCP Solicitors Accounts Rules Pack. This pack should only be used when reporting on Solicitors in England & Wales.

This new version applies to all reports made on accounting periods ending after 19 November 2019.

The new rules are a significant rewrite, to make them considerably less rules based and make them much more principles based. This causes a difficulty as the work done by the accountant now involves much more judgement. You will see a considerable reduction in the amount of testing suggested in our programme.

The number of rules under the old rules was 50. There was also considerable guidance within those rules. There are now 13 shorter rules, with much less guidance attached.

It is still the case that

1. Only qualified reports need to be submitted to the SRA; and
2. Only 'material' breaches to the rules (those that have a risk of client money being misappropriated) lead to a qualification. This also means that the concept of trivial breaches has disappeared.

### **The primary changes to the programme from Version 2 are as follows:**

1. A1 points 8-10 deleted as they are no longer required by the rules.
2. B1 question 3 changed as the title is now just 'Accounts Rules'. The year is no longer referred to in the title of the rules, unlike previous versions.
3. B3- question 14 no longer needs to be specifically required by SRA.
4. B4- This is now considerably shorter to be in line with the accounting records required by the new rule 8.
5. On the C section tests 2e) and f) have been removed as they are no longer covered by the rules.
6. On the C section there is a new test 4e) that considers whether there is evidence of the firm providing banking facilities to the client. This considers if the payment is in respect of the provision of a regulated service.

7. On the C section, test 5 has been amended so that it reflects the new, more relaxed, rule.
8. On Section C, tests 8, 9, 10, 11 & 15 have been removed as they are no longer covered by the rules.
9. On Section D test 1a) has been removed as it is covered on the C section.
10. On Section D, test 3 has been removed as it is no longer covered by the rules.
11. On Section E, test 1d) has been amended to reflect the new more relaxed rule.
12. On Section E, tests 1 e, h, m, have been removed as they are no longer required.
13. On Section E, old test 1n) has been amended to reflect the new rule that simply says amounts should be returned once the matter has concluded.
14. On Section E tests 2 & 3 have been removed as they are no longer required.
15. The old Section F has been removed as the accountant is no longer required to report on interest matters.
16. On the old Section G (now F), test 1 has been removed as it is no longer covered by the rules.

## **Introduction**

This system is different in two ways from the majority of other systems:

1. It applies the use of risk to reduce sample sizes on low risk assignments; and
2. It provides standard working papers to back up the use of work programmes.

In the case of 1 above we have introduced some detailed questions within the risk analysis which will allow the reporting accountant to reduce sample sizes. A full risk analysis will have been performed by considering the nature of the principals, the firm, and whether there appear to be financial issues involved.

In the case of 2, we have provided the user of the programme with the option to use a version in excel which will enable them to record all of the necessary work on the spreadsheets. Arguably no other evidence is required, aside from the bank letter confirmations. These can be filed on paper, or alternatively scanned in, and hyperlinked to and from the spreadsheets.

#### **ASSIGNMENT FILE INDEX**

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Completed by:	Date:	Ref: PF
Reviewed by:	Date:	

### Permanent File

			Ref	Comments	Initials
1	Ensure there is an up to date engagement letter, signed by the solicitor.	Yes/No/ N/A*			
2	Ensure there are up to date system notes.	Yes			
3	Provide an up to date list of bank accounts.	Yes			
4	Provide background notes to the solicitor (nature of work, history of business, major customers etc.)	Yes/No/ N/A*			
5	Ensure the permanent file details the firm's principals.	Yes			
6	Provide up to date cheque signatories and electronic transfer signatories, on the permanent file.	Yes			
7	Ensure that the list of authorised specimen signatures is up to date.	Yes			
8	Ensure that details of the accounting staff are up to date.	Yes			
9	Ensure that the list of offices is complete and accurate.	Yes			
10	Ensure that there is an up to date record of the type of work undertaken by the Solicitor.	Yes			
11	Name the Compliance Officer for Finance and Administration (COFA):				

Completed by:	Date:	Ref: A1
Reviewed by:	Date:	

### Completion & Control

Area for consideration	Dealt with? yes/no/ncn*	Initials and date	Comments
1. Has a report been sent to the firm? If it is qualified they are required to send the report to the Solicitors Regulatory Authority (SRA).			
2. Has a qualification been prepared where appropriate? This should only be when there is a material breach of the rules, and client money is likely to be at risk.			
3. Does the file contain sufficient evidence of partner review?			<a href="#">A2</a>
4. Have we obtained a letter of representation?			A4
5. Is there a schedule on the file that lists such breaches (including those specified by the COFA), and whether they are judged to be material?			<a href="#">A3</a>
6. If any of the breaches listed on A3 are judged to be material breaches, has a qualified report been drafted for submission to the Solicitors Regulatory Authority? If there are no material breaches, then the report still needs to be drafted, but the solicitor does not need to submit the report to the Solicitors Regulatory Authority.			
7. Has a letter of comment been sent to the solicitor?			A5

\*-not considered necessary

