

Top Tips and Feedback from Review Visits

Generally, the majority of Members in Practice are compliant. The main issues arising on Practice Assurance visits to date are:

Money Laundering Regulations

The most common issue arising is non-compliance with the Money Laundering Regulations 2007. There are two key concerns:

- firms don't always identify all the possible triggers to perform ongoing client due diligence
- some firms do too much initial client due diligence.

It is a common finding that firms often take a belt and braces approach to their due diligence the first time they complete it, but then forget about the requirement to revisit their risk assessments.

Clients' Money Regulations

The points identified during visits include:

- not being able to locate the bank trust letter
- lack of 5 weekly reconciliations
- missing annual compliance review
- Practice bank account being used for clients' money eg clients' tax refunds and paying clients' tax bills

Statutory Accounts

Preparing appropriate statutory accounts for corporate clients remains a problem for some firms; with many accounts reviewed containing disclosure errors. It is recommended that firms use commercial software, disclosure checklists and internal quality control review or a mix of the three before accounts are sent to the client for approval.

Engagement letters

Many firms visited needed to make changes to their terms of engagement to reflect changes in services provided. The AAT provide a template engagement letter, available on the website.

Provision of Services Regulations 2009

Linked with engagement letters to some extent is the Provision of Services Regulations 2009. This requires a range of information, including details of Professional Indemnity Insurance, to be provided to clients and this can be in the firm's:

- Engagement letter;
- Website; or
- Reception area

Several firms have not yet taken action in this regard.

Registered office address

Some firms do not display an up to date list of companies that use the address as their registered office.

A procedure should be implemented to keep this list under review and up to date.

Other points to watch

In addition, the following issues should continue to be monitored:

- Ensuring that there is adequate PI insurance in place
- Using the correct AAT logo in line with AAT guidance and permissions
- Appropriate registration under the Data Protection Act
- CPD compliance - using the 'Assess, Plan, Action, Evaluate' model. Some firms undertake insufficient Practice Management CPD
- CPD records kept up to date
- Consider removing certain licenced areas if insufficient experience and CPD in place
- Carrying out an internal annual practice assurance compliance review
- Ensuring that there are arrangements for Continuity of Practice in place
- Client approval of Tax Returns and Accounts received before submission to HM Revenue and Customs and Companies House
- Ensuring that all employees are issued with up to date Contracts of Employment
- Distinguishing the difference between Subcontractors and Employees and ensuring appropriate contracts are issued eg. Payroll and Bookkeeping services
- Ensuring that quality assurance checks are in place for subcontractors' work
- Clients notified in writing of commission received in respect of introductions to other professionals. Any commission received paid to client, unless a specifically different basis of accounting has been agreed, as appropriate to reflect charges for the relevant services provided by the MIP
- Ensuring that data is backed up regularly and securely
- Assessing the risks when faced with offers of client hospitality. A cup of coffee and a biscuit with a client is unlikely to constitute a bribe; an all-expenses paid trip to New York might well raise questions in your mind.