

AAT Practice Assurance

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Today's Practice Assurance event will give you:

- An understanding of the regulations and standards you must follow
- Practical guidance on how to comply with the Practice Assurance standards
- An insight into the purpose, format and outcomes of the practice reviews





Practice Assurance Standards

There are 4 standards set out by AAT

- Standard 1: Laws, regulations and professional standards
- Standard 2: Client acceptance and disengagement
- Standard 3: Competence
- Standard 4: Quality Control

Standard 1: Laws, regulations and professional standards

Acceptable practice:

- Copies of relevant legislation, regulations, byelaws and ethical guidance available:
 - Money Laundering Regulations
 - Companies Act 2006
 - Data Protection Act
 - Bribery Act
 - Health & Safety Law
 - Pensions Auto-enrolment



Standard 1: Laws, regulations and professional standards

- Access is available to AAT's regulations, standards and guidance and these are applied:
 - **AAT Member in Practice Regulations & Guidance**
 - Regulation 1 - Being in practice – services covered
 - Regulations 6 & 7 - Licensed Members in Practice
 - Regulation 17 - Powers of Review
 - Regulation 18 - Continuing Professional Development
 - Regulation 19 - Anti-Money Laundering
 - Regulation 22 - Letters of Engagement
 - Regulations 24 & 25 - Client Monies

Standard 1: Laws, regulations and professional standards

AAT Licences

- Importance of working within licensed areas
 - Conditions:
 - AAT logo only to be used with appropriate wording
 - Compliance with CPD, including practice management
 - Have a Continuity of Practice Agreement
 - Comply with anti-money laundering legislation and guidance
 - Comply with the Code of Professional Ethics

Keeping AAT updated – annual renewal

Standard 1: Laws, regulations and professional standards

AAT Code of Professional Ethics

- Principles
 - Members in Practice
 - Marketing professional services
 - Gifts and hospitality
 - Custody of client assets
 - Objectivity
-
- AAT Practice Assurance Standards
 - AAT Guidance on anti-money laundering legislation

Standard 1: Laws, regulations and professional standards

Best practice:

- Copies of relevant legislation, regulations, standards and guidance available with subscription service to ensure always up to date
- Relevant legislation available to all staff via computer systems/intranet
- Checklist of legislation for each assignment, client type or industry available
- Each client file has list of legislation and other regulations specifically applicable to client
- Guidance available within the firm, for example guidance on money laundering, accounting standards
- The firm has appointed a principal to stay abreast of developments and to coordinate responses to change

Standard 2: Client acceptance and disengagement

- Integrity, objectivity and independence
- Resources and expertise
- Professional enquiries prior to acceptance
- Terms of engagement
- Terms of disengagement



Standard 2: Client acceptance and disengagement

A firm should agree to act for a client only if, in doing so, it does not contravene AAT's regulations, standards and guidance.

When a firm accepts a client, and throughout the term of the engagement, the firm should demonstrate that:

- There is no threat to the firm's integrity or objectivity that cannot be managed by appropriate safeguards
- The firm has access to adequate resources and expertise to provide the services required
- The firm has made adequate enquiries to ensure there are no reasons to prevent it from providing the services.
- The terms of engagement are clear and set out in a letter of engagement

Standard 2: Client acceptance and disengagement

Integrity, objectivity and independence

The main considerations firms should take into account are contained in AAT's *Code of Professional Ethics*.

Part A – General application of the code

- Section 110 Integrity
- Section 120 Objectivity

Part B – Members in practice

- Section 200 Introduction
- Section 220 Conflicts of Interest
- Section 280 Objectivity – all services
- Section 290 Independence – review and assurance engagements

Standard 2: Client acceptance and disengagement

Resources and expertise

Beware: we don't know what we don't know.....

- Resources and expertise should be adequate for the services to be provided.
- A firm should not take on a new client unless it has access to appropriate staff to deal with the increase in work.
- Firms should guard against creating pressures that could adversely affect their services to clients.
- The relevant expertise is available, with the firm or from external sources, to deal with specialist areas.
- Qualified staff should comply with the CPD requirements of their professional body.
- For members of AAT there is standards and guidance on the AAT website.

Standard 2: Client acceptance and disengagement

Professional enquiries prior to acceptance

- Enquiries should be made to ensure that there are no other reasons to prevent the firm from entering into an engagement.
- These enquiries should include communicating with the prospective client's existing accountant.
- Firms should carry out their obligation to respond promptly to such enquiries.
- All firms have been provided with a hard copy version of AAT's Anti Money Laundering toolkit which provides up to date advice for firms on meeting their obligations under *The Money Laundering Regulations 2007*.

Standard 2: Client acceptance and disengagement

Terms of Engagement

- Many disputes with clients result from a misunderstanding of the scope of a firm's terms of engagement.
- A clear letter of engagement before starting work is mandated by AAT to avoid misunderstandings.
- This is important for professional indemnity insurance purposes and helps avoid disputes.
- If the nature of the services or the scope of the work changes at any time, the firm and client should agree a revised letter of engagement.
- AAT's regulations require firms to inform all clients in writing of the basis for calculating their fees and their complaints procedure. *(AAT's letter of engagement template covers these aspects)*

Standard 2: Client acceptance and disengagement

Terms of Disengagement

- Complaints are often made to AAT when a firm ceases to act and the client misunderstands the extent of the work the firm has agreed to complete.
- We have also seen instances where the same piece of work has been carried out by both the client's new accountant and their previous one.
- To avoid these issues, firms are advised to agree terms of disengagement at the appropriate time, identifying the work to be completed and the terms on which this will be done.

Standard 2: Client acceptance and disengagement

Acceptable practice

- Integrity, objectivity and independence
- Resources and expertise
- Professional enquiries prior to acceptance
- Terms of engagement



Standard 2: Client acceptance and disengagement

Best practice

- Integrity, objectivity and independence
- Resources and expertise
- Terms of engagement
- Terms of disengagement



Standard 3: Competence

A firm should ensure that all principals, staff and subcontractors are competent to carry out their work.

To ensure that principals and staff (including sub-contractors) are competent, firms will need to have appropriate arrangements in place for:

- Recruitment
- Development and training
- Access to up to date technical and non-technical reference material and information sources
- Provision of consultation where necessary
- Allocation of staff to assignments consistent with their capabilities
- Appropriate supervision and review of work

Standard 3: Competence

Recruitment

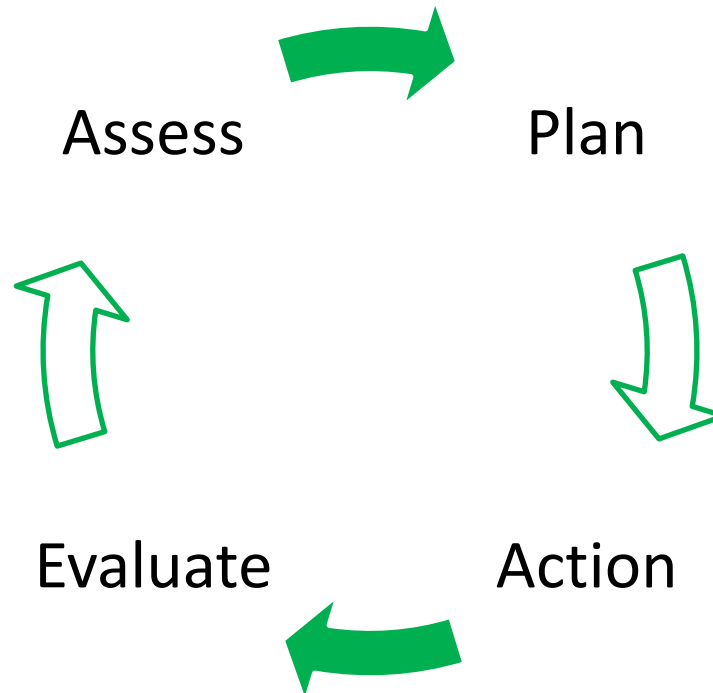
- An assessment of the competence and experience of that person to carry out the work assigned to them.
- The firm is advised to take up references, including those of previous employers.
- It is also advisable to see original certificates providing evidence of qualifications.

Development and training

- The level of skills and knowledge required of an individual depend on the work to be carried out
- The firm should ensure that the development needs of members of staff are formally assessed on a regular basis.
- That appropriate development and training is carried out at work
- Formal performance appraisal at least once a year.

Standard 3: Competence

Continuing Professional Development (CPD)



Standard 3: Competence

Technical reference material

- The firm should ensure that staff have access to relevant technical and other information they need.

Consultation

- The firm should encourage staff and subcontractors to consult with others in the firm on technical, ethical and other issues whenever appropriate.
- It may be necessary to seek external advice if the appropriate expertise is not available with the firm.
- Sole practitioners may find it helpful to set up arrangements with another firm or consultancy organisation in order to seek advice and information, as well as making full use of AAT's website, helplines and toolkits.

Standard 3: Competence

Acceptable practice

- Recruitment
- Development and Training
- Technical Reference Material
- Consultation



Standard 3: Competence

Best practice

- Recruitment
- Development and Training
- Technical Reference Material
- Consultation



Standard 4: Quality Control

A firm should ensure that work is conducted in an environment where quality is monitored.

A firm should have procedures and systems in place, appropriate to its size, to ensure that:

- The work of the firm is organised and controlled to ensure Practice Assurance standards are met
- Appropriate supervision and review arrangements are applied
- All work undertaken is adequately recorded
- All principles and staff are made aware of the firm's systems and procedures
- The firm complies with its own procedures
- Any complaints from clients are dealt with promptly and effectively

Standard 4: Quality Control

Organisation and Control

- The way in which a firm organises and controls its work will vary according to the size of the firm
- Firms should ensure that responsibilities are clearly identified
- All files and documentation relating to clients (whether in hard copy or electronic form) should be held securely, and confidentiality should be maintained.
- Receipt and return of client books and papers should be recorded.
- If any documents, including accounts, are to be made available to third parties, there should be written authorisation from the client
- There should be a system of brought forward notification to ensure that matters are attended to promptly.
- There should also be a policy regarding file destruction (Tax & Anti-Money Laundering)

Standard 4: Quality Control

IT Procedures and Security

- Increased dependence on computer systems and mobile data storage presents specific threats.
- Firms should ensure that all forms of electronic media are secure.
- They should also ensure that there is regular back up of files and protection from unauthorised access and viruses.
- Where hard copy documentation is not kept, there should be a policy for computer file retention and file destruction.
- AAT also advise firms to have email and internet usage policies in place to prevent misuse and possible resultant damage to a firm's reputation

Standard 4: Quality Control

Supervision and Review

- All firms (other than sole practitioners with no staff) should have procedures to ensure that work, is adequately supervised and reviewed before it is finalised.
- Appropriate procedures should be determined by each firm to minimise the risk of errors and misjudgements that might result in sub-standard output.
- It is usual practice for senior staff to supervise and review the work of more junior staff.
- Sole practitioners may decide that it is appropriate to have their work reviewed by an external consultant with expertise in the relevant area.
- Such reviews are part of the assignment process and if review papers are not retained, a note should be made on file that a review has taken place

Standard 4: Quality Control

Recording Work

- All significant work undertaken should be recorded on file and sources of information and evidence identified.
- Care should be taken to make notes of relevant telephone conversations and meetings
- All assumptions and estimates should be shown and judgmental decisions should be recorded.
- There should be evidence that completed accounts have been agreed by the client.
- Firms should ensure that they have written authority from the client to act as its agent; e.g. contacting HMRC.



Standard 4: Quality Control

Complaints from Clients

- All clients should be informed in writing of the firm's complaints procedure and of their right to complain to AAT
- Any complaints from clients should be investigated immediately by a principal of the firm
- If, following the investigation, the firm is of the opinion that the complaint is justified, it should do whatever is appropriate to resolve the matter.
- AAT's factsheet on complaints management will assist you in managing complaints effectively if you receive them

Standard 4: Quality Control

Compliance Review of Firm's Procedures

- The review should consider firm issues, such as whether staff are receiving adequate training.
- Bank accounts should be reviewed to check that any client money has been dealt with in accordance with the *Clients' Money Regulations*
- The review should also include a selection of client files to ensure that the work carried out conforms to the terms of the engagement letter.
- A sample of accounts prepared by the firm should be reviewed to check that they are materially correct and comply with statute and other relevant requirements.
- A sample of tax files should be reviewed to consider both the calculations and the advice given and the review should identify whether submission deadlines were met.
- The sample should be selected primarily to focus on higher risk assignments

Standard 4: Quality Control

Acceptable practice

- Organisation and Control
- IT Procedures and Security
- Supervision and Review
- Recording Work
- Complaints from Clients
- Compliance Review of Firm's Procedures



Standard 4: Quality Control

Best practice

- Organisation and Control
- IT Procedures and Security
- Supervision and Review
- Recording Work
- Complaints from Clients
- Compliance Review of Firm's Procedures



Practice Assurance Visits

- A Practice Assurance visit is designed to reassure you that your practice is meeting AAT Standards.
- During the visit, you will have the opportunity to discuss any other matters regarding your firm
- After the review, the findings are recorded and discussed with you
- You are asked to respond to the findings within 15 business day and explain what action you plan to take and by what date
- When the responses are received, working papers are completed
- You will usually receive a notice to confirm that your visit has been completed satisfactorily
- Top Tips and Feedback from Review Visits

Any Questions?



AAT's Professional Zone

Useful Links

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| AAT standards, codes and regulations: | aat.org.uk/professional-standards |
| AAT's <i>Code of Professional Ethics</i> : | aat.org.uk/professional-standards/ethics |
| Practice Management toolkit: | aat.org.uk/members-in-practice/toolkit |
| CPD information and policy: | aat.org.uk/cpd |
| Letters and templates | aat.org.uk/members-in-practice/toolkit/conduct |

AAT's Anti Money Laundering toolkit

You can also discuss ethical and money laundering enquiries with **AAT's Advisory Services** on a confidential basis by calling 0845 863 0787.



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The logo for the Association of Accounting Technicians (AAT), featuring the lowercase letters 'aat' in a green, sans-serif font, with a horizontal line through the middle of the 't'.