

AAT Practice Assurance Webinar

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Today's Practice Assurance webinar will give you:

- Top tips on how to comply with the Practice Assurance standards
- Top tips and feedback from 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

Best Practice includes:

Copies of relevant legislation, regulations, byelaws and ethical guidance is available with subscription service to ensure always up to date, including:

- Money Laundering Regulations 2007
- Companies Act 2006
- Data Protection Act
- Bribery Act
- Health & Safety Law
- Employment Law
- Pensions Auto Enrolment

Standard 1 – Top tips and feedback from review visits

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
 - During a business relationship, businesses must monitor activity on an ongoing basis. This includes scrutiny of transactions, source of funds and other elements of knowledge collected in the customer due diligence process, to ensure that the new information is consistent with other knowledge of the client and keeping the documentation concerning the client and the relationship updated
- Some firms do too much initial client due diligence
 - In terms of identifying new clients, electronic ID may be sufficient, depending on the circumstances. This is worthy of a call to the AML helpline: 0845 863 0787

Standard 1 – Top tips and feedback from review visits

Clients' Money Regulations

The points identified during visits include:

- Not being able to locate the Bank trust letter
 - On opening a client bank account, a firm must notify the Bank in writing that all money standing to the credit of that account is held by the firm as clients' money and that the Bank is not entitled to combine the account with any other accounts or exercise any right to set off or counterclaim against money in that in respect of any money owed to it on any other of the firm's accounts.
 - The Bank must acknowledge in writing that it accepts these terms.
- Lack of 5 weekly reconciliations
- Missing annual compliance review
- Practice bank account being used for clients' money, for example, tax refunds and paying clients' tax bills
- Payments on account received from clients do not have to be held in a client account

Standard 1 – Top tips and feedback from review visits

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.

Standard 1 – Top tips and feedback from review visits

Registered office address

- Some firms do not display an up to date list of companies that use the firm's address as their registered office
- A procedure should be implemented to keep this list under review and up to date

Standard 1 – Top tips and feedback from review visits

Other points to watch

- Ensure there is adequate Professional Indemnity Insurance in place
- Use of correct AAT logo in line with the AAT guidance and permissions
- Appropriate registration under the Data Protection Act
- Ensure there are arrangements for Continuity of Practice in place
 - It is not mandatory for licence holders with six or fewer clients to have continuity cover provided that clients are made aware and agree to this and the matter is documented within the letter of engagement
- Client approval of Tax Returns and Accounts received before submission to HM Revenue and Customs and Companies House
 - There are no hard and fast rules in terms of electronic signatures – check with your PII provider as to whether they would find it acceptable to them
- Make sure that all employees are issued with up to date Contracts of Employment

Standard 1 – Top tips and feedback from review visits

Other points to watch

- Distinguish the difference between sub-contractors and employees and ensure appropriate contracts are issued, for example, payroll and bookkeeping services
- Clients must be notified in writing of commission received in respect of introductions to other professionals. Any commission received is 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 firm
- Assess 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.



Standard 1: Laws, regulations and professional standards

Using the Question and Answer panel please submit your question on this standard.

Standard 2: Client acceptance and disengagement

Top tips:

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



Standard 2: Top tips

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: Top tips and feedback from review visits

Engagement Letters

- Often, firms need to make changes to their terms of engagement to reflect changes in services provided
- The AAT provide engagement letter templates, available in the Professional Zone of the AAT website



Standard 2: Top tips

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
- There have also been 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
- The AAT provides a disengagement letter template, available in the Professional Zone of the AAT website



Standard 2: Top tips

Other points to watch

- A firm should not take on a new client unless it has access to appropriate competent staff or sub contractors to deal with the increase in work
- Resources and expertise should be adequate for the services to be provided
- Firms should guard against creating unmanageable pressure for themselves that could adversely affect their services to clients

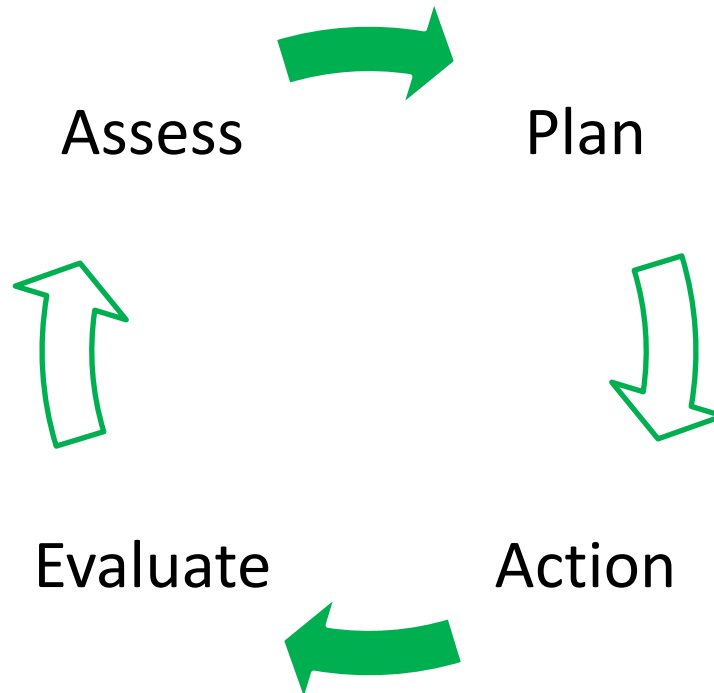


Standard 2: Client acceptance and disengagement

Using the Question and Answer panel please submit your question on this standard.

Standard 3: Competence

Continuing Professional Development (CPD)



Standard 3: Top tips and feedback from review visits

Continuing Professional Development (CPD)

- All licensed members must assess, plan, action and evaluate their CPD needs twice per year to ensure they keep up to date with CPD in all technical competencies
- Some firms undertake insufficient Practice Management CPD
- Ensure that CPD records are kept up to date, either in your practice records, or within the Professional Zone of the AAT website, using the following headings:
 - Assess, Plan, Evaluate, Action
- If studying towards a related qualification, any studies that relate to the requirements of your AAT technical competencies that expand your knowledge, may be recorded as CPD
- Consider removing certain licenced areas if insufficient experience and CPD in place



Standard 3: Competence

Using the Question and Answer panel please submit your question on this standard.



Standard 4: Quality Control

Top Tips and feedback from review visits:

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 at least use commercial software, disclosure checklists and internal quality control reviews before accounts are sent to the client for approval.



Standard 4: Top tips

Other points to watch

- Carry out an internal annual practice assurance compliance review
- Ensure that quality assurance checks are in place for sub-contractors' work
- Care should be taken to make notes of relevant telephone conversations and meetings
- Any complaints from clients should be investigated immediately by a principal of the firm



Standard 4: Top tips

Other points to watch

- Check that data is backed up regularly and securely.
- AAT has no view on cloud based storage, but if you are looking for a provider, please ensure your clients' data is protected. Cyber security is a high profile and increasingly prevalent issue for the profession, particularly with the advent of cloud based storage.
- AAT is hosting in the CPD zone e-learning developed by the Department for Business, Innovation and Skills on cyber security. AAT suggest you complete this training before embarking on procuring cloud based storage solutions, so you are aware of the threats and vulnerabilities you will need to manage so you do not inadvertently breach client confidentiality.



Standard 4: Quality Control

Using the Question and Answer panel please submit your question on this standard.



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



AAT's Professional Zone

Useful Links

AAT professional standards:

<http://www.aat.org.uk/about-aat/professional-standards>

CPD information and policy:

www.aat.org.uk/cpd

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 AAT logo, consisting of the lowercase letters 'aat' in a green, sans-serif font, with a horizontal line through the top of the 't'.