



Practice Assurance

Training for AAT





Introduction



Objectives

- An overview of the main regulations and guidance applicable to members who run their own practices
- An understanding as to why the Practice Assurance standards are important, and practical guidance on how to comply with them
- An insight into the purpose, format and outcomes of AAT Practice Reviews.

ICAEW's role

- A lot of rules the same for both ICAEW and AAT
- Use ICAEW experience to help identify issues and share ideas
- AAT retains complete responsibility for licencing and regulating members

Today's Topics

- Practice Assurance Standards
 - 1 Laws, Regulations & Professional Standards
 - 2 Client Acceptance & Disengagement
 - 3 Competence
 - 4 Quality Control
- Anti-money laundering
- Practice Reviews

Practice Assurance Standards

- What's acceptable...?



- ...and what's best practice?



PAS 1 Laws, Regulations & Professional Standards



A firm should comply with laws, regulations and standards that are relevant to the services it provides, including AAT's regulations, standards and guidance.

Standard 1

- 'Laws of the land'
- AAT Member in Practice Regulations & Guidance
- AAT Code of Professional Ethics
- AAT Practice Assurance Standards
- AAT Guidance on anti-money laundering legislation

Money
Laundering
Regulations

Companies
Act 2006

Bribery
Act

**Pensions
auto-
enrolment**

Health &
Safety
Law



*Data
Protection
Act*

Member in Practice Regulations & Guidance

- 1 – Being in Practice – services covered
- 6&7 – Licensed members in practice
 - Professional indemnity insurance
 - Continuity of Practice Agreement
 - Practice management
 - Anti-money laundering
 - Professional ethics
- 17 – Powers of Review
- 18 – Continuing professional development
- 19 – Anti-money laundering
- 22 – Letters of engagement
- 24 & 25 – Client monies



AAT Licences

- Fundamental to way AAT approves members
- Importance of working within licensed areas
- Conditions:
 - If shown, must use the logo properly
 - Comply with CPD requirements, 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

AAT Code of Professional Ethics

- Based on IFAC Code of Ethics for Professional Accountants
- Principles
 - Integrity
 - Objectivity
 - Professional competence and due care
 - Confidentiality
 - Professional behaviour
- Threats and safeguards
 - Self-interest
 - Self-review
 - Advocacy
 - Familiarity
 - Intimidation



Threats and safeguards



- Relative size of a fee
- Conflicting business interests
- Loans to or from clients
- Goods, services or hospitality from a client
- Beneficial interest in clients

Some specific threats ... and rules to deal with them

- Advertising



- Bribery Act



- Client's Money



Advertising

- Code of Ethics Section 220
 - Self-interest threat
- Letterhead and website
 - Statutory information
 - AAT branding
- Provision of Services Regulations
 - Professional Indemnity Insurance
- Registered Office



Bribery Act

- Ministry of Justice – six principles:
 - Proportionate procedures
 - Top-level commitment
 - Risk assessment
 - Due diligence
 - Communication
 - Monitoring and review
- Reputation!



Clients' Money

- MiP Regulations 24 & 25
 - Separate account from business account
 - Bank must acknowledge in writing
 - No right of set-off
 - Interest must be credited
 - 5-weekly reconciliation
 - Only withdraw in specified circumstances
 - Separate accounts if >£2,000 for >2 months
- Tax refunds
 - Client permission to deduct fees



Standard 1

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Practice Assurance Standards

- What's acceptable...?



- ...and what's best practice?



Laws, Regulations & Professional Standards

- Any Questions?



- Ethics helpline
 - 0845 863 0787
 - ethics@aat.org.uk
- Ethics diagnostic test
- aat.org.uk/about-aat/mip-regulations-and-guidance
- aat.org.uk/professional-standards/ethics
- aat.org.uk/members-in-practice/toolkit/legal-and-regulation
- aat.org.uk/members-in-practice/toolkit/client-money
- aat.org.uk/members-in-practice/anti-money-laundering/guidance

PAS 2 Client Acceptance & 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.

Standard 2

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

Integrity, objectivity and independence

- AAT's Code of Professional Ethics
 - Part A – General application
 - 110 Integrity
 - 120 Objectivity
 - Part B – Members in Practice
 - 200 Introduction
 - 220 Conflicts of interest
 - 280 Objectivity
 - 290 Independence

Resources & expertise

- Do you know what you're talking about?



- Beware the 'unknown unknowns'
- Time, tools, staff ... your sanity

Professional enquiries

- Do you know who you're dealing with?



- Any reasons not to enter into the engagement?
- Previous accountants?
- Anti-money laundering

Letters of Engagement 1

- Do you know what your client expects?



- Confirmation in writing:
 - To every client
 - Extent of responsibilities
 - Agreed terms
 - Keep up-to-date

Letters of Engagement 2

- Nature and scope of work
- Timing
- Client's responsibilities
- Basis of fees
- Disclaimers
- Investment advice
- Legal obligations – money laundering, data protection
- Clients' money
- Complaints

Terms of Disengagement

- Do you know when to stop?



Practice Assurance Standards

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Client Acceptance & Disengagement

- Any Questions?



- aat.org.uk/members-in-practice/toolkit/conduct
 - Sample letters and templates
 - Client engagement and disengagement procedures factsheet
 - Fees and commissions factsheet
 - Letters of engagement factsheet

PAS 3 Competence



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

Standard 3

- Recruitment
- Development and training
 - Continuing professional development (CPD)
 - Technical reference material
 - Consultation

People

- Recruitment
- Training
- Development



Continuing Professional Development

- You must:
 - Comply with AAT's CPD policy
 - Go through the CPD cycle twice a year
 - Consider each of your licence areas
 - Consider your practice management needs
 - Consider changes in legislation
- Assess, Plan, Action, Evaluate



Reference and Consultation

- Don't be afraid to ask!

Technical help for members in practice

We know how important it is to have access to technical help when you are self-employed. As an AAT member in practice (MIP) you have support for your technical queries. This is in addition to the [CCH resources](#) available to you.

If you use these resources to update your knowledge, this counts towards your CPD. Just remember to add a note in your [CPD record](#).

▶ [Abbey Tax consultancy service](#)

▶ [CIPP advisory service](#)

▶ [ICAEW technical advisory line](#)

▶ [IFACnet - online resources and information for accountants](#)

▶ [CCH resources for MIPs](#)

▶ [CPD Interactive - the home of AAT online learning resources](#)

▶ [Attend your local branch meeting and network with other AAT members](#)

Practice Assurance Standards

- What's acceptable...?



- ...and what's best practice?



Competence

- Any Questions?



- aat.org.uk/members-in-practice/support/technical
- aat.org.uk/members-in-practice/toolkit/staff

PAS 4 Quality Control



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

Standard 4

- Organisation and control
- IT procedures and security
- Supervision and review
- Recording work
- Complaints from clients
- Compliance review of firm's procedures

Professional indemnity insurance

- Regulations 6 & 7, Schedule 2
- Minimum cover is greater of
 - 2.5x gross fee income; and
 - £50,000 (sole practice) or £100,000 (companies, partnerships)
- Maximum *required* if fees >£400,000 is £1,000,000
- Must:
 - Provide full civil liability cover
 - Be ‘any one claim’
 - Include unlimited legal defence costs
 - Be fully retroactive

Organisation and control

- It's down to you
 - Continuity of Practice Agreement
- Policies and procedures
 - Filing
 - Timetables and deadlines
 - WIP, billing, debtors
 - Legal and regulatory requirements



IT procedures and security

- Data Protection Act
- Securing data:
 - Passwords
 - Viruses
 - Back-ups
 - Mobile devices
- Usage policies



Recording work

- Evidence of the work done
- Sources of information
- Notes of meetings and phone calls
- Estimates and assumptions
- Agreement by the client
- Checklists
- Document retention



Statutory accounts

ABC Limited

Company Registration Number:
12345678 (England and Wales)

Report of the Directors and Unaudited Financial Statements

Period of accounts
Start date: 01st April 2012
End date: 31st March 2013

Complaints from clients

- Inform your clients of how to complain
 - To you
 - To AAT
- Investigate immediately
- Do what's needed to resolve it
 - Remedial work
 - Apology
 - Providing information
 - Returning books or documents
 - Reducing or repaying fees
- Inform your insurers



Compliance Review

- Firm's procedures
- Specific areas
- File reviews



Practice Assurance Standards

- What's acceptable...?



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Quality Control

- Any Questions?



- aat.org.uk/members-in-practice/pii
- aat.org.uk/members-in-practice/toolkit/risks
- <https://www.aat.org.uk/members-in-practice/toolkit/quality-assurance>

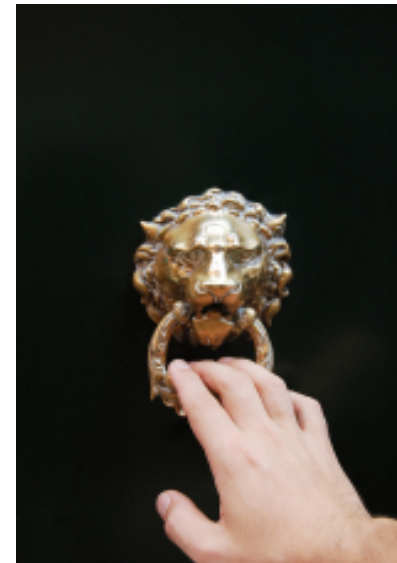
Practice Reviews

Review objectives

- To help you abide by the MiP Regulations and the Code of Professional Ethics
- To share best practice recommendations with you
- To assess your practice against the standards we expect
- To review your anti-money laundering procedures

Who? When? Where?

- All MiPs over a cycle
- Summer and autumn
- Telephone or on-site



What? ... Compliance

- Anti-money laundering
- Clients' money
- Code of Ethics (eg commissions)
- Accounts disclosures
- CPD
- Continuity of Practice
- Data Protection
- Data Protection
- Letterhead and logo
- PII
- Provision of Services Regulations
- Registered office
- Licence areas
- Terms of engagement

What? ... Recommendations

- Computer procedures
- Client approval of returns
- Complaints procedures
- Compliance reviews
- Disengagement
- Documentation of procedures
- Recording of work
- Financial references
- Subcontractor agreements
- Successors
- Workflow planning

What have we found? ... Part 1

- The top five:
 - Lack of insurance information required by provision of services regulations
 - No procedures to carry out on-going client due diligence for AML purposes
 - Inadequate disclosures in company accounts
 - Failure to register under the Data Protection Act
 - Missing legal information on letterheads

What have we found?... Part 2

- The worst of the rest:
 - No clients' money account when required
 - Non-compliant PII policies
 - Insufficient CPD records
 - No list of companies with Registered Office at firm's premises
 - No engagement letter for some or all clients

Practice Reviews

- Any Questions?





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