

# Quality checked:

## have you got what it takes?

**Alice Rae explains how firms can satisfy the standards set by the ACCA quality assurance scheme and outlines some of the common weaknesses identified on visits to member firms**

ACCA's quality assurance scheme, ACCA Quality Checked, is designed to encourage firms to adopt best practice procedures in their business. Based on principles designed to enhance the delivery of a firm's services to its clients, ACCA Quality Checked is awarded to companies that demonstrate excellence in the following areas:

#### Clearly identifying clients' needs;

- Maintaining efficient paper-based or electronic systems;
- Providing training and development to keep both partners and staff technically up to date;
- Communicating effectively with statutory bodies, ACCA and other regulators and keeping clients informed of opportunities or obligations of which they may have been unaware;
- Adhering to statutory and regulatory compliance and ACCA's code of ethics and conduct.

#### The visit

ACCA Quality Checked visits are advisory and tailored to a firm's specific size and client needs. Reviews are carried out alongside routine regulatory monitoring visits where possible. However, firms are also reviewed for quality assurance at standalone visits and can request a visit from the Quality Assurance Unit. During a visit, ACCA staff will review the firm's quality control procedures and identify any perceived weaknesses and give the firm practical advice and guidance on making improvements to its procedures so they meet what is considered to be best practice in the profession today.

#### Common weaknesses found

The ACCA Quality Checked review covers a variety of practice management issues and quality control procedures in all client service areas. Set out below is a summary of the most common systems weaknesses identified during audit visits.

#### The engagement process

Firms do not always have a means of controlling the engagement process. In many cases firms may not obtain all the necessary information from a new client, such as confirmation of identity and professional clearance, before issuing the engagement letter to the client or accepting the appointment. Often, all that is required is to devise a simple new client checklist to provide effective control of the sequence of the engagement process.

#### Engagement letters

Some firms have not yet issued engagement

letters to all their clients setting out the scope of the appointment. In many cases, engagement letters reviewed on visits are out of date and do not cover all relevant services provided by the firm. It is important that firms implement a procedure to regularly review engagement letters to ensure they include all current services provided, promote a clear understanding of responsibilities and avoid disputes with clients over the scope of the appointment. In addition, firms need to monitor and control the return of signed engagement letters to ensure that the client has agreed to the firm's terms and conditions before work commences.

#### Forward planning of work

If firms do not effectively plan their practice work in advance, this will often result in the firm fire fighting, working to meet one deadline after another always under time pressure. In order to avoid excessive highs and lows in the volume of work and reduce the likelihood of errors occurring because staff are working under pressure, firms should plan the workflow in advance. This should also include a regular review of the firm's staffing levels to ensure client services can be delivered with the resources at hand.

#### Advising clients of their tax liabilities

In many cases firms may explain tax liabilities to clients face to face at a meeting or over the phone without later confirming this in writing with the client. It is best practice to confirm the amounts of tax due and the date of payment in writing to provide the client with a point of reference of their tax liability and the due date of payment. This is particularly relevant if clients incur penalties due to late payment and try to blame their adviser for the resulting penalties.

#### Approval of tax returns

With the advent of electronic filing of tax returns some firms do not obtain their client's signed approval of tax returns submitted online. It is best practice to always obtain signed approval of returns before submission to the Revenue or Customs and Excise.

#### Review of financial statements

Firms often rely on accounting software to ensure the accuracy of the disclosures in limited company accounts. Although software will consistently generate disclosures that are triggered by figures in the accounts and generally produce an exception report where notes have been suppressed, it does not pick up disclosures where they do not relate to the figures or if data is not coded to the exact account specified by the software. It is best practice, therefore, to use a disclosure checklist

on limited company accounts. For audit clients, a checklist should be used each and every year. However, for small incorporated clients that take advantage of audit exemptions available, a less rigorous procedure can be used alongside accounting software. For example, a disclosure checklist should be used in the first year firms prepare accounts for a newly incorporated company or a new client and then routinely every three to four years thereafter, unless there are any major changes in legislation or the size, structure or operation of the company.

#### Approval of accounts

Firms sometimes rely on their clients signing their tax returns as approval for the figures included in their unincorporated business accounts and do not obtain separate approval of the accounts. As these type of annual accounts are prepared on the basis of information and explanations provided by clients, it is important that clients acknowledge their responsibility for the information they have provided the firm and confirm that it is complete by formally approving their year end accounts.

#### Use of disclaimers

There are various documents prepared by firms, such as projections, management accounts and income references, which may be relied upon by third parties. In many cases, firms do not include disclaimers in such documents. It is best practice to include a suitable disclaimer to minimise the firm's exposure to the risk of third parties relying on this information.

#### Maximising efficiency

By implementing best practice procedures your firm can maintain a high standard of client care while maximising the firms efficiency, which in turn will promote a good reputation and could also improve profitability. You should therefore seriously consider becoming one of the firms that proudly display an ACCA Quality Checked award.

If you would like to find out more about the ACCA Quality Checked scheme, visit our website at [www.accaglobal.com/members/professionalstandards/qualitychecked/](http://www.accaglobal.com/members/professionalstandards/qualitychecked/). Here you can complete a self-diagnostic review of your quality control procedures. If you have any questions or you would like to request a visit please contact Liz Kirkham or Alice Rae by e-mail at [qualitychecked@accaglobal.com](mailto:qualitychecked@accaglobal.com).

Alice Rae is Senior Practice Reviewer with ACCA.