



Regulating
Property
And
Probate
Lawyers

Accountant's Report and Guidance

COMPLETION GUIDE

- This reporting template can be used from 30 September 2020 and **must** be used from 31 March 2021.
- The Accountant's Report is due within 6 months of the end of the reporting period.
- This report should be submitted to the CLC using any of the methods below:
 - Posting it to:
Council for Licensed Conveyancers
WeWork
131 Finsbury Pavement
London
EC2A 1NT
 - Sending it to: DX 42615 CHEAPSIDE
 - Emailing it to: monitoring@clc-uk.org
- Please ensure that prior to completing the report that you have read the CLC's Accounts Code and the guidance accompanying this report.

SECTION ONE – PRACTICE DETAILS

Practice name: CLC number:

Period ending: Months in period under review:

SECTION TWO – REPORTING ACCOUNTANT DETAILS

Name of Reporting Accountant:

Professional Body & Registration Number:

Email:

Telephone:

SECTION THREE – ACCOUNTANT’S DECLARATION AND REPORT

Accountant’s Declaration

- | | | | |
|-----|--|------------------------------|-----------------------------|
| 1.1 | I comply with paragraphs 6.6 and 6.7 of the Accounts Code | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 1.2 | I was engaged in accordance with paragraph 6.8 of the Accounts Code | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 1.3 | I have read the Accounts Code & Guidance and conducted my work in such a manner to enable me to form a view on whether the CLC Practice has complied with the Accounts Code | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 1.4 | No personal or business relationship exists or has existed which has prevented me from carrying out my instructions fully and providing the Accountant’s Declaration based solely on my inspection of the CLC Practice | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 1.5 | I conclude that the CLC Practice complies with the Accounts Code | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

Accountant’s Report Findings

- | | | | |
|-----|---|--------------------------------------|------------------------------------|
| 2.1 | Did the practice provide all records, bank statements and explanations requested? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2.2 | Are the systems and internal controls of the practice sufficient to prevent and detect breaches of the Accounts Code? | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2.3 | Indicate whether your report is unqualified or qualified | <input type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |

If you answered NO to any of the above questions and statements or are qualifying your report, please attach full details and explanations on separate company letter-headed paper. Please also include any other documents or evidence you believe are relevant to the breaches identified.

- | | | | |
|-----|--|------------------------------|-----------------------------|
| 3.1 | Is there any other information that you consider should be brought to the CLC’s attention – if YES, please attach on separate company letter headed paper details of these concerns, findings or information (for example if you identified breaches that were not in aggregate sufficient to lead you to qualify the report). | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|-----|--|------------------------------|-----------------------------|

Name of Reporting Accountant:

Signature:

Date:

Guidance for completing this Accountant's Report

Introduction

The new Accountant's Report is significantly less prescriptive than the previous version and aims to rely on the accountant's judgement to determine the plan and scope of the accountant's review as well as conclude on the materiality of any breach.

This reporting form can be used for any report submitted to the CLC after 30 September 2020 and **must** be used after 31 March 2021.

Our intention is to move away from a prescriptive "check box" approach to a more outcome-based approach. This gives the reporting accountant the flexibility and discretion to exercise their judgement by allowing them to:

1. Tailor the approach and the extent of the testing based on the practice's size, complexity and control environment.
2. Consider the impact of the control environment as it relates to client money.
3. Focus on risks relevant to the practice and its management of the client account.
4. Only qualify the report when there is material breach of the Accounts Code that puts client money at risk.

Accountant's responsibilities

The reporting accountant is engaged by the practice to review and report on:

1. The practice's compliance with the Accounts Code requirements, specifically:
 - a. Operation of the client account (Part 2 & 3)
 - b. The treatment of aged balances (Part 4)
 - c. Accounting provisions (Parts 5 and 6)
 - d. Bank reconciliations (Part 5)
2. Whether there is an appropriate system of internal controls, management oversight and supervision that ensures compliance with the Accounts Code.
3. Whether breaches or failings in 1 & 2 above have or are likely to put client money at risk.

Qualification of report

Our aim with the revised format of the Accountant's Report is to allow the reporting accountant to determine based on the outcome of their review whether the report should be qualified. We would not expect the accountant to qualify the report based on trivial or accidental non-compliance with the Accounts Code where it is clear that it was an administrative issue that was quickly identified and rectified.

We expect the accountant to qualify the report based on the risk to the client:

- Whether a client has lost money because of negligence, fraud or control breakdowns, whether or not it has at a later stage been detected and refunded.
- Whether there is a high likelihood that a client could lose money because of controls and supervision breakdowns.
- Whether there have been material breaches of the Accounts Code rules that have been persistent or not immediately rectified on discovery.

Materiality

The overriding consideration in determining materiality, would be whether client money is being put at risk of loss through negligence, fraud or error. To assist in determining whether a breach is material the following table of circumstances has been developed:

	Almost always results in a qualification or should be reported to the CLC	A factor that on its own or combined with other factors may result in a qualification
A shortfall in the client account that is not attributed to an administrative or clerical error	X	
A shortfall in the client account that is attributed to an administrative or clerical error that has been replaced or corrected in a timely manner		X
Any shortfall in a client account that is either not replaced or not replaced in a timely manner	X	
Breach of CLC Codes resulting in failure to adequately protect client money	X	
Actual or suspected fraud or dishonesty by a Director, Manager, employee or shareholder of the practice.	X	
Actions of a third party that has or may put client money at risk.		X
Any material breaches of the CLC Accounts Code	X	
Accounting records and processes are inadequate to ensure compliance with the Accounts Code	X	
Accounting records are unreliable or inaccurate		X
Practice is unable or unwilling to provide documentation requested and necessary for the reporting accountant to conduct their review	X	
Client bank reconciliations are not compiled in the manner and within the periods specified by the Accounts Code	X	
Client bank reconciliations, are not completed within specified timelines or are not of an appropriate standard		X
Reconciling items on bank reconciliations have been outstanding for more than 30 days		X

The control environment supporting the operation of the client account is inadequate		X
Aged balances are not being actively and appropriately avoided and managed		X
Regular or routine use of suspense accounts.		X

Test checks

Although the onus is on the reporting accountant to develop and conduct a plan to test the practice's compliance with the Accounts Code, the checklist that formed the basis of the old accountant's report is a useful guide for the development of a review plan. The tests specified in the previous Accounts Code have been included as a guide for the development of a testing program.

1	Book-keeping system
1.1	The accounting records clearly distinguish between client and office monies dealt with by the practice.
1.2	A separate ledger account is maintained for each individual client and the particulars of all client money received, held or paid on account of each client, including funds held on separate designated deposits, or elsewhere, are recorded.
1.3	The current balance on each client and office ledger account is always shown or is readily ascertainable from the accounting records.
1.4	The current balance shown on each client and office ledger account is correct.
1.5	A central record or file of copies of all bills of costs has been retained on a durable medium.
1.6	The practice has established and maintained proper accounting systems, procedures, processes and internal controls to ensure compliance with the Accounts Code.
1.7	Where it is possible to ascertain, the Practice has accounted to their Clients' as soon as possible after completion of any transaction or after any retainers have been terminated.
1.8	Where it is possible to ascertain, all monies held in client bank account have been paid promptly to the Rightful Recipient when due.
2	Postings to ledger accounts and casts:
2.1	All dealings with client money have been appropriately recorded in a client cash book.
2.2	All dealings with client money have been appropriately recorded on the client side of a separate client ledger account for each Client or each Client matter.
2.3	Postings have been recorded in chronological sequence with the date being that of the initiation of the transaction.
3	Receipts and payments of client money:

3.1	Sample receipts and payments of client money as shown in bank and building society statements have been compared with the records of receipts and payments of client money and are correct.
3.2	The withdrawals from client bank account were made by payments other than in cash (i.e. CHAPS, BACS, Cheques etc).
3.3	Sample paid cheques have been obtained and details agreed to payment records. (Where paid cheques are retained by the CLC Body's Bank, copies of the selected sample of paid cheques will need to be requested from the Bank).
3.4	A test examination of client ledger accounts revealed that no withdrawals on behalf of any client exceeded the total of the money held to the credit of that client.
3.5	If the test in 3.4 above revealed that withdrawals on behalf of a client exceeded the total of the money held to the credit of that client, such overpayments were corrected without delay.
3.6	Withdrawals from client bank account in respect of costs were properly required for or towards payment of the practice's costs where there has been delivered to the client a bill of costs or other written intimation of the amount of the costs.
3.7	Where money has been withdrawn from client bank account in respect of disbursements, the withdrawal related to the reimbursement of money:- <ul style="list-style-type: none"> a) already expended by the CLC Body out of office account and evidenced on a durable medium b) for which the CLC Body has incurred a liability to pay out of office account as evidenced on a durable medium.
4	System of recording costs and making transfers:
4.1	The payments or liabilities mentioned in test 3.7 above were debited to the client ledger before the monies were withdrawn from client bank account
4.2	Transfers between client and office bank accounts have been recorded in both the client and office columns of the appropriate client ledger accounts.
4.3	The system of recording costs has been ascertained and is suitable.
4.4	The withdrawals from client bank account have been made by way of a cheque or by way of a transfer to the office bank account.
5	Examination of documents for verification of transactions and entries in accounting records:
5.1	A test examination of several client files has been made.
5.2	All client files requested for examination were made available.
5.3	The financial transactions evidenced by documents in the client files were correctly recorded in the books of account in a manner complying with the Code.
6	Office accounts:

6.1	Check such client office ledgers, cash books and bank and building society statements as the CLC Practice maintains with a view to ascertaining whether any client money has not been paid into a client account.
6.2	Investigate client office ledger credit balances and ensure that such balances do not include client money incorrectly held in office account.
6.3	In the event of client office ledger credit balances existing on client ledger accounts, the practice has investigated them and corrected the position without delay.
7	Client money not held in client account:
7.1	Has the CLC Practice disclosed any dealings in which money has been withheld from client bank account?
7.2	Has an appropriate written client instruction/acknowledgement or written authorisation from the CLC been received in each instance?
8	Authorised Withdrawals from Client Bank Account(s):
8.1	Cheques or other written instructions for withdrawal from client bank account have been signed by an Approved Person.
8.2	Where CHAPS terminals or other electronic systems have been used to withdraw monies from client bank account the system has been operated by an Approved Person, or authorised electronically by an Approved Person.
9	Client to Client Transfers:
9.1	All transfers of money from the ledger account of one Client to that of another Client have been effected in accordance with the Accounts Code.
10	Client ledger for Borrower and Lender:
10.1	When acting for both lender and borrower in a mortgage transaction between them and separate client ledger accounts for both Clients have not been opened, the funds belonging to each Client are clearly identifiable.
11	Deposit Interest:
11.1	Where appropriate, the practice has accounted to clients for interest earned in accordance with the Accounts Code.
12	Information and Explanations:
12.1	All records and explanations required have been received and satisfactorily cleared.
13	Reconciliations and extraction of client ledger balances:
13.1	The client bank reconciliation, extraction of client and office ledger balances and comparison between liabilities to clients and cash available has been checked for a sample of reconciliations

13.2	All accounts, disclosed by the practice or the practice's Bank, containing client money have been included in the reconciliation.
13.3	The client bank reconciliation total is complete and correct having being calculated by:- <ul style="list-style-type: none"> the closing client bank account balance plus an accurate and complete list of outstanding lodgements less an accurate and complete list of unrepresented cheques.
13.4	The cash book balances at each of the dates selected have been reconciled to the balances in client account and elsewhere as confirmed directly by the relevant banks and building societies.
13.5	The client cash account balance is correctly calculated by the accurate and prompt recording of transactions.
13.6	All client ledger account balances as at the reconciliation date have been listed and totalled and no debit balances have been included in the total.
13.7	The total liabilities to clients as shown by such ledger accounts has been compared to the balance on the bank reconciliation statement and agreed.
13.8	Where the comparison in 13.6 and/or 13.7 shown above revealed differences, a reconciliation statement showing the cause of the differences had been prepared.
13.9	In the event of debit balances existing on client ledger accounts, the practice has investigated them and corrected the position without delay.
13.10	In the event of the reconciliations selected not agreeing, the differences have been investigated and corrected promptly.
13.11	The reconciliations were completed within 7 days of the reconciliation date to which they relate.
13.12	Each reconciliation selected has been achieved by the comparison and agreement without adjusting or balancing entries of the: <ul style="list-style-type: none"> Client ledger balances total; Client cash book(s) balances total; Client bank accounts total
14.1	Reconciliations have been carried out at least once in each calendar month.
14.2	All client reconciliations were prepared at least once at the end of each calendar month.
14.3	Each reconciliation is in the form of a statement set out in a logical format which is likely to reveal any discrepancies.
14.4	The client bank reconciliation total has been compared with the balance on the client cash book(s).
14.5	The total of the client ledger credit balances has been compared with the balance on the client bank reconciliation statement.
14.6	Reconciliation statements have been retained on a durable medium.
14.7	In the event of the reconciliations selected not agreeing, reconciliation statements showing the cause of the differences have been prepared and the differences have been investigated and corrected promptly.