

FOCUS ON

SRA Accounts Rules - Common Questions

Covid 19 Update

In the midst of the Coronavirus pandemic, Law firms are facing a number of practical issues around how they can continue to conduct business and comply with their obligations under the SRA Accounts Rules. Whilst the SRA recognises that these are exceptional circumstances and are likely to take a pragmatic and proportionate approach to enforcement, they continue to expect full compliance with the rules and Principles.

We have compiled a list of common issues and questions we are advising clients on, with some practical solutions to help you at this time:

Q. What should you do if you are having difficulty banking a client cheque due to the impact of the coronavirus on your firm or bank?

A. Rule 2.3 states that client money is paid promptly into a client account. If your firm has been impacted by the coronavirus to the point that you are unable to promptly pay a cheque into a client account you must do the following:

- Inform your client as to the position
- Establish with the client if the funds can be paid electronically into your client account
- If funds cannot be electronically transferred, document any decision as to why the cheque cannot be banked promptly

Any mitigating circumstances will then be considered by the SRA.

Q. Due to the impact of the coronavirus, there may be a delay in our firm submitting an Accountants Report which could result in submission after the six month from year end deadline. What steps should I take?

A. We are currently working on an alternative way of carrying out our Accountants Reports which will involve uploading documents onto a secure platform to enable us to view them. An alternative to this is for clients to e-mail us any documents to accommodate this new way of working. We will be contacting our clients within the next couple of weeks to discuss carrying out the work to prepare their Accountants Report so this can be done with as little disruption as possible.

It may also be possible for our experienced SRA audit staff to access internal accounts systems and with permission collate the data required ourselves.

If for whatever reason, this is not feasible, the SRA have indicated that it would be very unlikely that they will take action if a report is delayed. However, the SRA should be notified before the submission date, and any discussions as to the reasons for a delay and the actions taken should be documented.

Q. Due to the absence of our accounting staff we have not been able to post transactions in a timely manner. What options are there to address this?

A. In most cases work is still continuing albeit in a reduced capacity. The paramount aim is for you to safeguard and protect client money. If you are unable to update ledgers as and when money is received and paid out you should formulate an alternative arrangement. This may involve appointing a dedicated "gate keeper" of client money who monitors the client bank account regularly. They should ensure that money is not paid out of client account which exceeds the amount held for each individual client. This can be achieved by:

- Printing a matter listing at the specific date
- Recording next to each matter any money received
- Noting the combined balance of the above
- Ensuring that there are sufficient funds held before any payments are made

We are able to assist with the implementation of the above if required.

All documentation relating to the above should be kept in chronological order and should be posted at the earliest possible date.

Q. Can I delay the five week deadline for reconciliation statements?

A. If due to the absence of key staff a reconciliation cannot be carried out, firms should have a contingency in place to enable any differences to be highlighted and then investigated promptly by the COFA or manager.

In the absence of a contingency or the failure of one, then the SRA would recommend that you take what other steps you can to ensure that client money is being dealt with properly. Again, these steps should be documented and followed up at the earliest opportunity.

Q. We currently use payment slips that need to be signed by a fee earner to authorise payments on a matter. Is an e-mail sufficient authority whilst working from home?

A. Rule 5.2 says you must appropriately authorise and supervise the withdrawal of client funds. It does not specify that the request for withdrawal needs to be signed. However, it is good practice to have a signed authority but during these difficult times an e-mail will suffice. The actual payment from the bank will still need to be actioned by the appropriate person as per your firms policies and procedures.

It may be appropriate to attach a copy of the ledger with the request to show that sufficient funds are held for that particular client or third party.

Q. We currently have a process where bank payments are processed by the accounts department and then authorised by a partner / director. What happens if the accounts department are unable to process the payments?

A. We would advise that another responsible individual is given access to the banking facility. This would need to be set up properly with the bank. The use of one login for numerous individuals is not advised and a complete audit trail should be kept. Processes for checking that sufficient funds are held on client account will still need to be strictly adhered to before any payment is made.

How can we help?

We have experienced legal bookkeepers who can assist remotely either in the short term or longer term to enable you as a firm to comply with the SRA accounts rules. We have experience in a number of systems such as Insight Legal, LEAP, Proclaim and Quill.

Service we provide include:

- Posting of transactions
- Client and office bank reconciliations
- Management accounts which can be tailored to suit your needs

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