

Solicitors Regulation Authority Update



Controlled Trust

Firm

Partner and Member definitions

Aggregation of accounts

Payee details

Failure to pay interest

Production of records

Persons to be included in the report

Engagement Letter

Indemnity Insurance

Indemnity insurance

SAR Rules

The Solicitors' Account Rules (SAR) issued by the Solicitors Regulation Authority (SRA) form the rule book to ensure that clients are protected financially. This briefing reviews the most recent changes to the Code.

Controlled Trust

SAR Change: The definition of a Controlled Trust has been deleted.

Audit Implication: Controlled trust money now falls within the standard definition of client money.

Firm

SAR Change: It has been updated to include LLP or company.

Audit Implication: No impact.

Partner and Member definitions

SAR Change: The definitions of partners and members have been amended.

Audit Implication: No impact

Aggregation of accounts (Rule 15 note 8)

SAR Change: It now provides for situations whereby banks aggregate monies held to pay an enhanced rate of interest.

Audit Implication: No impact.

Payee details (Rule 22 note 4)

SAR Change: Where a cheque payment is made to a bank or building society it is recommended that the name and client code is added to the payee.

Audit Implication: Increased paid cheques review.

Failure to pay interest (Rule 24 note xa)

SAR Change: A client may complain to the Legal Complaints Service if it believes interest paid is not correct. The SRA suggests trying to rectify the situation before an official complaint is made.

Audit Implication: No impact.

Production of records (Rule 34 (2))

SAR Change: It defines postal services for production of records.

Audit Implication: No impact.

Rule 31 note 1

SAR Change: It provides the SRA with the right to request a report or to change the delivery deadline, in the following circumstances where it believes it is in the public interest:

- to request a report where it believes one is due but has not been filed
- when it believes the report is inaccurate
- to reduce the deadline to 3 months where the solicitor's conduct gives the SRA cause for concern
- to increase the frequency of reports where the solicitors conduct gives the SRA cause for concern
- where the regulatory risk of the firm justifies a more frequent return of reports
- where a condition on a practising certificate requires more frequent reports or a shorted filing deadline.

Audit Implication: There is a possibility of increased frequency of reports and audits.

SAR Update

Persons to be included in the report (Rule 35 note 5)

SAR Change: There is confirmation that a salaried partner is principal for the purposes of the rules.

Audit Implication: No impact.

Engagement Letter (Rule 38 1 (i))

SAR Update: It lays out standard wording to be included in the letter of engagement for SAR assignments.

Audit Implication: The emphasis is placed on the solicitors to ensure that the letter of engagement meets the requirements.

Indemnity Insurance (Rule 42 (p))

SAR Update: It confirms that the solicitor must provide a copy of the indemnity certificate to the auditor.

Audit Implication: There is a review of PII.

SAR Rules (Appendix 3)

SAR Update: It removes the requirement for a paper version of the SAR Rules so an online version is allowed.

Audit Implication: No impact.

LONDON

10 Orange Street
Haymarket
London
WC2H 7DQ

T +44 (0)20 7312 0000
F +44(0)20 7312 0022
E advice@shipleys.com

GODALMING

3 Godalming Business Centre
Woolsack Way
Godalming
Surrey
GU7 1XW

T +44 (0)1483 423607
F +44 (0)1483 426079
E godalming@shipleys.com

BIRMINGHAM

2nd Floor
3 Brindley Place
Birmingham
B1 2JB

T +44 (0)121 698 8566
F +44 (0)121 698 8600
E birmingham@shipleys.com



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