

## News

### Accounts Rules Spot-check

Updated 21 January 2025

The number of accountants' reports submitted to us each year is falling. While that might mean that some firms are now more compliant, it could also suggest there are compliance issues to address.

To help us find out the reasons for this change, we are carrying out checks on a number of firms in January 2025. This will be in the form of a questionnaire emailed to randomly selected firms who have told us previously that they hold client money. The questionnaire asks if you have obtained a recent accountant's report and how you manage your residual client balances.

Completing this spot-check is a regulatory requirement and failure to do so may result in enforcement action being taken.

#### What happens next

If you were selected for the spot-check, you will have received an email from us in December telling you what is involved. The window for returning the information opens in January 2025, and we will send email reminders to the firms selected.

The email contains a link to the questionnaire, and it is a regulatory requirement for you to complete the form. This includes providing a copy of your most recent accountant's report. You will need your mySRA login details to access it.

View the questions you will be asked.

[PDF - Specimen questionnaire \(PDF 5 pages, 155KB\)](#)

[\[https://qltt.sra.org.uk/globalassets/documents/sra/news/accounts-rules-spot-check-data-collection-questionnaire-preview.pdf\]](https://qltt.sra.org.uk/globalassets/documents/sra/news/accounts-rules-spot-check-data-collection-questionnaire-preview.pdf)

[WORD DOC - Specimen questionnaire \(DOC 8 pages, 53KB\)](#)

[\[https://qltt.sra.org.uk/globalassets/documents/sra/news/accounts-rules-spot-check-data-collection-questionnaire-preview.docx\]](https://qltt.sra.org.uk/globalassets/documents/sra/news/accounts-rules-spot-check-data-collection-questionnaire-preview.docx)

#### What you need to know



Solicitors hold positions of great trust as they hold client money, often in large amounts. Our [Account Rules \[https://qltt.sra.org.uk/solicitors/standards-regulations/accounts-rules/\]](https://qltt.sra.org.uk/solicitors/standards-regulations/accounts-rules/) are there to provide a framework to protect client money and make sure it is not put at risk.

Any firm that has an active client account has an [obligation under Rule 12 \[https://qltt.sra.org.uk/solicitors/standards-regulations/accounts-rules/#rule-12\]](https://qltt.sra.org.uk/solicitors/standards-regulations/accounts-rules/#rule-12) (unless [exempt \[https://qltt.sra.org.uk/solicitors/guidance/accountant-report-exemption-obtain-one/\]](https://qltt.sra.org.uk/solicitors/guidance/accountant-report-exemption-obtain-one/).) to:

- obtain an accountant's report for that [accounting period \[https://qltt.sra.org.uk/solicitors/standards-regulations/glossary/#accounting-period\]](https://qltt.sra.org.uk/solicitors/standards-regulations/glossary/#accounting-period) within six months of the end of the period
- deliver it to us within six months of the end of the accounting period if the accountant's report is qualified to show a failure to comply with these rules, such that money belonging to clients or third parties is, or has been, or is likely to be placed, at risk.

Firms also have an obligation under [Rule 2 \[https://qltt.sra.org.uk/solicitors/standards-regulations/accounts-rules/#rule-2\]](https://qltt.sra.org.uk/solicitors/standards-regulations/accounts-rules/#rule-2) to ensure that client money is returned promptly as soon as there is no longer any proper reason to hold those funds.

## Why are we collecting this data?

The information we are gathering will help us understand why the number of accountants' reports being submitted has fallen. We are also taking this opportunity to better understand the level of residual client funds being held by firms. The responses will also feed into our wider consultation on handling client money.

If we decide to publish this data, we will make sure that no one can be identified from any data that we publish or share with others.

Please note that we may take enforcement action or regulatory steps based on the information you provide.

Read more about [privacy, data and information at the SRA \[https://qltt.sra.org.uk/sra/how-we-work/privacy-data-information/\]](https://qltt.sra.org.uk/sra/how-we-work/privacy-data-information/).

## Completing the questionnaire

The questionnaire must be completed by someone at your firm who holds one or more of the following roles:

- Compliance officer for legal practice.
- Compliance officer for finance and administration.
- Authorised signatory.



We understand that firms store and categorise their data in different ways. We ask you to answer to the best of your knowledge and provide the most precise information possible.

- [Take a look at the questions you will be asked \[#download\]](#).
- [Get help on completing the form \[#questions\]](#).

## Help and support

Get help with:

- [resetting your mySRA username or password](#) [<https://qltt.sra.org.uk/mysra/manage-account/individual-account/#how-to>]
- [how we use your information](#) [<https://qltt.sra.org.uk/sra/how-we-work/privacy-data-information/>]
- [information on accounts rules](#) [<https://qltt.sra.org.uk/solicitors/standards-regulations/accounts-rules/#rule-12>].

If you have any further queries that are not answered in the FAQs below, please [contact us](https://qltt.sra.org.uk/contactus) [<https://qltt.sra.org.uk/contactus>].

## Questions and answers

[Open all \[#\]](#)

### **Answering Q3 of the questionnaire - was the report qualified?**

In the spot-check questionnaire (Q3) we ask you if your accountant's report was qualified.

If a report is qualified, this means the accountant has found significant breaches of the accounts rules and/or significant weaknesses in the firm's systems and controls which put client money at risk.

Please check that your answer to this question matches the answer to question 3.4 on the AR1 form you uploaded at Q2. If this was 'yes', then this should also be your answer to question 3 of the spot-check questionnaire.

### **Why has my firm been selected for this spot-check?**

Your firm has been randomly selected to take part in this spot-check because you previously have told us that you hold client money.

### **Do I have to complete the data collection exercise if I am exempt under Rule 12 of the SRA's accounts rules?**



If you have received the questionnaire and consider yourself to be exempt, please complete the form, as it includes a question about exemptions.

### **Do I complete the spot-check form on mySRA?**

No. You will need your mySRA login details to access the form, but it is not in mySRA. Simply follow the 'log in' link that was sent to you by email. If you haven't received an email (please check your junk or spam), it means your firm is not part of the spot-check.

### **What format should I submit the accountant's report in?**

There is a set way to complete an accountant's report, [this is the prescribed form](https://qltt.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/accountants-report-form.pdf?version=4a8d6b). [https://qltt.sra.org.uk/globalassets/documents/solicitors/firm-based-authorisation/accountants-report-form.pdf?version=4a8d6b]

For the purpose of the spot-check, the report must be converted to a PDF and uploaded to the questionnaire. We don't advise you to scan printed documents as they can be difficult to read.

### **Can I upload multiple PDF documents to answer the questions?**

Please only upload a single document in PDF form. We can only accept the reports electronically. If there is more than one document, please combine it into a single digital file before uploading. We don't advise you to scan printed documents as they can be difficult to read. We do expect electronic versions.

### **What do I do if I haven't had a report from my accountant?**

You still need to complete the questionnaire.

### **What do you mean by residual balance?**

For the purpose of this questionnaire, we want to know about balances on client matters, where the last recorded activity on the matter was more than six months ago and the legal transaction has concluded.

### **How do we answer questions on residual balances if we don't hold that data?**

Firms should be able to extract accurate data about residual balances (for example from your accounting records). We understand that firms have different ways of storing information and you should use your best efforts to answer the questions accurately.



### **Is responding to the request a regulatory requirement?**

Yes it is a regulatory requirement that you respond. This request is made under Rule 3.3 of our Code of Conduct for Firms. This states that you respond promptly to the SRA and:

- provide full and accurate explanations, information and documentation in response to any requests or requirements
- ensure that relevant information which is held by you, or by third parties carrying out functions on your behalf which are critical to the delivery of your legal services, is available for inspection by the SRA.

### **What do we mean by 'current matters' in the questionnaire?**

This means all matters where either legal work is ongoing, or has been completed, but the firm continues to hold client money in relation to the matter.