

FREQUENTLY ASKED QUESTIONS AND COMMON PITFALLS

Why am I being monitored?

- Under Global Practising Regulation 14 all members holding an ACCA practicing certificate or any others who fall within ACCA's regulations are subject to monitoring by ACCA, to ensure compliance with ACCA's regulations and with the bye-laws.
- Monitoring is carried out in order to confirm the firm's eligibility for registered auditor status, where applicable, and/or to monitor compliance with the Chartered Certified Accountants' Global Practising Regulations (GPRs) and Code of Ethics and Conduct (CECs).

Why are you reviewing my other firms which are either dormant or are a corporate partner which has no clients?

- Whilst the firm is on ACCA's register of firms and the principal holds a practicing certificate, it is still required to comply with the GPRs. In addition, if the firm holds audit registration it must demonstrate it is eligible to do so. Such firms, although they may currently have no clients, are entitled to accept a new client at any point in time and therefore monitoring compliance is still required.

How often will I be monitored?

- For audit registered firms in the UK and Ireland, ACCA is required to comply with certain conditions which include frequency of monitoring. Although those conditions differ slightly, in order to maintain consistency all audit registered firms will be monitored at least every six years. Monitoring will be more frequent if the firm is assessed as higher risk.
- Firms without audit registration will be monitored on an eight-year cycle, unless assessed as higher risk.

ELIGIBILITY FOR AUDIT REGISTRATION

How do you decide if a firm meets the control requirements for audit registration?

- A firm's auditing certificate can only be held by a firm controlled by holders of an ACCA practising certificate and audit qualification or equivalent certificates issued by another relevant body. The firm need not contain any ACCA principals, partners or directors. Control is determined by the distribution of votes within the firm on ALL material matters and holders of the audit qualification must control at least 51% of such votes.
- For limited companies, as well as demonstrating that the audit-qualified individuals have control of the shares in the firm, they also need to demonstrate that they control the board of directors including, where necessary, by having the casting vote at any meeting of the board of directors.
- In addition, the firm must have in place arrangements to prevent unqualified individuals and persons (whether members of the firm or not) from exerting influence over the way in which audits are conducted. UK Audit Regulations 5(1)(g) and Republic of Ireland Audit Regulations Annex 2, Appendix 15(1)(g). For example undue influence of others overriding professional or business judgements; or artificially separating a firm into audit and non-audit firms. Firms without audit registration will be monitored on an eight-year cycle, unless assessed as higher risk.

CONTROL

Why are you asking about shareholdings?

- GPR3(2)(b) states that, unless they hold a practising certificate, ACCA members must not hold rights in a firm which in effect puts them in a position of principal of the firm.
- Membership Regulation 8(2)(a)(iv) states that ACCA students must not hold rights in a firm which in effect puts them in a position of principal of the firm.
- ACCA's position is that less than a 5% shareholding in a firm would be acceptable but 5% or more would put the member/student in a position of principal of the firm. This is because such a holding would allow an individual to affect the business of the company in that he/she would be able to place an item on the agenda at an AGM under the Companies Act 2006 (UK) or Companies Act 2014 (Ireland). Firms without audit registration will be monitored on an eight-year cycle, unless assessed as higher risk.

FITNESS AND PROPRIETY (GPR 8)

My firm does not obtain signed declarations from the members of staff and/or subcontractors to confirm that they are fit and proper – will this be an issue?

- Fitness and propriety regulations (GPR 8) apply to all persons employed by or associated with the firm. The firm, therefore, needs to consider the fitness and propriety of any person who is employed for the purpose of or in connection with public practice work. A declaration is a simple and easily implemented way to demonstrate this and will need to be reviewed on an annual basis.

PROFESSIONAL INDEMNITY INSURANCE (PII) (GPR 9)

I am not currently trading, therefore do I really need PII?

- It is a requirement of your practising certificate to hold continuous professional indemnity insurance (PII) from the date that you obtained your PC. PII shall provide cover in respect of all civil liability incurred in connection with the conduct of the firm's business by the partners, directors, members and designated members of limited liability partnerships, employees and sub-contractors and FGI shall include cover against any acts of fraud or dishonesty by any partner, director or employee in respect of money or goods held in trust by the firm. It is the firm's responsibility to ensure that its policy meets the minimum cover required. Special care should be taken to look at excesses, sub-limits for specific types of work. Please refer to the [ACCA Rulebook](#) for all information regarding PII.

Why does ACCA request the full PII documents?

- The PII schedule on its own does not provide sufficient details and we therefore need to have sight of the firm's proposal form and policy, as well as the schedule itself, in order to determine whether the firms' policy is compliant.

Why must I have fidelity cover?

- Fidelity cover is a requirement for all firms which employ full and/or part time staff and must be in respect of all principals (partners/directors) and employees (GPR 9(1)(a)). It is designed to indemnify the Insured (the employer) for the loss of money or property sustained as a direct result of acts of fraud, theft or dishonesty by an employee in the course of employment. This is still applicable to spouses or partners that may work full or part time within the firm.

Do I need run-off cover?

- When a firm and a PC holder cease to engage in public practice it must ensure that arrangements exist for the continued existence of PII (and fidelity cover where appropriate) for six years after the cessation of the practice (GPR9 (5)). This is in accordance with the Limitation Act 1980 under which claims can still be made up to six years after the event.

Why have you asked me to arrange for the retroactive date to be removed?

- Cover for any work undertaken before a retroactive date included in the policy will be excluded from the policy and the firm will be unable to make a claim on this work. ACCA requires that all work completed in the past will be covered by the Professional Indemnity policy. The only exception will be when the retroactive date is the date the firm started to provide professional accountancy services.

CONTINUITY AGREEMENT (GPR 11)

Why do I need a continuity agreement?

- ACCA requires all practitioners and regulated firms to make arrangements so that the professional needs of their clients will be dealt with if the practitioner dies or becomes incapacitated through illness. It is a mandatory requirement under ACCA's regulations that a written agreement is in place.

What are the requirements?

- Sole practitioners must have arrangements in writing with another firm.
- Where the firm is a partnership, limited company or limited liability partnership then provision may be made in the partnership agreement or Memorandum and Articles of Association or incorporation document.
- The nominee must hold an equivalent qualification and be authorised to carry out the work for which they have undertaken to be responsible – for example: nominees must hold a practising certificate from ACCA or another professional body and where the firm is a registered audit or then the nominee must also be a registered auditor and where the firm is ATOL registered then the nominee must also be on the ATOL register.

What form should the continuity agreement take?

- ACCA has available a model agreement for use by firms. The agreement can take the form of a letter but it must clearly make provision for the continuity of the practice in the event of its dissolution, winding-up or liquidation, and the death or incapacity of an individual holder of a practising certificate in the firm and it must be clearly agreed by both parties.

Where can I get a list of firms that I can ask to be my continuity provider?

- Any member seeking a continuity partner can look on [ACCA's online directory of firms](#) or make a post on ACCA's [Practice Sector LinkedIn](#) group.

I am struggling to find a continuity provider; can you connect me with other firms who may be interested in being my nominee firm?

- It is apparent that some firms find it difficult to find a continuity partner – particularly firms that are registered auditors. To help firms with this, ACCA is creating a list of members with audit registration that are willing to act as continuity partners for other ACCA registered auditors. If you need information on this list or would be willing to be a continuity partner, please email supportingpractitioners@accaglobal.com

Why should I review my continuity agreement?

- It is good practice to ensure your firm's continuity agreement is kept up to date. We recommend that the firm regularly checks that the nominee firm has not changed its name, address or authorisation (eg it is no longer a registered auditor).
- If your firm holds audit registration then the nominee firm must also be registered to carry out audit work, but it does not have to hold audit appointments or carry out work to be eligible to be a continuity provider. However, we recommend that from time to time the firm satisfies itself that the nominee has maintained competence in the specialised areas of your practice, such as audit.

My firm is a partnership but we do not have a partnership agreement; do we need to have a continuity agreement?

- We recommend that all firms which are partnerships have a partnership agreement in place. If not, then the firm will need to have a separate written continuity agreement, specialised areas of your practice, such as audit.

NOTIFICATION

I have changed my address and contact details – do I have to notify ACCA?

- Yes, all firms must notify ACCA 28 days in advance of any change of address or contact details (GPR12). Even if changes are made on the practising certificate renewal form, this does not negate the firm's responsibility to notify ACCA of the changes at the appropriate time.
- The firm should send any new information to the Authorisation department in order for ACCA's records to be updated. The address is ACCA, 110 Queen Street, Glasgow, G1 3BX, United Kingdom. Alternatively the firm can telephone the team at +44 (0)141 534 4175 or by email authorisation@accaglobal.com

My firm is registered with ACCA under the name Cheesecake & Sons. However, this is a trading name as my firm is an incorporated company, Cheesecake & Sons Limited. Should ACCA be made aware of this?

- GPR 12 requires a firm to notify ACCA 28 days in advance of incorporation and/or a change of name.
- All firms must be registered with ACCA in their full legal name and not the trading name.

My firm has changed its shareholdings; should I notify ACCA of this?

- The firm must promptly notify ACCA of any changes in shareholdings. It should not wait until submitting the firm's annual renewal.
- In addition, if a member is a principal in any other firm which provides accountancy services then ACCA needs to be notified.

Do I need ISQM 1 and ISQM 2 procedures in place?

- Legislation requires ACCA (as a supervisory body) to ensure that its audit registered population has an internal quality control system in place and to assess this at each firm inspection (CA 2016 Sch 10 Part 2 13(7)(c) in the UK and SI 312 109(f)(iv) in the Republic of Ireland).
- The objective of ISQM 1 is to strengthen firms' systems of quality management through a robust, proactive and effective approach to quality management, whilst ISQM2 focusses on Engagement Quality Reviews. The standards encourage firms to design a system of quality management that is tailored to the nature and circumstances of the firm and engagements it performs. ISQM 1 and 2 applies to all firms that perform engagements under the IAASB's international standards.
- All firms performing audits or reviews of financial statements, or other assurance or related services engagements must have written procedures in place. Those firms that hold audit registration but do not undertake such activities will need to be familiar with ISQM 1 and ISQM 2 and understand the additional procedures which would need to be implemented if they were to perform such engagements.
- Firms performing audit work are required to undertake an annual evaluation of their system of quality management. This is not a requirement for firms that are not conducting audits. However if such firms are part of a network, they must be aware of the remediation efforts made to the standard operating procedures following the annual evaluation undertaken by other firms within the network who are conducting audits. It is essential for any staff within the firm that support another firm within the network to conduct audits to have the necessary experience and knowledge to do so.
- There is no ISQM 1 implication from the independent examination for charities.

COMMISSION

I notify clients verbally that I may receive commission, is this sufficient?

- Members and firms are required to account to clients for remuneration arising from exempt regulated activities, or commissions/fees (and other benefits) received from other business activities. 'Accounting to the client' includes issuing written agreements; obtaining client consent for the retention of commissions received; maintaining accounting records; informing the client; and identifying, evaluating, and addressing threats to ethical principles.

Should I issue engagement letters to all my clients?

- Firms must record in writing and send to each of its clients a letter of engagement which clearly defines the scope of responsibilities and the terms of the contract with each client. This must be done before any work is undertaken or, if this is not possible, as soon as practicable after the engagement commences. The firm must retain a copy of the engagement letter which has been signed by the client.
- The letter of engagement should comply with Statutory Instrument 2009/2999 in the UK and Statutory Instrument 533 of 2010 in the Republic of Ireland – these set out the information the provider of a service must make available to a recipient of the service.
- Engagement letters should have been updated to take account of the current requirements under GDPR and the DPA 2018. Practitioners must send the firm's privacy notice to clients as part of the engagement letter.
- Further guidance can be found [here](#)
- Engagement letters should include a paragraph relating to the firm's commission retention and notification policy.

PROFESSIONAL CLEARANCE

Do I always need to obtain professional clearance?

- The firm should always obtain professional clearance from the predecessor accountant, before taking on a new client. Should the client not grant permission to the previous accountant, to disclose all relevant information, the firm should carefully consider such a refusal and determine whether or not to accept the appointment.

CLIENT MONEY

From time to time I receive a tax refund for one of my clients; is it an issue that sometimes the refund is paid into the office account by mistake?

- Section 350 of the Code of Ethics and Conduct requires the firm to pay all clients' monies into a designated client account. This will include tax refunds.
- However, fees paid in advance are not regarded as clients' monies for these purposes and should not be paid into a client account (CEC 350.21).

It's not often I handle client money, is another account really necessary?

- If the firm is handling client money, this money should be kept in a separate client account.
- Keep the clients' assets separately from personal or firm assets. Use the assets for the purpose for which they were intended. Be ready at all times to account for the assets and any income.
- If the firm holds more than £10,000 for a client this should be held in a separate account in the client's name. Withdrawals shall not exceed the sum held for that particular client.
- For more information on client money please refer to section 350 of the Code of Ethics and Conduct – Custody of client assets.

EXEMPT REGULATED ACTIVITIES (UK ONLY)

- If a firm wishes to undertake exempt regulated activities it must be registered with ACCA. In addition, it must notify ACCA if it will be undertaking insurance distribution activity which also has implications for the level of PII cover required. Some arrangements for fee protection may fall within the definition of insurance mediation activity.

My firm does not have Exempt Regulated Activities registration but a client recently asked my firm for advice on mortgage rates; what should I say?

- Unauthorised firms may still refer clients to another adviser but may only give general advice and cannot comment on the advice given to the client by an authorised person.

The arrangement I have for fee protection is not an insurance distribution product so why are you requesting more information?

- We would only request further documentation if it is not clear whether or not the fee protection that your firm offers to its clients falls outside the definition of insurance distribution.

LETTERHEAD (CEC SECTION B4)

What should be on my professional stationery?

- If the firm is a registered auditor and is holding itself out to be so then it must include the relevant statement asset out in section B4 which includes the country its registration applies to.
- If a firm relinquishes its audit and/or ERA registration, it must ensure that all references to the specific registration are immediately removed from its stationery.
- Except for audit work and investment business firms are not permitted to state they are registered or approved for any other work. A firm may only refer to itself as 'Chartered Certified Accountants', 'an ACCA practice', or 'Member(s) of the Association of Chartered certified Accountants'.
- For limited companies there are additional requirements under Section 41, Companies Act 2006 in the UK and Sec 151 of Companies Act 2014 in the Republic of Ireland. In particular it must include:
 - the name and legal form of the company
 - the place of registration of the company and the number under which it is registered
 - the address of its registered office.
- If a firm wishes to use the ACCA logo on its stationery, the firm should note that there are specific requirements concerning its positioning, size and colour. The artwork and guidelines are available by telephoning +44 (0)141 534 4237 or emailing logo@accaglobal.com

Is stationery just my letterhead?

- Stationery includes websites and other electronic materials by which a firm communicates or markets itself.

What do I need to comply with by way of CPD?

- All members must comply with ACCA's CPD requirements. Further guidance can be found [here](#).
- If you hold an ACCA practising certificate and audit qualification, you must ensure that you maintain your competence in audit, even if you aren't currently doing audit work. You must also be able to justify why the amount of audit related CPD you have undertaken is sufficient to maintain your audit competence.
- If you hold an ACCA practising certificate and audit qualification and/or you are an Engagement Partner, you will need to develop and maintain your professional competence by the achievement of the learning outcomes specified in Table A of International Education Standard (IES) 8. Further guidance can be found [here](#)

ADVISORY SERVICES

Where can I get further information to help me comply with ACCA's regulations?

- The UK Technical Advisory team contribute an extensive and varied range of articles, factsheets and guides to the Technical Activities and Advice section of the ACCA website to help you stay informed. This resource is constantly updated by our team of experts. Contact the team by email at advisory@accaglobal.com
- In Ireland you can contact Aidan Clifford, Advisory Services Manager: +353 (0)1 4988097 or email aidan.clifford@accaglobal.com

PRACTICE INFORMATION HANDBOOK

- This is ACCA's definitive guide to its certificate and licensing arrangements and contains further detail on our practicing requirements.
- There are also a number of factsheets available covering areas such as continuity and PII.
- These can be found on [ACCA's website](#)