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## SRA ACCOUNTANTS' REPORTS - UPDATE

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In the main the SRA will continue to require accountants' reports to be prepared but will only require solicitors to submit those accountants' reports to them that have been qualified.

This is what the SRA have said:

"We will be amending our original proposal to remove the mandatory requirement that all firms must deliver an annual accountant's report to the SRA. Instead we will:

- a) Introduce an amended version of the requirement for firms to obtain an accountant's report that exempts a small group of firms where the requirement can no longer be justified by the limited risks posed to client money; and*
- b) Require all other firms to obtain an accountant's report but only qualified reports will need to be delivered to the SRA."*

These proposals constitute "Phase One" of a longer-term strategy and will be implemented through amendments to the Accounts Rules to take effect from 31 October 2014, subject to approval by the Legal Services Board. This means that:

- a) any firms with an accounting period that ends before 31 October 2014 will need to prepare and deliver to us, in the normal way, an accountants' report within 6 months of the end of the period to which the report relates (or to apply for a waiver to do so, if considered necessary)*

- b) any firms with an accounting period that ends on 31 October 2014 or after will be required to deliver only qualified reports within six months of the end of the period to which the report relates; and*

- c) any firms that do only legal aid work and with an accounting period that ends on 31 October 2014 or after will not be required to obtain an accountant's report.*

Phase two will involve further targeting of our requirements through the redefinition of the circumstances in which accountant's reports need to be qualified. The revised criteria and related amendments to the format of the report will be implemented through changes to the Accounts Rules in April 2015, subject to further consultation. We will also consider whether there are further categories of firms we can exclude from the requirement to obtain an accountant's report and consider the requirements imposed by the overseas accounts provisions of the Accounts Rules in light of the risks and impacts involved

The third and final phase will involve a major review of the Accounts Rules as a whole to be implemented through rule changes in April 2016.

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