

This standard is in the process of being updated to incorporate changes to the Code of Ethics (September 2006) and Practice Assurance Scheme.

QBE International Insurance Company Limited



QBE

PI

Professional Management Standard: Accountancy Practices

September 2004

CONTENTS

Requirement	Page
<i>Foreword</i>	4
<i>Application</i>	4
<i>Introduction</i>	5
A Management System	
A1.1 General Requirements	7
A1.2 Documentation	7
A1.3 Document Control	7
A1.4 Outsourced Activities	8
A1.5 Control of Records	8
A1.6 Client Focus	8
A1.7 System Integrity	8
B Management Responsibilities	
B1 Organisation & Management	
B1.1 Management Structure	9
B1.2 Management Responsibilities	9
B1.3 Decision Making Structure	10
B2 Supervision Systems	10
C Management of Resources	
C1 Business Strategy	10
C2 Management of Staff	
C2.1 General	11
C2.2 Recruitment and Selection	11
C2.3 Induction Training	12
C2.4 Competency / Performance Review	12
C2.5 Continuing Professional Development	13
C2.6 Student Training	13
C3 Financial Management	
C3.1 Financial Resources	14
C3.2 Forecasting and Monitoring	14
C3.3 Financial Management Systems	14
C3.4 Anti-Money Laundering Infrastructure	14
C3.5 Client Money	15
C4 Premises & Facilities	
C4.1 Buildings & Equipment	15
C4.2 Information Technology & Communication Systems	15
C4.3 Reference Sources	16
C5 Suppliers and Partnerships	16
C6 Business Continuity	16

CONTENTS (Continued)

Requirement	Page
D Service Delivery Processes	
D1 Client Acceptance	
D1.1 General Principles	17
D1.2 Integrity and Objectivity	17
D1.3 Resources and Expertise	17
D1.4 Professional Enquiries	17
D1.5 Terms of Engagement	18
D1.6 Risk Management	18
D2 Management and Supervision of Work	
D2.1 Identification and Organisation of Client Files	18
D2.2 Management of Client Property and Information	18
D2.3 Key Dates	19
D2.4 Progress and Completion of Work	19
D2.5 Supervision of Work	19
D2.6 Use of Consultants and Other Third Parties	19
D2.7 Changes to Terms of Engagement	20
D2.8 Billing and Time Recording	20
D2.9 File Storage, Retention and Destruction	20
D3 Disengagement	20
D4 Complaints Handling	21
E Risk Management & Continual Improvement	
E1 Monitoring Service Standards	22
E2 Monitoring Client Satisfaction	22
E3 Corrective Action	22
E4 Risk Assessment and Preventive Action	23
E5 Internal Audit	23
E6 Management Review	23
E7 Analysis of Information	24
E8 Continual Improvement	24
Annexes	
A Glossary of Quality Management Terms	25
B Summary of Legislation and Guidance	26
C Financial Standards and professional Websites	27

APPLICATION

This standard is underpinned by the five fundamental principles promoted by Institute of Chartered Accountants of England and Wales, namely:

- integrity
- objectivity
- competence
- performance; and
- courtesy.

It is applicable to both commercial and private clients and, because this Standard is a practice management framework, it can be applied to any practice regardless of the services provided. Where however, a practice conducts business that is subject to:

- is subject to UK regulatory requirements (for example, Investment Business, Insolvency or Audit); or
- has clients that are subject to special requirements (for example, Charities and Pension Funds); or
- is impacted by international legislation (for example, Sarbanes-Oxley Act),

the practice must ensure that such regulatory requirements are also complied with.

This quality assurance standard has been developed to provide a framework for risk management and continual improvement of a practice's management systems. It has been designed to address all requirements of the ISO 9001 Standard for Quality Management Systems, the ICAEW's Practice Assurance Standard and relevant Professional Codes where these impact upon practice management issues.^{fn1} Adoption of this Standard does not automatically confer full compliance with regulatory and statutory requirements and this remains the responsibility of the Partners.^{fn2}

fn 1 Cross-references to both ICAEW's and ACCA's Rules and Regulations are provided in the foot-notes where appropriate.
fn 2 The term 'Partners' is used throughout this Standard but applies equally to directors where a Limited Company has been established.

INTRODUCTION

Although this Standard advocates that a holistic approach be adopted as a means of effective and comprehensive risk management, the following list identifies areas that most commonly lead to client dissatisfaction with potential for complaints and claims. Each of these is addressed by one or more requirements as defined by the Management Standards defined in Sections A to E.

CLAIM SOURCE / RISK FACTOR	MAIN RISK MANAGEMENT CONTROLS
1. Failure to assess client (Practice independence/objectivity)	D1.1 General Principles D1.2 Integrity and Objectivity D1.4 Professional Enquiries
2. Unclear / Inadequate Terms of Business	D1.5 Terms of Engagement D1.6 Risk Management D2.7 Changes to Terms of Engagement
3. Unclear Terms of Disengagement	D3 Disengagement Terms
4. Non-Compliance with Statutory / Regulatory Requirements	B1.2 Management responsibility B2 Supervision Systems C2.5 Continuing Professional Development C4.3 Reference sources D1.6 Risk Management
5. Failure to follow procedure / guidelines	A1.2 Documentation B2 Supervision systems C2.3 Induction Training C4.3 Reference Sources E1 Monitoring Service Standards E5 Internal Audit
6. Inadequate resources / timescales pressures	B2 Supervision Systems C3.1 Financial Resources C4.2 Information Technology and Communications C4.4 Reference Sources D1.3 Resources and expertise
7. Competency Issues (internal / external)	B2 Supervision Systems C2.2 Recruitment and Selection C3.3 Induction Training C2.4 Competency and Performance Review C2.5 Continuing Professional Development C2.6 Student Training C4.4 References Sources D1.3 Resources and expertise D2.6 Use of Consultants and other third parties
8. Inadequate supervision / review of work	B1 Organisation and Management B2 Supervision Systems D1.6 Risk Management D2.5 Supervision of Work D2.6 Use of consultants and third parties E1 Monitoring Service Standards

Cont/d.....

CLAIM SOURCE / RISK FACTOR**MAIN RISK MANAGEMENT CONTROLS**

9. Incorrect / inadequate advice	B2 Supervision Systems C2.4 Competency / Performance Review C2.5 Continuing Professional Development D2.6 Use of Consultants and other Third Parties E1 Monitoring Service Standards
10. Unclear / breach of authority	B1 Organisation and Management B2 Supervision Systems C2.3.1 Induction Training D1.5 Terms of Engagement D2.2 Management of client property and information
11. Inadequate records of client meetings / conversations	D2.4.1 Progress and completion of work D2.8 Billing and time recording
12. Poor file / data management	D2.1 Identification and Organisation of client files D2.2 Management of client property and information D2.9 File storage, retrieval and destruction E1 Monitoring Service Standards
13. Failure to meet deadlines	D1.3 Resources and Expertise D1.5 Terms of Engagement D2.3 Key Dates D2.4 Progress and Completion of Work
14. Ineffective Complaint Handling	A1.6 Clients Focus B1.2 Management Responsibility D5 Complaints Handling Procedures E2 Monitoring Client Satisfaction
15. Breach of Confidentiality	D1.5 Terms of Engagement D2.2 Management of client property and information D2.6 Use of Consultants and other Third Parties
16. Financial Dishonesty / Fraud	C3 Financial Management C2.2 Recruitment and Selection C2.3 Induction Training C3.4 Client Money D2.8 Billing and Time Recording
17. Breach of Money Laundering Regulations	D4 Anti-Money Laundering Infrastructure

STANDARDS

A MANAGEMENT SYSTEM

A1.1 General Requirements

A1.1.1 The practice shall implement and maintain a Management System that is appropriate to the:

- a) nature, scale and complexity of the business;
- b) diversity of its operations;
- c) competence of its personnel;
- d) volume and size of the transactions undertaken; and
- e) levels of risk associated with the work undertaken.

A1.2 Documentation

A1.2.1 The practice shall document its Management System and in doing so, define the following elements:

- a) a Quality Policy / Client Care Statement defining the overall aims of the practice;
- b) measurable quality objectives that are commensurate with the practice's Quality Policy, Client Care Statement and business objectives;
- c) an overview of the practice's Management System showing the interaction of all processes;
- d) the processes themselves which address all requirements defined in this Standard;
- e) supporting documents required for the effective and consistent implementation of the processes;
- f) systems for compliance with relevant statutory and regulatory requirements;^{fnA1.2.1f}
- g) justification (on the basis of risk assessment) for any exclusions from this Standard;^{fnA1.2.1g}
- h) appropriate records that demonstrate achievement of the stated objectives, implementation of the processes, and compliance with this Standard and any relevant legislation.

A1.3 Document Control

A1.3.1 The practice shall ensure effective implementation of systems designed to manage:

- the written policies, procedures and supporting documents that define its Management System;
- the documents received and produced in relation to client work undertaken.

A1.3.2 Such systems shall include controls to:

- a) review and approve documents prior to issue to ensure they are accurate, legible and adequate;
- b) ensure that documents which are produced for the benefit of clients have due regard for the technical understanding of the recipient and take account of 'Plain English' guidelines^{fnA1.3.2b}
- c) identify the current revision status of each document (on the document itself and on any corresponding master list);
- d) ensure such documents are accessible to relevant personnel;
- e) review and update documents at appropriate stages;
- f) identify changes made and notify relevant personnel of such changes;
- g) identify and manage obsolete documents to prevent inadvertent use;
- h) identify documents of external origin, their control, care, and distribution.

fnA1.2.1f

Statutory and regulatory requirements relate to client work types (such as Investment Business, Insolvency, and Auditing); client groups (such as Charities and Pension Funds); general business legislation (such as Employment and Health & Safety law); plus relevant international legislation (such as the Sarbanes-Oxley Act). Links to relevant Legislation and guidance are provided at Annex B.

fnA1.2.1g
fnA1.3.2b

Exclusions may only be applied where a Risk Assessment or review of scope indicates the requirement not to be applicable. See Annex B for link to Plain English Campaign website.

A1.4 Outsourced Activities

A1.4.1 The practice's Management System shall demonstrate that it has control over any services provided by others acting on behalf of it. Such services providers shall include:

- consultants or other technical advisers to whom client work is subcontracted;
- service providers used for support activities to the practice;
- other services likely to significantly impact upon the service provided by the practice.

A1.4.2 Systems shall be in place for the vetting, appointment, and performance monitoring of any such individuals or practices. The underlying principles of integrity, objectivity, competence, performance, and courtesy shall be extended to any outsourced activities.

A1.5 Control of Records

A1.5.1 Records shall be made and retained to demonstrate evidence of conformity to client requirements, training and competence of employees and third parties, compliance with relevant legislation, and the effective operation of the Management System. All such records shall be:

- a) adequate, legible and identifiable;
- b) stored and protected to prevent loss, damage and deterioration;
- c) readily retrievable and/or reproducible;
- d) retained and disposed of in line with statutory and regulatory obligations.

A1.5.2 Those records demonstrating conformity to client requirements shall include as a minimum:

- a) client identification / bona fides checks,
- b) liaison with previous accountants;
- c) risk assessments of new clients and/or work to be taken on;
- d) terms of engagement;
- e) personnel responsible / involved in each client's work;
- f) all work undertaken and appropriately signed documents;
- g) receipt and return of client documents;
- h) disengagement letters;
- i) client money transactions;
- j) exception records including:
 - credit notes issued and incidence to fee notes;
 - client dissatisfaction and dispute resolution;
 - money laundering concerns (internal and external reports);
 - professional indemnity insurance claims.

A1.6 Client Focus

A1.6.1 The Management System shall include processes for assessing client satisfaction and determining clients' future requirements. Such processes shall include proactive means of seeking client feedback about current perceptions and future requirements. The methods by which such information is obtained shall reflect the nature of the practice, its culture, clients, and the services provided.

A1.7 System Integrity

A1.7.1 The integrity of the Management System shall be maintained during times of change. Business and Contingency plans (see Sections C1 and C6) shall therefore consider potentially disruptive influences on the practice and its Management Systems and plan for continuity during such events.

B MANAGEMENT RESPONSIBILITY

B1 Organisation & Management

B1.1 Management Structure

- B1.1.1 The practice shall establish and document its organisation and management arrangements such that these are appropriate to the nature, scale, and complexity of the business, the diversity of its work and the risks associated with it. These arrangements shall be communicated to, and understood by all personnel working for the practice.
- B1.1.2 A Partnership Agreement, Memorandum of Association or other Constitutional document shall be in place and signed by all Partners by way of commitment to the principles agreed therein. The document shall include as a minimum the principles for decision-making, joining and leaving the Partnership, disciplinary action, obligations to adhere to the relevant Code of Conduct and Standards, financial arrangements and also key management responsibilities within the practice.
- B1.1.3 The Management Structure of the practice shall be documented in a manner that shows clear reporting lines. The practice shall ensure that the relevant professional bodies are notified of changes in Partner status and/or practice associations.

B1.2 Management Responsibilities

- B1.2.1 The practice's management structure shall be supported by clearly defined management responsibilities. Such responsibilities shall include allocation of the following key functions to one or more Partners:
- a) compliance with relevant regulatory systems ^{fnB1.2.1a} and raising and maintaining awareness within the practice in respect of these requirements;
 - b) overall responsibility for quality assurance matters including:
 - identification and evaluation of risks;
 - implementation and maintenance of policies and processes to manage those risks;
 - upkeep of the Practice Management Manual and supporting documents;
 - monitoring and reporting on the performance of the Management System;
 - raising and maintaining awareness of risks, client needs, statutory and regulatory requirements, quality objectives and the policies and processes to be followed in order to manage risk;
 - regular audit of the system to identify the need for improvements to the management system;
 - c) money laundering responsibilities as defined in section D4 of this Standard;
 - d) management of practice finances including the preparation of accounts and the protection of client monies;
 - f) training and development to ensure that the practice's Partners and staff have the necessary competencies to conduct their duties and comply with any compulsory CPD requirements;
 - g) maintenance of adequate levels of professional indemnity insurance cover;
 - h) management of and accessibility to adequate technical reference sources;
 - i) liaison with professional bodies to ensure maintenance of practicing certificates for relevant personnel and disclosure of all necessary details including completion of annual returns;
 - j) compliance with legal obligations in respect of employment, health & safety and equality;
 - k) management of any branch offices;
 - l) other significant management functions as considered necessary to ensure the effective implementation of the systems defined in this Standard.
- B1.2.2 A nominated Partner or appointed body within the practice shall have responsibility for ensuring that all roles identified in B1.2.1 are reviewed at least annually (or when significant organisational change takes place) to ensure that:
- a) responsibilities are clearly defined and allocated;
 - b) reporting lines are clear and that Partners and staff are made aware of changes affecting them;
 - c) the individuals to whom responsibility is allocated are competent to perform their duties.
- B1.2.3 Where the practice is managed by directors, they shall ensure that they understand and comply with the duties and responsibilities which that office holds. ^{fnB1.2.3}

fnB1.2.1a
fnB1.2.3

One or more Partners should be appointed for ensuring compliance with the legislative categories summarised in fnA1.2.1f. Section 1.401 of the ICAEW Handbook provides useful guidance in this respect. Annex B provides a link to the Companies Act 1989.

B1.3 Decision Making Structure

B1.3.1 Arrangements for reporting on and reviewing management issues shall be defined and records of the same kept, such that the Partners can effectively monitor important practice performance indicators. Such arrangements shall include as appropriate:

- a) defined terms of reference for managerial roles and any committees or working groups;
- b) reporting and review arrangements;
- c) agendas for and records of meetings.

B2 Supervision Systems

B2.1 Appropriate supervision systems shall be established, documented, and adhered to. Such systems shall ensure that:

- a) supervision levels, criteria and methods are defined and applied as appropriate to each individual role and/or type of work;
- b) delegates are suitable and competent for the task; the extent and limits of delegated tasks are made clear; delegated duties are supervised appropriately; and that any problems arising during the delegated activity are resolved and corrective measures implemented;
- c) individuals are aware of and abide by defined technical and managerial authority levels ^{fnB2.1c};
- d) competencies for supervisors are defined in terms of both technical knowledge and supervision skills and that these are attained before any individual acts in a supervisory role;
- e) those responsible for supervision make time available to perform their role effectively;
- f) effective communication channels for consultation (both internally and with external consultants if required) are established;
- g) supervision responsibilities and controls for any outsourced activities are defined and applied.

fnB2.1c

Defined authority levels should include as a minimum, who in particular is authorised to give professional advice and sign letters in the practice's name.

C MANAGEMENT OF RESOURCES

C1 Business Strategy

C1.1 The practice shall plan its strategy for development. In doing so, the following factors shall be taken into account and 'SMART' objectives for each set where appropriate:

- a) background information to include appropriate analyses of the practice's business environment, risks and current performance;
- b) services, target markets and marketing plan ^{fnC1.1b};
- c) financial projections and resources;
- d) legislation and regulatory requirements to be complied with;
- e) staffing, organisation and supervision, together with training and development implications;
- f) internal controls, premises and facilities;
- g) third parties required for servicing client work;
- h) professional advisors / outsourced services required.

C1.2 The process for managing the planning process shall include:

- a) regular monitoring to assess achievement of the business objectives set;
- b) regular monitoring to assess achievements against budgets and other financial targets (see C3.2.1);
- c) scheduled review and update to take account of the changing business environment;
- d) inclusion of development issues arising from the Management Review process (see Section E6).

C2 Management of Staff

C2.1 General

C2.1.1 The practice shall ensure that its Partners, employees and other representatives are competent and suitable to conduct the tasks detailed in their Job Description and/or management role. These requirements shall be ensured through the documentation and implementation of procedures for:

- a) recruitment and selection;
- b) induction training;
- c) competency / performance review;
- d) training and development.

C2.2 Recruitment and Selection

C2.2.1 Recruitment and selection processes shall include the following controls:

- a) recruitment needs are defined and approved before promotion;
- b) promotion of the position in arenas to attract the most suitable candidates;
- c) a clearly defined application process that follows the principles of equality and non-discrimination;
- d) selection of applicants against a clearly defined person specification detailing the skills, qualifications and experience required to undertake the role;
- e) interview and/or other verification of competency as appropriate to the role;
- f) verification of 'fitness and propriety' using appropriate bona fides checks as follows:
 - assessing experience gained;
 - obtaining copies of original certificates for relevant professional qualifications;
 - reviewing training and development records;
 - obtaining previous employment references;
 - undertaking financial or other background checks ^{fnC2.2.1f(i)} to minimise the risk of employing or entering into partnership/business with an unsuitable person. ^{fnC2.2.1f(ii)}

C2.2.2 Due consideration shall be given to the risk posed by having any position left vacant and steps shall be taken to fill the position if appropriate. If the vacant position cannot be filled permanently or temporarily the practice shall review its capacity, workload, and work acceptance policies as appropriate.

fnC1.1b

Any promotional activities must comply with the relevant Codes of Conduct for Advertising and Marketing and additional guidance promoted by the practice's Professional Rules. Links to OFCOM and BCAP are provided at annex B.

fnC2.2.1f(i)

Financial checks may test to some extent disregard for professional prudence, for instance: an Order of bankruptcy; placing a company into liquidation (other than for amalgamation or reconstruction purposes); an accommodation with creditors or failure to pay a judgment debt.

fnC2.2.1f(ii)

An unsuitable person may be one who has been convicted of a criminal conviction or has been disqualified from membership of a recognised professional body or from becoming a Director.

C2.3 Induction Training

C2.3.1 An induction training programme for individuals commencing work with the practice (regardless of their employment status) shall be followed and will include as a minimum:

- organisational structure, reporting lines and the individual's position in the practice;
- the practice's aims and objectives, values, clients and work conducted;
- terms of employment and arrangements for issue of a Contract of Employment;
- job description or management role and any individual objectives and targets;
- any relevant authorisation levels for the individual and others as appropriate;
- the practice's Management System to include:
 - i) quality manual / handbook;
 - ii) key policies;
 - iii) procedures relating to the individual;
 - iv) risk management and continuous improvement;
- declarations to be signed in respect of confidentiality, independence, fitness, and propriety;
- 'whistle blowing' procedures for reporting breaches of the professional code by members or, dishonesty, fraud, money laundering or other criminal acts by members or clients. ^{fnC2.3.1}

C2.3.2 On completion of the induction programme, further training requirements shall be considered and planned where necessary. The Supervisor responsible for the new employee shall ensure that any such training needs are completed in line with agreed timescales.

C2.3.3 The Supervisor shall also agree any probationary period, after which, continued employment will be confirmed and any further training and development needs identified and planned.

C2.3.4 Supervisors responsible for individuals changing roles within the practice shall assess the need for induction training for the new post they are to undertake. Induction shall be planned and implemented as appropriate to the new position so that the individual is able to fulfil their new role effectively.

C2.4 Competency / Performance Review

C2.4.1 Systems shall be in place to ensure individuals are competent to perform their designated roles and that competence is maintained. To ensure this, the performance of each individual shall be reviewed at least annually to ensure that they:

- a) have up-to-date technical knowledge;
- b) have suitable skills and can apply these appropriately;
- c) have practical experience of the work undertaken;
- d) have passed any necessary examinations;
- e) are able to fulfil any additional objectives / targets set;
- f) understand and abide by the practice's policies and procedures.

C2.4.2 The practice shall ensure that:

- a) methods of assessing competence are appropriate to the activity;
- b) records of competency reviews are retained to show the criteria used in assessing competence and how the competence decision was arrived at;
- c) undue weight is not given to the individual's financial performance.

C2.4.3 Where the required competencies have not been achieved, safeguards appropriate to the shortcomings identified shall be put in place and shall include as appropriate:

- cessation of the areas of work in which competency has not been achieved;
- tighter supervision, the extent of which shall be agreed and defined.
- actions and targets dates for achieving the required level of competency.

C2.4.4 As part of the annual review, the following shall also be considered to ensure that each is still current:

- job description;
- employment (or other) contract;
- declarations in respect of independence, confidentiality, fitness, and propriety.

C2.4.5 Personnel are required to declare any changed circumstances that might affect original declarations made as they become aware of the fact.

fnC2.3.1 Disciplinary bye-laws govern the duty to report misconduct and criminal acts (see ICAEW Handbook Sections 1.113 and 1.402 and ACCA Rules of Professional Conduct). A link to the Public Interest Disclosure Act (PIDA) is also provided at Annex B.

C2.5 Continuing Professional Development (CPD)

- C2.5.1 The practice shall ensure that its management and all personnel directly involved in its business activities have sufficient knowledge and ability to perform their role. To ensure this, systems shall be in place:
- a) to determine and record the development needs of each individual, at least annually;
 - b) to ensure that any development activity required is planned, the key benefits identified, undertaken in a timely manner and evaluated to assess its effectiveness;
 - c) to ensure that qualifications are attained prior to the individual conducting work for which such qualifications are a mandatory requirement;
 - d) that practicing certificates are obtained at the appropriate stage.
- C2.5.2 A Partner with overall responsibility for training and development shall be appointed within the practice and shall ensure that:
- adequate skills are available in the practice to fulfil the business plan;
 - adequate provision (budgets, time and facilities) are made available for training and development activities;
 - communication points / channels for reporting training needs are clear and understood;
 - supervisors are effective in encouraging personnel to maintain and develop their competence;
 - if appropriate, the requirements for it to act as a Training Organisation for the provision of approved training^{fnC2.5.2} are complied with.
- C2.5.3 In addressing what training and development activities are necessary, due consideration shall be given to:
- technical / professional knowledge;
 - compliance with compulsory CPD requirements^{fnC2.5.3};
 - practical skills (including IT, time management, client care and staff relations);
 - understanding and achieving business and work objectives;
 - supervisory and managerial skills;
 - knowledge of legislation and regulation;
 - risk management issues.
- C2.5.4 Records of training planned, undertaken and evaluated shall be retained and kept up to date at all times. The format and content of training records shall comply with guidance provided by the practice's governing body. Such records shall include both external and in-house training and shall be kept for all Partners and employees, regardless of their role within the practice.
- ## **C2.6 Student Training**
- C2.6.1 Practices that provide approved training shall appoint a Partner with overall responsibility for training who shall ensure that:
- a) a training contract is in force for each student placement;
 - b) the induction programme (C2.3) is provided and tailored to the student's needs as necessary;
 - c) the training programme provides varied development opportunities for the student;
 - d) work and training undertaken is recorded in accordance with the requirements of the relevant professional body;
 - e) development opportunities and objectives are agreed at the start of each training period and records of the same kept;
 - f) achievements and performance are reviewed at the end of each training period and records of the same kept;
 - g) the student is not overburdened with responsibilities that are inappropriate to their status, competence and experience;
 - h) selection, training, development opportunities and financial rewards are applied in accordance with equal opportunity principles;
 - i) information regarding students and training arrangements is supplied to the relevant professional body as required;
 - j) training arrangements generally comply in all respects with the requirements specified by the practice's professional body.

fnC2.5.2 Refer to Education and Training Regulations of the relevant Professional Body for Approved Training requirements.
fnC2.5.3 Compulsory CPD is required for, for example, attaining Practising Certificates, advancement to Fellowship, supervision of training in an authorised Training Organisation and for work in reserved areas. Annual CPD requirements should be reviewed in line with professional requirements (see ACCA Rulebook 2.2(10) and ICAEW Handbook 1.107).

C3 Financial Management

C3.1 Financial Resources

3.1.1 The practice shall have adequate financial resources appropriate to its business operations and to the risks it faces. Such provision shall include:

- a) having in place at least the required minimum level of professional indemnity insurance;^{fnC3.1.1a}
- b) ensuring that the policy covers all work undertaken by its partners and staff, and where appropriate, associates or consultants;
- c) reviewing professional indemnity insurance cover at least annually in conjunction with the practice's brokers and/or insurers, and any updated regulations or guidance published by the practice's professional body, to ensure that it is adequate and appropriate;
- d) provision of adequate financial resources as required for effective operation of the practice, financing of work in progress and aged debt, and the payment of liabilities as they fall due;
- e) membership of financial compensation scheme (where available);
- f) appointment of bankers for the operation of its practice and any client account(s).

C3.2 Forecasting & Monitoring

3.2.1 The practice shall review its finances at regular intervals and ensure any recommendations arising are actioned and monitored for effectiveness. In reviewing its financial status, regular reports shall be made to the Partners. Reports shall include:

- a) profit and loss forecast and variance analysis against the same;
- b) cash flow projection and variance analysis against the same;
- c) debtor and creditor reports;
- d) annual Profit & Loss and Balance Sheet;^{fnC3.2.1d}
- e) performance indicators which the practice considers important to monitoring the financial health of the practice; targets for each of these and procedures for monitoring.

C3.3 Financial Management Systems

C3.3.1 The practice shall ensure that systems are in place for the effective management of:

- a) the issue of fee-notes and credit notes;
- b) time recording (where applicable) and work-in-progress;
- c) creditors and debtors;
- d) capital management including depreciation;
- e) payment of salaries, benefits, Tax, NI and other staff-related liabilities;
- f) bank statement reconciliations;
- g) petty cash management and reconciliation;
- h) all records relating to financial management of nominal and client accounts.

C3.4 Anti-Money Laundering Infrastructure

D3.4.1 The practice shall establish and document policies and procedures^{fnC3.4.1} to ensure compliance with Money Laundering Regulations 2003. Such controls shall include:

- a) the appointment of a Money Laundering Reporting Officer (MLRO) at Partner level;
- b) raising awareness of money laundering including likely routes, processes, offences and implications, controls and reporting requirements;
- c) ensuring the availability and awareness of Government and Financial Action Task Force information, its review and application to the practice's activities as appropriate;
- d) regular refresher training in respect of money laundering law and responsibilities;
- e) agreed methods of establishing client identity and criteria for 'knowing your client';
- f) internal reporting of money laundering concerns, review by the MLRO and external reporting to NCIS in the required format if considered appropriate;
- g) an annual review of money laundering compliance, reports made and any changes to Government, Financial Task Force, FSA or other professional guidance;
- h) keeping records of client identity, transactions, client insolvency, any internal or external reports made, and the annual review.

fnC3.1.1a

Specific minimum levels of cover are required (see ICAEW Handbook 1.309 and ACCA Rulebook 2.2(9)). Levels of cover should be considered in light of previous claim incidents and risks associated with the type of work undertaken.

fnC3.2.1d

Audited Accounts may not be a legal requirement but independent verification or audit is considered best practice.

fnC3.4.1

Detailed guidance is available from the professional bodies (see ACCA Rulebook 3.3.1 and ICAEW Handbook 1.304).

C3.5 Client Money

C3.5.1 All necessary measures shall be taken by the practice to protect its clients' money so that it cannot be used to reimburse other creditors in the event of the practice's insolvency.

C3.5.2 Procedures shall be implemented to:

- a) set-up and manage one or more designated client bank accounts such that client money is held separately from the practice's money;
- b) give clear instructions to the bank regarding the terms on which client money is held and how it must be treated;
- c) keep records of client instructions in relation to their account;
- d) make payments in to and out of the client bank account;
- e) calculate and reconcile client money such that the holding for each and all accounts is known
- f) verify independently client money held and the processes for its handling;
- g) provide information to authorised persons regarding monies held;
- h) follow clearly defined policies in respect of:
 - transfer of client monies to third parties;
 - treatment of interest;
 - dealing with unclaimed client monies;
- i) ensure compliance with the regulations produced by the practice's professional body.^{fnC3.5.2i}

C3.5.3 Records showing financial transactions relating to client money shall be held for a minimum of 6 years in line with all financial and VAT records.

C4 Premises & Facilities

C4.1 Buildings & Equipment

C4.1.1 The practice shall provide a suitable environment and infrastructure in which to conduct its work. Consideration shall be given to provision of the following:

- a) adequate office space and utilities that are suitable for the work undertaken;
- b) business equipment for effective and efficient service provision;
- c) arrangements for maintenance and repair of buildings and equipment;
- d) supporting services such as communications, travel/transport and general administration;
- e) compliance with Health and Safety legislation and regulations;^{fnC4.1.1e}
- f) compliance with Equal Opportunities and Disability Access legislation;^{fnC4.1.1f}
- g) environmental management policies and support systems as required.

C4.2 Information Technology and Communications

C4.2.1 The practice shall establish appropriate IT and Communication systems to ensure effective practice management and management of client information and transactions. Such controls shall include:

- a) management of hardware, networks, platforms and software applications used for accounts (practice and clients), databases, and practice management generally;
- b) security measures (virus protection, encryption of sensitive data; password protection);
- c) contracts and/or service agreements with key service providers;
- d) control of access to internal and external sources of data and information;^{fn4.2.1d}
- e) control and use of data, analysis and circulation of information;
- f) confidentiality and Data Protection Act registration;^{fnC4.2.1f}
- g) problem logging and resolution;
- h) offsite storage of data backup media;
- i) contingency planning / 'disaster recovery' systems.

fnC3.5.2i

fnC4.1.1e

fnC4.1.1f

fnC4.2.1d

fnC4.2.1f

Extensive guidance is provided by the professional bodies (ICAEW Handbook 1.111 and ACCA Rulebook 3.3.14).

Annex B provides a link to the Health & Safety Executive's web-site.

Annex B provides a link to guidance on the Equal Opportunities legislative framework and to the Disability Discrimination Act 1995.

Annex B provides a link to the Computer Misuse Act 1990.

Annex B provides a link to the Data Protection Act 1998.

C4.3 Reference Sources

C4.3.1 The practice shall ensure that its personnel have ready access to governing legislation, regulations, bye-laws, and any further guidance needed in order to operate its business ethically and legally. Such information shall include as appropriate:

- guidance issued by the practice's professional body (Handbook, Rules of Conduct etc);
- legislation (UK and international), bye-laws and guidelines ^{fnC4.3.1} applicable to work undertaken and client groups worked for;
- other legislation relating to management of the practice (such as Employment, Health & Safety, Equality legislation);
- reference texts and periodicals;
- help lines, websites, and other library or information sources.

C4.3.2 Responsibility and procedures shall be made clear for:

- a) maintaining subscription arrangements to ensure the above are kept up to date;
- b) review of any changes to assess its impact on the practice's operation;
- c) amendment of the practice's documented management system to incorporate the changes;
- d) training of relevant staff and third parties in respect of the changes to be implemented;
- e) monitoring of implementation to ensure that new systems are effectively adopted.

C4.3.3 Where precedent documents and/or criteria are used to ensure consistency of approach within the practice (for example in report-writing, accounts presentation etc), procedures for review, upkeep, circulation, awareness raising and use of such precedents shall be defined (see also Document Control: A1.3).

C5 Suppliers and Partnerships

C5.1 The practice shall document and implement arrangements for managing:

- third party experts and consultants used for client work;
- suppliers of goods and services to the practice.

C5.2 Such arrangements shall include as appropriate:

- a) procedures for selection and approval for use, including enquiries to made in respect of suitability, competence, independence, and fitness and propriety (see definitions and checks in C2.2.1f);
- b) documented supplier and partnership agreements;
- c) central records of suppliers and partners;
- d) ongoing performance monitoring, records of same and feedback as necessary;
- e) mutual development of strategies, working practices and continual improvement to optimise working arrangements to the benefit of both parties.

C5.3 Referral and/or signposting partners shall be established to assist clients and enquirers with needs that cannot be fulfilled by the practice.

C6 Business Continuity

C6.1 The practice shall ensure that it establishes, documents and tests plans that provide for continuity of operations in the event of disruptive / 'disaster' events (see also C4.2i) for IT contingency planning). Such plans shall ensure that the practice can:

- a) continue to function in event of unforeseen interruption;
- b) continue to meet its statutory and regulatory requirements;
- c) ensure the availability of resources necessary to function;
- d) ensure the integrity of the Management System despite disruptive events;
- e) comply with professional rules in respect of incapacity or death of the Practitioner or a Partner.

C6.2 The Business Continuity Plan shall be tested, reviewed, and updated at appropriate intervals to ensure that it remains adequate and effective.

fnC4.3.1

Guidelines include Professional Rules and Regulations and the appropriate Financial Reporting Standards (FRSs), Statements of Recommended Practice (SORPs), International Accounting Standards (IASs), Statements of Standard Accountancy Practice (SSAPs) and Financial Reporting Standards for Smaller Enterprises FRSEs (see Annex C for details).

D) SERVICE DELIVERY PROCESSES

D1 Client Acceptance

D1.1 General Principles

D1.1.1 Prior to acceptance of a new client, the practice shall ensure that:

- a) there is no threat to the practice's integrity, objectivity or independence^{fnD1.1.1a};
- b) it has adequate resources and expertise to undertake the work;
- c) the relevant professional enquiries are made;
- d) terms of engagement are accepted and signed by the client.

D1.2 Integrity and Objectivity

D1.2.1 The practice shall ensure that it has procedures in place for identifying and resolving any actual or potential conflicts of interest that might threaten the practice's ability to act with integrity, objectivity and independence. Such procedures shall include:

- a) enquiries to be undertaken and records to be kept prior to accepting a new client;
- b) enquiries to be undertaken and records to be kept for each new assignment;
- c) ensuring clear reporting lines in the event of actual or potential conflicts;
- d) allocating clear responsibilities for resolving conflict issues;
- e) client notification processes and arrangements for disengagement if appropriate;
- f) recording and following agreed safeguards if continuation is nevertheless feasible;
- g) having due regard to any further guidance issued by the practice's professional body.

D1.3 Resources and Expertise

D1.3.1 In assessing whether the practice has adequate resources and expertise to undertake the work, a Partner or Senior Manager shall ensure the following:

- a) that personnel of the appropriate qualifications, skills and experience are available;
- b) that sufficient capacity is available to complete the work within the required timeframe such that resultant workloads are not likely to have an adverse effect on the quality of the service provided;
- c) that the proposed fee will not adversely affect the quality of work to be conducted.

D1.3.2 A note of the skills required and people allocated to undertake shall be recorded. If work is accepted on the basis that third parties will be used to fulfil capacity or competency shortfalls, a record of third party selection and confirmed availability will be made.

D1.4 Professional Enquiries

D1.4.1 The practice shall ensure that professional enquiries are made to establish whether there are any other reasons why the practice should not act for the client. Such enquiries shall include as a minimum:

- a) client identity checks (as required by the Money Laundering Regulations 2003)^{fnD1.4.1a};
- b) enquiries of any previous Accountants to establish if there are any other factors that might affect whether the practice acts for the client.

D1.4.2 As a minimum, the foregoing checks shall serve to address the following risk factors^{fnD1.4.2}:

- type of business;
- credibility of the management;
- quality of accounting, financial and management controls;
- continued viability of the client.

D1.4.3 Attendance notes of discussions held with each new client, to include details of all pertinent facts disclosed and actions agreed upon shall be retained.

fnD1.1.1a

ICAEW Handbook 1.200 and ACCA Rulebook 3.2 provide extensive guidance in respect of ethics. Specific guidelines are also available for practices working in specific areas such as Insolvency, Investment Business etc. Guidance on identity checking and 'knowing your client' is available in the Money Laundering sections of the Rules. Some useful risk assessment factors are provided as guidance in the ICAEW Handbook (Section 1.309).

fnD1.4.1a
fnD1.4.2

D1.5 Terms of Engagement

D1.5.1 Terms of engagement shall be defined in writing and the client's signed acceptance to these retained.

D1.5.2 As a minimum, the terms of engagement shall include:

- a) the scope and limitations of work to be undertaken;
- b) any key dates relevant to the practice / work to be undertaken;
- c) the name and status of the Partner with overall responsibility for the work;
- d) the name, status and role of any other personnel that will be involved with the client;
- e) the practice's fee structure and terms and conditions of payment;
- f) total fee for the work to be undertaken or an estimate of expected costs;
- g) a process for reviewing and notifying changes in the terms of engagement including costs;
- h) a named contact and the procedure to be followed in the event of dissatisfaction/complaint;
- i) procedure for disengagement.

D1.6 Risk Management

D1.6.1 The practice shall identify those types of clients and/or types of work that may require extra controls to be implemented to ensure compliance with additional regulation, industry sector or specific client requirements. Procedures and authorities for review and acceptance of such work and for its subsequent management shall be agreed and defined.

D2 Management & Supervision of Work

D2.1 Identification and Organisation of Client Files

D2.1.1 Systems for identification and organisation of files shall be established so that:

- a) all personnel understand the filing system and can readily locate client files;
- b) files are held securely and confidentiality is maintained;
- c) suitable contingency arrangements are in place in case of fire or theft.

D2.1.2 Systems for the management of individual files shall also be in place and shall include:

- a) unique identification and indexing of client files;
- b) documents and correspondence being identified and traceable to individual client files;
- c) files being kept orderly and up to date at all times so that status can be readily established;
- d) key information being shown clearly on the file to include as a minimum:
 - the Partner in charge and other staff involved in the matter;
 - relevant key dates (client imposed or regulatory deadlines);
 - legislation / regulation applicable to the work;
 - written authorisations given by the client;
 - third party involvement and contact details;
 - client documents / property held.

D2.2 Management of Client Property and Information

D2.2.1 The practice shall establish controls for the safekeeping of any client documents or property^{fnD2.2.1} entrusted to it. Such arrangements shall be in place to:

- a) prevent loss, damage, deterioration and misuse of client documents;
- b) keep details of such documents held or handled;
- c) keep records of the date of receipt, return, transfer or copy to another party;
- d) keep written authorisation from clients and show this clearly on the file in respect of:
 - acting as agent and liaison with third parties;
 - transfer of information and/or property to another party;
- e) generally observe the confidentiality of clients' ^{fnD2.2.1e(i)} affairs and prevent unauthorised disclosure of information obtained and advice given^{fnD2.2.1e(ii)}.

fnD2.2.1 Section 1.302 of the ICAEW Handbook and ACCA Rulebook 3.3.6 provide guidance on ownership, lien, and rights of access to documents and records.

fnD2.2.1e(i) Client confidentiality and conflict of interest considerations apply to past, current and potential clients.

fnD2.2.1e(ii) Unless disclosure is ordered and permissible in accordance with any enactment, Order of a Court or in the course of giving evidence as an expert witness under oath.

D2.3 Key Dates

- D2.3.1 Important deadlines appropriate to the work to be undertaken shall be noted on the file and in a central back-up system. Such deadlines shall include both externally and internally imposed deadlines.
- D2.3.2 As appropriate, programmes of work shall be defined, identifying any interim milestones necessary to achieve the ultimate key dates.
- D2.3.3 The practice shall inform the client as soon as it becomes clear that it cannot meet, or is unlikely to meet, any agreed deadline. The client shall be provided with:
- a full explanation of why the dates cannot be met;
 - possible implications and if necessary any proposed mitigating actions;
 - proposals for a revised programme.
- D2.3.4 As appropriate, the practice's Complaints and/or Corrective Action Procedures shall be instigated (Sections D4 and E3 respectively).

D2.4 Progress and Completion of Work

- D2.4.1 All significant work and attendances undertaken shall be recorded and shall include:
- file notes of telephone conversations and meetings making clear any advice given;
 - client agreement to accounts or other documents as appropriate;
 - sources of information and evidence;
 - assumptions, estimates and thought processes leading to judgements made and documents finalised;
 - final copies of key documents such as tax returns and signed accounts, traceable to working papers;
 - advice given to the client (orally or in writing);
 - evidence that key dates have been complied with;
 - evidence that client instructions have been met.
- D2.4.2 Appropriate procedures for progress review shall be operated to ensure that:
- work is progressed efficiently;
 - any interim and key dates are met (see also D2.3);
 - the client is kept advised of progress at appropriate stages.
- D2.4.3 Target response times for dealing with communications shall be defined and all personnel shall be made aware of these and endeavour to abide by them.

D2.5 Supervision of Work

- D2.5.1 Supervision arrangements and stages shall be defined and implemented and shall be appropriate to the level of competence of the person conducting the work and also the risks associated with it.
- D2.5.2 Any specific risk management controls deemed to be necessary (see also D1.6) shall be adhered to and monitored as part of the supervisory review.
- D2.5.3 All supervisory reviews shall be documented and retained on the file. As a minimum where supervision is required, this shall include a final review prior to completion of the work.

D2.6 Use of Consultants and other third parties

- D2.6.1 The practice shall establish policies and procedures for obtaining external advice and assistance in respect of client work. Such procedures shall include provision to:
- a) maintain objectivity and independence when using third parties;
 - b) as appropriate, seek client authorisation to employ any third parties;
 - c) obtain an estimate of likely fees and obtaining client consent to this;
 - d) give clear instructions of information required or work to be done;
 - e) review work conducted / advice given by third parties;
 - f) interpret and provide feedback to the client as necessary.
- D2.6.2 Records of consultation with or work done by third parties including the use of any help lines or other sources of assistance shall be kept on the file.

D2.7 Changes to Terms of Engagement

- D2.7.1 A process for communicating any proposed changes to the terms of engagement (including fees) shall be agreed with client.
- D2.7.2 The client's written agreement to the amended terms and/or fees shall be obtained and work under the amended terms not commenced until the client's authorisation has been obtained. Evidence of agreement to the amended terms shall be kept on the file.

D2.8 Billing and Time Recording

- D2.8.1 Practices shall have a system in place for ensuring that costs attributable to an individual client's work are accurately recorded and attributed. Such costs shall include time spent by Partners and employees of the practice, third party costs such as consultants, plus any disbursements.
- D2.8.2 Where time spent is to be used as a basis for the fee to be charged, clients shall be kept informed of costs accumulated on their work on a regular basis and/or as agreed in the terms of engagement. Any expected increase in fee rates or the total likely fee (as defined at the outset) shall be notified as soon as possible, explaining the reason for the increase.
- D2.8.3 Fee-notes shall be submitted in accordance with timings or frequencies agreed with the client. Fees based on time spent shall show as a minimum the number of hours involved, the chargeable rate per hour and a description of the work completed. No fee-note shall be issued without first being checked and authorised for issue by the Partner / Manager with overall responsibility for the work.
- D2.8.4 Time recording information shall be used by the Partners as appropriate as means of monitoring financial performance of individuals and/or departments, and the practice as a whole.

D2.9 File Storage, Retrieval and Destruction

- D2.9.1 The practice shall document and implement procedures for the storage, retention, retrieval and destruction of client files. Such procedures shall have due regard for the controls defined in A1.5.1 and shall further provide for:
- organised storage systems to ensure files are readily retrievable;
 - specified file retention periods;
 - authority required for file destruction;
 - secure arrangements to maintain confidentiality of information;
 - a means of notifying clients about file retrieval processes and any associated costs.

D3 Disengagement

- D3.1 The practice shall ensure that it follows a clearly defined protocol for disengagement. It shall advise the client in writing of the terms of disengagement as soon as practicable after the decision to disengage has been made. As a minimum, the terms of disengagement shall include:
- a) reasons why disengagement is to take place and the date on which this decision was made;
 - b) scope and limitations of work remaining to be completed by the practice;
 - c) what, if any, future obligations to the practice remain;
 - d) the implications of disengagement, including any risks, and what action the client needs to take;
 - e) terms and conditions under which remaining work will be completed.
- D3.2 The client's signed acceptance (or other evidence of agreement) to the terms of disengagement shall be retained.

D4 Complaints Handling

- D4.1 Practices shall have procedures in place to deal with complaints from clients or their representatives or from others to whom a duty of care is owed. Procedures shall be designed to ensure that complaints are dealt with fairly, consistently, effectively, courteously, promptly and resolved at the earliest opportunity.
- D4.2 Such procedures^{fnD4.2} shall include provision to:
- a) make clear the practice's definition of a complaint, ensuring that this is sufficiently broad to be of benefit to the practice in terms of minimising risk and maximising opportunities for improvement;
 - b) notify all clients in writing, of the practice's complaints procedures (to include the name of the Partner to contact in the event of a complaint and of their right to complain to the practice's governing body;
 - c) allow complaints to be received in writing, orally, electronically or other appropriate means;
 - d) ensure that complaints regarding partners, staff or third parties are treated consistently;
 - e) investigate each complaint and taking remedial action where considered appropriate;
 - f) respond to all complainants promptly and within defined timescales and keeping the client informed of progress;
 - g) provide a full explanation if a complaint is deemed to be unjustified and to remind the client of their right to complain to the practice's governing body;
 - h) keep central records of complaints and all related correspondence;
 - i) consider the root cause of each complaint and implement controls to prevent recurrence;
 - j) analyse complaints (at least annually) to detect any developing or recurring trends and to implement action to manage risk in respect of any adverse trends.
- D4.3 The practice shall nominate a Partner with overall responsibility for responsible for ensuring that:
- a) the complaints procedures in D4.2 are understood and adhered to by everyone in the practice;
 - b) all personnel are aware of the importance of reporting complaints or other incidences that might give rise to an insurance claim the nominated Partner / Manager;
 - c) any claims or circumstances which might give rise to a claim are notified to the insurers in accordance with the practice's professional indemnity insurance policy;
 - d) such issues are discussed openly at Partners meetings and if the nominated complaints Partner is not the Senior Partner, ensuring that the Senior Partner is kept informed of the progress and outcome of any complaint;
 - e) annual reviews are conducted prior to renewal of insurance cover in order to assess risk^{fnD4.3e} and to ensure full disclosure of any material facts.
- D4.4 The Complaints Partner shall further ensure that any representative of the practice, who becomes the subject of disciplinary investigations or proceedings, shall cooperate fully and respond to all related requests promptly and in accordance with the Code of Conduct.^{fnD4.4}

fnD4.2 Section 1.112 of the ICAEW Handbook and Section 2.3 (Chapter 5 Item 7) of the ACCA Rulebook provide rules and guidance for dealing with and preventing complaints.

fnD4.3e The ICAEW's Regulations and Guidance on Professional Indemnity Insurance provides useful guidance in respect of annual review of risk in relation to impending insurance renewal.

fnD4.4 Refer to professional body's full disciplinary rules for details.

E RISK MANAGEMENT & CONTINUAL IMPROVEMENT

E1 Monitoring Service Standards

E1.1 The practice shall establish a system of file reviews to monitor whether its service objectives are being achieved. Such reviews shall ensure that:

- a) reviews are conducted by someone independent of the work undertaken;
- b) the sampling method employed ensures that all types of work undertaken by each individual are subject to review and that all projects identified as high risk are reviewed;
- c) all Partners and staff are subject to independent review but the number and frequency reflects the experience and compliance record of the person concerned;
- d) consideration is given as to whether regulatory requirements have been complied with; documents and calculations are materially correct, internal and external deadlines have been met; advice given is appropriate, terms of engagement have been met and practice procedures have been followed;
- e) records of reviews are kept on the individual files and held centrally for monitoring and analysis;
- f) a mixture of both closed ('cold') files and current ('hot') files is used to monitor standards (see also Supervision Section D2.5) and feedback given to those concerned.

E1.2 If procedures have not been followed and/or planned results have not been achieved, the practice shall:

- a) identify what action needs to be taken;
- b) agree and implement the necessary remedial action and verify that it has been effective;
- c) deliver the work only after it has been rechecked and verified to be correct;
- d) consider the reason for failure and to implement action to prevent recurrence.

E2 Monitoring Client Satisfaction

E2.1 The practice shall operate procedures that proactively seek client feedback. Such systems shall seek to:

- assess client perceptions of the service provided;
- determine future needs and expectations.

E2.2 Any client feedback obtained reactively (such as via the complaints process), shall also be taken into account when assessing client satisfaction levels.

E3 Corrective Action

E3.1 The practice shall establish systems for handling service failures including any that result in complaints to the practice or its professional body. Such systems shall include controls that are designed to:

- a) review the problem and implement remedial action (where possible);
- b) halt the service delivery process (if appropriate) to ensure that client impact is minimised;
- c) identify the root cause of the problem and implement measures to prevent recurrence or to contribute to improved processes, documents or other recommendations in future;
- d) implement the necessary action and monitor its effectiveness.

E3.2 Corrective Action procedures shall include but not be limited to:

- File Reviews;
- Supervision generally;
- Disengagement (if appropriate);
- Acts or omissions by third parties appointed by the practice;
- Complaints and other feedback;
- Insurance notifications and claims.

E3.3 Records relating to each corrective action event shall be kept centrally for analysis and consideration as part of the annual Management Review (see E6).

E4 Risk Assessment & Preventive Action

- E4.1 The practice shall endeavour to identify all potential causes of complaints, claims, errors, losses, wastage, and any other form of risk and plan to mitigate the effects of such problems through a risk management programme. In assessing such risks, the practice shall:
- a) determine potential problems and their causes, (both on individual assignments (see also D1.6) and in the running of the practice overall);
 - b) identify and implement suitable control measures to prevent occurrence of such problems;
 - c) monitor the effectiveness of preventive action measures implemented;
 - d) keep records of the above and update these at least annually.
- E4.2 As part of its Risk Management procedures, the practice shall take account of feedback and recommendations from its professional body (for instance as a result of voluntary or imposed inspections or review of annual returns), from any consultants employed, or from other members (where for instance reciprocal review arrangements are in place).

E5 Internal Audit

- E5.1 The practice shall conduct internal audits at planned intervals to determine whether its Management System:
- a) conforms to planned arrangements (as defined in the documented Management System);
 - b) complies with any appropriate external Standards (including this Practice Management Standard);
 - c) complies with the regulatory systems defined for its profession;
 - d) is achieving (or is conducive to achieving) the objectives of the practice.
- E5.2 The audit process shall be documented and include controls to ensure that:
- a) an audit schedule is defined and audits conducted in accordance with the predetermined timings;
 - b) responsibility for conducting audits, reporting findings and keeping records is defined;
 - c) auditors are independent of the are to be audited and are competent to conduct this task;
 - d) actions arising out of the audit are completed without undue delay;
 - e) follow up is undertaken by the auditor to verify that action has been taken and is effective;
 - f) audit reports (detailing the findings, recommendations, and follow-up results) are produced.

E6 Management Review

- E6.1 Management Reviews shall take place at planned intervals (at least annually) to review the effectiveness of the Management System and to ensure its continuing suitability. In assessing its effectiveness, information, results and analyses from the following shall be taken into account:
- a) professional indemnity insurance claims and disclosures (made by the practice or a third party);
 - b) client / third party complaints;
 - c) feedback from clients, third parties or within the practice;
 - d) file reviews and supervision generally;
 - e) internal and external audits;
 - f) changes in the business environment, economic climate, business strategy/plans, services offered, organisational structure, and resources and skills available;
 - g) risk management information generally available to the profession;
 - h) current client profile, having consideration for the type of work undertaken and stakeholder exposure (shareholders, creditors etc);
 - i) supplier / partnership performance;
 - j) achievement of Quality Policy and Objectives.
- E6.2 The Partners shall ensure that any recommendations for changes to policies, processes, services, and plans arising from the management review are recorded. They shall further ensure that actions agreed upon are adequately resourced and subsequently monitored to assess effectiveness.

E7 Analysis of Information

- E7.1 Information shall be analysed and presented to demonstrate the effectiveness of the Management System and to evaluate where improvement of the practice's management systems can be made. All information required for the Management Review (see E6) shall be analysed or otherwise prepared in good time prior to the Management Review to ensure that the Partners have adequate information and in a suitable format on which to base their discussions and decisions.

E8 Continual Improvement

- E8.1 The practice shall endeavour to improve the effectiveness of its Management System through the use of its Quality Policy, Quality Objectives, audit results, analysis of information, corrective action, preventive action, and management review. Improvements may be demonstrated by way of changes to policies, procedures, supporting documents, products, services or business (or other) plans.

Annex A

Glossary of Quality Management Terms

Term	Description
Client Focus	Ensuring that client perceptions, and both current and future needs are borne in mind when developing policies, plans, and procedures.
Internal Audit	Means of assessing compliance with the practice's documented Management System and identifying opportunities for further improvement.
Management Review	A review undertaken to assess whether the practice's quality aims and objectives are being achieved and to determine changes necessary to ensure continual improvement.
Management System	The totality of policies, plans and procedures, through which the practice manages its risks and assures the quality of services to its clients.
Outsourced Activities	Services provided by others acting on behalf of practice including: <ul style="list-style-type: none">• third parties in a project conducting work as instructed by the practice;• providers of goods or services to the practice e.g. IT Support or Consultancy.
Outsourced Activities	Services provided by others acting on behalf of practice (including those undertaken by a third party on behalf of the practice's client or for the practice itself such as Marketing, IT, Consultancy etc).
Quality Policy	Summary statement setting out the practice's overall quality aims & objectives.
SMART Objectives	Any plan should have objectives that are: Specific: definite end results to be achieved, not just the aim/direction; Measurable: objective means of demonstrating achievement; Achievable: within the available/planned resources, skills and time; Relevant: realistic and with true benefit to the practice; Time-bound: target date agreed for achievement.
Supervision Systems	Procedures for supervision of personnel (both directly employed staff and contracted individuals or practices).
System Integrity	The continued effectiveness of the management system regardless of organisational or other change likely to impact on the practice's operations.

Annex B

Summary of Legislation and Guidance

Common Term (if used)	Full Title	Hyperlink
BCAP	British Code of Advertising Practice 2003	British Code of Advertising Web Site
	Companies Act 1989	Companies Act 1989
	Computer Misuse Act 1990	Computer Misuse Act 1990 (c. 18)
DPA	Data Protection Act 1998	Data Protection Act 1998
DDA	Disability Discrimination Act 1995	Disability Discrimination Act 1995 (c. 50)
	Equal Opportunities: Guidance on the Law	EOC - Legal framework and procedure
FSMA	Financial Services and Markets Act 2000	Financial Services and Markets Act 2000
HSA	Health & Safety At Work Act 1974	HSE Home Page
	Money Laundering Regulations 2003	The Money Laundering Regulations 2003
OFCOM	Office of Communications Codes and Policies	Ofcom Website
	Plain English Campaign	Plain English Campaign: Home page
PIDA	Public Interest Disclosure Act 1998	Public Interest Disclosure Act 1998
SarbOx	Sarbanes-Oxley Act 2002: Guidance	ICAEW Guidance & Links

Annex C

Financial Standards & Professional Websites

Common Term	Full Title
FRS	Financial Reporting Standards <i>(issued by the Accounting Standards Board)</i>
SORP	Statement of Recommended Practice <i>(for specific industries /sectors and supplemental to FRSs Issued by Industry bodies but recognised by ASB)</i>
IAS	International Accounting Standard <i>(may be appropriate if different to FRSs)</i>
SSAP	Statements of Standard Accountancy Practice <i>(may still exist in some areas if have not been superseded by FRSs)</i>
FRSSE	Financial Reporting Standards for Smaller Enterprises <i>(criteria for this is set via the government is subject to regular update)</i>
ASB	Accounting Standards Board (from where the above can be viewed and downloaded) Accounting Standards Board - Welcome
ICAEW	Institute of Chartered Accountants of England & Wales ICAEW Home Page
ACCA	Association of Chartered and Certified Accountants ACCA: Home Page