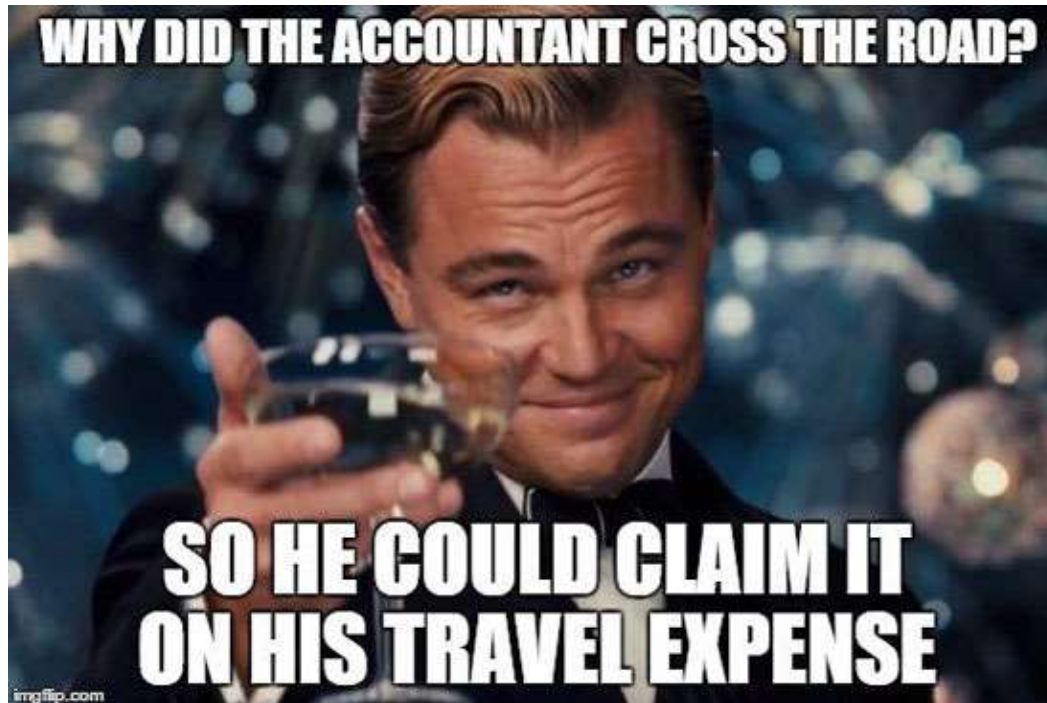


# What should a COFA be doing?



# Overview

- Robust accounting policies
- Financial compliance month end pack
- Cashier/accounting services
- Recruiting legal finance staff
- Examples of when you don't know and SRA AR audit
- Managing a visit from the SRA



# Accounting Policies and Processes

## Policies “why you have to do this”

- Protection of client money
  - Time frame for banking
  - Segregation of duties
- Cash policy
- Fraud/Cybercrime policy
- Relationship policy
- Retention of records
- Billing for fees and any disbs that have not been incurred
- Interest (negative)

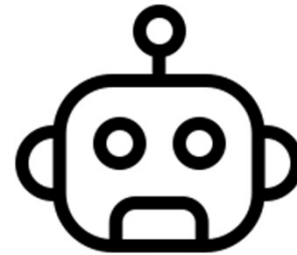
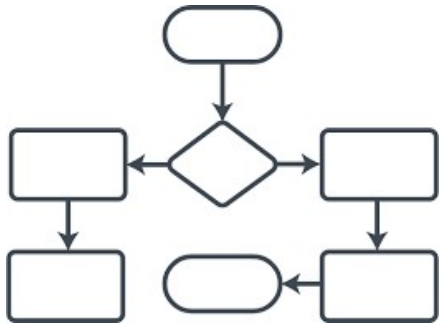
## Procedure “how you do this”

- Client withdrawal process
  - What is the process for authorising?
- Client paying in process
  - Where are the paying in books located?  
Current and future
  - Where are they stored?
- Fraud
  - How do I set up a new user on our accounting or banking system?
  - Can anyone set up a bank account?
- How do I whistle blow?
- How do I notify the COFA?
- How do I post interest?

# Who needs to know?



# How do you communicate financial compliance information?



Financial Month  
End Pack



# What are you looking to spot?

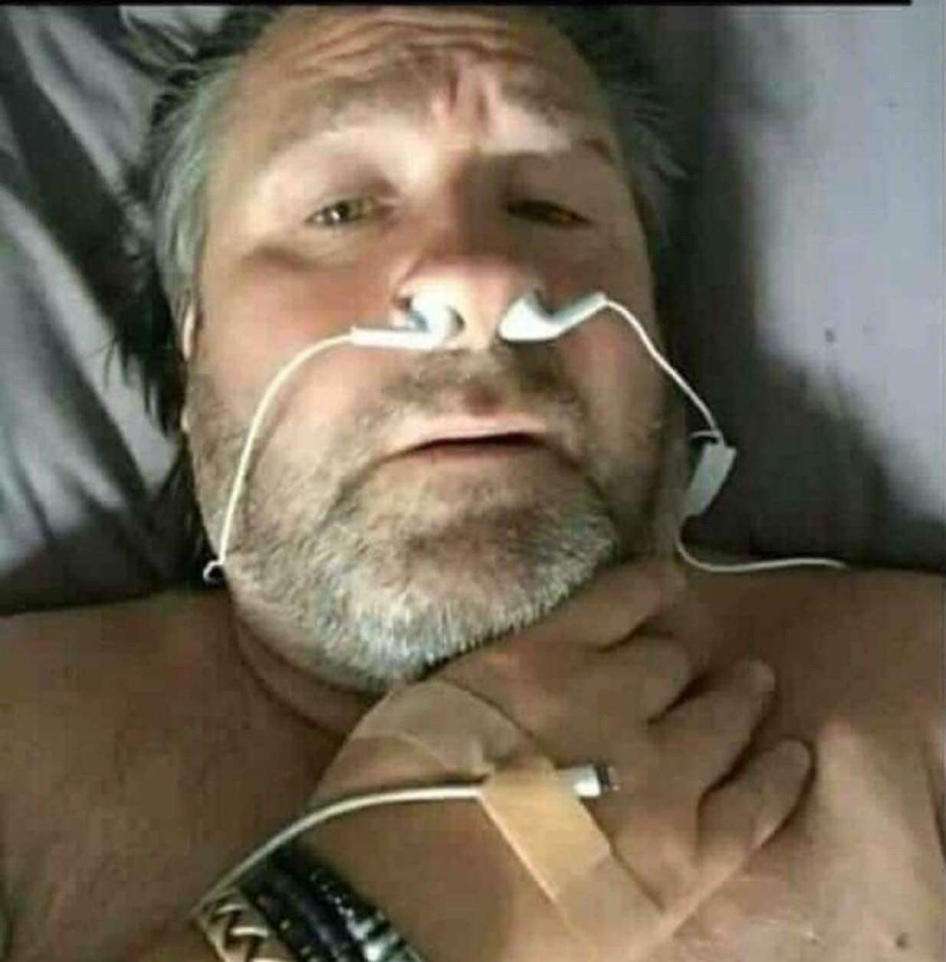
- Serious SRA AR breaches
  - Banking facilities
- Moderate to Minor SRA AR breaches
  - Poor record keeping/long standing residue balances/Suspense ledger
- Intentional departures of policies/procedures
  - Work arounds
  - Fraud
- Inadequate policies/procedures
  - Not robust enough
  - Not clear enough
  - Disbursements not paid out promptly (exception reporting)
- Other irregularities
  - VAT [rate changes/Brexit/disb –v- re-charge]
  - Billing [Solicitors Act 1974/Interim&Final]



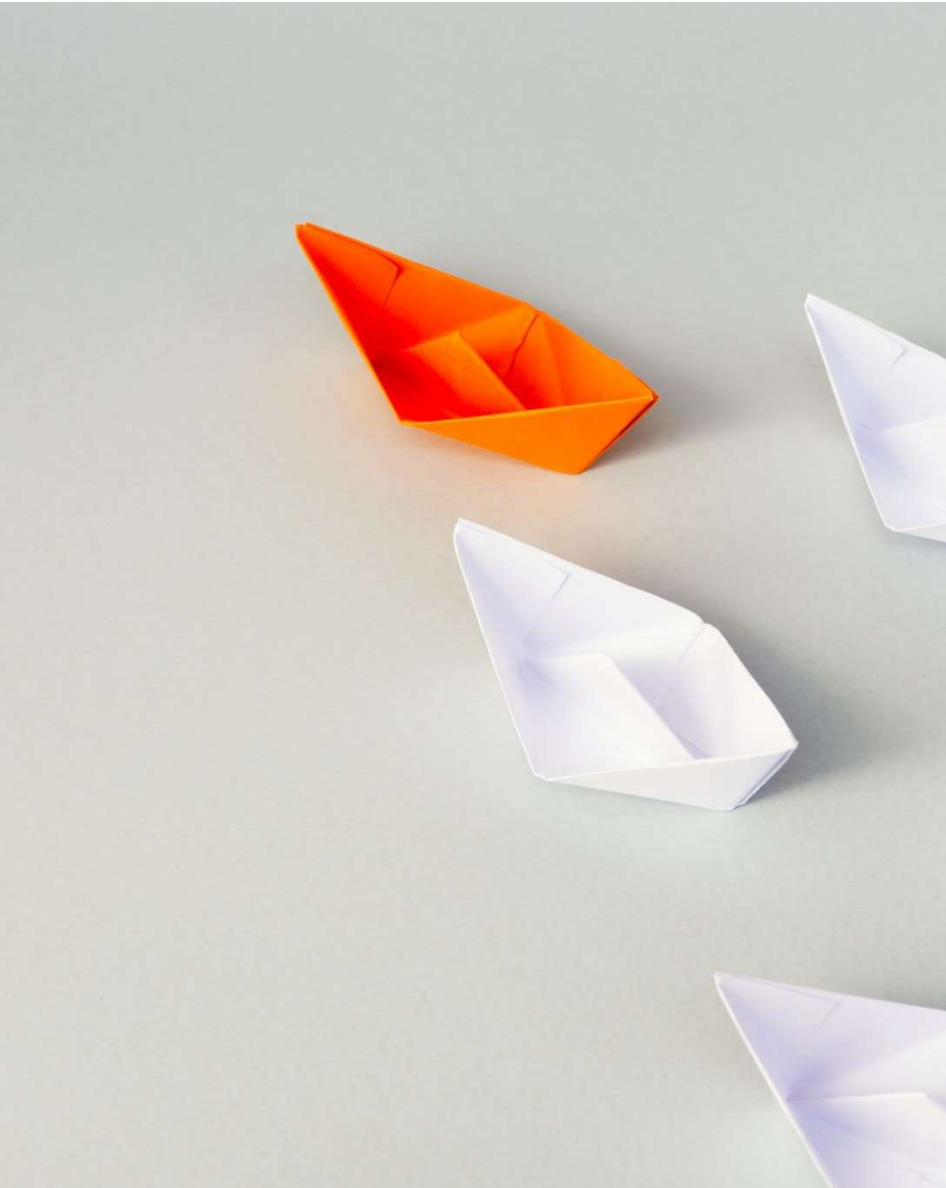
# 3-Way Bank Reconciliation

<b>Client Reconciliation Statement as at 30 November 20XX</b>		
<b>1. Bank Account Balances</b>		
General Client Account held at HSBC Plc		503,123.00
Separate Designated Deposit Account held at HSBC Plc		300,000.00
		<b>803,123.00</b>
<u>Less</u>		
Unpresented cheque 101	(400.00)	
Unpresented cheque 104	(13,320.00)	
Add outstanding lodgement (cash in safe)	1,000.00	
	(12,720.00)	<b>790,403.00</b>
<b>2. Cashbook Balances</b>		
Client Account		490,403.00
Deposit Account		300,000.00
		<b>790,403.00</b>
<b>3. Ledger Balances</b>		
<b>Client ledger balances (please see attached or listed below)</b>		
A Jones	400,000.00	
B Jones	90,400.00	
Suspense Ledger	3.00	
	490,403.00	-
<b>Deposit ledger balances</b>		
Richard Thomas - personal injury	300,000.00	<b>790,403.00</b>
Difference/s		NIL

***When your boss asks for  
proof you're in hospital***



**What should I expect from my cashier or  
accounts department?**




# What do you have?

- Data Processor?
- Cashier?
- Legal Cashier?
- Accounts Manager/Team Leader?
- Deputy COFA/COFA?

## Tasks can be varied

- Posting to client, office and nominal/purchase ledgers.
- Daily reconciliations
- Uploading payments
- Amending supplier details
- Interest calculations
- Issuing cheques
- Banking
- Client to office transfers
- Able to assist file reviews
- Able to quality check VAT returns
- Provide advice and guidance
- Instructing RA
- Open/Close Month End
- Opening bank accounts
- Exception reporting
- Residue balances



What should I consider  
when recruiting?



## Key Points

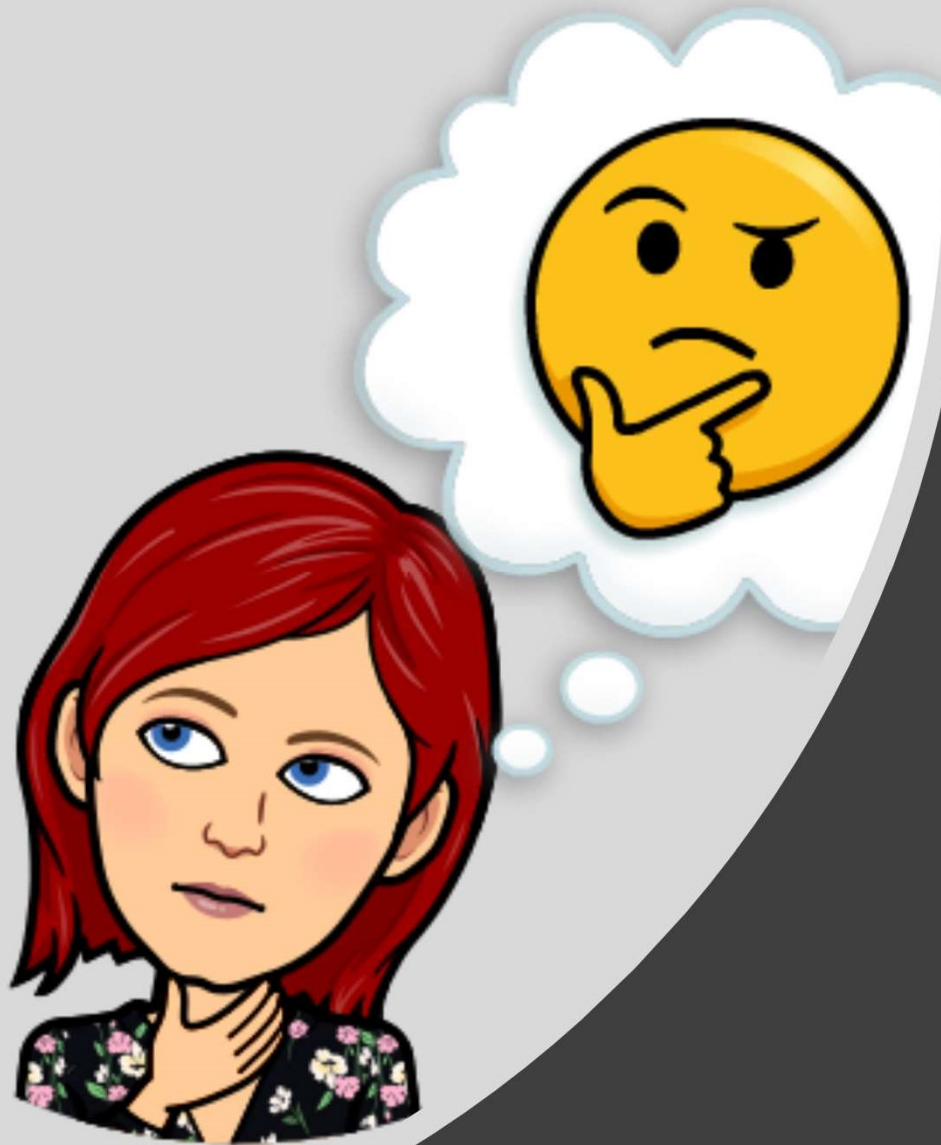
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- Employed/Self-Employed/Outsourced
- Job advert
- Job description
- CV
- Reference/DBS/Regulatory Checks
- Job interview/Assessment



# Interview questions

- What is the difference between a two way bank reconciliation and a three way reconciliation?
- When can a business raise a credit note?
- How do you remain up to date? Can you recall what the most recent changes were to the accounts rules?
- What are the current rules around residue balances?
- What steps would you take if you couldn't identify a payment that was made into client account?
- Can you keep client money in office account?
- Are you able to give me an example of what you would view as a serious breach?
- If I was buying a property jointly with my spouse, would this have to be paid into office or client? Would your answer change if I was buying it in my own name?



What accounting information are the SRA likely to ask for prior to a visit?



# Supporting accounting documents



Expect to write to your bank or building society to confirm balances



A list of all your open matters at a given date with the client and office balances.



Cashbooks, journals, ledgers, other books of account and bank reconciliations.



Bank and building society accounts



Paying in books, cheque counterfoils, electronic transfers, bank mandates, opening forms for all accounts



Bank account statements and correspondence to include TPMA accounts



## Other general documents

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- Latest accountant's report
- Latest set of closed accounts
- PII claims history and proposal form
- Practising certificates
- Equity structure/profit share (to include staff)
- Breach registers
- Trust accounts
- AML policies/FCA registration/E&D policy etc.

Are there  
circumstances  
where I don't  
need an SRA  
AR audit?

- If you haven't held or received client money or operated a joint account or a client's own account as signatory (Rule 12).
- Exception to the rule
  - You may hold client money under 2.2 in their business account.
  - All of the money you hold is from the LAA
  - If your average month end is £10k or less and does not exceed £250k



The End