



28 April 2008

Our ref: ICAEW Rep 52/08

Your ref:

Susan Perry
Solicitors Regulation Authority
Berrington Close
Ipsley Court
Redditch
Worc B98 0TD

By email: LSA@SRA.org.uk

Dear Ms Perry

CONSULTATION PAPER 7: INFORMATION REQUIREMENTS FROM FIRMS IN THE CONTEXT OF A RISK-BASED APPROACH TO REGULATION

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on the consultation paper *Information requirements from firms in the context of a risk-based approach to regulation* published by The Solicitor's Regulation Authority in February 2008.

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 130,000 members in more than 140 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

General comments

We note that this is a high level consultation. We would welcome the opportunity to respond to your detailed proposals in due course.

We support the key objectives to ensure you have appropriate information to inform a risk-based approach and to be in a position to take prompt and proportionate action to minimise risk to consumers of legal services and the public as a whole.

Firms should be entitled to expect to only provide information which is the minimum necessary for the SRA to effectively regulate those firms and be asked to provide it once to a single point. Multiple requests or repeated requests for information which

may include details which are not essential for effective regulation would not follow the principles of better regulation. We strongly recommend that new requirements for information are only introduced if required to enable the SRA to discharge its regulatory obligations.

The need to call for information from every firm every year should be balanced with the use to which it will be put. It may be that it would be sufficient to undertake periodic surveys to establish and track changes in the overall population of firms. For example, information on diversity is unlikely to change year on year and a smaller sample of some firms on a periodic basis may be a more efficient way to deal with this, assuming that it is a matter that the SRA is required to address. The same approach could be applied to other information that you are suggesting is collected.

Comments on financial stability of recognised bodies

In paragraph 3.9(i) it is suggested that “[you] believe...that there would be benefit in having information about financial stability. [You] recognise that identifying the relevant detail will be difficult and may only give a snapshot at a single point in time.”

Although this is a high level suggestion at this stage we discourage the SRA from introducing a requirement for such an opinion. An opinion on the financial stability of a firm is necessarily difficult as the future is inherently uncertain. Any report on such matters would include such serious caveats that its utility would be in question and the cost of producing it is likely to outweigh any benefit that may accrue to the SRA.

It is possible in certain situations for accountants to provide statements on working capital forecasts. However, this is a very complex area and even where it might be possible to do this, the costs and risks of doing so are likely to be so great as to lead accountants to conclude that they should not provide such a report. It would also require firms of solicitors to install systems to provide the data to produce such forecasts and this would be another cost.

We would also discourage the SRA from increasing the remit of the Solicitors’ Accounts Rules without full consultation with the reporting accountants who will be called upon to undertake the work. It is also important to note that

- Not all firms will hold clients’ money and therefore the role of the reporting accountant will be limited
- Not all firms will have auditors
- Where both a reporting accountant and auditor are appointed the two positions will not always be occupied by the same individuals or the same firm.

Please notify the Institute at the earliest opportunity if you wish to explore this further to ensure that any new measures introduced are workable and that accountants would be prepared to undertake the work involved.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Caron Bradshaw', with a stylized flourish at the end.

Caron Bradshaw
Business Law Manager
Direct dial: 020 7920 8579
Email: caron.bradshaw@icaew.com