

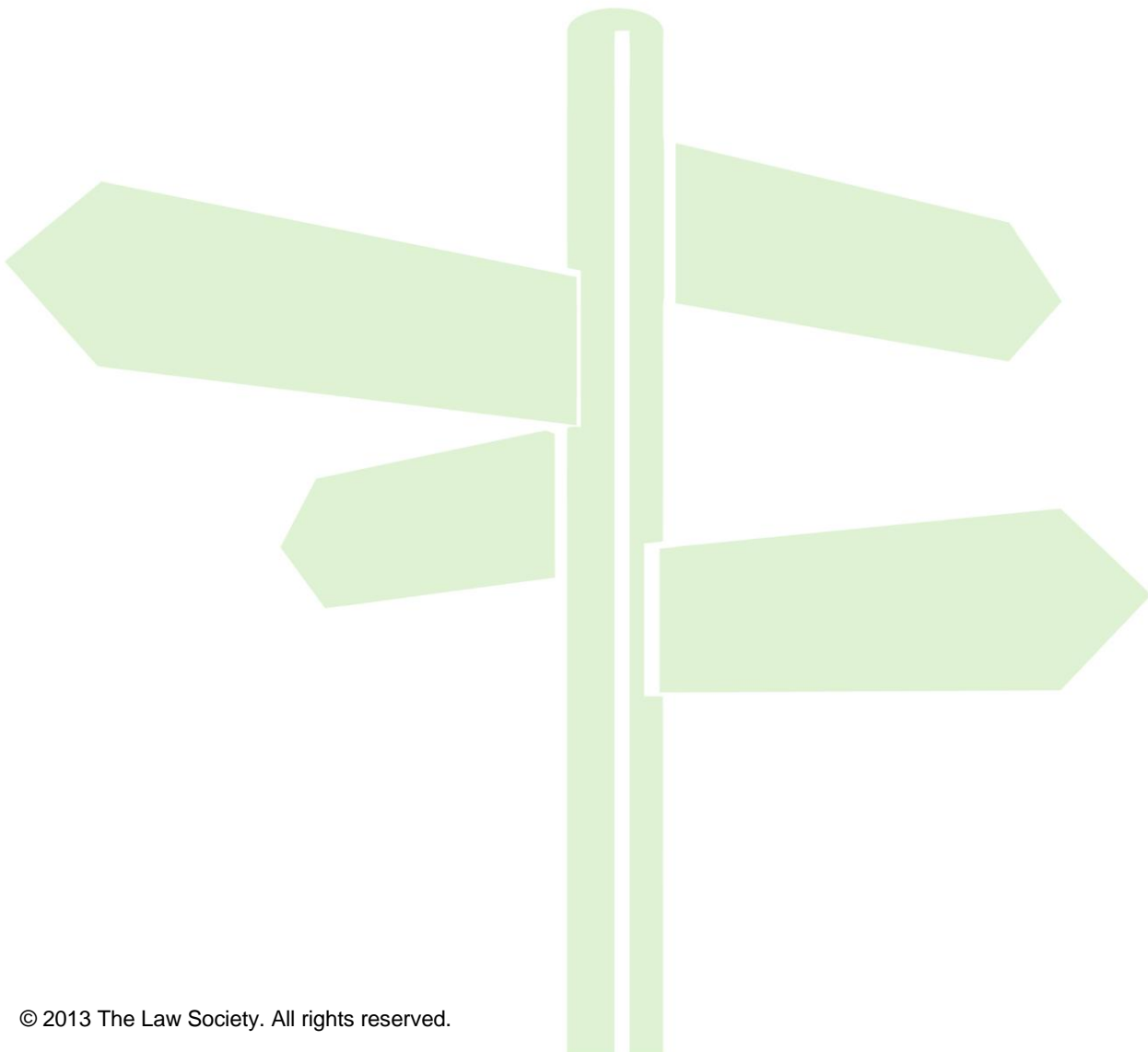


The Law Society

# **SRA consultation: Proportionate regulation – changes to reporting accounting requirements**

Junior Lawyers Division response

June 2014



# **SRA consultation on "Proportionate regulation: changes to reporting accounting requirements"**

## **Junior Lawyers Division response**

The Junior Lawyers Division of the Law Society of England and Wales (the "JLD") represents a body of students, trainees and solicitors (up to 5 years' PQE) across England and Wales.

The JLD, in principle, supports initiatives which are designed to reduce unnecessary regulatory burdens, and reduce costs for firms and clients alike. However, the JLD has a vested interest in preserving client confidence in the integrity of the legal profession and, as such, any deregulation should be proportionate to ensure adequate protection is provided to consumers where necessary.

### **1. Do you agree with the removal of the mandatory requirement that all firms holding client money must submit an annual accountant's report?**

The removal of the mandatory requirement that all firms holding client money must submit an annual accountant's report does pose potential risk for the profession. If a firm is not dealing with client's money appropriately this would usually be picked up in the accountant's report. Without a requirement for the report to be produced, it removes a safeguard to ensure that client money is being properly held and accounted for. This does not, however, directly affect the JLD's membership.

### **2. Do you agree with the proposed amendment to the role of the Compliance Officer for Finance and Administration?**

As the JLD's membership only covers those solicitors with up to five years' post-qualification experience it is unlikely to directly impact upon the JLD's membership as our members are unlikely to be suitable for the position of COFA.

### **3. Do you agree with the proposed changes to the SRA Account Rules (attached in Annex 1)?**

The proposed changes to the SRA rules do not appear to directly affect junior lawyers. The JLD is therefore in agreement with the proposed changes on the basis that a firm's COFA will be required to sign a declaration to confirm they are satisfied with their firm's accounts in accordance with the SRA Accounts Rules. This should ensure, to as far an extent as is possible without third party involvement, that a firm is properly looking after client money.

### **4. Do you have (or are you aware of) any evidence, analysis, or views that will assist us in completing an impact assessment on these proposals?**

No, as this is not of particular relevance to junior lawyers.

To conclude, the JLD is concerned about the overall impact of removing the mandatory requirement for firms to submit annual accountant's reports where they hold client money. The JLD does not see that proposal 2, requiring a

COFA to sign off a firm's annual accounts as being compliant with the SRA Accounts Rules, will adversely affect our membership. The JLD therefore agrees with the proposed changes to the SRA Accounts Rules which are attached at Annex 1 of the proposal.

### **General**

Finally, the JLD is concerned regarding the timing of the consultation, the short period permitted for responses to be submitted, and the proposed timetable for implementation of the proposals.

The consultation clearly seeks further information, analysis and data from practitioners in order to assess the SRA's proposals. The short time period provided for responses to this consultation may restrict the amount of interested and representative bodies that are able to respond.

Further, the JLD notes that final approval for the proposals will be sought by early August 2014, which could allow only six weeks before the new terms come into effect on 1 October 2014. This is of course a tight timescale to implement potentially significant changes.

The JLD thinks it is important that sufficient time is permitted to ensure that a full consultation is carried out, that the consequences of the proposals are fully explored and that any final proposals include sufficient safeguards to ensure protection for solicitors and clients.