



# Signing off accounts, returns and other documents

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## HELPSHEET

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This helpsheet has been produced in conjunction with the ICAS Quality Assurance Department (Quality Review and Audit Monitoring)



**Practitioner Service**

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The Institute is often asked what the legal requirements or best practice are for signing off accounts, correspondence and a variety of other documents. This helpsheet summarises some examples of what ICAS considers to be acceptable practice.

## **The general situation**

Outside the reserved areas of work, how any practice chooses to sign off various classes of work and communications is a business decision. The style in which a firm signs off its work may encompass the form of words, the signatories, any descriptors applying to the signatory, the level of authority and so on.

Many practices take the view that only principals should sign on behalf of the firm but that is not always practical or indeed commercially justifiable. It is true, however, that the principals bear the risk. What is required therefore is a careful consideration of the risk in each situation, and where authority is delegated, that there is adequate consideration of such delegation and a review of its usage.

## **Risk assessment**

In determining who in the firm has authority to sign which documents, the firm requires to assess what the implications and risks for the firm would be if something went wrong, such as a report being signed inappropriately. That risk may be in commercial terms through compensation or penalty, but may be as much to do with harm to the reputation of the firm, be that publicly or more privately with an individual client or, for example, with HM Revenue & Customs. The key point is that the user of the documents is entitled to assume that the person signing has the requisite authority.

The initial consideration should therefore be of the competence of the persons to whom authority is to be delegated, both in terms of their initial recruitment and ongoing, through continuing professional development. The delegated authority must also take into consideration the type of reports and documents being signed. This may be specific to the situation or may be covered through a formal internal review procedure. For example, the risk arising from permitting a staff member to sign off a report on work that has been subject to the firm's full quality control and review procedures may be less than where those procedures do not exist or are not regularly reviewed.

Of course, it is always preferable for the consideration of risk to be documented so that it can be demonstrated to interested parties such as professional indemnity insurers. The system that is put in place will of course vary according to the size and structure of the firm concerned.

## **Some common situations**

### **Sole practitioners**

For reports under a personal appointment, as explained further below, it would only be appropriate for the sole practitioner to sign in his own name, and no other person should sign such a report.

If the client appointment is not a personal appointment and reports can be signed in the firm's name, then another suitable person may be delegated to sign, subject to the firm's risk policy and the controls mentioned earlier, as long as the name of the firm is not the sole practitioner's own name.

Where the sole practitioner uses his/her own name as the firm name, it would not be appropriate for another person to sign in that name, without ascribing the normal "pp". This may be acceptable for correspondence perhaps but would be inappropriate for a set of accounts. Therefore, the sole practitioner should always sign these personally.

### **Personal appointments**

In situations where a principal is personally appointed to a position in respect of which a report is required, only the signature of that individual will suffice. This applies even if the fees for the assignment are passed through the firm. A common example of this is a personal appointment as Independent Examiner of a charity's accounts, where the person appointed is required to sign the report in his/her own name and not the name of the firm.

### **Accounts**

Subject to what has already been said about risk, it is acceptable for a non-principal to sign off sets of accounts and similar reports, as long as the appointment is in the firm's name and not a personal appointment. This should be subject to the firm's risk policy and controls, as mentioned earlier. For example, a sole practitioner may have reviewed a set of accounts in accordance with the firm's policy but as he is not going to be available later, delegates the signing of those accounts to a manager.

### **Personal and partnership tax returns**

Only clients should sign such returns. Firms should retain approval from clients prior to online submission, otherwise they run the risk of the client denying responsibility in the future. While the firm does not 'sign off' in the literal sense, it does in the sense that it submits (electronically) the client's approved return. The

authorisation required for such submissions should follow the firm's risk assessed practice (i.e. principal only or delegated level of authority).

#### **Corporation tax, VAT, payroll & similar services**

Whilst firms may sign Corporation Tax returns, VAT returns forms P35 and forms P11d in the capacity of agent, it is not considered good practice to do so. By 2011, the majority of returns and forms will be required to be lodged online, so it is important that firms retain evidence of client approval prior to online filing. Signing and submitting returns without evidence of client approval may make it difficult to defend a dispute should such a circumstance subsequently arise.

If a firm submits a Corporation Tax return online but fails to comply with HMRC directions by retaining evidence in writing that the company has approved the return, the firms will be wholly responsible for the declaration that the return is correct and complete. This may well conflict with the firm's audit responsibility if applicable, but even for non-audit clients this responsibility is likely to have extended beyond what was envisaged when accepting the client assignment.

As agent, firms may sign off VAT returns on behalf of clients, but as noted above this would not be considered good practice. On occasions, firms may be appointed as a tax representative for VAT purposes (typically for overseas companies trading in the UK and subject to UK VAT legislation). In such circumstances this appointment would empower (a person in) the firm to sign the VAT returns which may well be convenient for the client, but results in the person signing the return becoming jointly and severally liable for the VAT liabilities.

HMRC issues directions on online filing by agents for all types of returns accepted online. Firms should familiarise themselves with these directions which can be found on the HMRC website ([hmrc.gov.uk](http://hmrc.gov.uk)).

While it may be expedient to allow non-principals to sign off certain returns on behalf of the firm, the principals need to be aware of the risk involved and this depends on the nature of the appointment. It is usually better policy for clients to sign all tax declarations.

In relation to BACS payments or other salary payments arranged by the firm, it is also considered best practice to obtain client authorisation prior to making the payment. This is an ethical requirement in relation to the payroll services for audit clients, so as to avoid conducting a

"management role" for the audit client (see APB Ethical Standard 5 (revised) – Non-audit services provided to audit clients).

#### **Correspondence**

This is perhaps one of the easier areas to address.

If a firm permits persons other than principals to sign correspondence within a defined level of authority, then the identity and status of that individual should be stated, together with their status. For example:

**Joseph Bloggs,  
Tax Assistant**

While principals may freely ascribe the firm's name only, it may be more fitting to house style to sign off as:

**Anne Other  
Partner**

#### **Email**

This is one of the riskiest areas for all firms. Most firms permit, indeed encourage, all staff to improve communication through the use of email. However, not all firms consider what may be appropriate for this form of communication and the level of authority which members of staff have.

Appropriate training needs to be given to staff. Firms are advised to determine who can provide client advice and at what level and whether review procedures are needed prior to transmission to client. Firms are reminded of the importance of such training and procedures due to the immediate nature of this method of communication.

It is also recommended that the individual's signature file should show similar information to the styles mentioned under correspondence. Firms may also wish to avail themselves of a suitably worded disclaimer, some examples of which follow:

*“Quality control: It is the policy of this firm to review and approve outgoing communications using a process of tiered authority. Please note that the originator of the above message may differ from the ultimate sender as a result of the process.”*

*“Any views or opinions presented are solely those of the author and do not represent those of [insert name of firm] unless otherwise specifically stated.”*

*“As internet communications are capable of data corruption, [insert name of firm] does not accept any responsibility for changes made to this message after it was sent. For this reason, it may be inappropriate to rely on advice contained in an email without obtaining written confirmation of it. Unless specifically stated, this message should not be construed as an offer or acceptance, or to form part, of a legally binding contract. Any views expressed in this message are those of the individual sender, except where the sender specifically states them to be the views of [insert name of firm].”*

*“When addressed to our clients any opinions or advice contained in this email are subject to [insert name of firm]’s terms and conditions of business.”*

The last of these examples is interesting in that it is clear that terms and conditions relating to email communication are covered in the firm’s standard engagement terms. This is an approach that may be worth considering.

### Other

There are many other situations where firms have to ‘sign off’ and the general advice would be to follow the protocols used in the above examples (i.e. if the assignment is in a personal name, that person should sign; if authority can be delegated, then it may be subject to developing a suitable scheme of delegation).

### Reserved areas of work

If the practitioner operates in any of the reserved areas of audit or financial services, for which additional licences are required, the requirements are more prescriptive.

### Audit

The Audit Regulations have always required that the audit report must be signed only by the “Responsible Individual” (“RI”) responsible for the audit. Therefore the signing of audit reports must not be delegated to any other persons.

The new audit report wording under Audit Regulation 3.16 and s.503 Companies Act 2006 (the 2006 Act) should contain the following:

- the signature of the RI who is in charge of the audit with the RI’s name typed underneath. The words

“Senior Statutory Auditor” should then be included underneath that; and

- the firm’s name exactly as it appears in the register, including the words “Statutory Auditor” after the firm name.

If a sole practitioner’s name is exactly the same as the name of the firm then he/she will only have to sign his/her name and state “Statutory Auditor” after his/her name.

**Here is an example of how the new style audit report should look:**

Johnnie R Smith	(the RI’s usual signature, however this is usually signed)
John Smith CA,	(the typed name of the RI, exactly as it appears on the public register)
Senior Statutory Auditor	(typed)
For and on behalf of Smith & Co Ltd.,	(the typed name of the registered audit firm, exactly as it appears on the public register)
Statutory Auditor.	(typed)
Address	(typed)
Date	(typed)

The phrase “For and on behalf of”, as used above, is advised to be included to counter any risks of personal claims against the RI, as it indicates that the RI is acting on behalf of the firm (and therefore covered by the firm’s PII!).

The new style audit report, explained above, applies only to the audit of entities listed in s.1210 of the 2006 Act, a special report on abbreviated accounts, or when accounts are voluntarily revised by the directors. The implementation dates for these changes are noted below:

- for companies, banks, insurers, certain partnerships (see definition of an audit in the Audit Regulations) – for audit reports for financial years beginning on or after 6 April 2008.
- for building societies – for audit reports for financial years beginning on or after 29 June 2008.
- for friendly and industrial and provident societies that are insurers – for audit reports for financial years beginning on or after 29 June 2008.
- for limited liability partnerships – for audit reports for financial years beginning on or after 1 October 2008.
- for Lloyd’s syndicates – for audit reports for financial years beginning on or after 1 January 2009.

Other entities requiring an audit report, but which are not covered by s.1210 of the 2006 Act above, do not require a personal signature of the RI. In such cases (for example an unincorporated charity) the name of the firm and the term “Statutory Auditor(s)” should still be used, rather than the old term “Registered Auditor”. There is, however, nothing to stop firms adding the name and sign off of the RI, if it so wishes, but the statutory protection against any additional civil liability (if such a liability exists) is not extended in these situations. If a firm intends to do this, the engagement letter should make it clear that any claim arising would be against the audit firm and that the individual, by reason of being named and by signing the auditor’s report, is not subject to any civil liability to which he would not otherwise be subject.

For audit reports relating to accounting periods beginning before 6 April 2008, the wording under the previous Audit Regulation 3.10 did not require a personal sign off and only needs the firm name followed by the designation “Registered Auditor”.

(Please note that any firms signing audit reports for Republic of Ireland entities, the new Audit Regulations are not yet applicable and the audit report should be as Audit Regulation 3.10 above until firms are otherwise notified).

Firms should also remember that the above signing requirements only relate to the audit reports submitted to the audit client and members. Audit reports lodged with Companies House from 1 October 2009 do not require to be signed at all.

Firms are advised that if they are in any doubt that they can always contact the **Professional Services department** on **0131 347 0282** or by emailing **ereid@icas.org.uk** or by contacting the **Members Services department** on **0131 347 0254**.

### **Financial Services – Firms licensed under the terms of the Institute’s Designated Professional Body Scheme**

Engagement with clients will be in the name of the firm and therefore sign off of reports and correspondence etc should follow the general guidelines mentioned above i.e. any non principal can be delegated to sign, subject to the firm’s risk policy. As part of any scheme of delegated authority, firms should take into account the specific competency of the individual in relation to financial services.

### **Useful links**

The Audit Regulations 2008 can be downloaded from:  
**[www.icas.org.uk/site/cms/contentviewarticle.asp?article=2260](http://www.icas.org.uk/site/cms/contentviewarticle.asp?article=2260)**

For more information regarding Quality Assurance, i.e. Audit Monitoring or Quality Review, contact Lynne Bannan on 0131 347 0284 or email [lbannan@icas.org.uk](mailto:lbannan@icas.org.uk).

For more information regarding the CA Practitioner Service, contact Lesley Amos on 0131 347 0253 or email [caps@icas.org.uk](mailto:caps@icas.org.uk).

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