# Helpsheet: Signing off accounts, returns and other documents

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## Introduction

The legal requirements and best practice for signing off accounts, audit reports, correspondence and other documents can be complex. This helpsheet summarises some examples of what is considered to be acceptable practice and provides practical guidance.

## Overview

Outside reserved areas of work, how a practice decides to sign off work and communicates with clients 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 the implications and risks for the firm if something went wrong, for example, a report being signed inappropriately. That risk may be in commercial terms through compensation or penalty but may also 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 HMRC. 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 document 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.

## Electronic Signatures

Use of electronic signatures is becoming increasingly commonplace. Whilst the Companies Act 2006 states that the financial statements must be ‘signed’, it was drafted prior to electronic signatures gaining momentum so there is no reference specifically to the use of electronic signatures.

Further information on the use of electronic signatures can be obtained in a separate helpsheet (see [Useful links](#Useful_Links) section below).

## Which documents in statutory accounts need a signature?

### Accounts

Subject to what has already been said about risk, it is permissible for a non-principal to sign off sets of accounts and similar reports, if the appointment is in the firm’s name and not a personal appointment. 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.

A summary of the Companies Act 2006 and the Registrar’s rules specifying signature requirements in relation to a company’s annual accounts and reports is provided below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Page** | **Original** | **Copy for Companies House****(Paper filing)** | **Copy for Companies House****(Electronic filing)** | **Copy for publication** |
| Balance sheet  | **Signed** by a director on behalf of the board (Companies Act 2006 s414) | **Signed** by a director (Registrar’s rules Volume 2, para 23)State the name of director or company secretary who signed (Companies Act 2006 s444-s447 as appropriate) | State the name of director or company secretary who signed (Companies Act 2006 s444-s447 as appropriate) | State the name of director who signed (Companies Act 2006 s433) |
| Directors’ report and Strategic report (where applicable) | **Signed** by a director or company secretary on behalf of the board (Companies Act 2006 s419/s414D) | State the name of director or company secretary who signed (Companies Act 2006 s444-s447 as appropriate) | State the name of director or company secretary who signed (Companies Act 2006 s444-s447 as appropriate) | State the name of director or company secretary who signed (Companies Act 2006 s433) |
| Auditor’s report | **Signed** by Senior Statutory Auditor and state the name of the audit firm and the Senior Statutory Auditor (Companies Act 2006 s503)  | State the name of the audit firm and the Senior Statutory Auditor who signed (Companies Act 2006 s444-s447 as appropriate)  | State the name of the audit firm and the Senior Statutory Auditor who signed (Companies Act 2006 s444-s447 as appropriate)  | State the name of the audit firm and the Senior Statutory Auditor who signed (Companies Act 2006 s505) |

Further information on the content of accounts preparation reports is contained in the ICAS Framework for preparation of accounts.

#### Electronic filing with Companies House

For submission of accounts to Companies House in electronic form, no director’s signature is required on the balance sheet. When submitting the accounts, the registrar must be provided with the company’s registered number and authentication code in line with the [Registrar’s rules](https://www.gov.uk/guidance/registrars-rules). (Volume 1, paragraph 15).

#### Paper filing with Companies House

The [Registrar’s rules](https://www.gov.uk/guidance/registrars-rules) (Volume 2) requires that accounts must be on white paper and the text must be in black typescript or handwritten in black ink. Signatures are also required to be in black ink. Care should be taken to adhere to these requirements to prevent accounts being rejected.

The Registrar’s rules (Volume 2, paragraph 22) also require that the company name and number appear on one of the balance sheet, profit and loss account, directors’ report, directors’ remuneration report or auditor’s report. In practice, most companies will include these details on more than one of the stated pages as well as on the cover sheet and company information page (if presented).

#### Limited Liability Partnerships (LLPs)

In broad terms, [The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008](https://www.legislation.gov.uk/uksi/2008/1911/contents) apply the above Companies Act 2006 requirements to LLPs.

However, instead of the accounts being approved by the board and signed on its behalf by a director, the accounts must be approved by the members and signed on behalf of all of the members by a designated member. Additionally, there is no statutory requirement to produce a members’ report, although this may be provided if desired.

### Audit

#### Companies Act 2006

The [Audit Regulations](https://www.icas.com/__data/assets/pdf_file/0018/610290/Audit-Regulations-and-Guidance-05.12.22-v2.pdf) require that the audit report must be signed only by the “Responsible Individual” (“RI”) responsible for the audit. Therefore, the signing of an audit report must not be delegated to any other person.

The audit report wording under Audit Regulation 3.16 and s.503 Companies Act 2006 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 they will only have to sign their name and state “Statutory Auditor” after their name.

An example of the signature block within an audit report is given below:

|  |  |
| --- | --- |
| 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) |
| 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” may be added prior to the firms name to counter any risks of personal claims against the RI, as it indicates that the RI is acting on behalf of the firm.

Regulation 3.16 also outlines the differences in relation to the information provided in the audit report for UK and Republic of Ireland entities.

#### Other audits

Other entities requiring an audit report, but which are not covered by s.1210 of the Companies Act 2006, for example an unincorporated charity, do not require a personal signature of the RI. In such cases the name of the firm and the term “Statutory Auditor(s)” should still be used. 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.

## Other common situations

### Sole practitioners

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, as long as the name of the firm is not the sole practitioner’s own name.

Where the sole practitioner uses their 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 sole practitioner or a principal in a firm 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 their own name and not the name of the firm.

### Insolvency appointments

Insolvency appointments are personal to the insolvency practitioner or practitioners jointly appointed. Notwithstanding this, the nature of the appointment and circumstances of the documentation to be signed will determine whether another suitable person may be delegated to sign, subject to the firm’s risk policy.

|  |  |
| --- | --- |
| **Document** | **Signing status** |
| General correspondence | May be delegated to sign in accordance with firm’s risk policy. |
| Statutory documents/forms/notices | Should be signed by office holder\* |
| Legal agreements or other documents creating contractual obligations | Cannot be delegated. |

(\*Due to the personal nature of appointments, statutory reports, forms, notices, etc should in the main be signed by the office holder. However in some circumstances another suitable person may be delegated to sign these on behalf of the office holder, subject to the firm’s risk policy. This will depend on whether legislation requires the office holder to sign the document or not.

As an example, the standard content of a document delivered to the registrar of companies under the Insolvency (England & Wales) Rules 2016 and equivalent Scottish Rules requires that the document being delivered must be authenticated by the person delivering the document. In the case of a CVL the liquidator must deliver notice of the appointment to the registrar of companies. In such a case the authentication should not be delegated and only the office holder should carry out the authentication.

Another example would be in relation to a Receipts and Payments Account under a sequestration. The Bankruptcy (Scotland) Act 2016 requires the trustee to submit the accounts of intromissions. Whilst these are normally signed there is no express requirement that the trustee signs these and therefore the signing of these may be delegated in accordance with the firm’s risk policy.)

Consideration also requires to be given as to whether a document is being issued by the insolvent entity or by the office holder on behalf of the insolvent entity. For example, during a trading administration certain orders may be being placed by the insolvent entity but under the instruction or control of the administrator or their staff. It should be clear to any recipient of documentation in what capacity the documentation has been signed. Any documentation or correspondence issued by the insolvent entity is not therefore personal to the office holder and another suitable person may be delegated to sign, subject to the firm’s risk policy.

An example of an approach which could be taken is given below:

A Manager

For and on behalf of Mary Black

Joint Administrator of Insolvent Company Ltd

The Joint Administrators act as agent of Insolvent Company Ltd (In administration)

### Court Reporter

Whilst not an insolvency appointment, the appointment in Scotland of a Court Reporter is often undertaken by those who are authorised as insolvency practitioners. The appointment of Court Reporter is a personal appointment and therefore the Report issued should not be delegated and must only be signed by the person appointed.

### 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 many firms may sign (or submit online on the client’s behalf) Corporation Tax returns, VAT returns forms P35 and forms P11d in the capacity of agent, it is not considered good practice to do so. The majority of returns and forms are now 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 firm 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 (or lodge online) 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.

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.

### Non-audit services to audit clients

Where a firm is permitted to provide non-audit services to an audit client then additional matters must be considered and in particular consideration of the requirements of the FRC Ethical Standard.

For example, section 5 of Part B sets out that in relation to accounting services they can only be provided to an audit client (who is not a listed entity) where:

* the accounting services would not involve the firm undertaking part of the role of management or initiating transactions, or
* where the services are of a routine or mechanical nature, requiring little or no professional judgement.

The role of management would include authorising or approving transactions. Services of a routine or mechanical nature, requiring little or no professional judgement, would include data-processing services such as payroll. It would therefore not be appropriate for example for a BACS payment to be signed as authorisation for the bank to make salary or other payments where the non-audit services provisions apply.

Section 6 of Part B of the Ethical Standard provides some further exemptions where the audit client is a small entity.

### Correspondence

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 for example stating their name followed by job title.

### Email

This is one of the riskiest areas for all firms. As email becomes the most used form of communication it is still important to consider what may be appropriate according to the level of authority which members of staff have.

Although it may appear obvious, 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 pressing the ‘send’ button to clients. 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 detail their name and position.

Firms may also wish to avail themselves of a suitably worded disclaimer, some examples of which follow:

Example 1:

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.

Example 2:

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.

Example 3:

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].

Example 4:

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 makes it clear that the 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.

### Financial Services

Where firms are licensed under the ICAS’ Designated Professional Body Scheme such engagements with clients will be in the name of the firm. 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

[Helpsheet: Electronic signatures](https://www.icas.com/members/benefits-of-membership/customer-centric-organisation/more-for-members/evolve/knowledge-and-insight/general-practice-manual/e/Electronic-signatures-v1.docx)

[ICAS Framework for the preparation of Accounts](https://www.icas.com/__data/assets/pdf_file/0005/275018/Framework-for-the-Preparation-of-Accounts-revised-June-2020.pdf)

## Further information and assistance

Further assistance and information can be obtained from the Practice Support team. You can contact them through the Practice Support section of the [ICAS Technical helpdesk](https://www.icas.com/contact-us/icas-technical-helpdesk).

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