

Think Ahead

ACCA

Report on regulation 2017



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Introduction

ACCA's mission is:

- to provide opportunity and access to people of ability around the world and to support our members throughout their careers in accounting, business and finance
- to achieve and promote the highest professional, ethical and governance standards
- to advance the public interest
- to be a global leader in the profession.

This Report on Regulation demonstrates how ACCA strives to achieve its mission through a robust regulatory framework.

With more than one million professional accountants working in positions of strategic or functional leadership for businesses and governments worldwide, accountants and their professional bodies have a central role in protecting the public interest and delivering public value.

ACCA supports its members in delivering public value not only by satisfying the needs of individual clients or employers, but also by considering the wider impact of their professional activities on society as a whole. The public at large, through access to high quality accountants, are the ultimate beneficiaries of everything ACCA does to promote ethics and professionalism.

Regulation is integral to ACCA's brand promise of global quality. ACCA's reputation, in turn, enhances the value of membership. Public value is, therefore, embedded in ACCA's regulatory system.

Introduction

REGULATORY FUNCTIONS OF ACCA

This report reflects on ACCA's regulatory activities during 2016, and reports on ACCA's achievements in regulation in the calendar year 2016. ACCA's regulatory activities comprise:

- qualification and examinations – developing ACCA's education and learning framework and ensuring the integrity of ACCA's examination process
- licensing – issuing certificates and licences to members involved in certain types of work, including auditing and insolvency work, ensuring they meet ACCA's standards for authorisation including relevant qualifications and experience
- monitoring – monitoring compliance with standards, rules and regulations, providing monitoring services to other regulators, and promoting best practice
- complaints and discipline – conciliating service complaints, and investigating and dealing with alleged misconduct of its members, students and firms

ACCA's regulatory structures and activities are kept under review, in order to respond effectively to developments in society and the regulatory environment. ACCA's qualifications, ethical standards, licensing procedures, monitoring and disciplinary processes are key to reassuring the public and regulators that high standards are being promoted and enforced.

ACCA's regulatory and disciplinary framework is subject to oversight by a robust and independent Regulatory Board ('the Board'). The Board also has responsibility for overseeing ACCA examinations and other matters in relation to the integrity of the qualifications process. The majority of the Board's members are non-accountants. Full details of the Board's regulatory policies and activities, including minutes of Board meetings, are available at www.accaglobal.com

Regulatory Board chairman's statement

For a professional body to be successful, its membership must be personally committed to practising to high technical and ethical standards, and the public must be satisfied that those standards are being upheld.

The Regulatory Board – independently chaired and with a majority of independent members – is one of the ways in which ACCA seeks to achieve this. Our work is to oversee the setting of educational and professional standards, the admission of members, and the disciplinary processes for dealing with members who fall short. It is our duty to ensure that it is the public interest which drives all of this work. During 2016, our Qualifications sub-Board has worked to ensure the integrity of our examination system across the globe, including the increasing use of computer-based examinations; our Appointments sub-Board has worked to ensure that the independent people who chair and sit on our admissions, licensing, and disciplinary panels are properly trained and supported; and our Standards sub-Board has worked on the implementation of EU Directives and started the overhauling of our suite of standards to keep them relevant, accessible, and firmly focussed on the public interest role of accountants.

The work of the Regulatory Board includes not only overseeing policy developments but also the oversight of operational performance to identify pinch-points. During 2016, the Board worked with the executive to oversee a successful programme of work to forestall an emerging backlog of disciplinary cases: additional resources and process improvements were secured, so improving public protection and promoting the efficient use of the money paid by members of ACCA. Over the course of the year, the average time taken from listing a case to its hearing fell from over 11 months to under five months.

ACCA operates in a challenging global environment: it has an ambitious programme to reform the education of its members, and to work with other accountancy bodies across the world. Economic conditions, including money laundering and the UK's impending withdrawal from the European Union, will continue to pose challenges. In the UK and Ireland, there are changes to the relationship between accountancy bodies like ACCA and the Financial Reporting Council (UK) and the Irish Auditing and Accounting Supervisory Authority. During 2017, the Regulatory Board will start a programme of sessions to look at different areas of ACCA's work, including identifying new risks and ways of mitigating with them. The Regulatory Board will continue to work with other parts of ACCA and external organisations to ensure that the regulation of ACCA members remains fit for purpose.

Executive director's statement

In 2016, we saw unprecedented shifts in the global environment, bringing a range of new political, social, economic – and regulatory – challenges. Against this backdrop, ACCA continued to innovate on behalf of its members, uphold standards, and improve processes to ensure the most efficient use of resources.

ACCA's brand promise includes a commitment to the highest educational standards. Last year we announced major changes to our qualification. We also completed our move to four exam sessions a year, and introduced innovative new computer-based examinations. These changes are designed to protect and enhance the ACCA designation, creating greater flexibility for students to progress while maintaining the quality and rigour for which the qualification is known.

We also entered into a ground-breaking strategic alliance with Chartered Accountants Australia and New Zealand (CA ANZ). This brings members value through access to wider professional insights and resources. Importantly, we also share a commitment to progressing the profession for the betterment of business, economies and society, and we will use this as a force for good to shape the future of the global profession.

In 2016, we also drove a number of improvements in our regulatory policies and processes. This included removing the requirement for an additional ACCA practising certificate for many practitioners outside the UK and Ireland in circumstances where a practising certificate or equivalent is held from another regulator; those eligible will, instead, register with ACCA that they are in public practice, reducing unnecessary bureaucracy. We also entered into a new collaboration with the Insolvency Practitioners Association (IPA) to deliver our insolvency regulatory activities through them while retaining our recognised professional body (RPB) status. This will create greater regulatory consistency and serve the needs of the insolvency profession in an efficient way. And following concerns noted in last year's Regulatory report, a working group of Regulatory Board members and staff members identified a range of improvements that significantly reduced the average time for disciplinary cases to be listed for hearings.

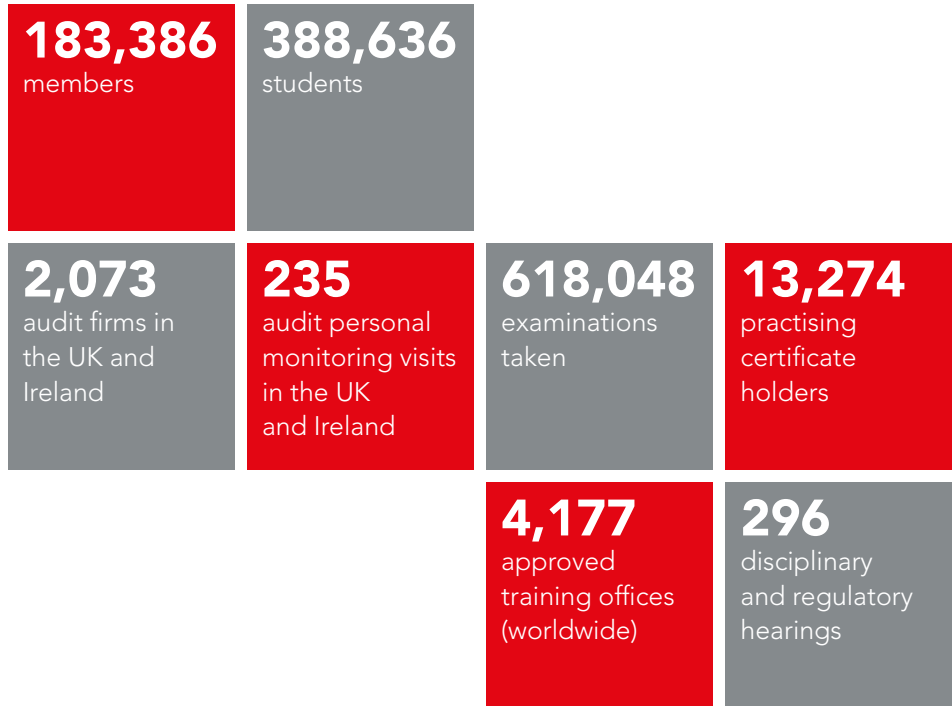
Among these improvements and innovations, 2016 also brought fresh challenges. The EU Audit Regulation and Directive (ARD) was implemented in the UK in June, moving primary responsibility for audit regulation from ACCA as a recognised supervisory body (RSB) to the UK Financial Reporting Council (FRC). We now carry out regulatory functions under a delegation agreement with FRC. A move to a comparable set of arrangements for Ireland remains under discussion.

We anticipate further significant change to come. With the establishment of the Office for Professional Body Anti-Money Laundering Supervision in the UK, we expect new obligations on bodies in the UK relating to money laundering. And, of course we await Brexit, and the impact this will have on the profession. In 2017, ACCA will continue to re-assess its own regulatory arrangements to ensure we are best placed to continue to anticipate and respond – both alongside and on behalf of our members, as well as in the public interest – to the opportunities and challenges ahead.

A handwritten signature in black ink, appearing to read 'Peter Large', with a long horizontal flourish extending to the right.

Peter Large
Executive Director – Governance

ACCA Regulation in numbers 2016



ACCA Regulatory Board

ACCA Regulatory Board, which was launched in September 2008 brings together all of ACCA's public interest oversight arrangements into a single entity. The Board's public interest role sits at the heart of ACCA's oversight structure and the Board provides oversight over all of ACCA's public interest functions – setting qualifications and assuring their delivery, setting professional standards, and the licensing and disciplinary system.

The bringing together of all of ACCA's public interest oversight arrangements under a single Board, coupled with the arrival of new non-executives on the boards, has been and continues to be a success. The Board is supported in its work by three sub-Boards – the Appointments, Qualifications and Standards Boards. Each sub-Board is constituted as a self-standing board and they have pursued their work as empowered entities, reporting regularly to the Regulatory Board through their chairmen. Each sub-Board has a clear programme of work, directed at strengthening the public interest elements of ACCA's activities.

Particular highlights of the sub-Boards' work during the year have included:

- Qualifications Board – ratifying the global examination results and working on the delivery of computer-based examinations
- Appointments Board – overseeing the generally very satisfactory performance of committee members, chairmen, and legal advisers (and, where necessary, taking action to address performance issues), and working with ACCA staff to ensure that panels receive good quality information in their work
- Standards Board – implementing EU directives and launching a more general review of the whole suite of Regulations.

FUTURE REGULATORY LANDSCAPE

With the immediate priorities of the Board's work programme now largely addressed, the Board continued in 2016 to turn its attention to the longer-term strategic issues, highlighted in both the 2014 and 2015 reports. The background to this is two-fold:

- The various and far-reaching developments in accountancy internationally and in the UK.
- The need to continue to develop and foster links between the work of ACCA regulation and the Association more generally.

In the first category are matters such as those identified in the far-reaching ACCA publication *Professional Accountants – the future*, the work of IFAC, the reciprocal membership arrangements being entered into with accountancy bodies across the globe (namely the strategic alliance with Chartered Accountants Australia and New Zealand), the EU Audit Directive and Regulation and possible collaboration with the other UK accountancy bodies.

ACCA Regulatory Board

In the second category is the question of how the work of the Regulatory Board, and the regulatory departments of ACCA, tie in with the broader work of ACCA. Historically, the work of the Regulatory Board and the more disciplinary elements of regulation have been set apart from other work. In part, this is necessary to demonstrate that there is no improper interference with decisions on admissions, licensing and discipline. However, there is a danger that the separation leads to a situation in which regulation does not keep up with the opportunities and risks in the external environment, and that the insights from regulatory work are not fed back into the wider work of ACCA.

For those reasons, the Regulatory Board has begun to discuss whether the current regulatory arrangements remain appropriate in a changing environment, whether the global reach of regulation is adequate, and whether the Board, and ACCA as a whole, has the information and communication necessary to ensure that the system continues to function effectively.

The Board held a fruitful discussion with ACCA at its first meeting in 2017, as a result of which it is drawing up a programme of learning sessions to ensure that it has an adequate understanding of the broader environment in which ACCA operates, and thus ensure that regulation is responding adequately to the opportunities and risks which present themselves.

AUDIT REGULATION IN THE UK AND IRELAND

As reported in last year's report, the implementation of the new EU Statutory Audit Regulation and Directive (EU ARD), which came into effect on 17 June 2016 in the UK and Ireland, has led to the designation of the UK FRC and Irish Auditing & Accounting Supervisory Authority (IAASA) as the sole competent authorities with ultimate responsibility for the performance and oversight of audit regulatory tasks. This means that FRC and IAASA, in their respective jurisdictions, are now responsible for audit inspections and investigation and disciplinary matters related to public interest entities (PIEs) with all other (ie non-PIE) tasks being delegated to the professional bodies to the fullest extent possible permitted by the EU ARD (but subject to oversight by FRC and IAASA respectively).

The designation of FRC and IAASA as the sole competent authorities means a fundamental change to the relationship between ACCA and these bodies. The new arrangements see FRC and IAASA assume powers to delegate, retain and reclaim regulatory tasks, thus enabling each body to direct audit regulation in their respective jurisdictions.

In the UK, a Delegation agreement was signed by ACCA and FRC in October 2016 which allows ACCA to undertake audit regulatory tasks. In October and November 2016, FRC carried out a review of ACCA's processes and procedures and FRC was broadly satisfied that ACCA's processes and procedures were working and, in the main, meeting the requirements of the Delegation agreement.

STRATEGIC ALLIANCE WITH CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND (CA ANZ)

In 2016, ACCA entered into a bold and exciting strategic alliance with CA ANZ. It's a ground-breaking move that will bring value to ACCA members and help further develop the accountancy profession. CA ANZ recognises the influence and high reputation of ACCA members which are endorsed throughout this alliance. The alliance will drive more innovation and research with ACCA members having access to wider research and professional insights. By sharing our expertise, insight and resources ACCA will be even better placed to represent the profession – shaping it from within and highlighting the invaluable role it plays to businesses and capital markets around the world.

The Regulatory Board will monitor this and other alliances to ensure that the regulatory system accommodates these developments.

Qualification and examinations

The ACCA qualifications are structured to provide development and progression from the Foundation-level qualifications through the Fundamentals and Professional level examinations to the ACCA Qualification.

The ACCA Qualification focuses on three key value propositions comprising exams, ethics and practical experience. ACCA, with its network of offices, approved learning partners and employers worldwide, supports students and members to develop successful careers by providing opportunity for learning and development. In partnership with Oxford Brookes University, UK, a BSc in Applied Accounting and a Global MBA is also available.

In 2015, ACCA signed an agreement with the University of London (UoL) to deliver a combined Masters in Professional Accountancy (MPAcc). This marks the first time an accountancy body has joined with a university to enable students and members across the globe to gain a Master's degree and a professional accountancy qualification at the same time. The first group to study the new Masters in Professional Accountancy commenced in January 2016 and in early 2017 ACCA received its first group of successful graduates through the programme.

Ensuring ACCA students receive the highest quality education support is of utmost importance to ACCA. The Approved Learning Partner programme was introduced to give formal recognition to tuition providers who have demonstrated their success in providing students with quality tuition support. The tuition providers are assessed on one set of global accreditation standards.

Organisations globally partner with ACCA through the ACCA Approved Employer programme. The ACCA Approved Employer programme recognises employers' high standards of staff training, accountancy resources and staff development. ACCA Approved Employers comprise organisations from varying sectors which include the Big 4 accounting firms, Deloitte, PwC, EY and KPMG.

In keeping with ACCA's commitment to lifelong learning, it also has a range of further qualifications and a leading edge continuing professional development (CPD) scheme. These programmes are designed to suit the needs of accountants, finance professionals and non-finance professionals with financial responsibility, at all stages of their careers.

In October 2016, ACCA received an inspection visit from the FRC to perform a detailed review of ACCA's arrangements for qualifying auditors and processes in respect of examinations. In addition, FRC conducted a follow up review of ACCA's processes in respect of exemption awards and progress in implementing prior year recommendations. FRC was generally satisfied with ACCA's qualification and exemption arrangements as well as ACCA's examination governance and delivery processes. In summary, FRC was generally satisfied that ACCA was meeting its statutory obligations as a Recognised Qualifying Body for auditors.

ACCA QUALIFICATION – THE FUTURE

Following extensive research and consultation, ACCA announced changes to its Professional level qualification in October 2016 that will apply from September 2018. The key exam changes relate to the introduction of an integrated case study exam, testing a wide range of technical and professional skills. Existing exams P1 Governance, Risk and Ethics and P3 Business Strategy will be withdrawn. The key learning outcomes will be retained within the new case study exam. Name changes will apply across the whole qualification, and some small exam format changes will apply, specifically Options exam questions will now be compulsory.

QUALIFICATIONS BOARD

General oversight of ACCA's education and learning framework and examination arrangements is carried out by the Regulatory Board through its Qualifications Board. The Qualifications Board achieves this by monitoring the integrity of ACCA's examinations process and ratifying the results for release.

Outputs – Number of exam sittings and papers entered		
Exam sitting	No. of candidates	No. of papers entered
December 2016	140,116 (plus 2,112 session CBEs)	193,148 (plus 2,672 session CBEs)
September 2016	91,210 (plus 278 session CBEs)	115,522 (plus 319 session CBEs)
June 2016	140,712	198,371
March 2016	87,300	108,016
December 2015	162,602	243,660
September 2015	40,704	51,069
June 2015	179,563	296,012
December 2014	186,519	316,420
June 2014	188,606	332,839

In direct response to employer and student feedback, ACCA introduced two additional examination sessions per year across all markets during 2016. This provides all students (not just those resitting), employers and learning providers with increased flexibility to manage exam studies for the ACCA examinations. The four examination sessions listed in order of our exam year are September, December, March and June.

Qualification and examinations

ACCA also introduced session based computer-based examinations (CBEs) from September 2016 for the F5 to F9 exams in specific markets. The Skills level session CBEs were offered in addition to the traditional paper-based format. In 2017 ACCA will continue to roll out session CBEs for papers F5 to F9 in other markets.

The March 2016 sitting was the second of the new examination sessions. The overall average pass rate for the Skills and Professional papers decreased from 44% in the December 2015 session to 42%. The average pass rate for the Skills papers was 43% for this session, a decrease of almost 4% on the last session. The average pass rate for the Professional papers remained the same, at 42%. This overall drop in pass rates is not unexpected as the cohort for this session contained more retake students than at an average June or December session and pass rates tend to be highest for students taking their first attempt. This exam session was offered in all of ACCA's markets as compared to the first new session in September 2015 that focused on just 15 key markets with good learning support.

Performance for the June 2016 sitting improved. The overall average pass rate for the Skills and Professional papers saw an increase of 2% from 42% at the last session to 44%. The average pass rate for the Skills papers was 46% for this session, an increase of almost 3% on the last session, whilst the average pass rate for the Professional papers remained the same at 42%.

In the September 2016 sitting, the overall average pass rate for the Skills and Professional papers slightly decreased from 44% at the last session to 43%. The average pass rate for the Skills papers was 45% for this session, a decrease of 1% on the June session, whilst the average pass rate for the Professional papers also decreased by 1% from 42% to 41%. This fall in performance is not unexpected and is attributed to some of the reasons provided for the March 2016 session.

Again, performance improved for the December 2016 sitting. The overall average pass rate for the Skills and Professional papers increased from 43% in September 2016 to the same pass rate as the June session (44%). The average pass rate for the Skills papers was 46% for this session, an increase of 1% on the last session, whilst the average pass rate for the Professional papers remained the same at 41%.

Overall, the new developments to the exam environment are making a positive difference, creating more opportunities for students to sit exams and progress towards membership.

Licensing

ACCA issues practising certificates to eligible members and is also authorised by statute to issue licences to individuals and firms undertaking work in the areas of audit, insolvency and investment business. This process helps to meet several objectives:

- members are suitably qualified and experienced to perform the work in question
- consumers and others are better able to identify those who are competent to provide the services they require to high technical and ethical standards
- the authorisation process provides information to ACCA to enable it to assess risk and adopt a proportionate response to monitoring and regulation.

Members in practice must provide ACCA with information on an annual basis. They are required, among other things, to:

- confirm that they remain fit and proper
- demonstrate that they hold adequate professional indemnity insurance cover
- provide details of the arrangements they have in place for practice continuity so that the professional needs of their clients will be dealt with if the practitioner dies or becomes incapacitated
- agree to comply with their continuing professional development obligations
- agree to provide all necessary information to assist ACCA with its monitoring procedures.

PRACTISING CERTIFICATES

During 2016, ACCA members in any part of the world performing work meeting ACCA's definition of public practice were required to hold ACCA practising certificates. This included members who already held licences from local or national bodies in accordance with local practising requirements. The ACCA practising certificate confers the right to undertake all practice work, unless local laws or regulations require an additional qualification or licence for a specific type of work (eg audit work).

From 1 January 2017, ACCA implemented a new policy in respect of ACCA practising certificates. This removes the need for a member in practice to hold an ACCA practising certificate unless he or she is practising in the UK, Ireland or a designated territory, or is otherwise required by local legislation and/or regulatory requirements to hold an ACCA practising certificate. Members not requiring (or otherwise electing to hold) an ACCA practising certificate will nevertheless be required to notify ACCA if they are carrying on public practice, and such practitioners will be placed on a register of ACCA practitioners. This change is designed to remove unnecessary bureaucracy without diluting public protection.

ACCA AS A STATUTORY REGULATOR

- **Audit** – An ACCA member wishing to carry out work reserved for statutory auditors in the UK or the Republic of Ireland must hold a practising certificate and audit qualification. Only members who have passed the relevant examination papers and gained the necessary practical experience are eligible for a practising certificate and audit qualification.

Firms that hold, or intend to hold, audit appointments in the UK or Ireland require audit registration from a Recognised Supervisory Body such as ACCA. A firm registered with ACCA for audit purposes must hold a firm's auditing certificate.

- **Insolvency** – Any person in the UK who wishes to hold appointments regulated by the Insolvency Act 1986 (as amended) or Insolvency (Northern Ireland) Order 1989 (as amended) must first obtain an insolvency licence from a Recognised Professional Body or competent authority. ACCA is a Recognised Professional Body (RPB) and issues insolvency licences to members and non-members who are eligible to undertake this work.

In October 2016, ACCA entered into a collaboration with the Insolvency Practitioners Association (IPA) which enables ACCA to consolidate its regulatory arrangements for its Insolvency Practitioners (IPs) with those of IPA. The collaboration, which came into effect on 1 January 2017, therefore ensures ACCA is able to meet its obligations as a RPB and regulate its IPs in an efficient and effective way in line with the Insolvency Service's requirements.

- **Investment business** – ACCA is a Designated Professional Body (DPB) in the UK under the Financial Services and Markets Act 2000. This enables ACCA to regulate firms undertaking a limited range of exempt regulated activities, including insurance mediation. The provision of such services to a client must be incidental to the provision of accountancy services to that client.

In the Republic of Ireland, ACCA is an Approved Professional Body under the Investment Intermediaries Act 1995. This permits ACCA to authorise eligible practising firms to conduct specific restricted investment activities. Firms wishing to undertake these activities must obtain an investment business certificate (Ireland).

All applications for certificates and licences, including applications for renewals, are subject to approval by the Admissions and Licensing Committee, although the routine scrutiny of application forms is delegated to ACCA staff.

Outputs	Dec 2016	Dec 2015
Practising certificate holders	13,274	12,967
Practising certificate and audit qualification holders	3,609	3,834
Audit firms in the UK and Ireland	2,073	2,176
Licensed insolvency practitioners in the UK	109	136
Firms holding DPB registration in the UK	1,169	1,137
Investment business certificates (Ireland) in issue	98	102

In 2016 the number of members holding a practising certificate increased, however the number of members holding the practising certificate and audit qualification continued to fall. At the end of 2016, 225 fewer members held the practising certificate and audit qualification, in part due to members relinquishing their audit qualification as they no longer had any audit clients.

The number of firms holding audit registration fell accordingly, with 103 fewer firms holding audit registration by the end of 2016. This steady decline over the past few years can be attributed to the rise in audit thresholds. Many small and medium sized practices (SMPs) which remain authorised have very few audits and rising compliance costs and increased regulatory burdens could force more firms to withdraw from audit and seek new forms of work.

Authorisations for insolvency work have fallen. This continues the trend in recent years where the sector continues to contract and is largely restricted to those who undertake insolvency activities on a full-time basis. The fall in ACCA licensed IPs is also in part explained by firms consolidating their insolvency authorisations with one RPB.

Authorisations for DPB registration and Irish investment business have remained relatively stable.

Monitoring

A key mechanism in any system of regulation of practising accountants is a programme of monitoring visits designed to examine compliance with relevant rules, regulations, standards and best practice.

UK AND IRELAND

ACCA's statutory recognition in the UK and Ireland as a licensing and supervisory authority for auditors, insolvency practitioners and those performing incidental investment activities requires it to undertake a comprehensive programme of monitoring visits to licensed firms, audit training firms and individuals on a defined cyclical basis. In addition, ACCA supervises its firms for compliance with anti-money laundering requirements in both the UK and Ireland. This work is undertaken by ACCA's Monitoring department.

ACCA received a further follow-up inspection visit in April 2016 from the Insolvency Service and the Department for the Economy (Northern Ireland) - formerly the Department of Enterprise, Trade and Investment. The purpose of the inspection visit was to review the progress ACCA had made in implementing the recommendations from previous inspection visits conducted in June 2014 and May 2015. The findings of this inspection visit were generally positive and established that ACCA had made good progress in implementing the recommendations from the previous visits.

The Regulatory Board oversees any changes to ACCA's policies concerning monitoring arising out of inspections by lead regulators or other drivers for improvement.

GLOBAL MONITORING ACTIVITIES

In many countries, ACCA members and firms are required by local legislation to register with a national professional body or regulator. Where that body or regulator has a monitoring programme in place, ACCA aims to avoid duplication.

In 2016, ACCA had contracts with nine other professional bodies and regulators to undertake audit monitoring on their behalf, using the audit monitoring methodology it applies in the UK and Ireland, adapted as necessary. From 1 January 2016 ACCA commenced audit monitoring contracts with the Bahamas Institute of Chartered Accountants and the Institute of Chartered Accountants of Belize. A six-year audit monitoring contract with the Malawi Accountants Board was signed on 17 June 2016 and became effective from 1 July 2016. ACCA's short term agreement with the Institute of Certified Public Accountants of Rwanda ceased in 2016.

In addition to those practising members who are covered by the arrangements described above, there is a very small number of ACCA members who practise in countries that do not have, and are unlikely to implement, a programme of monitoring. These members and their firms are within the scope of ACCA's practising regulations and may be subjected to direct monitoring, if any matters are brought to ACCA's attention that indicate that they carry a higher level of risk.

OTHER ACTIVITIES

ACCA supports other professional bodies and regulators to strengthen systems of regulation for accountants in other jurisdictions. The support may take the form of donor funded consulting assignments, the provision of guidance on regulatory matters, participation in working parties and responses to consultations on regulatory reform. During 2016, ACCA provided regulatory support to other professional bodies and regulators in the Caribbean, Cyprus, Jordan, Kazakhstan, Rwanda, the Philippines and Vietnam.

MONITORING METHODOLOGY

Key features of ACCA's monitoring methodology are set out below:

- the recruitment of specialist staff with extensive experience in their specialism, who undergo practical training in the application of ACCA's monitoring methodology before being authorised to undertake monitoring visits
- a holistic approach to monitoring, taking into account the characteristics of the member, the firm, their clients and the nature of the professional services they provide to the public
- a risk-based approach which enables ACCA to target certificate holders identified as posing high risks for more frequent monitoring visits
- an examination of the licence holder's procedures, processes and quality controls. This is supplemented by an inspection of audits, cases and transactions to ensure that they are applied effectively
- a highly developed assessment process to consider the seriousness of any instances of non-compliance identified, prior to concluding whether the monitoring visit has a satisfactory or unsatisfactory outcome overall
- a focus on assisting firms or individuals to improve the quality of their work, using regulatory processes only where they are required in the interests of the clients and the public
- forms of reporting, appropriate to the professional services provided by the firm or individual, that communicate clearly the results of the monitoring visit, and assist in rectifying any breaches or deficiencies for the future

Monitoring

- an internal quality control system to ensure that all monitoring visits are conducted in accordance with ACCA's requirements. This is to ensure that ACCA may be confident that the overall outcome of a monitoring visit has been determined in accordance with ACCA's basis of assessment, and that the report issued is clear and will assist the licence holder.

Monitoring visits are generally undertaken on a cyclical basis which varies in length, depending upon the type of visit. However, firms previously found to be non-compliant or considered high risk are scheduled for an early revisit. For this reason, and because some firms hold licences but do not undertake any regulated activities, the number of visits undertaken as a proportion of the number of firms licensed can vary from year to year.

ADMISSIONS AND LICENSING COMMITTEE

The monitoring of ACCA practitioners and firms is performed with the objective of protecting the public. Where work performed fails to reach the required standard, the measures available to ACCA include referral to a regulatory assessor or to the Admissions and Licensing Committee. Although an assessor may impose conditions on a certificate, only the Committee may remove a certificate or licence. The Admissions and Licensing Committee is independent of ACCA, and is chosen from a panel of committee members appointed by the Appointments Board in accordance with ACCA's Regulatory Board and Committee Regulations. Hearings of the Admissions and Licensing Committee are held in public.

The procedures followed by the Admissions and Licensing Committee are set out in ACCA's Authorisation Regulations and the Guidance for Regulatory Orders, which are available on ACCA's website. The Guidance for Regulatory Orders provides guidance on the range of options available to the Admissions and Licensing Committee when considering what orders to impose upon an individual or firm. It also provides transparency, so that members and others are aware of the range of orders available to a Committee. ACCA is also available to provide further information to those participating in regulatory or disciplinary procedures. The Guidance for Regulatory Orders also helps to ensure that orders made are consistent and proportionate.

Notices of hearings of the Admissions and Licensing Committee are published on the ACCA website. The decisions of the Committee are also published on the website, naming the member, and issued to a newspaper local to the member's area of practice.

Following a hearing, the Committee's written reasons for its decision are provided to the member, who may then apply for permission to appeal.

Outputs – Number of visits		
Visit type	2016	2015
Audit – UK and Republic of Ireland	235	461
Audit – UK and Republic of Ireland – training auditors	568	781
Audit – Global	180	185
Investment business – UK	87	134
Investment business – Ireland	19	20
Insolvency	39	53

The number of audit monitoring visits decreased between 2015 and 2016. There was also a decrease in the number of insolvency visits and a slight decrease in Irish Investment Business visits in 2016. The population of firms visited each year will be different and therefore it is difficult to compare one year to another or to draw any reliable conclusions. However, ACCA's Monitoring department experienced staff shortages during 2016 which impacted on the number of visits undertaken.

Since 1 January 2016 audit monitoring visits are split into two component parts: audit work, and eligibility for audit registration together with compliance with the ACCA Rulebook. Of the 235 audit monitoring visits in the UK and Republic of Ireland and the 19 investment business visits in the Republic of Ireland included in the above table, 142 visits also included a review of the firm's compliance with ACCA's Practising Regulations and Code of Ethics and Conduct and, where applicable, eligibility for audit registration.

Where a firm does not hold audit registration in the UK and Republic of Ireland or investment business authorisation in Ireland, or it holds audit registration but has confirmed it holds no audit appointments, the monitoring of compliance with the ACCA Rulebook and eligibility for audit registration, where applicable, is usually carried out on a desk top basis; 225 firms such reviews were carried out in 2016. The rule compliance of a further 18 firms was monitored on a face to face visit.

ACCA requires action plans, including a root cause analysis, from all firms required to make improvements in the standard of their audit work. These action plans assist and encourage firms to make the necessary improvements. ACCA assesses whether the action plan is likely to be effective and requires the firm to amend the plan, if appropriate. Follow-up visits will include assessment of the effectiveness of the action plan.

Complaints and discipline

ACCA deals with complaints in respect of its members and students, including allegations of conduct unbecoming professional accountants. Complaints are received from a variety of sources including dissatisfied clients, employers of members, other practitioners, members of the public and referrals from departments within ACCA. Complainants are able to lodge a complaint by completing a complaint form, which is easily accessible on the ACCA website. ACCA's responsibilities encompass conciliation, investigation and discipline. In all of these areas, ACCA acts in the public interest and in accordance with the principles of better regulation. It strives to take effective and proportionate disciplinary action, where appropriate, while carrying out procedures that are consistent and transparent.

ACCA is a global regulator, and applies the same standards to all its members and students worldwide. ACCA is concerned to act, and be seen to act, appropriately and robustly when its members or students fail to meet those standards.

ACCA's conciliation service provides conciliation, mediation and arbitration, where disagreements involving ACCA members are appropriate for such resolution. This is achieved by finding a solution that is acceptable to both parties, while ensuring that any need for disciplinary action is also further investigated. The conciliation exercise helps reduce the burden on the Investigations department, so that its work may be targeted towards the cases where thorough investigation is justified.

DISCIPLINARY COMMITTEE

Complaints that are not suitable for conciliation are referred for investigation. If an investigation suggests that there may be a case to answer, a report will usually be prepared for consideration by an independent assessor. Conversely, if ACCA's investigation suggests that a matter should be closed or should rest on the relevant person's file, the complainant may request that the decision be reviewed by an assessor. This ensures that the process of determining which matters should be brought before the Disciplinary Committee is seen to be objective.

The Disciplinary Committee itself is independent of ACCA – chosen from the same panel of committee members as the Admissions and Licensing Committee and Appeal Committee. As with the Admissions and Licensing Committee, hearings of the Disciplinary Committee are open to the public. The procedures to be followed at disciplinary hearings are set out in the Complaints and Disciplinary Regulations and in the Guideline Disciplinary Sanctions. The Guideline Disciplinary Sanctions clearly set out the framework for decision-making and the wide range of sanctions available to the Disciplinary Committee.

As of 1 January 2016 a complaint may be disposed of by way of consent order. The introduction of a consent order regime allows ACCA to dispose of a complaint where the relevant person accepts responsibility for any failings and/or breaches being investigated. It has the benefit of being a formal disciplinary order, without the need for a full investigation and disciplinary process. All consent order decisions are publicised naming the relevant person. There is no right of appeal against a consent order.

Pre-hearing news releases are published on the ACCA website, notifying the general public of the cases that are to be heard. Following a hearing, the Committee's written reasons for its decision are provided to the member or student; the Committee's reasons for decisions are also publicised on ACCA's website. If there has been a finding against that person, publicity of the decision by way of a press release is automatic. The Committee has discretion to limit the circulation of the press release. Publicity will be on ACCA's website and also sent to a newspaper local to the member's area of practice or the student's town of residence.

LEAD REGULATOR OVERSIGHT

During 2016, ACCA received a number of inspection visits from lead regulators to review its complaints handling and disciplinary process. In June 2016, the FRC and IAASA conducted a joint inspection visit regarding ACCA's complaints and discipline function as a Recognised Supervisory Body in the UK and a Recognised Accountancy Body in Ireland. Both bodies were broadly satisfied with ACCA's arrangements.

ACCA also contributed to the Insolvency Service's review of handling of complaints about Insolvency Practitioners, in particular the progress and outcomes of complaints made since the introduction of the Complaints Gateway in June 2013 and the level of consistency in disciplinary outcomes under the Common Sanctions Guidance. The review found that the introduction of Common Sanctions Guidance has improved transparency in decision-making but there is scope to ensure more consistency in the application of the guidance.

Complaints and discipline

Outputs – Complaints	2016	2015
Complaints in hand at the start of the year	614 ¹	579
Complaints allocated during the year	667	679
Complaints closed after initial review	100	64
Complaints deleted for Data Protection reasons	0	0
Complaints closed following conciliation	89	89
Complaints closed following an investigation	407	359
Complaints closed following a disciplinary hearing	152	145
Complaints in hand at the end of the year	530 ²	601
Average time to conclude an investigation (from date allocated to date concluded, excluding delays beyond ACCA's control ³)	3.8 months	3.5 months

Outputs – Hearings⁴	2016	2015
Number of Disciplinary Committee hearings	184	184
Number of Admissions and Licensing Committee hearings	83	53
Number of Appeal Committee hearings	15 ⁵	21
Number of Permission to Appeal (PTA) hearings	11	n/a
Number of Consent Order hearings	3	n/a
Total number of hearings	296	258
Number of cases concluded by Disciplinary Committee	132	124
Number of cases concluded by Admissions and Licensing Committee	60	55
Number of cases concluded by Appeal Committee	132	124
Number of cases concluded by Permission to Appeal (PTA) Committee	10	n/a
Number of cases concluded by Consent Order Committee	3	n/a
Total number of cases concluded	218	187
Average listing time for all hearings at 31 December (from post assessor referral to conclusion of case at Committee hearing)	4.9 months	11.2 months

1 Administrative adjustments made at beginning of 2016

2 Administrative adjustments made during 2016

3 Excludes periods in which investigations could not be progressed due, for example, to the need to await the outcome of court proceedings

4 Where a case has been scheduled for two or more days, this counts as one hearing

5 There is a drop in the number of Appeal hearings held between 2015 and 2016 because PTA hearings are previously included in this figure. PTA hearings are now shown separately

The total number of complaints received by ACCA in 2016 was slightly lower than in 2015 at 667 as compared to 679. It is always difficult to predict the numbers of complaints ACCA will receive or to fully understand the reason for fluctuations, although one potential factor is that fewer monitoring visits took place in 2016 compared with 2015 and therefore there were less referrals to the Investigations department. The average time to conclude an investigation remained stable and continues to meet the KPI of six months.

In last year's report ACCA highlighted concerns about the wait time before a case could be listed and heard, which arose due to the reduction in time taken to complete investigations. ACCA was conscious that any such impact on wait time should be kept to a minimum and therefore put in place robust plans to address this, creating a new structure to support improvements in the disciplinary process. In 2015, ACCA, in conjunction with the Regulatory Board, established a working group comprising Board members and ACCA staff to monitor progress and ensure that these improvements were delivered effectively. Further improvement initiatives, such as increasing the number of hearings held, continued in 2016. As can be seen from the above statistics, the improvement initiatives implemented have been a success, bringing about a considerable turnaround in performance – the average listing time for all hearings at 31 December 2016 fell from 11.2 months to 4.9 months and was well within the six month KPI for listing hearings.

About ACCA

We're the world's most forward-thinking professional accountancy body

We believe that accountancy is vital for economies to grow and prosper, which is why we work all over the world to build the profession and make society fairer and more transparent.

We have more than **188,000** fully qualified members and **480,000** students worldwide. They're among the world's best-qualified and most highly sought-after accountants – and they work in every sector you can imagine.

Organisations know and trust our designation. We're out there every day, connecting with businesses large and small, governments, educational establishments and opinion formers. We're on top of emerging trends, legislation and legal requirements, helping to shape them.

Because of all this, we're able to create the innovative, strategic-thinking accountants our fast-changing world needs.

Our mission is to be a global leader in the profession by:

Providing opportunity and open access to people of ability wherever they are in the world supporting and promoting the highest ethical, governance and professional standards advancing the public interest.

Our core values are:

Opportunity. We provide opportunity, free from artificial barriers, to people around the world – whether students, members or employees – and we support them in their careers.

Diversity. We respect and value difference – embracing diversity in our people and in our output.

Innovation. We create new and unexpected possibilities – providing innovative solutions for the future.

Accountability. We accept individual and corporate responsibility for our actions – working together to deliver a quality service and to promote the best interests of our stakeholders.

Integrity. We act ethically and work in the public interest, treating people fairly and honestly – we encourage the same from others.

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