

Report on regulation **2019**

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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 many 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.

GLOBAL STANDARDS, REGULATION AND MONITORING

ACCA regulates all of its members, wherever they practise in the world, to check that they meet, and adhere to, the high standards which it sets. All members are required to:

- pass rigorous examinations, set globally, and to obtain practical experience to qualify
- maintain their competence through mandatory continuing professional development
- adhere to the ACCA Code of Ethics and to accept that appropriate disciplinary action may follow any breaches.

ACCA promotes compliance through a combination of measures, including: quality assurance of ACCA examinations; direct monitoring of practice in the UK and Ireland; working with other accountancy regulators across the world to identify and respond to poor practice; and by investigating reports suggesting poor practice.

In addition, those members of ACCA who are in public practice (i.e. in firms of accountants providing services to clients) must hold practising certificates / licences from either ACCA or, in most instances, a national regulatory authority, and most are subject to varying additional requirements and the monitoring of those requirements, as applicable in each jurisdiction. ACCA does not seek to duplicate regulation of members in public practice who are already subject to appropriate regulation by a national regulatory authority outside the UK and Ireland.

REGULATORY FUNCTIONS OF ACCA

This report describes and reflects on ACCA's regulatory activities during 2018. 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 qualification, 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

With over 214,000 members practising in a huge variety of societies and sectors across the world, and 527,000 student members and affiliates, ACCA has a truly global profile. However, the reputation is only as strong as ACCA's ability to deliver its ethical and professional principles.

Accountants are there, above all, to use their expertise to provide assurance – not only to their immediate clients, but to society more generally. The role of ACCA's Board – with an independent chair and a majority of independent members – is to ensure that ACCA's members are able, and are required, to deliver on the principles which underpin the ACCA brand.

During 2018, the Board undertook a review of its programme and functions to make sure that its assurance role remained fit for purpose. Public attention on all professional bodies tends to focus upon disciplinary cases – the whiff of scandal is what generates the headlines. ACCA operates an open disciplinary system with public hearings and published outcomes undertaken by independent panellists. But important though the disciplinary process is in demonstrably holding members to account, regulation goes far wider. The vast majority of ACCA members never encounter our disciplinary procedures. Of at least equal – arguably more – importance is ACCA's role in setting the educational standards for entry into, and progression within, the profession; in setting ethical and technical standards with which members are required to comply; and in monitoring compliance.

The Regulatory Board's work in 2018 has encompassed all these functions, many of which are described in this report. Extensive work has been done to quality assure the exciting developments in ACCA's qualifications; work has continued on updating ACCA's standards, and in promoting them to the membership to help members to comply. The Board has also tackled the increasingly complex oversight arrangements of the statutory regulators in the United Kingdom and the emerging proposals for strengthening audit. Additionally, the Board has encouraged ACCA in its work to continue to advance the implementation of international accounting and auditing standards across the globe, since the nature of international business makes co-operation between regulators, and the harmonisation of basic standards, increasingly important.

I encourage all those with an interest in accountancy and its regulation – the public, ACCA members, other regulators, educational institutions, employers, clients, and government – to understand and recognise the work which ACCA is doing to continue to develop and strengthen the work of its members in the public interest.



Antony Townsend
Chairman, Regulatory Board

Executive director's statement

Accountancy is one of the most respected professions in the world and ethics in accounting is of the utmost importance. ACCA is committed to shaping the future of this profession.

Through our global network of members, future members and partners we deliver value to the public by:

- acting in the public interest
- promoting ethical business
- supporting economic growth.

A strong regulatory environment is the corner-stone of this ambition.

This is my first executive director's statement, as I took over responsibility from the outgoing Executive Director, Governance, Peter Large on 1 October 2018. I am very grateful to the work of Peter over the preceding 37 years. His leadership has ensured that ACCA is in a strong position to support our strategic vision to be #1 in developing the accountancy profession the world needs through the continuous improvements and innovations in the field of regulation, and the open dialogue that he developed with oversight bodies across the world to ensure ACCA is at the forefront of thinking as new developments arise. His legacy continues to support our work.

Over 2018, ACCA has continued to grow. We reached 214,319 members globally, sustaining last year's annual growth rate of 5%. We exceeded both our expectations for new members – welcoming over 15,000 to our ranks for the second successive year – and our member retention expectations. It is critically important that we ensure that our members – both established and new- adhere to ACCA's ethical and professional values. We support our members and future members in this by delivering rigorous global examinations and by the strict requirements for our members to maintain up to date professional skills through mandatory continuing professional development. Our members adhere to the ACCA Code of Ethics and ACCA ensures that appropriate disciplinary action will follow identified breaches.

To prepare our students to make a valuable, ethical contribution to business, we continue to make innovation to our qualification to ensure that this meets the skills required by employers. ACCA successfully revised the final level of the ACCA Qualification exams, the 'Strategic Professional exams', which now fully integrates deep, broad and relevant technical expertise with ethics and professional skills. These were launched in September 2018. The Ethics and Professional Skills Module is an integral part of the ACCA Qualification and helps to provide students with a full spectrum of advanced ethical and professional skills employers need from their accountants. During 2018, we further enhanced this module to include a component on data analytics.

Providing the foundations for a successful professional career is however only one element of our work. Our members must maintain their standards throughout their careers. This is critical to the ACCA brand and the standing of the global accountancy profession. Effective regulation is also fundamental to public trust in capital markets and financial systems globally. We are committed to proactively supporting regulatory developments across the many markets we're in. During 2018, ACCA provided regulatory support to other professional bodies and regulators in Afghanistan, the Caribbean, Cyprus, Ethiopia, Kazakhstan, Myanmar and Pakistan.

As mentioned in the Chairman's report there has been significant and high profile debate on trust, audit and the regulatory oversight within the UK during 2018. This is reflected in the direct and indirect reviews of audit and its oversight in the UK. This has included the Kingman Review considering the regulation of audit, the Competition and Markets Authority (CMA) review of the audit market, the Business, Energy and Industrial Strategy Select Committee inquiry and the on-going review by Sir Donald Brydon which is considering the future of audit. ACCA has contributed to each of these reviews.

The reviews to date have proposed some major and fundamental changes to the way in which auditors are selected and how large audit firms are structured. Whilst ACCA members working in audit at the largest UK based firms are not a sizable proportion of our membership, we do, naturally, have a stake in both the reviews and their respective outcomes. The outcomes of which stand to potentially reshape the audit, and to a lesser degree, accounting practices in the UK.

We believe that change is needed. The successful reform of audit is however dependent on the implementation of reforms across the wider reporting and governance ecosystem. Proposals to deal with the perceived audit expectation gap need to be framed around increasing audit quality for the benefit of capital markets and economies. Audit quality is fundamental to investor and public confidence and the longevity of reform. However, the responsibilities and accountability of directors and audit committees are also critical and those who fall short of these responsibilities must be held properly to account.

ACCA members who are in public practice (this is accountants who are in firms of accountants providing services to clients) must hold practising certificates/licences from ACCA or a national regulatory authority, and are subject to additional requirements and the monitoring of those requirements, as applicable in each jurisdiction.

We continually evolve our approach to our regulatory activities to reflect best practice. In order to achieve this we collaborate with our regulators and seek feedback from our members to identify unnecessary administrative or financial burdens being placed upon our members. For example, during 2018 ACCA developed a new Practising Certificate Experience Requirement (PCER). This included the creation of a new Practising Certificate Experience Form (PCEF) for members to record their practical training as well as detailed guidance, examples, webinars and transitional arrangements. We also introduced the Audit Monitoring Committee. From 1 December 2018, this Committee will consider a sample of monitoring visits that are not subject to regulatory action to ensure that our monitoring work meets the requisite standards.

We also continued to drive efficiencies through our regulatory work whilst continuing to meet our six month target for listing disciplinary and regulatory cases in 2018. We have also substantially cleared the backlog of cases awaiting hearing. The use of consent orders in our cases has continued to increase. These offer a quicker process to achieve the same outcome and sanction as a disciplinary hearing and also provide significant cost efficiency.

I look forward to my first full year with executive responsibility for our regulatory activities and ACCA's continued work to provide transparency and rigour to its regulatory activities.



Maggie McGhee
Executive Director, Governance

ACCA regulation in numbers 2018



ACCA Regulatory Board

The Regulatory Board's public interest role sits at the heart of ACCA's oversight structure and it provides oversight over all of ACCA's public interest functions – setting qualifications and assuring their delivery, setting professional standards, and maintaining the licensing and disciplinary system.

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 chairs. Each sub-Board has a clear programme of work, directed at strengthening the public interest elements of ACCA's activities.

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

- Appointments Board – instituting the competency framework for panel members, continuing to oversee the performance of committee members, chairs and legal advisers and supporting improvements to the efficiency of the complaints handling process
- Qualifications Board – assuring the quality of examinations with expert advice, upholding the integrity of the examinations, and monitoring the continued introduction of computer-based examinations (CBEs) and the new Strategic Professional examinations and Ethics and Professional Skills module
- Standards Board – implementing necessary amendments to the *ACCA Rulebook*, including changes to the IESBA Code of Ethics, and improving the format and promotion of the standards.

As reported in last year's report, the Regulatory Board spent some time, with external facilitation, reviewing the way in which it operates. As a result of this review, the Board developed its work programme in 2018 to enable the Board, over the course of 12 months, to assure all of its terms of reference. This will include annual presentations from each of the sub-Boards. In addition to this, the Board is working on refinements to its performance data to streamline and focus its oversight of ACCA's regulatory functions.

FUTURE REGULATORY LANDSCAPE

The Board continued in 2018 to focus on the longer-term strategic issues highlighted in previous reports. These arise from the various and far-reaching developments in accountancy internationally and in the UK and Ireland, and the need to continue to develop and foster links between the work of ACCA regulation and the Association more generally.

During the course of the year, the Board received presentations on issues and developments in ACCA's regulatory activities, including global regulation and qualifications. The Board also considered work on practitioner regulation in the UK and Ireland, the efficiency and effectiveness of disciplinary proceedings, insolvency, anti-money laundering, legal activities, implications of Brexit and the EU General Data Protection Regulations.

GLOBAL REGULATION

On global regulation, the Board reviewed the current arrangements and concluded that ACCA's approach – ACCA does not seek to duplicate regulation of members, in particular those in public practice who are already subject to appropriate regulation by a national regulatory authority which subscribes to international accountancy standards – was the appropriate one, given the complexity and diversity of the environments in which ACCA members practise. This means that the processes for, and intensity, of enforcement mechanisms inevitably varies, but the standards to which ACCA holds its members accountable are the same, wherever they are based.

QUALIFICATIONS

The Board welcomed ACCA's innovative approach to qualifications, and the continuing emphasis upon ethics and standards, and it is reassured that the quality assurance of the qualifications, overseen by the Qualifications Board, remains robust, with swift and appropriate action taken whenever issues arise.

AUDIT REGULATION IN THE UK AND IRELAND

The reforms of audit regulation as a result of the implementation of the EU Statutory Audit Directive and Regulation (EU ADR) saw the UK Financial Reporting Council (FRC) and the Irish Auditing and Accounting Supervisory Authority (IAASA) designated as the sole competent authority with ultimate responsibility for the performance and oversight of audit regulatory tasks in the UK and in Ireland respectively. The audit reforms fundamentally altered the relationship ACCA has with FRC and IAASA in that FRC and IAASA have powers to rescind/claim back delegated tasks and, more generally, be able to direct audit regulation (in the UK and in Ireland respectively). ACCA is continuing to work constructively with FRC and IAASA to embed the new regulatory arrangements for audit and identify opportunities for improvement. The Board continues to provide assurance to the oversight regulators about its role in safeguarding the public interest.

FRC and IAASA, in their respective jurisdictions, are 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 ADR (but subject to oversight by FRC and IAASA respectively). In 2018, FRC carried out a review of ACCA's licensing arrangements and was broadly satisfied with its findings. The FRC also observed two on-site audit monitoring visits during 2018.

In the UK context, the Board has kept abreast of the possible future implications for ACCA and the regulation of audit more generally as a result of the Kingman, BEIS Select Committee, the Competition and Markets Authority and Brydon reviews on the future of audit. The Board will continue to monitor developments in the UK audit regulatory framework and its implications for ACCA, including the transition from the FRC to ARG – the Audit, Reporting and Governance Authority.

ANTI-MONEY LAUNDERING

A new UK regulator – the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) – is now responsible for overseeing ACCA's responsibilities in respect of anti-money laundering (AML) supervision. ACCA has formed a dedicated AML Supervisory team and created a framework for ACCA to meet the requirements set out by OPBAS and other regulators. In October 2018, ACCA received its first inspection visit by OPBAS. The Board considered the report on findings and is encouraged that the points raised were already matters being addressed as ACCA develops its AML supervisory framework. The Board will monitor developments in 2019.

INSOLVENCY

As reported in previous reports, since 1 January 2017 ACCA has delivered the majority of its insolvency regulatory functions through the collaboration agreement with the Insolvency Practitioners Association (IPA), which consolidated the complaints-handling and monitoring arrangements of the two bodies. On 1 September 2018, ACCA transferred the licensing of its Insolvency Practitioners (IPs) to IPA. This allowed ACCA to fully align its regulatory arrangements for insolvency with those of IPA under the terms of the collaboration agreement. Under the collaboration agreement, ACCA members are now directed to the IPA in order to obtain or renew their insolvency licence. The Board will continue to monitor the new arrangements.

LEGAL ACTIVITIES

In January 2018, ACCA's regulatory arrangements for non-contentious probate were approved by the Legal Services Board (LSB) – the body responsible for overseeing the regulation of legal services in England and Wales – and ACCA started to authorise individuals and firms for probate activities from April 2018. The Board has worked with ACCA and the LSB on the regulatory arrangements for probate during 2018, including complaints handling and internal governance arrangements, and will continue to do so during 2019.

Qualification and examinations

The ACCA Qualification has been designed to provide all the competences required of professional accountants and auditors. In accordance with modern practice, ACCA takes the view that employers demand that professional accountants and auditors apply a wide business and global perspective to their work.

The ACCA Competency Framework is an online, interactive tool which demonstrates the different competencies developed through all elements of the ACCA Qualification and links these competencies to jobs in finance. It is a valuable tool to illustrate how ACCA members are complete financial professionals and have a comprehensive skill set to work in a variety of accounting and finance roles.

The ACCA Qualification focuses on three key value propositions comprising examinations, ethics and practical experience. ACCA, with its worldwide network of offices, approved learning partners and employers, supports students and members to develop successful careers by providing opportunity for learning and development.

The ACCA qualifications are structured to provide development and progression from the Foundation-level qualifications through to the Applied Knowledge, Applied Skills and Strategic Professional examinations.

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.

ACCA continues to partner with Oxford Brookes University in the UK to offer a BSc (Hons) in Applied Accounting, which centres on the needs of employers for practical and professional accounting. In addition, the University of London, in partnership with ACCA, continues to offer an MSc in Professional Accountancy. This is an integrated programme which allows study towards an academic and professional qualification. There are customised pathways for ACCA students, affiliates and members.

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, EY, KPMG and PwC.

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.

LEAD REGULATOR OVERSIGHT

In December 2018, ACCA received an inspection visit from FRC to perform a detailed review of ACCA's arrangements for awarding the UK Audit Qualification. FRC was broadly satisfied with ACCA's UK Audit Qualification arrangements. The inspection outcome confirmed that ACCA continues to meet its statutory obligations as a Recognised Qualifying Body for auditors.

ACCA QUALIFICATION – UPDATES

Further to a major programme of research, the revised final level of the qualification was launched in September 2018. The 'Strategic Professional' (SP) level consists of four examinations in total and replaced the previously titled 'Professional Level' examinations. The SP examinations fully integrate deep, broad and relevant technical expertise with ethics and professional skills. The SP has two core examinations of Strategic Business Leader (SBL) and Strategic Business Reporting (SBR) plus two elective examinations. The SBL examination has replaced Paper P1 Governance, Risk and Ethics and Paper P3 Business Analysis. The SBR examination has replaced Paper P2 Corporate Reporting. The Knowledge and Skills Levels were also retitled Applied Knowledge and Applied Skills respectively.

The Strategic Business Leader examination is a case study where all tasks are based on a single business scenario. The assessment is integrated, so mixes a variety of different disciplines (business leadership, innovation and strategy drawing on a range of audit and assurance, finance and performance management) and professional skills (commercial acumen, analysis, scepticism, evaluation and communication).

The Strategic Business Reporting examination requires candidates to more holistically consider financial accounting and reporting issues, for example addressing how business transactions, their financial and non-financial accounting, and interpretation impacts decision making.

The Ethics and Professional Skills module continues to address all aspects of professional ethics which are also examined in the 'Strategic Professional' examinations. The module enhances employability and examination success by covering ethical behaviour and judgement, communications, commercial innovation, analysis and evaluation skills.

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 examination sittings and papers entered

EXAMINATION SITTING	NO. OF CANDIDATES	NO. OF PAPERS ENTERED
December 2018	75,648 (plus 56,355 session CBEs)	97,321 (plus 71,861 session CBEs)
September 2018	54,121 (plus 37,244 session CBEs)	65,857 (plus 48,079 session CBEs)
June 2018	93,773 (plus 38,325 session CBEs)	124,837 (plus 49,990 session CBEs)
March 2018	71,258 (plus 29,229 session CBEs)	90,227 (plus 37,040 session CBEs)
December 2017	133,122 (plus 5,917 session CBEs)	183,054 (plus 7,195 session CBEs)
September 2017	98,023 (plus 3,342 session CBEs)	126,794 (plus 4,030 session CBEs)
June 2017	131,989 (plus 3,270 session CBEs)	182,024 (plus 3,987 session CBEs)
March 2017	88,379 (plus 2,373 session CBEs)	110,456 (plus 2,854 session CBEs)
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

ACCA operates four examination sessions per year across all markets. This provides all students, employers and learning providers with increased flexibility to manage examination studies for the ACCA examinations. The four examination sessions listed in order of our examination year are September, December, March and June.

In 2018, ACCA continued to roll out session-based CBEs in markets. Since March 2017, ACCA employed a full test security model across the globe which ensures different CBE sessions are available throughout the day, meaning that not all students got the same examination. This protects the security, and therefore the integrity, of the examinations across the time zones, avoiding over-exposure of any questions in certain parts of the world.

The March 2018 sitting was the seventh session for our CBEs and the session was operated across 150 centres over 40 markets. As of March 2018, paper examinations have been replaced in nine markets including China, Pakistan and UK. The overall average pass rate for the Skills and Professional papers remained the same as the December 2017 session at 46%. The average pass rate for the Skills papers was 47% for this session, which is the same as the last session. The average pass rate for the Professional papers decreased by 1% to 44%.

In the June 2018 sitting, the overall average pass rate for the Skills and Professional Papers saw an increase of 1%, from 46% at the last session to 47%. The average pass rate for the Skills papers was 49%, which was an increase of 2% on the previous session. The average pass rate for the Professional papers remained the same at 44%.

In September 2018, ACCA ran the first session for the Strategic Professional examinations that replaced the Professional Level. The overall average pass rate for the Applied Skills and Strategic Professional examinations was 44%. This cannot be compared appropriately to previous sessions as the composition of the examinations at the final level is different. The average pass rate for the Applied Skills examinations remained at 49% this session, and the average pass rate for the Strategic Professional Level examinations was 35%.

In the December 2018 sitting, the overall average pass rate for the Applied Skills and Strategic Professional examinations increased by 1% to 45%. The average pass rate for the Applied Skills examinations remained the same at 49%, and, the average pass rate for the Strategic Professional examinations increased by 5% on the last session to 40%. This increase was largely expected as September 2018 was the first session for the new examinations of Strategic Business Leader and Strategic Business Reporting.

Overall, the pass rates remained stable during the March and June sessions and this was followed by the successful launch of the new Strategic Professional examinations in September 2018. These new examinations allow us to continue to meet the needs of employers and better equip students to be professional accountants of the future, with both having a strong focus on professional skills and meeting the needs of stakeholders.

Licensing

ACCA issues practising certificates to eligible members and is also authorised by statute to issue certificates and licences to individuals and firms undertaking work in the areas of audit, investment business, and legal activities. 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

From 1 January 2017, ACCA implemented a new policy in respect of ACCA practising certificates. This removed 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 choosing to hold) an ACCA practising certificate are required to notify ACCA if they are carrying on public practice, and such practitioners are placed on a register of ACCA practitioners. This change was designed to remove unnecessary bureaucracy without diluting public protection.

The new practising certificate arrangements did not initially apply to members practising in Cyprus. However, ACCA agreed with The Institute of Certified Public Accountants of Cyprus (ICPAC) to extend these provisions with effect from 1 July 2018 to members practising in Cyprus. As a result, members no longer need to hold an ACCA practising certificate or an ACCA practising certificate and audit qualification for Cyprus in addition to their ICPAC certificate and can now be placed on the register of ACCA practitioners instead.

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 (RSB) 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.

ACCA now delivers its insolvency regulatory functions through the collaboration agreement with the IPA. The collaboration agreement ensures ACCA is able to meet its obligations as an RPB and regulate its IPs in an efficient and effective way in line with the Insolvency Service's requirements. Since 1 January 2017, ACCA's monitoring and complaints-handling arrangements for insolvency have been undertaken by IPA. The collaboration with IPA has proved successful and from October 2018 ACCA moved the licensing of IPs to IPA as well. The initial application and renewal of insolvency licences is now handled by IPA under its processes and procedures in its entirety rather than by ACCA. The licences issued, however, remain ACCA insolvency licences.

- **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 distribution. 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 (IIA). 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).

There have been changes in the area of investment business following the implementation of the EU Insurance Distribution Directive (IDD) in the UK and Ireland during 2018, particularly in Ireland. Most firms that were authorised for investment business by ACCA under the IIA and ACCA's Irish Investment Business Regulations will cease to need authorisation, as implementation of the IDD will remove insurance business from the scope of the IIA. Practices wishing to advise on, or arrange, insurance products are now required to seek registration directly with the Central Bank of Ireland. However, ACCA will continue to authorise firms in respect of investment products that are not written under an insurance contract.

- **Legal activities** – ACCA is an approved regulator for the reserved legal activity of probate. This enables ACCA to authorise individuals and firms to carry out non-contentious probate business work in England and Wales. A member holding a practising certificate and having completed a relevant course and assessment in probate will be eligible to apply to register as an Authorised Legal Activities Individual. Firms wishing to undertake probate activities must hold a Firm's Legal Activities Certificate.

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. 2018	DEC. 2017
Practising certificate holders	12,189	12,348
Practising certificate and audit qualification holders	3,367	3,506
Audit firms in the UK and Ireland	1,790	1,901
Licensed insolvency practitioners in the UK	83	94
Firms holding DPB registration in the UK	1,081	1,141
Investment business certificates (Ireland) in issue	23	96
Legal activities firms – Probate (England and Wales)	12	N/A
Anti-money laundering supervised firms and sole practitioners (UK)	6,515	N/A

The number of members holding a practising certificate has fallen to 12,189 (2017: 12,348) due to non-UK/Irish practitioners transferring to the register of practitioners rather than continuing to hold a practising certificate from ACCA. There are currently 1,250 members on the register of practitioners.

At the end of 2018, 139 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 111 fewer firms holding audit registration by the end of 2018. This steady decline over the past few years can be attributed to the rise in audit thresholds. Many of the small and medium-sized practices 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 carries on 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.

The number of Irish Investment Business firms has fallen significantly to 23 (2017: 96) following the implementation of the IDD in Ireland.

LEAD REGULATOR OVERSIGHT

During 2018 FRC undertook an inspection visit on ACCA's licensing arrangements for auditors and ACCA's compliance with its obligations under the Delegation Agreement between ACCA and FRC. The inspection outcome confirmed that ACCA was meeting its statutory obligations as an RSB for auditors. The FRC made some common recommendations for all the RSBs and ACCA is engaging with the other bodies on these.

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, those undertaking probate work 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.

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 2018, 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. ACCA also has a separate contract with the national professional body of Cyprus to undertake AML monitoring on its behalf, which also includes verifying compliance with its other key regulations.

In addition to those practising members who are covered by the arrangements described above, there are 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 are licensed to practise by the government authorities of these countries, which are responsible for regulating them.

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 2018, ACCA provided regulatory support to other professional bodies and regulators in Afghanistan, the Caribbean, Cyprus, Ethiopia, Kazakhstan, Myanmar and Pakistan.

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
- 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 is 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. From 1 December 2018, ACCA introduced a new process by which a sample of visits that are not subject to regulatory action are subjected to oversight by an Audit Monitoring Committee. This oversight takes place once the firm has supplied its action plan and any other outstanding matters have been cleared.

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	2018	2017
Audit – UK and Republic of Ireland	279	243
Audit – UK and Republic of Ireland – training auditors	581	665
Audit – Global	208	178
Investment business – UK	104	80
Investment business – Ireland	26	15
Insolvency	20	26

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 279 audit monitoring visits in the UK and Republic of Ireland and the 26 investment business visits in the Republic of Ireland included in the above table, 203 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; 432 such reviews were carried out in 2018. The rule compliance of a further 203 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.

ACCA is authorised to issue insolvency licences to both members and non-members, subject to applicants meeting minimum eligibility requirements. However, as reported earlier, ACCA now delivers its insolvency regulatory functions (including its monitoring arrangements) through the collaboration agreement with the IPA.

Complaints and discipline

ACCA deals with complaints about its members and students, including allegations of misconduct. 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, and where the public interest does not require disciplinary action. 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 and is seen to be thorough and 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, appointed by the independent Appointments Board. 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.

From 1 January 2016, ACCA may also dispose of a complaint 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 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 in exceptional circumstances. 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.

OUTPUTS – COMPLAINTS	2018	2017
Complaints in hand at the start of the year	458 ¹	526 ¹
Complaints allocated during the year	616	669
Complaints closed after initial review	92	102
Complaints closed following conciliation	88	94
Complaints closed following an investigation	276	355
Complaints closed by consent order	29	21
Complaints closed following assessor review	0	4
Complaints closed following withdrawal by Adjudication	6	12
Complaints closed following a disciplinary hearing	119	101
Complaints closed following appeal application and/or appeal hearing	33	12
Complaints closed following Health Committee	15	N/A
Complaints in hand at the end of the year	416	494
Average time to conclude an investigation (from date allocated to date concluded excluding delays beyond ACCA's control ²)	3.7 months	3.7 months

1 Administrative adjustments made at beginning of 2017 and 2018

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

OUTPUTS – HEARINGS ³	2018	2017
Number of Disciplinary Committee hearings	178	121
Number of Admissions and Licensing Committee hearings	61	78
Number of Appeal Committee hearings	9	15
Number of Permission to Appeal (PTA) hearings	9	3
Number of Consent Order hearings	29	21
Number of Interim Order hearings	17	26
Number of Health Committee hearings	6	6
Total number of hearings	309	270
Number of cases concluded by Disciplinary Committee	134	97
Number of cases concluded by Admissions and Licensing Committee	53	69
Number of cases concluded by Appeal Committee	7	10
Number of cases concluded by Permission to Appeal (PTA) Committee	9	2
Number of cases concluded by Consent Order Committee	29	20
Number of cases concluded by Health Committee	5	3
Total number of cases concluded	237	201
Average listing time for all hearings at 31 December (from post assessor referral to conclusion of case at Committee hearing)	7.28 months	5 month

The total number of complaints received by ACCA in 2018 was less than 2017 at 616 as compared to 669. The average time to conclude an investigation remained stable and continues to meet the KPI of six months.

The average listing time for all hearings was over the six-month KPI due to three legacy cases. If these cases were removed then the average would be 4.7 months, thereby meeting the KPI. The initiatives implemented to clear the previously reported backlog of cases have been maintained and ACCA remains committed to continuous process improvements.

³ Where a case has been scheduled for two or more days, this counts as one hearing

ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our **219,000 members** and **527,000 students** in **179 countries**, helping them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of **110 offices and centres** and more than **7,571 Approved Employers worldwide**, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

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Think Ahead