



# minutes

**Meeting:** Regulatory Board

**Location:** Olive and Sycamore rooms, The Adelphi, 1-11 John Adam Street, London, WC2N 6AU

**Date:** 16 May 2017, 13.30 – 17.00

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## PRESENT:

The Chairman (Antony Townsend), John Cullen, Ronnie Patton, Geoffrey Podger, David Thomas, Frances Walker and Suzy Walton.

## IN ATTENDANCE:

Executive Director – Governance (Peter Large), Director – Regulation (Sundeep Takwani), Head of Standards (Ian Waters) and Regulation Officer (Catriona Spedding).

## APOLOGIES:

Apologies for absence were received from Ros Wright.

### 1. MINUTES

The Board approved the minutes of the meeting held on 7 February 2017.

### 2. CONFLICTS OF INTEREST

The Board noted that one potential conflict of interest had been notified by David Thomas to ACCA following the distribution of the meeting papers, in which his various involvements in the area of ombudsmen may give rise to a potential conflict in any discussion on paragraph 18 of the Future Regulatory Landscape paper. No conflicts arose during the discussions.

### 3. FINANCIAL REPORTING COUNCIL (FRC)

The Board received a presentation from Dawn Dickson, Director of Professional Oversight at the FRC on its oversight responsibilities as a delegate of the Secretary of State and as the Competent Authority for audit regulation in the UK. The presentation covered the following areas:

- inspection visits
- reporting
- the new regulatory regime

- its non-statutory responsibilities
- and
- Brexit.

#### **4. CHAIRMAN'S REPORT**

The Board noted a presentation from the Chairman of the Board on developments since the last meeting. In particular, the Board noted:

- the Chairman is having more frequent informal meetings with ACCA, which are working well
- the chairmen of the various Regulatory Boards have not yet agreed a date for the first collaboration meeting
- and
- the Chairman is presenting to the Governance Design Committee on 17 May 2017 on the Board's activities.

#### **5. PRESENTATION FROM THE EXECUTIVE DIRECTOR – GOVERNANCE**

The Board noted a presentation from the Executive Director – Governance. In particular the Board noted:

##### ACCA wide developments

- a bye-law modernisation project is currently taking place:
  - the Public Interest Oversight Boards will not be impacted by the proposed bye-law changes
  - it is proposed that the timeframe for the Council year will move to allow greater flexibility to hold the AGM
  - the proposed changes will be considered by the Governance Design Committee and ACCA will report back to the Board at its next meeting
- the CA ANZ strategic alliance continues to develop and a new governance group, comprising members of ACCA's Council and CA ANZ's Board, is overseeing the various collaborative activities

- the results of the student recruitment strategy review indicate that there is sustainable growth and that student behaviours have changed due to both market-based and market-led factors (eg four exam sessions)
- ACCA is providing integrated learning support as part of a strategic response to student progression

#### Future regulatory landscape (UK/Ireland)

- there is some indication that the relationship with both FRC and the Irish Auditing and Accounting Supervisory Authority (IAASA) under the new arrangements for audit regulation will become more prescriptive
- discussions are underway with IAASA to implement an audit regulation framework similar to the FRC delegation model; IAASA wants to be able to direct/take action against non-compliance
- there is concern over the unintended consequences of audit delegation arrangements on non-audit matters (which IAASA has oversight of)
- the impact of Brexit on audit recognition in the EU and Ireland is uncertain as it has been difficult to get any of the issues onto the Government agenda, however it is understood that the EU is pressing Ireland to not make any concessions
- there has been some progress in regard to the new anti-money laundering supervision arrangements, most notably the introduction of a new Office for Professional Body AML Supervision (OPBAS) that will be hosted by the Financial Conduct Authority (FCA)
- discussions with the FRC on the future of non-audit matters, including the FRC Accountancy Scheme for complaints and discipline are ongoing but it is expected that a 'closure date' for the accountancy scheme is likely to be set after which no further cases will be taken on by the current Accountancy Scheme from that date
- the new practising regime (register of practising members for non UK/Irish practitioners) will be rolled out in June 2017.

## **6. ACCA'S FUTURE REGULATORY LANDSCAPE**

The Board noted a paper, which provides in detail a staff view of ACCA's future regulatory landscape. The Board noted the areas where it will need to provide additional oversight going forward and where Council may need to make additional decisions on future occasions.

The Board made the following comments:

- ACCA's alternative dispute resolution mechanisms, ie, its conciliation service arrangements, for resolution of service-related matters is an important feature of ACCA's disciplinary arrangements and should therefore be more effectively communicated
- the Regulatory Board should review again the matrix setting out how ACCA's global regulation arrangements work in practice across the world
- the new forms of authorisations that ACCA is seeking in order for SMPs to differentiate and broaden their services is an important and positive set of developments, over which it will exercise appropriate oversight going forward.

The Board approved the future regulatory landscape programme of learning reviews, subject to the incorporation of the following amendments:

- under 'Discipline' there should be a learning session on ACCA's alternative dispute resolution mechanisms for service-related matters (Conciliation Service)
- the inclusion of the end-to-end monitoring process under UK/Ireland – practitioner regulation section and that this should cover anti-money laundering  
  
and
- the inclusion of the end-to-end licensing process under UK/Ireland – practitioner regulation section.

The Board noted that these learning sessions should not only be for information but should also enable the Board to challenge and support ACCA and that the staff presenting should be made aware of this.

## **7. REGULATORY BOARD PUBLIC REPORT ON REGULATION**

The Board considered its draft public Report on Regulation and agreed that:

- the Chairman, together with ACCA, should undertake further work and that the final draft report should be circulated to the Board by email for approval  
  
and

- any detailed points on the draft report should be emailed to the Chairman and ACCA for inclusion.

The Board also agreed that the programme of learning sessions should be included in the Board's Report to Council and that the Chairman should approve the final report before it is submitted to ACCA Council.

## 8. REVIEW OF HEARINGS PROJECT

The Board received a report on the hearings project and noted that:

- ACCA has returned to full KPI compliance and forecasting shows that this will continue into 2017
  - there are still some legacy cases, which will cause some spikes in listing times but most of these will be dealt with by July 2017
  - following the FRC/IAASA inspection visit, the recommendation for discrete reporting has been removed
  - mechanisms are now in place so that ACCA has long line oversight of caseloads and listing times
  - the review of processes and procedures is now tied up with the Governance Strategic Case Management review but all areas have been scoped and mapped out
  - some timelines are also being impacted by the Global Data Protection Regulations project
  - remaining initiatives are now incorporated into standard operational work
  - the improved data reporting and collection will be used to develop a Quality Assurance Framework (QAF), which will assist internal and outward facing work
- and
- an internal review of the QAF will take place once it has matured and the situation has stabilised.

## 9. REPORTS FROM THE APPOINTMENTS, QUALIFICATIONS AND STANDARDS BOARD

The Board received reports from the Chairmen of the Appointments, Qualifications and Standards Boards. The following key points were noted:

### Appointments Board

- the Appointments Board has reviewed its Appraisal Policy and the new draft Competency Framework, against which panel members will be appraised
- the appraisal forms will be amended to reflect these competencies
- following a review of a number of appraisal reports, the Appointments Board is pleased to report that the performances of panel members and legal advisers were generally of a high standard
- ACCA has made a formal complaint of an alleged breach of the Code against a panel member, which is currently under investigation by an independent member of the Regulatory Board.

### Qualifications Board

- the Qualifications Board ratified the March 2017 examination results
  - the psychometric model was used in the moderation of exam results for the first time at the March 2017 session
  - a further roll-out of F5-F9 computer-based exams (CBEs) took place during the March 2017 exam session
- and
- the Qualifications Board received a paper addressing its role in safeguarding the public interest and was assured that the public interest was implicit in everything it does; the Qualifications Board concluded that the paper would no longer be a standing item on the agenda

### Standards Board

- the Standards Board approved proposed interim changes to:
  - the Membership Regulations, which would permit members of the Union of Chambers of Certified Public Accountants of Turkey (TÜRMOB) and graduates of the Leading Accounting Talent Programme provided by the

Beijing National Accounting Institute (BNAI) to gain membership of ACCA in accordance with the recognition agreements with those organisations

- Annex 2 to the Global Practising Regulations to reflect the implementation of the EU Audit Regulation and Directive in Ireland

and

- the Standards Board noted that the Chairman of the Standards Board and Regulatory Board should approve the interim regulation changes on the Board's behalf.

### ***Sub-Board evaluation exercise***

The Board also received a report from both the Chairmen of the Qualifications Board and Standards Board on the outcomes of their evaluation exercises and the following points were noted:

#### Qualifications Board

- in the main, the Qualifications Board was of the view that it undertook its role effectively and was well served by ACCA staff
  - in terms of what could be changed, the Qualifications Board would welcome more background information in order to provide wider awareness of the context in which ACCA undertakes its regulatory activities and how it relates to the Regulatory Board
- and
- how proposals to improve effectiveness could be implemented will be reported to the Qualifications Board at its July 2017 meeting

#### Standards Board

- the strategic remit of the Standards Board is important, although there is less emphasis in this area
- it was suggested that the recruitment criteria for Standard Board members should be reviewed
- it was proposed that the public interest be reflected in the Standards Board Terms of Reference

- the Standards Board felt that the corporate style minutes do not adequately reflect the depth of discussions and suggested that 'notes of meetings' could supplement the formal minutes  
  
and
- the Chairman of the Standards Board will provide a more detailed note of the outcomes from the evaluation exercise to the Chairman of the Regulatory Board.

The Board agreed that:

- it should receive the headlines from all sub-Board effectiveness exercises at its September 2017 meeting
- the Board should run its own effectiveness session at the end of the Council year
- Suzy Walton, together with the Chairman and ACCA staff, should meet to discuss this further and develop a proposal and methodology, which should be presented to the Board at its next meeting in September 2017.

## **10. REGULATORY BOARD WORK PLAN FOR THE 2016-17 COUNCIL YEAR**

The Board considered the work plan for the 2016-17 Council year and agreed that the following items should be added:

- a round-up of all other sub-Boards' effectiveness and the next steps of the Regulatory Board's own effectiveness for the September 2017 meeting  
  
and
- the first 'learning' session for the September 2017 meeting.

The Board also agreed that it should also receive updates on the 'Brexit' implications for ACCA as part of the Executive Director - Governance's presentation when available (but by summer 2018 at the latest).

The Board noted that the Council year will be moving to the end of November.

## **11. PERFORMANCE DATA**

The Board noted the performance data and staff report. In particular the Board noted that everything was working well and that the previously reported backlog in monitoring visits is now under control.

A query was raised as to whether the reported number of disciplinary hearings that took place during the period January to March 2017 was correct as it was felt that the figure of '20' was a bit low, considering the total number of hearings for the previous year. ACCA confirmed that it will look into this and report back to the Board.

**[Post meeting note:** The reported number of hearings (20) is correct and low number is primarily because of:

- a number of cases each lasting between five and seven days being heard in this period
- other longer cases scheduled for the first quarter were deferred to later in the year (currently scheduled for July)
- the number of hearings / listing days being kept to manageable levels to accommodate a continuous improvement wave, which did not take place due to departure of the Head of Continuous Improvement in January 2017.

*The listing rate subsequently returned to normal levels and in the period January to May 2017, ACCA held 89 hearings (108 listing days). For 2017 as a whole, ACCA expects to schedule approximately 235 hearings (approximately 300 listing days).]*

The Board agreed that the risk register in the Strategic Context paper should include a key in respect of the colour attributed to the risk scores, for example, red shading is given to those risks with a risk score above 20.

## 12. LEAD REGULATOR UPDATE

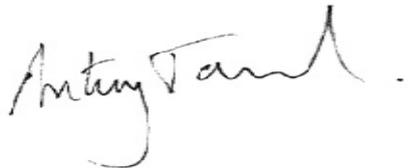
The Board noted an update on ACCA's interactions with its lead regulators. In addition to the updates provided in the Executive Director – Governance's presentation under agenda item 5, the Board also noted that:

- ACCA has received the draft report of the FRC's RQB inspection visit in 2016 covering ACCA's qualification content, assessment and delivery arrangements and progress on current open RQB recommendations, the outcome of which was good with only one new recommendation
- ACCA has received the draft report of the FRC's RSB inspection visit in 2016 which focussed on ACCA's compliance with its obligations under the new delegation agreement – FRC found no major issues with ACCA's RSB activities except that ACCA does not currently monitor compliance with IES 8 (CPD monitoring), of which ACCA is aware and plans to put in place appropriate arrangements
- FRC will be carrying out its inspection visits in October 2017, which will focus on:
  - RSB - ACCA's audit firm monitoring arrangements and ACCA's compliance with its obligations under the delegation agreement

- RQB - ACCA's arrangements for the award of the audit qualification
- follow-up on prior year recommendations
- the final report of the FRC and IAASA joint inspection visit in June 2016 on complaints and discipline, which was issued in March 2017 and where no systemic issues were identified
- the Insolvency Service issued its initial report of findings following its follow-up visit to review the effectiveness of the changes made to ACCA's arrangements for licensing IPs and that:
  - the Insolvency Service remains critical of ACCA's licensing arrangements, much of which is underpinned by its wish to see applications referred to ACCA's Admissions and Licensing Committee for sign-off
  - the Insolvency Service's overall conclusion that it has serious concerns do not appear to be supported by its findings
- there has been a fair amount of activity in the area of anti-money laundering (AML) supervision including that:
  - ACCA (and the other AML supervisory bodies) has participated in discussions with HM Treasury and FCA on the enhancements to the UK AML arrangements, which are likely to see major new burdens being placed on profession
  - following the National Risk Assessment, which highlighted weaknesses in the UK's AML regime, HM Treasury aims to clarify the obligations on all supervisors through a new set of Money Laundering Regulations and, as mentioned earlier, will introduce a new Office for Professional Body AML Supervision to oversee the professional bodies
  - the AML oversight function will be funded through a new fee on AML regulatory bodies (however, this increased regulatory cost, which the bodies are likely to recover from increased practising certificate fees, risks undermining the purpose of the Office for Professional Body AML Supervision - to ensure consistently high standards for AML supervision – as it can be assumed that some members of professional bodies will cease membership and seek AML supervision by the default supervisor, HMRC, where it seems they to be subject to a less intrusive and lower cost regime).

**8. DATES OF FUTURE MEETINGS**

The Board noted the dates of remaining Regulatory Board meetings in the 2016-17 Council Year.

A handwritten signature in black ink, appearing to read 'Antony Tarrant', with a long horizontal stroke extending to the right.

Chairman