

Meeting: Regulatory Board

Location: Baobab Room, The Adelphi, 1 – 11 John Adam Street,
London, WC2N 6AU

Date: 10 September 2018, 13.30 – 16:30

PRESENT:

The Chairman (Antony Townsend), John Cullen, Geoffrey Podger, David Thomas, Frances Walker, Suzy Walton, and Ros Wright (via Lync).

IN ATTENDANCE:

Executive Director – Governance (Peter Large), Director – Regulation (Sundeep Takwani), Director – Professional Qualifications (Judith Bennett, present for items 1-6 only), Director – Professional Education (Reza Ali, present for item 6 only), Head of Change for Governance (Helen Wagner, present for item 7 only), Case Presentation Manager (Jamie Hunt, present for item 9 only), and Standards Manager (Laura Murphy).

OBSERVERS:

Hilary Mundella (member of the Standards Board), and Maggie McGhee (Director – Professional Insights).

APOLOGIES FOR ABSENCE

Apologies for absence were received from Ronnie Patton.

1. MINUTES

The Board approved the minutes of the meeting held on 14 May 2018.

The Board discussed the action points set out within the minutes of the meeting held on 14 May 2018 and noted that:

- the 2018 Public Report on Regulation has been distributed to lead regulators and other interested parties, made prominent on the ACCA website and Intranet, and promoted through ACCA social media channels

and

- observations from members of the Appointments and Qualifications Boards would also be welcome.

2. CONFLICTS OF INTEREST

The Board noted that there was a potential risk of a perception of a conflict of interest in relation to item 8, in that David Thomas was a member of the board of the Legal Ombudsman (LeO) when it adopted the Scheme Rules. However, he no longer has any connection with the LeO.

There were no other potential conflicts of interest and/or duty notified to ACCA following the distribution of the meeting papers.

3. 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 that:

- the work plan for the 2018-2019 Council Year will be presented to the Board at its November 2018 meeting

and

- the proposed methodology to improve the tracking of the Board's Terms of Reference, responsibilities and follow up actions will be implemented from November 2018.

4. PRESENTATION FROM THE EXECUTIVE DIRECTOR – GOVERNANCE

The Board noted a presentation from the Executive Director – Governance, which covered the following areas:

- insolvency
- anti-money laundering (AML)
- Legal Services Board (LSB) and probate authorisation
- review of the Financial Reporting Council (FRC) led by Sir John Kingman

and

- audit and other matters, including the Irish Audit & Accounting Supervisory Authority.

The Board agreed that it should be provided, by email, with a copy of ACCA's response to the Legal Services Board consultation on Reviewing the Internal Governance Rules (IGR). The Board also agreed that it would like to receive an update in relation to the review of the IGR at the November meeting.

5. LEARNING SESSION – QUALIFICATIONS

The Board received presentations from ACCA's Director – Professional Qualifications and Director – Professional Education on Qualification matters and the standards applicable to all students and members. The Board noted:

- the structure and content of *ACCA Qualification – the future* developed to meet the ever-changing needs of the accounting profession, including the research undertaken and the rationale for change
 - the structure, content and delivery of the Strategic Professional level, introduced in September 2018. In particular, the new and innovative Strategic Business Leader case study and the Strategic Business Reporting paper which better integrate technical, professional and ethical skills and are critical to strategic, forward thinking professional accountants of the future.
 - the structure and content of the Ethics and Professional Skills Module that focuses on developing accountants with the complete range of ethical and professional skills employers need
 - the extensive range of study support and resources for students and tutors to ensure they are fully prepared for Strategic Professional
- and
- that ACCA's Qualifications team had kept lead regulators informed throughout the journey of co-creation to ensure the changes to *ACCA Qualification – the future* had no adverse impact on our regulatory status.

The Board complimented ACCA on the quality of the Learning Session – Qualifications presentation and agreed that it should be provided, by email, with a copy of the presentation.

6. PRESENTATION ON EFFICIENCY OF THE COMPLAINTS HANDLING PROCESS

The Board received a presentation from ACCA's Head of Change for Governance in relation to the efficiency of the complaints handling process. The Board noted:

- the background to the review and its aim to recalibrate the disciplinary process to ensure it remains proportionate, consistent and targeted where most needed. In particular, this is an efficiency led review, not a resource led review.
- the issues identified by the review and the benefits and opportunities for change. The casework process has become over-engineered, with a one size fits all approach regardless of complexity or risk, leading to duplication of effort and a disproportionately long disciplinary process.
- that three workstreams have been established to implement and communicate internal process 'quick wins' in the following areas:
 - process at the hearing
 - case segmentation
 - detailed review of internal process

and

- that initial recommendations have been shared with the Appointments Board and will be reported in October 2018. Panel members will be kept informed as the review progresses.

The Board further noted that the review is also looking at the possibility of including a 'strict liability clause' within the student declaration that forms part of the initial registration process.

The Board expressed satisfaction with the presentation on the review of the disciplinary process and the matters it conveyed. However, it suggested that the review should also consider opportunities for greater use of Consent Orders in the disciplinary process, and address inefficiencies in the writing up of written reasons.

The Board agreed that it would like to receive an update in relation to the review of the disciplinary process at the February meeting next year.

7. PROBATE - COMPLAINTS HANDLING IMPLICATIONS

The Board received a presentation from ACCA's Director – Regulation in relation to complaints handling implications (both internal for firms and ACCA's processes) as a result of probate.

The Board agreed that it should be provided, by email, with a copy of the presentation and supporting paper (with updated weblinks). The Board also agreed that it would like to receive a comparative analysis of the complaints handling regimes for probate and non-probate registered firms at the February meeting next year so that it can consider whether or not to recommend any harmonisation.

8. ANNUAL REPORT FROM THE STANDARDS BOARD

i. Report from the Chairman of the Standards Board

The Board received a report from the Chairman of the Standards Board in relation to how the Board is meeting its Terms of Reference. The Board noted:

- the Standards Board takes a strategic approach to scrutiny and due diligence of the proposed changes to ACCA's rules, regulations and the Code of Ethics and Conduct by holding pre-meetings, horizon scanning, encouraging invitations to lead regulators, and lay member attendance at Regulatory Board meetings
 - the Standards Board mitigates risk by understanding the structure of the governance of risk in ACCA, its role in relation to risk, and how its output affects the strategic outcomes
 - the historical and current challenges of effectively promulgating the *ACCA Rulebook* and standards, and the present focus on internal promotion
- and
- the recommendations for changes to ACCA's Rulebook concerning ACCA's rules, regulations and the Code of Ethics and Conduct, and

for arrangements ensuring that the standards are effectively promulgated. These include:

- inviting lead regulators to Board meetings
 - achieving gender neutrality through the use of the term professional accountant
 - developing the Code of Ethics and Conduct through to 2020
 - restructuring the Rulebook
 - enhancing the promotion of standards by changing the action plan layout and the position in meeting agendas
 - obtaining data in relation to ethics/Rulebook queries from the Technical Advisory team
- and
- obtaining data in relation to complaints regarding ethics from the Assessment team.

The Board discussed the report and recommendations and agreed that the Financial Conduct Authority and LSB should be invited to attend a future Board meeting. The Board also agreed to explore the use of pre-meetings for all Board and sub-Board meetings and that a proposal should be brought to the next meeting.

The Board thanked the Chairman for his report and the Standards Board for the way in which it is meeting its Terms of Reference.

ii. Regulation changes for the 2019 Rulebook

The Board approved the proposed changes for the 2019 Rulebook, recommended by the Standards Board, subject to a review in 12 months' time of the impact of the change to regulation 3(2)(a) of The Chartered Certified Accountants' Authorisation Regulations 2014. This regulation permits the consideration of applications and re-applications for certificates by the Chairman of the Admissions and Licensing Committee in the absence of the parties and without a hearing.

iii. Code of Ethics and Conduct

The Board approved the proposed regulation changes to ACCA's Code of Ethic and Conduct for the 2019 Rulebook, recommended by the Standards Board.

9. REPORTS FROM APPOINTMENTS AND QUALIFICATIONS BOARDS

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

Appointments Board

- the ACCA Code of Conduct for Panel members will be reviewed and may be updated to include a duty to disclose an association with an organisation that is under investigation.

Qualifications Board

- the investigation following an incident involving students in Pakistan sharing exam papers via a WhatsApp group had been concluded and demonstrated the effectiveness of ACCA's risk management procedures in relation to exam cheating.

10. REGULATORY BOARD REPORT TO GOVERNANCE DESIGN COMMITTEE

The Board agreed that a report on the performance of the Board in 2017-18 for submission to the Governance Design Committee should be circulated by email following the meeting for approval.

11. PERFORMANCE DATA

The Board noted the performance data and strategic context paper. The Board agreed that this paper should be included under Part A – Items for Discussion of the agenda for future meetings.

12. LEAD REGULATOR UPDATE

The Board noted an update on ACCA's interactions with its lead regulators. In particular the Board noted that:

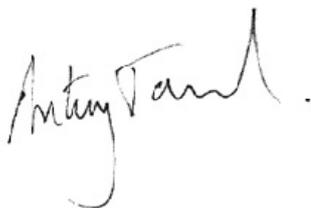
- an update regarding the FRC, the Insolvency Service (IS) and the Irish Auditing & Accounting Supervisory Authority (IAASA) had already been provided earlier in the meeting

and

- in relation to the independent review of the FRC led by Sir John Kingman, the Board was directed to the Kingman Review's call for evidence and ACCA's response which were included within the papers.

13. DATES OF FUTURE MEETINGS

The Board noted that the remaining Regulatory Board meeting in the 2017-2018 Council Year is scheduled to take place on 13 November 2018.



Chairman