

**Meeting:** Regulatory Board

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

**Date:** 14 May 2018, 13.30 – 17:00

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## **PRESENT:**

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

## **IN ATTENDANCE:**

Executive Director – Governance (Peter Large), Director – Regulation (Sundeep Takwani), Head of Standards (Ian Waters), Head of Monitoring (Andrew Teague, present for items 5-7 only), Head of Licensing (Stefan Pegram, present for item 7 only), Data Privacy Adviser (Armelle Cressent, for item 10 only), and Regulation Officer (Victoria Adkins).

## **OBSERVERS:**

Dawn Dickson – Financial Reporting Council (present for items 1-14 only), Fiona Goh – Financial Reporting Council (present for items 1-10 only).

## **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Ronnie Patton.

### **1. MINUTES**

The Board approved the minutes of the meeting held on 6 February 2018, subject to the addition of the length of term of office in relation to the re-appointment of the Chairmen of the sub-boards.

### **2. CONFLICTS OF INTEREST**

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

### **3. FINANCIAL REPORTING COUNCIL (FRC)**

The Board received a presentation from Dawn Dickson, Director of Professional Oversight at the FRC. The presentation covered the outcomes of the FRC's RQB and RSB inspection visits and how FRC expects its approach to oversight will develop in the near future.

#### **4. GUIDANCE FOR REGULATORY ORDERS**

The Board approved updates to the Guidance for Regulatory Orders which reflect the following:

- amendments necessary to comply with the requirements of lead regulators and bring the Guidance for Regulatory Orders in line with the current version of ACCA's Rulebook

and

- the limited relevance of 'hot' file reviews as conditions potentially imposed on an audit certificate.

The Board further noted the following:

- ACCA's emphasis on the use of action plans which put the onus on firms to show willingness and capability to improve the standard of their audit work

- while 'hot reviews' are not prohibited, evidence suggests that they do not result in sustained improvement in the standard of audit work

and

- when the updated Guidance for Regulatory Orders is sent to Panel members there will be appropriate messaging setting out the reasons for the amendments.

#### **5. 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 Regulatory Board's annual report, including the Board's proposals for its further development, was presented to Council in March 2018 and was well received

- the views of the Board have been fed into the recruitment process for Board and sub-board members, and the Chairmen of the Regulatory Board and sub-boards will be consulted in advance of future recruitment exercises

and

- the Hearings Working Group had met with Helen Wagner, ACCA's Head of Change for Governance, and had a productive discussion. Helen is reviewing the efficiency of the end-to-end disciplinary process and will present to the Board her findings at its September 2018 meeting.

## **6. LEARNING SESSION - PRACTITIONER REGULATION IN THE UK AND IRELAND**

The Board received presentations from ACCA's Head of Monitoring and Head of Licensing, on practitioner regulation in the UK and Ireland. The Board noted:

- the process of issuing practising certificates to members and the monitoring of those members and firms
  - practitioner regulation aims to support both present and future practitioners and therefore aligns with ACCA's 2020 strategy. In particular, ACCA's Licensing and Monitoring Departments ensure ACCA's statutory recognition for audit is maintained and ACCA members adhere to high standards of conduct and uphold ACCA's reputation
  - ACCA's Monitoring Department has recently recruited a Senior Manager, AML, to focus specifically on Anti-Money Laundering and this manager will recruit a team of AML Supervisors
- and
- ACCA's Licensing Department has been focused on increasing its resources, providing online support to members, for example through live and pre-recorded webinars, and preparing for new authorisation processes, such as probate applications. The department is focused on continuous improvement, including digitalisation and improving the mechanism by which experience is recorded for the certificate application process.

The Board agreed that it would like to receive an update in relation to the progress of the digitalisation of licensing at a future meeting.

## **7. FOLLOW-UP TO THE BOARD'S EFFECTIVENESS REVIEW**

The Board considered a paper prepared by the Chairman which followed on from the Board's effectiveness review. The paper made suggestions in relation to:

- how the Board can keep better track of how it meets its terms of reference
- and
- proposing a design format to improve the tracking of responsibilities and follow up actions.

The Board agreed with the proposed methodology and that the Chairman would liaise with the Executive to work on the design format and its implementation.

## 8. REGULATORY BOARD WORK PLAN FOR THE 2017-18 COUNCIL YEAR

The Board considered the work plan for the 2017-18 Council year and agreed that the following items should be added:

- an update in relation to the progress of the digitalisation of licensing at a future meeting
- a presentation from Helen Wagner, ACCA's Head of Change for Governance, at the September meeting, in relation to her review of the efficiency of the end-to-end disciplinary process

and

- a presentation at the September 2018 meeting in relation to the implications for complaint handling, both internal firm processes and ACCA processes, as a result of ACCA being licensed by the Legal Services Board for members undertaking probate work.

## 9. GENERAL DATA PROTECTION REGULATION (GDPR)

The Board received a presentation from ACCA's Data Privacy Adviser in relation to the implications of the GDPR on ACCA's regulatory arrangements, in particular ACCA's data retention policy. The Board noted that:

- GDPR has resulted in many changes in relation to the handling of personal data for example:
  - the scope of "personal data"
  - removal of administration charges in relation to Subject Access Requests, which could result in an increase in requests
  - the process of seeking consent
  - reporting of data breaches

and

  - the introduction of privacy assessments.
- within ACCA, approximately 108 processes have been reviewed since August 2016 and ACCA has liaised with over 90 stakeholders in doing so
- ACCA is in a good position for the implementation of GDPR by 25 May 2018
- a further requirement of the GDPR is not only to comply with the requirements but also to *demonstrate* that ACCA is complying with

requirements

and

- ACCA has compiled a data retention schedule which indicates to each department within ACCA how long data should be held.

The Board also discussed whether ACCA's regulatory Panel members are considered as data controllers, and were informed that they are not, and that ACCA is the data controller. The Board suggested that confidentiality and the code of conduct should be emphasised at the next Panel members' training day and each time papers are sent to Panel members.

## **10. DRAFT 2018 PUBLIC REPORT ON REGULATION**

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

- the Chairman would complete his statement for the report and circulate the final draft within two weeks of the meeting

and

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

The Board agreed that they should also be provided, by email, with a communication strategy, outlining how the report is distributed to interested parties and made prominent on the ACCA website.

## **11. REPORTS FROM APPOINTMENTS, QUALIFICATIONS AND STANDARDS BOARDS**

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

### Appointments Board

- a timetable has been agreed for the recruitment of Panel members, but it has been agreed that no further legal advisers or lay members need be recruited at present
- there are currently only two regulatory assessors and their contracts have been extended for another year to February 2019

and

- a competence framework to assess panel members has been put in place and distributed, with a new round of hearing observations having commenced.

### Qualifications Board

- March examination results had been ratified and there was nothing unusual in performance in any of the exams and no operational issues

- in nine markets paper examinations have been withdrawn and have been replaced by computer examinations for papers F5-F9
  - during the last meeting of the Qualifications Board there was a substantive discussion regarding the review of performance between different markets and this will be looked into further
  - the Qualifications Board is visiting ACCA's office in Glasgow for its meeting in the Autumn
- and
- the Qualifications Board has requested a stakeholder map to familiarise itself with ACCA's various relationships with lead regulators.

### Standards Board

- at the most recent meeting, the Standards Board discussed changes to the Global Practising Regulations, in particular that members in Cyprus need no longer hold an ACCA practising certificate, and the implementation of the Insurance Distribution Directive
- and
- the Standards Board had held a pre-meeting to discuss its processes, and that the Chairman had fed back to the Executive requests for cover papers to each agenda item and a request to observe other Public Interest Oversight Boards. The Standards Board also set out some training requirements and expressed an interest in holding regular pre-meetings.

The Board agreed that observations by Standards Board members would be welcome.

## **12. PERFORMANCE DATA**

The Board noted the performance data and strategic context paper. In particular the Board noted that:

- the fluctuation in KPI performance for the Investigations Department is due to a batch of student cases which involved complex issues. Cases of this nature often appear in batches which impacts the overall KPI
- in 2017 there were 19 criminal conviction cases for the year and that there had already been 11 cases for the first quarter in 2018. The Board agreed that a further explanation in relation to this should be provided following the meeting

*[Post-meeting note: On 22 May 2018, the Board were informed that the relevant team had confirmed that there is no underlying reason for the spike in closures of this case type but that it will be reviewed over the coming year.]*

and

- the strategic context paper reflects enhancements to ACCA's risk approach and is therefore reflecting the current status of events and working as intended.

### **13. DATES OF FUTURE MEETINGS**

The Board noted the dates of Regulatory Board meetings in the 2017-18 Council year.

### ***MATTERS IN RELATION TO REGULATORS OTHER THAN FRC***

### **14. PRESENTATION FROM THE EXECUTIVE DIRECTOR - GOVERNANCE**

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

- Anti-Money Laundering
  - Insolvency
  - International Federation of Accountants and its standard-setting boards
- and
- Financial Reporting Council and the Accountancy Scheme

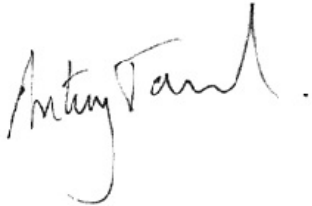
### **15. LEAD REGULATOR UPDATE**

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

- an update regarding the Insolvency Service and the Financial Reporting Council had already been provided earlier in the meeting
- and
- in relation to the Irish Auditing & Accounting Supervisory Authority (IAASA), the Board were directed to ACCA's full response to IAASA's Quality Assurance review of ACCA which was included within the papers.

## 16. GLOBAL REGULATION

The Board considered a draft narrative on the application of ACCA's regulatory framework to members globally. The Board agreed that some amendments be made to the narrative for the Board to consider by email.

A handwritten signature in black ink, appearing to read "Antony Tarr". The signature is written in a cursive style with a prominent initial 'A' and a long, sweeping tail.

Chairman