

minutes

Meeting: Regulatory Board

Location: Cedar room, The Adelphi, 1-11 John Adam Street, London,
WC2N 6AU

Date: 22 November 2017, 13.25 – 16.40

PRESENT:

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

IN ATTENDANCE:

Chief Executive (Helen Brand), Executive Director – Governance (Peter Large), Director – Regulation (Sundeep Takwani), Head of Monitoring (Andrew Teague, present for items 8 to 10 only), Head of Standards (Ian Waters) and Regulation Officer (Catriona Calnan).

OBSERVERS:

Gareth Owen, Qualifications Development Manager.

APOLOGIES:

No apologies for absence were received.

1. MINUTES

The Board approved the minutes of the meeting held on 19 September 2017.

2. CONFLICTS OF INTEREST

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

3. PRESENTATION FROM THE CHIEF EXECUTIVE

The Board discussed and noted a presentation from the Chief Executive, which provided a high level overview of ACCA Strategy, the key priority for the coming year and an overview of ACCA's risk management framework. A fuller note of this discussion is at appendix 1.

4. CHAIRMAN'S REPORT

The Board noted a presentation from the Chairman of the Board, in particular that:

- the Chairman attended the first meeting of regulatory board chairmen in which possible areas of collaboration between the regulatory boards was discussed, including shared working methods and how they can assist in ensuring that there is an effective working relationship between the accountancy bodies and the Financial Reporting Council (FRC)
- and
- the proposed new process for appointment of chairmen and lay members to the Public Interest Oversight Boards will be considered by the Nominating Committee at its next meeting in February 2018.

5. LEARNING SESSION – GLOBAL REGULATION

The Board held a learning session on the regulation of ACCA members globally. There was considerable discussion of the relationships between ACCA regulation and regulators in other jurisdictions, the extent to which it was safe to rely upon other regulators' systems to identify and mitigate risks, and the position of members in jurisdictions where there was no local regulator upon which ACCA could rely.

The Board supported ACCA's objective of ensuring that all members should be held to the same set of global standards, and acknowledged that in practice the systems for monitoring and enforcement might need to vary depending upon local conditions and the number of members in any jurisdiction. However, the Board considered that it needed some further analysis of how the various systems operated, and where there might be heightened risks. The Board also considered that it might be desirable for ACCA to refresh and update its message about how regulation applied is globally, without diluting the fundamental commitment to a single set of standards.

The Board agreed that it would like to receive at its next meeting in February 2018:

- a matrix setting out the areas of regulation that all the various sectors and jurisdictions have in common (for example all students and members are bound by the ACCA Rulebook and Code of Ethics) and those areas of regulation where there are variations (for example monitoring)
- and
- an analysis commenting on the proposed matrix, identifying where the gaps are in regulation, including potential scenarios and how they affect ACCA's reputation and the brand promise.

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

The Board approved its work plan for the 2017 – 18 Council year, subject to the following amendments:

- to include a further global regulation analysis for the February 2018 meeting
 - a third table should be included setting out the programme of learning sessions
- and
- 'Performance data and report from staff' should be amended to 'Performance data and strategic context'.

7. REPORTS FROM APPOINTMENTS, QUALIFICATIONS AND STANDARDS BOARDS

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

Appointments Board

- the appraisals, feedback and Code of breaches policies are undergoing an internal review and will be considered by the Appointments Board at its next meeting in January 2018
 - the Appointments Board is currently considering recruitment requirements of committee members, chairmen and legal advisers
 - the regulations allowing the Appointments Board to observe panel members when considering the case in private may need to be reviewed for further clarity as an objection has been raised regarding the matter at a recent Meeting of Chairmen and Legal Advisers
- and
- training days for committee members, chairmen and legal advisers are currently taking place.

Qualifications Board

- following the necessary due diligence, the Qualifications Board ratified the September examination results

and

- the Qualifications Board received a presentation on the quality assurance of the examinations process and confirmed that it was assured that ACCA had the necessary systems and controls in place.

Standards Board

- interim changes to the Designated Professional Body Regulations will be necessary to implement the requirements of the Insurance Distribution Directive in early 2018
- ACCA has applied to the Legal Services Board to be able to authorise members in respect of probate activities and if its application is approved interim changes to the Rulebook will be required in 2018

and

- the Standards Board agreed ACCA's approach for promoting the Rulebook and standards, which will initially focus on internal communication.

The Board also noted that the minutes of the meetings held in October 2017 will be circulated by email.

8. PERFORMANCE DATA

The Board noted the performance data and strategic context paper. In particular, the Board noted the agreed approach for including a qualitative overview of the reported data. The Board agreed that:

- Ros Wright and Frances Walker be invited to suggest any additional information, which should be included in the qualitative overview

and

- the aged analysis on assessment and investigation cases should be included in the qualitative reporting.

The Board also noted a paper providing an overview of audit monitoring visits, how the current back-log of on-site visits arose and ACCA's plans to manage the timing of these visits. In particular, the Board noted that:

- the backlog largely arose from staff resourcing issues during 2016 and 2017
 - ACCA needs to recruit replacement resource in order to clear the backlog as quickly as possible but once it has been cleared, ACCA may find itself in a position where it is over-resourced
 - based on the assumption that fully trained replacement resource is in place by 31 May 2018, the backlog will steadily decrease and is projected to be fully eliminated by 31 December 2018
 - in the meantime, ACCA continues to focus on those visits that have been assigned a higher priority by FRC and IAASA
- and
- in addition to recruiting replacement resource ACCA is exploring other options, including the possibility of deferring some accelerated visits from two- to four-year follow-ups.

In light of the update provided, the Board was still concerned that there is a risk that ACCA will not be able to recruit the two replacement compliance officers needed and as a consequence the backlog would develop further. The Board agreed that a statement indicating whether ACCA's programme to meet its monitoring visit cycle KPIs should be included in the routine quarterly performance reports.

9. LEAD REGULATOR UPDATE

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

- the FRC carried out both an Recognised Supervisory Body (RSB) inspection visit and an Recognised Qualifying Body (RQB) inspection visit in October 2017 – ACCA awaits the reports of findings for both inspection visits but no significant matters were highlighted at the respective closing meetings
- FRC has reconsidered its position on what the broad scope of the revised FRC Accountancy Scheme for complaints and discipline should be
- the Irish Auditing and Accounting Supervisory Body (IAASA) is yet to issue its report of findings following its inspection visit in July 2017, focussing on audit firm monitoring arrangements, but no significant matters were identified during the visit

and

- ACCA attended a meeting with IAASA and the other audit regulatory bodies on 15 November 2017 on the implications of the Companies Bill on the future audit regulatory framework, and was encouraged to learn that IAASA intends to take a more proportionate approach in its oversight role.

10. DATES OF FUTURE MEETINGS

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

A handwritten signature in black ink, appearing to read 'Antony Tarr'.

Chairman