

The ACCA logo is a red square with the white text "ACCA" inside. The background of the entire page is a close-up photograph of hands typing on a silver laptop keyboard, with a thin red border framing the central text area.

ACCA

Report on regulation 2018

Think Ahead

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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 **200,000** members and **486,000** students in **180** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of **101** offices and centres and **7,291** 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.

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 more than one million 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.

Introduction

REGULATORY FUNCTIONS OF ACCA

This report reflects on ACCA's regulatory activities during 2017, and reports on ACCA's achievements in regulation in the calendar year 2017. 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 qualifications, 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

This report explains the main regulatory activities and developments affecting ACCA, its 200,000 members worldwide, and the clients and societies which those members serve. It is designed to enable everyone to see how ACCA strives to ensure that all members live up to the high standards and brand promise which the Association promotes.

ACCA operates in a dynamic and diverse environment. Its members practise in huge corporations and government departments, in smaller organisations, or in small partnerships or sole practices. They practise in countries with mature systems of state and professional regulation, and in countries where regulation is less well developed. Part of ACCA's role is to ensure that its systems – in particular its educational qualifications, and the support it provides to its members - remain fit for purpose.

ACCA's regulatory board – with a non-accountant chair and majority – is responsible for ensuring that the regulatory systems keep up with this dynamic environment, and continue to protect the public interest. We regularly review – and develop - key performance indicators (KPIs) to identify potential problems and ensure that appropriate action is taken. This report explains that the work to tackle a significant backlog of disciplinary hearings has been successfully completed, and further work is under way to continue to improve the efficiency of our disciplinary processes. We have been doing similar work to deal with a problem with delays to visits to audit firms. Our Qualifications Board looks in detail at ACCA's examinations processes, scrutinises any problems which arise, and certifies that those becoming members of ACCA have been through a process which has been rigorously assured. I have discussed with ACCA some improvements to the system for appointing independent members to the Regulatory Board and its sub-Boards, to ensure that there is the best possible range of talent to oversee ACCA's regulatory activities.

In the UK and Ireland, the implementation of changes to the systems under which the Financial Reporting Council (FRC) and the Irish Auditing and Accounting Supervisory Authority (IAASA) delegate tasks to professional bodies has required close work with those authorities. I am pleased to report that both authorities have recognised ACCA's work to address issues of concern: the recent reports from both authorities have been encouraging.

In addition to this detailed work, the Board has been undertaking some wider reviews – we have looked at the systems for regulating members in a wide range of circumstances across the globe, including our arrangements with partner accountancy bodies in other countries to ensure that they are proportionate and effective.

ACCA's systems will continue to need to evolve to meet the new challenges arising internationally. The Regulatory Board will be working in 2018 to ensure that the underpinning quality assurance systems continue to protect the public interest.

Executive director's statement

ACCA is committed to shaping the future of the accountancy profession and at the heart of this commitment are our members who, through their work, ensure organisations and economies grow and prosper in an ethical and responsible way. So at our 2017 AGM, we were especially proud to announce that we had reached a ground-breaking milestone of 200,000 ACCA members worldwide.

It's of paramount importance to ACCA that all our 200,000+ members have the highest professional values and ethics: our brand reputation relies on this. ACCA regulates all of its members to ensure they meet and adhere to, the very highest standards. 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.

In addition, those members of ACCA who are in public practice (ie 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.

As I said in last year's statement, we believe that proper regulation is crucial to public trust in financial systems and we are committed to proactively supporting regulatory developments across the many markets we're in. In 2017, ACCA's Council agreed to expand our strategic vision to be #1 in developing the accountancy profession the world needs. One way we can realise this vision is by assisting other national bodies and regulators in putting in place and enhancing robust regulatory systems for public practice. We were able to demonstrate this commitment in 2017 by hosting an international conference on regulation in London which created the opportunity for those present to share international best practice.

During 2017, ACCA also reaffirmed its commitment to working in close partnership with key stakeholders to ensure shared success. And the relationship between a regulator and those being regulated is a collaboration that requires a form of partnership. When being regulated, we recognise the importance of constructive collaboration, transparency, and the need to respond appropriately to the advice given. And, in our role as regulator, we seek to collaborate with other regulators and listen to our members to ensure we identify solutions that reduce any unnecessary administrative or financial burdens upon our membership as a whole – particularly as there are now areas of intense regulation affecting relatively small groups of members.

Executive director's statement

To this end, we no longer require our members to hold ACCA practising certificates in most of the jurisdictions where our members are regulated by another professional or regulatory body. Instead, we have introduced a system of registering as being in public practice. This involves members making the simple declaration that they hold another practising certificate or the right to practice. This change removes unnecessary bureaucracy without diluting public protection, and the new register has been welcomed by members: some 900+ non-UK/Irish practitioners transferred in the past year from holding ACCA practising certificates to the new register.

We've also continued to drive efficiencies through our regulatory work. 2017 saw us meeting our six month KPI for listing disciplinary and regulatory cases for hearings, and the successful implementation of improvement initiatives to clear a backlog of cases awaiting hearing. While these are notable achievements, they have also highlighted the significant cost of holding hearings and we continue to seek administrative and cost efficiencies when handling complaints. Our conciliation service is now well established; and in January 2016 we introduced consent orders. Following a successful trial of a small number of cases, in 2017 we increased the scope of cases to be disposed of by way of consent, and plan to further increase the scope in 2018. We've found these offer a swifter process to achieve the same findings and sanctions as a disciplinary hearing would (using the same guidelines for sanction), and the significant costs of staging a hearing for such cases are not incurred.

In recent years we have also recognised the challenges small and medium practices (SMPs) face to distinguish themselves in the market and we have been actively seeking new opportunities to help SMPs broaden their services. In 2017, the UK Legal Services Board authorised ACCA to license practitioners for probate services. This move is in the interests of our collective membership as well as the public interest, and we were pleased to note that the approval of our regulations and regulatory procedures was largely based on our existing regulatory framework and the robustness of those procedures.

This is my final executive director's statement, as I will be retiring in September 2018. I sign-off by making the observation that, despite the increasing regulatory complexity across the many different markets we operate in, and the regulatory landscape changing at an ever increasing pace, ACCA is in a strong position to support our strategic vision to be #1 in developing the accountancy profession the world needs through our continuous improvements and innovations in the field of regulation, and this is largely due to the open dialogue we continue to seek with oversight bodies across the world to ensure ACCA is at the forefront of thinking as new developments arise.



Peter Large
Executive Director – Governance

ACCA Regulation in numbers 2017

204,336

members

414,562

students

1,901

audit firms in
the UK and
Ireland

243

audit personal
monitoring visits
in the UK
and Ireland

620,394

examinations
taken

12,348

practising
certificate
holders

3,268

approved
training offices
(worldwide)

270

disciplinary
and regulatory
hearings

ACCA Regulatory Board

The Regulatory Board was launched in September 2008 to bring together all of ACCA's public interest oversight arrangements into a single entity. The 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 chairmen. 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 – strengthening the competency framework for panel members and continuing to oversee the performance of committee members, chairmen and legal advisers
- Qualifications Board – assuring the quality of examinations with expert advice, upholding the integrity of the examinations, and monitoring the introduction of computer-based examinations and the new ACCA Qualification
- Standards Board – implementing necessary amendments to the *ACCA Rulebook* and improving the format and promotion of the standards.

At the end of 2017, the Board undertook a review of the effectiveness of its governance arrangements, informed by similar reviews undertaken by each of the three sub-boards. The review concluded that the system generally works well and the delegations to the sub-boards are effective.

FUTURE REGULATORY LANDSCAPE

The Board continued in 2017 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 the need to continue to develop and foster links between the work of ACCA regulation and the Association more generally.

The programme of learning reviews, highlighted in the 2016 report, is now in place. The aim of the learning reviews is to enable the Board to consider the broader environment within which ACCA operates, to look at ACCA's initiatives as they reflect regulatory matters, and to consider whether ACCA's regulatory approach requires adjustment. The first review was on disciplinary arrangements and resulted in an agreement for improved monitoring of qualitative issues. The second review concerned the global reach of regulation. Additionally, the Board received a presentation from the chief executive on the broader challenges and opportunities facing ACCA. Further learning reviews are scheduled for 2018.

ACCA Regulatory Board

AUDIT REGULATION IN THE UK AND IRELAND

The reforms of audit regulation as a result of the implementation of the EU Statutory Audit Regulation and Directive (ARD) saw UK 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 alter 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). The Board continues to provide assurance about its role in safeguarding the public interest.

FRC and IAASA, in their respective jurisdictions, are now 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 ARD (but subject to oversight by FRC and IAASA respectively). In 2017, FRC carried out a review of ACCA's audit firm monitoring arrangements and was broadly satisfied with its findings. FRC was also generally satisfied after carrying out a review of ACCA's arrangements for audit qualification awards, making no new recommendations. IAASA's inspection visit in July 2017 also focused on ACCA's audit firm monitoring arrangements.

During 2017, ACCA also made further changes to the *ACCA Rulebook* to implement the requirements of the EU ARD.

LEGAL ACTIVITIES

In 2018, the Board will need to address the new relationship with the Legal Services Board which will result from its approval of ACCA's regulatory arrangements in respect of non-contentious probate in England and Wales, and the implications for complaints handling.

Qualification and examinations

The ACCA qualifications are structured to provide development and progression from the Foundation-level qualifications through the Fundamentals and Professional level examinations to the ACCA Qualification.

The ACCA Qualification focuses on three key value propositions comprising exams, ethics and practical experience. ACCA, with its network of offices, approved learning partners and employers worldwide, supports students and members to develop successful careers by providing opportunity for learning and development. In partnership with Oxford Brookes University, UK, a BSc in Applied Accounting and a Global MBA are also available.

In 2015, ACCA signed an agreement with the University of London (UoL) to deliver a combined MSc in Professional Accountancy (MPAcc). This marks the first time an accountancy body has joined with a university to enable students and members across the globe to gain a Master's degree and a professional accountancy qualification at the same time.

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.

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, PwC, EY and KPMG.

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.

In October 2017, ACCA received an inspection visit from FRC to perform a detailed review of ACCA's arrangements for awarding the UK Audit Qualification. In addition, FRC conducted a follow-up review of ACCA's processes in respect of exemption awards and progress in implementing prior year recommendations. FRC was generally satisfied with ACCA's UK Audit Qualification arrangements as well as ACCA's exemptions processes. The inspection outcome confirmed that ACCA was meeting its statutory obligations as a Recognised Qualifying Body for auditors.

Qualification and examinations

ACCA QUALIFICATION – THE FUTURE

Following extensive research and consultation, ACCA announced changes to its Professional level qualification in October 2016 that will apply from September 2018. The key exam changes relate to the introduction of an integrated case study exam, testing a wide range of technical and professional skills. Existing exams P1 *Governance, Risk and Ethics* and P3 *Business Strategy* will be withdrawn. The key learning outcomes will be retained within the new case study exam. Name changes will be made across the whole qualification, and some small exam format changes will apply, specifically exam questions will now be compulsory with no optional questions available.

On 31 October 2017, ACCA launched the Ethics and Professional Skills module, an interactive and innovative online module which takes the learner on the education and assessment journey. The module continues to address all aspects of professional ethics which are also examined in the Professional Level exams. The inclusion of professional skills enhances employability and exam success.

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 EXAM SITTINGS AND PAPERS ENTERED | | |
|--|-----------------------------------|-----------------------------------|
| Exam sitting | No. of candidates | No. of papers entered |
| 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 |
| December 2015 | 162,602 | 243,660 |
| September 2015 | 40,704 | 51,069 |
| June 2015 | 179,563 | 296,012 |

Qualification and examinations

During 2016, ACCA introduced two additional examination sessions per year across all markets. This provides all students (not just those resitting), employers and learning providers with increased flexibility to manage exam studies for the ACCA examinations. The four examination sessions listed in order of our exam year are September, December, March and June.

In 2017, ACCA continued to roll out session based computer-based examinations CBEs for papers F5 to F9 in other markets. The Skills level session CBEs are offered in addition to the traditional paper-based format. In March 2017, a full test security model was rolled out to have different CBE sessions available throughout the day, meaning that not all students got the same exam. This protected the security, and therefore the integrity, of the exams across the time zones, avoiding over-exposure of any questions in certain parts of the world.

The March 2017 sitting was the third session for our F5-F9 CBEs and the session was operated across 50 centres over 10 markets. The overall average pass rate for the Skills and Professional papers decreased from 44% in the December 2016 session to 43%. The average pass rate for the Skills papers was 45% for this session, a decrease of 1% on the last session. This decrease has been attributed to a greater proportion of retake students sitting this session. The average pass rate for the Professional papers remained the same at 41%.

For the June 2017 sitting, the overall average pass rate for the Skills and Professional Papers saw an increase of 3%, from 43% at the last session to 46%. The average pass rate for the Skills papers was 49% in this session, an increase of 4% on the last session and the average pass rate for the Professional papers increased by 2%, from 41% to 43%.

In the September 2017 session, the overall average pass rate for the Skills and Professional Level exams remained the same as the last session at 46%. The average pass rate for the Skills exams was 48% this session, a decrease of 1% on the last session, and the average pass rate for the Professional Level exams was 44%, an increase of 1% on the June 2017 session.

The performance results remained fairly consistent in the December 2017 sitting. The overall average pass rate for the Skills and Professional Level exams remained the same as the last session at 46%. The average pass rate for the Skills exams was 47%, a decrease of 1% on the last session. The average pass rate for the Professional Level exams increased by 1% on the last session to 45%.

Overall, despite the reduced pass rates in March 2017, by the end of the year the performance results had improved. The new developments to the exam environment continue to make a positive difference, creating more opportunities for students to sit exams and progress towards membership.

Licensing

ACCA issues practising certificates to eligible members and is also authorised by statute to issue licences to individuals and firms undertaking work in the areas of audit, insolvency and investment business. 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 otherwise electing to hold) an ACCA practising certificate will nevertheless be required to notify ACCA if they are carrying on public practice, and such practitioners will be placed on a register of ACCA practitioners. This change is designed to remove unnecessary bureaucracy without diluting public protection. For the 2017/18 international practising certificate renewal exercise, ACCA contacted all existing practitioners about the new policy and introduced a simple online registration form for members to confirm that they wished to be placed on the register rather than continue to hold a practising certificate from ACCA.

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 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.

Since 1 January 2017, ACCA has delivered the majority of its insolvency regulatory functions through the collaboration agreement with the Insolvency Practitioners Association (IPA). Although ACCA has continued to license insolvency practitioners (IPs), it has consolidated the complaints-handling and monitoring arrangements with those of the IPA. The collaboration agreement ensures ACCA is able to meet its obligations as a RPB and regulate its IPs in an efficient and effective way in line with the Insolvency Service's requirements.

- **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 mediation. 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. 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).

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.

Licensing

| OUTPUTS | DECEMBER 2017 | DECEMBER 2016 |
|--|---------------|---------------|
| Practising certificate holders | 12,348 | 13,274 |
| Practising certificate and audit qualification holders | 3,506 | 3,609 |
| Audit firms in the UK and Ireland | 1,901 | 2,073 |
| Licensed insolvency practitioners in the UK | 94 | 109 |
| Firms holding DPB registration in the UK | 1,141 | 1,169 |
| Investment business certificates (Ireland) in issue | 96 | 98 |

In 2017, the number of members holding a practising certificate decreased due to non-UK/Irish practitioners transferring to the register of practitioners rather than continuing to hold a practising certificate with ACCA. At the end of 2017, 103 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 172 fewer firms holding audit registration by the end of 2017. 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 (SMPs) 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.

Authorisations for DPB registration and Irish investment business have remained relatively stable.

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 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 2017, 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 anti-money laundering (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 practice 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 2017, ACCA provided regulatory support to other professional bodies and regulators in Afghanistan, Cambodia, the Caribbean, Cyprus, Ethiopia, Kazakhstan, Malawi, Myanmar, the Philippines, Rwanda and Vietnam.

Monitoring

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 may be 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.

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 | 2017 | 2016 |
| Audit – UK and Republic of Ireland | 243 | 235 |
| Audit – UK and Republic of Ireland – training auditors | 665 | 568 |
| Audit – Global | 178 | 189 |
| Investment business – UK | 80 | 87 |
| Investment business – Ireland | 15 | 19 |
| Insolvency | 26 | 39 |

Monitoring

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 243 audit monitoring visits in the UK and Republic of Ireland and the 15 investment business visits in the Republic of Ireland included in the above table, 134 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; 326 such reviews were carried out in 2017. The rule compliance of a further 32 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. From 1 January 2017, although ACCA continued to license IPs, it consolidated the monitoring arrangements with those of the IPA.

Complaints and discipline

ACCA deals with complaints in respect of its members and students, including allegations of conduct unbecoming professional accountants. 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. 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 seen to be 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. 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 investigation and disciplinary process. All consent order decisions are publicised naming the relevant person. There is no right of appeal against a consent order.

Complaints and discipline

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. 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 | 2017 | 2016 |
|--|------------------|------------|
| Complaints in hand at the start of the year | 532 ¹ | 614 |
| Complaints allocated during the year | 669 | 667 |
| Complaints closed after initial review | 102 | 100 |
| Complaints closed following conciliation | 94 | 89 |
| Complaints closed following an investigation | 355 | 407 |
| Complaints closed by consent order | 21 | 3 |
| Complaints closed following assessor review | 4 | n/a |
| Complaints closed following withdrawal by Adjudication | 12 | n/a |
| Complaints closed following a disciplinary hearing | 101 | 152 |
| Complaints closed following appeal application and/or appeal hearing | 12 | n/a |
| Complaints in hand at the end of the year | 494 ² | 530 |
| Average time to conclude an investigation (from date allocated to date concluded excluding delays beyond ACCA's control ³) | 3.7 months | 3.8 months |

1 Administrative adjustments made at beginning of 2017.

2 Administrative adjustments made during 2017.

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

Complaints and discipline

| OUTPUTS – HEARINGS ⁴ | 2017 | 2016 |
|---|------------|------------|
| Number of Disciplinary Committee hearings | 121 | 184 |
| Number of Admissions and Licensing Committee hearings | 78 | 83 |
| Number of Appeal Committee hearings | 15 | 15 |
| Number of Permission to Appeal (PTA) hearings | 3 | 11 |
| Number of Consent Order hearings | 21 | 3 |
| Number of Interim Order hearings | 26 | n/a |
| Number of Health Committee hearings | 6 | n/a |
| Total number of hearings | 270 | 296 |
| Number of cases concluded by Disciplinary Committee | 97 | 132 |
| Number of cases concluded by Admissions and Licensing Committee | 69 | 60 |
| Number of cases concluded by Appeal Committee | 10 | 13 |
| Number of cases concluded by Permission to Appeal (PTA) Committee | 2 | 10 |
| Number of cases concluded by Consent Order Committee | 20 | 3 |
| Number of cases concluded by Health Committee | 3 | n/a |
| Total number of cases concluded | 201 | 218 |
| Average listing time for all hearings at 31 December (from post assessor referral to conclusion of case at Committee hearing) | 5 months | 4.9 months |

The total number of complaints received by ACCA in 2017 was very similar to that in 2016 at 669 as compared to 667. 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 also remained stable and continues to meet the six month KPI. In last year's report, ACCA highlighted improvement initiatives to reduce the backlog of cases awaiting hearing. The progress in implementing these initiatives has been maintained and the backlog is now cleared. This is a major achievement and ACCA remains committed to continuous process improvements.

LEAD REGULATOR OVERSIGHT

During 2017, FRC conducted a light-touch inspection visit regarding ACCA's complaints and disciplinary function which resulted in the closure of recommendations from the 2016 visit.

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

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Think Ahead