

minutes

Meeting: Regulatory Board

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

Date: 17 May 2016, 09.30 – 12.50

PRESENT:

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

IN ATTENDANCE:

Executive Director – Governance (Peter Large), Director – Regulation (Sundeeep Takwani), Head of Adjudication (Adrianna McDonnell, present for item 7 only), Head of Standards (Ian Waters) and Regulation Officer (Catriona Spedding).

APOLOGIES:

No apologies for absence were received.

1. MINUTES

The Board approved the minutes of the meeting held on 9 February 2016.

2. CONFLICTS OF INTEREST

The Board noted that two potential conflicts of interest had been notified to ACCA following the distribution of the meeting papers.

3. CHAIRMAN'S REPORT

The Board noted a report by the Chairman of the Regulatory Board, in particular that:

- a huge amount of work has been completed by ACCA on the hearings project and that ACCA is on course to reduce lead times to an average of 7.5 months by September 2016
- the Working Group will scale back its activity in the area of oversight of the project

- there had been a delay in reporting, by ACCA to the Qualifications Board and Regulatory Board, two technical issues relating to two sessions of computer –based examinations (CBE)
 - the Chairman has met with the Chief Executive and the Executive Director – Governance on this matter and is satisfied that the issue has been dealt with and that senior management recognise that there should have been more timely reporting of the issues to non-executives
 - the Chairman of the Qualifications Board had recently been promptly notified of another issue
- and
- the Chairman will write a note, setting out these matters, to the ACCA President, which shall be provided to the Executive Director – Governance and the ACCA Chief Executive before finalisation.

4. PRESENTATION OF THE EXECUTIVE DIRECTOR – GOVERNANCE

The Board noted a presentation from the Executive Director – Governance on the future regulatory landscape. In particular, the Board noted that:

- arguably nothing is fundamentally broken as ACCA has robust processes in place
 - progress continues to be made in identifying policies and approaches which will, in due course, be written up into a full narrative for Council to approve as setting out ACCA's positioning on its future regulatory landscape
 - there are still some significant 'known unknowns' and more work needs to be undertaken
- and
- the Regulatory Board has a pivotal role to play in overseeing and challenging the approach ACCA adopts in its regulatory positioning and operations.

In respect of regulatory activities in the UK and Ireland, the Board noted that:

- legislation for implementing the EC Audit Directive and Regulation is due to be laid before Parliament soon
- the Irish Auditing and Accounting Supervisory Authority (IAASA) is intending to move to a similar model to that of the Financial Reporting Council (FRC)

with respect to the implementation of the EC Audit Directive and Regulation and the delegation of tasks

- the funding of the FRC is emerging as a major issue
- the RSBs will be required to engage with the FRC later this year on the extent to which the FRC may continue certain non-statutory activities
- ACCA and the Board need to think about collaboration on regulatory matters between the CCAB bodies, particularly as they now mostly have regulatory/oversight boards
- enhanced money-laundering supervision is one the biggest 'known unknowns'

and

- it is possible that ACCA will go ahead with probate licensing and other forms of differentiation for UK practitioners.

In respect of ACCA's global regulatory activities, the Board noted that:

- the standards for the accountancy profession is very substantially harmonised on a global basis, for example the International Federation of Accountants' (IFAC's) Code of Ethics and Conduct
- all regulatory bodies who have signed up to IFAC are required to submit action plans in respect of their Statements of Membership Obligations (SMOs), which are reviewed by IFAC
- ACCA is considering moving to a registration scheme for those members who practise outside the UK and Ireland, instead of issuing practising certificates

and

- ACCA acknowledges that more needs to be done to articulate to non-practising members that they are subject to end-to-end regulation.

5. ACCA'S FUTURE REGULATORY LANDSCAPE

The Board noted an interim paper on the Board's regulatory landscape and a paper on the regulatory arrangements for members practising outside of the UK and Ireland.

The Board considered the information contained within these papers and in the Executive Director's presentation above and agreed that:

- it should receive an update at its September 2016 meeting on the impact of the EC Audit Directive and Regulation and what ACCA is doing to implement these changes
 - ACCA and the Board may wish to collaborate with the regulatory/oversight boards of other CCAB bodies and that the Chairman of the Board should meet with his opposite numbers in those other bodies
 - there needs to be greater transparency of what ACCA regulation delivers globally – in that there is a global set of principles but there are also variations in how those principles are applied around the world
 - a statement on IFAC and the above bullet should be included in the Board's public Report on Regulation
- and
- the Board should receive a report on the work in progress of the full narrative on ACCA's positioning of its future regulatory landscape at its September 2016 meeting, for discussion.

6. HEARINGS PROJECT

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

- ACCA has made very good progress and that the risk to listing times is now under control
- projections indicate that we will reach 7.5 months average by September 2016
- ACCA now has in place systems and oversight that will highlight any unexpected spikes through a RAG system
- the remaining initiatives will be incorporated into the Standard Operating Procedures in order to ensure effective management of the Adjudication department
- the Working Group's involvement with the project will be scaled back to checking progress in advance of each Board meeting, but ACCA will continue to report to the Regulatory Board matters as part of standard performance data and updates

and

- a revised work plan will be circulated to the Working Group by the end of June 2016.

7. REGULATORY BOARD PUBLIC REPORT ON REGULATION

The Board considered the draft public report on regulation and agreed that:

- the Chairman should work with ACCA staff to finalise the report, including incorporating the amendments identified at the meeting
- and
- the final draft report should be circulated by email for final approval.

8. 2016 REGULATORY BOARD REPORT TO THE GOVERNANCE DESIGN COMMITTEE

The Board agreed that a report on the performance of the Board in 2015-16 for submission to the Governance Design Committee should be circulated by email following the meeting for approval.

9. REPORTS FROM THE CHAIRMEN OF THE 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:

- the Appointments Board is currently recruiting six accountant panel members
- there is a new policy for alleged breaches of the ACCA Code of Conduct for panel members, assessors, regulatory assessors and legal advisers
- the Qualifications Board held a blue skies session at its meeting in April 2016 to learn about the changes to the examination structure and to consider how the Board can practically implement its public interest function
- In addition to the technical issues referred to in the Chairman's report, another technical issue has been reported to OfQual
- there will be an internal audit of ACCA's OfQual exposures and

- the Chairman of the Standards Board and Chairman of the Regulatory Board will need to sign off proposed changes to the regulations in respect of implementing the EU Audit Directive and Regulation.

The Board agreed to:

- endorse the Standards Board's objective to raise the profile of the *ACCA Rulebook* and standards internally and externally
and
- to make a case to ACCA and Council, stating the importance of the *ACCA Rulebook* and standards to ACCA's reputation and brand promise.

10. REGULATORY BOARD WORK PLAN FOR THE 2015-16 COUNCIL YEAR

The Board noted the proposed work plan for the 2015-16 Council year and the Board's longer-term work programme.

The Board noted that work relating to item 2 of the longer-term work programme – develop feedback between regulatory functions, and with other functions of ACCA, to support continuous improvement – has not yet commenced. The Board agreed that, as a starting point, ACCA should provide a brief summary of ACCA's current feedback mechanisms between departments (particularly in relation to ethics) at its September 2016 meeting. Following on from this, the Board agreed that it should identify any gaps and consider ways to improve these mechanisms.

The Board discusses the annual evaluation exercise on the Board's effectiveness and noted that the sub-Boards have yet to complete such an exercise. The Board agreed that it should determine the next phase at its September meeting and that the Chairman of the Board and Suzy Walton should meet with ACCA prior to this meeting to discuss proposals.

The Board noted that the initial findings of the FRC's 2015 inspection and in view of the findings agreed that these matters should be a key area of focus for the Qualifications Board.

11. PERFORMANCE DATA

The Board noted the performance data and staff report.

It was agreed that a copy of the assurance framework should be circulated to the Board.

12. LEAD REGULATOR UPDATE

The Board noted an update on ACCA's interactions with its lead regulators, in particular that:

- a number of reviews/inspections on ACCA's regulatory processes have taken place, the findings of which have been generally positive
 - the Insolvency Service undertook a review of ACCA's arrangements for insolvency licence awards and its initial report of findings indicated a red rating a serious weakness in the control environment
 - while recognising that some process improvements need to be made, ACCA believes the Insolvency Service's concerns were based primarily on one particular case and has therefore submitted a robust response as no significant deficiencies had been evidenced
 - FRC and IAASA will be conducting a joint inspection on ACCA's complaints and disciplinary process in June 2016 - the outcomes of this would be reported to the Board
- and
- ACCA will be carrying out an internal audit of ACCA's systems for complaints and discipline.

13. DATES OF FUTURE MEETINGS

The Board noted the date of the remaining Regulatory Board meeting in the 2015-16 Council Year.

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

Chairman