

PRACTICE MONITORING IN JAMAICA

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(INFORMATION TO BE PUT ON THE PAB WEBSITE)

BACKGROUND

1. The Public Accountancy Board (PAB) has made arrangements to establish a programme of audit monitoring of its registrants, based on international standards and best practice. These arrangements have been made through collaboration with the Institute of Chartered Accountants of Jamaica (ICAJ), The Institute of Chartered Accountants of the Caribbean (ICAC) and the Association of Chartered Certified Accountants (ACCA). The PAB pursues this in fulfillment of its statutory responsibility (under Section 4 of the Public Accountancy Act) to *“implement, regulate and monitor a system of quality control reviews”* over the work of registered public accountants.

Furthermore, International Federation of Accountants (IFAC) in Statement of Membership Obligation No.1 (SMO 1) on Quality Assurance requires the implementation of a programme of monitoring of audit practice. Audit monitoring, (also known as quality assurance), involves assessing an audit firm’s compliance with International Standard on Quality Control No.1 (ISQC 1) which deals with firm-wide audit quality controls and procedures and International Standards on Auditing (ISA), which firms are required to apply in the conduct of audit engagements.

Both ICAJ and ACCA are members of IFAC and ICAC is a regional grouping recognized by IFAC. The Board anticipates that the outcome of this programme will be an increase in public confidence in audit reports will confer additional benefits such as facilitating inward investment and supporting the growth of the capital market in Jamaica. It will also undoubtedly enhance the respect and credibility of members of the profession.

2. PAB has decided to subcontract the performance of audit monitoring in Jamaica to ACCA for a period of four years.
3. PAB took the decision to appoint ACCA to conduct audit monitoring on its behalf on the basis that ACCA has considerable experience and expertise in this area. In the United Kingdom and Ireland, ACCA is a recognized professional body with the statutory responsibility to regulate audit firms, which it licenses for over twenty years. ACCA has also indicated that its monitoring programme is not only compliant with the European Union’s Statutory Audit Directive but also with IFAC’s SMO 1. ACCA has also been appointed by the national professional bodies or regulators in thirteen countries, to conduct audit monitoring on their behalf. These include five professional accountancy bodies in the Caribbean also under the auspices of the ICAC/ACCA Regional Monitoring Programme.

THE MONITORING PROCESS

4. The process involves programmed monitoring visits to practitioners by a Senior Practice Reviewer (SPR) engaged by ACCA. The objective of the practice monitoring visits is not to discipline members in the first instance but to
 - (i) Familiarise the Senior Practice Reviewer (SPR) with practitioners and an understanding of the local culture, practices and environment
 - (ii) Determine areas of weakness
 - (iii) Assist practitioners to improve their knowledge and performance having regard to the requirement of the profession
5. Prior to each visit, firm data is harvested for ACCA through the PAB, which requires all practitioners to complete the "*PRE-VISIT QUESTIONNAIRE*". This compiles the size and scope of the firm's audit business. Each practitioner whose practice is being reviewed is provided with a schedule of data that will be required during the visit, enabling the practitioner to retrieve the data in a timely basis for the visit.
6. The SPR visits normally take a day for sole practitioners with a one to two hour briefing at the start and a closing session of about one hour. The rest of the time is largely spent on audit file reviews. Visits to larger firms can exceed one day.
7. At the end of the visit, the SPR discusses the findings and conclusions with the registrants and makes recommendations for improvement.
8. ACCA then presents a report to the registrant outlining the findings, conclusions and recommendations for improvements.
9. The registrant is required to provide ACCA with a written response within twenty-one days of the report in a prescribed format which must include an action plan for improvement.
10. ACCA then tenders a copy of the report together with a copy of the registrant's response and the ACCA's comments thereon to the PAB.
11. The Practice Monitoring Committee of the PAB then reviews the findings, responses including the action plans submitted by the practitioners and ACCA's recommendations. Where disciplinary action is required, the Committee would provide appropriate details to the Board, and liaise with the SPR as required.

THE OUTCOMES

12. The Board supervises the monitoring programme through a Monitoring Committee for which provision is made in the Agreement. The Committee is comprised of three PAB non-practising representatives, two non-practising representatives of the Institute and one non-practising representative from the ICAC. That Committee receives and reviews the reports submitted by ACCA to the PAB and presents a summary report to the Board on a regular basis. Where the Monitoring Committee determines that further investigation is appropriate, it so indicates to the full Board and the standard disciplinary process is engaged through its Investigations Committee. The detailed reports go to the Board where disciplinary action is required following the report of the Investigation Committee.

13. The approach of the Committee on the first round of visits will be to have dialogue with those practitioners whose reviews reflected unsatisfactory outcomes and indicate that they will be expected to make the necessary improvements by the time of the next visit. It is not anticipated that disciplinary action will be taken in respect of the first round of visits, unless egregious breaches of the law or established standards are identified. The Act requires disciplinary action to be taken against a registrant where there is evidence of:
 - professional misconduct, or of grave impropriety, or infamous conduct or
 - gross negligence or of gross incapacity or
 - evidence of conduct that is discreditable to the profession,

For further detail of the programme, please contact the Registrar.