

STATEMENT BY MR. PETER LARGE AT THE SIGNING OF THE PRACTICE MONITORING AGREEMENT BETWEEN PAB, ICAJ, ICAC and ACCA.

I'm greatly honoured to be able to make a few remarks today on the occasion of the signing of this monitoring contract. I'm also a little humbled to be doing so in such a distinguished company. A number of people in this room have worked for some years to get to this point and I feel very privileged to be here with you at the culmination of this work. Of course when I say culmination, it is only in respect of getting the agreement in place. In many respects the hard work starts now.

However, Sha Ali Khan – who is unable to be here today – and his team will now work very closely with PAB and ICAJ to get things going. You have my promise that Sha and his team will be with you every step of the way.

In advance of that detailed implementation work, I'd like to say a few words about ACCA's approach to audit monitoring. ACCA's monitoring methodology has been developed and tested over some 20 years. ACCA commenced audit monitoring in the UK in 1991. More recently we have worked with partner bodies in Africa, the Middle East, Europe, and of course, the Caribbean to provide monitoring systems.

Here in the Caribbean we are working in partnership with the Institutes of Chartered Accountants of the Bahamas, Barbados, Eastern Caribbean, Guyana, and Trinidad and Tobago. And of course in each of those instances and in respect of today's signing, we are working with the Institute of Chartered Accountants of the Caribbean. We would not probably be here today without the foresight of ICAC to see the possibility of a Caribbean-wide solution to the need to have a world-class system of monitoring in place to meet the reputational and other challenges which arose following the collapse of ENRON and other high profile accounting standards almost a decade ago. I believe ACCA will help deliver that world-class system here in Jamaica through robust monitoring that helps build confidence in audited financial statements.

I would however also like to address some comments to the recipients of the monitoring, namely the auditors registered with PAB. We deploy an educational and progressive approach. We do not feel it is appropriate simply tell auditors where they are going wrong. We therefore reject a tick box approach in favour of helping auditors to understand where and how they can make improvements.

Coupled with providing this assistance, we believe that, other than in extreme cases, auditors should be given the chance to put things right. And that no substantive regulatory action should be taken until at least the second unsuccessful visit outcome has occurred. This is very definitely not soft regulation. On the contrary, it provides for very effective regulation. The aim of regulation is, after all, to raise standards.

Auditors here in Jamaica will understandably have some apprehension about the monitoring which is due to commence in October. To help address these concerns ACCA will work with PAB and ICAJ to provide seminars and magazine articles to explain how it will all work and this will occur well in advance of the October start.

Today's agreement is between four parties: PAB, ICAJ, ICAC, and ACCA.

It brings benefits to us all.

- It enables PAB to discharge its statutory obligations to monitor and regulate auditors.
- It enables ICAJ to meet its SMO obligations to IFAC on quality assurance.
- It enables ICAC to demonstrate its continued effectiveness and leadership as a champion of Caribbean-wide solutions.
- It enables ACCA to be assured that its members who are dual ICAJ members and PAB registrants are subject to effective monitoring and regulation. And this is why we are happy to both lend our experience and to provide financial support to the scheme.

But in conclusion I think there is a fifth unstated party to the agreement, which will also gain benefits. This is the public interest in Jamaica. Confidence in audited financial statements provides a good platform for increased economic activity, enabling society as a whole to benefit from the professional skills of auditors and accountants.

Thank you.