



PUBLIC ACCOUNTANCY BOARD

***Monitoring Programmes
A Multi-Jurisdictional Review***

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Overview

Introduction:

- ❖ Practice Monitoring -Jamaica
- ❖ Practice Monitoring - Caribbean
- ❖ Practice Monitoring - United States of America
- ❖ Practice Monitoring - United Kingdom
- ❖ Practice Monitoring - Canada

Practice Monitoring Stakeholders

- General Public
- Regulators
- Investors
- Practitioners
- All users of Financial Statements
- International Federation of Accountants (IFAC)
- The Institute of Chartered Accountants of the Caribbean (ICAC)

Practice Monitoring Stakeholders

Enhancing The Reliability of Financial Reporting In Jamaica

for All Stakeholders

Practice Monitoring in Jamaica

- In 2011 The Public Accountancy Board (PAB) established a programme of audit monitoring of its registrants.
- The programme was established as a collaborative effort between (ICAJ (ICAC) and the (ACCA). The PAB has pursued 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.

Practice Monitoring in Jamaica

IFAC

- 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.
- 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.

Practice Monitoring in Jamaica

- The Board anticipates that the outcome of this programme will result an increase in public confidence in audit reports. This 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.

Practice Monitoring in Jamaica

- PAB has subcontracted the performance of audit monitoring in Jamaica to ACCA for a period of four years.
- 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.
- The ACCA monitoring programme is not only compliant with the European Union's Statutory Audit Directive but also with IFAC's SMO 1.

Practice Monitoring in the Caribbean

- 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.
- ACCA currently has twelve (12) active monitoring contracts that includes 5 countries in Africa

Practice Monitoring in the Caribbean

- The programme is a significant achievement for the regional accountancy profession, as it places the Caribbean Region on par with the United Kingdom, the United States, Canada and many other countries that have already implemented similar monitoring programmes.

Practice Monitoring in the Caribbean

- ❖ Bahamas
- ❖ Eastern Caribbean
- ❖ Barbados,
- ❖ Guyana
- ❖ Trinidad and Tobago

Practice Monitoring in the United States of America

PCAOB inspects registered public accounting firms to assess compliance with the Sarbanes-Oxley Act, the rules of the Board, the rules of the Securities and Exchange Commission, and professional standards, in connection with the firm's performance of audits, issuance of audit reports, and related matters involving U.S. companies, other issuers, brokers, and dealers.

Practice Monitoring in the United States of America

The Act requires the Board to conduct those inspections annually for firms that regularly provide audit reports for more than 100 issuers, and at least triennially for firms that regularly provide audit reports for 100 or fewer issuers.

Practice Monitoring in the United States of America

Audit Firms reviewed on a Annual basis include:

BDO USA, LLP

Crowe Horwath LLP

Deloitte & Touche LLP

Ernst & Young LLP

Grant Thornton LLP

KPMG, LLP

Malone Bailey, LLP

McGladrey & Pullen, LLP

PricewaterhouseCoopers, LLP

Others conducted over three year period.

Practice Monitoring in the United States of America

- As of July 27, 2012, there are approximately 850 such registered firms.
- In general, the PCAOB inspects each firm in this category either annually or triennially, depending upon whether the firm provides audit reports for more than 100 issuers (annual inspection) or 100 or fewer issuers (triennial inspection).
- At any time, the PCAOB might also inspect any other registered firm that plays a role in the audit of an issuer, and the PCAOB has a practice of inspecting, in each year, some firms in that category.

Practice Monitoring in the United Kingdom

- The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment.
- The FRC oversees the regulatory activities of the actuarial profession and the professional accountancy bodies and operate independent disciplinary arrangements for public interest cases involving accountants and actuaries.

Practice Monitoring in the United Kingdom

The FRC through its Audit Quality Review (AQR) team monitors the quality of the audits of listed and other major public interest entities and the policies and procedures supporting audit quality at the major audit firms in the UK.

Practice Monitoring in the United Kingdom

There are currently ten audit firms undertaking more than ten audits within our scope ('major firms'). These firms are subject to inspections which include a review of their policies and procedures supporting audit quality.

The largest four of these audit firms are subject to inspection on an annual basis and the other major firms on an extended cycle of up to three years.

The review of other firms is limited to periodic reviews of one or more audits within our scope (with the review of these firms' policies and procedures being delegated to the professional body with which they are registered for audit purposes).

Practice Monitoring in the United Kingdom

- Evaluate compliance with the requirements of relevant standards and other aspects of the regulatory framework for auditing. This includes the Auditing Standards, Ethical Standards and Quality Control Standards for auditors issued by the FRC and the Audit Regulations issued by the relevant professional bodies.

Practice Monitoring in the United Kingdom

- ❖ Recognised professional bodies include:
 - ✓ ACCA
 - ✓ ICAEW

Practice Monitoring in Canada

- The Canadian Public Accountability Board oversees auditors of Canadian reporting issuers, that is, companies that have raised funds from the Canadian investing public and who, for that reason, must file financial statements with one or more provincial securities commissions. Under Canadian Securities Administrators Rule 52-108, accounting firms that audit reporting issuers must be participants in CPAB's oversight program.

Practice Monitoring in Canada

- CPAB carries out its mission by conducting inspections of the firms over which it has oversight responsibility. This applies to firms who audit reporting issuers as determined by any of the provincial securities commissions. Firms with 100 or more reporting issuer clients are inspected annually, those with between 50 and 99 reporting issuer clients are inspected at least once every two years and those with less than 50 reporting issuer clients are inspected at least once every three years. In addition to these policies set out in CPAB's Rules:

Practice Monitoring in Canada

- CPAB has entered into memoranda of understanding with provincial accounting oversight bodies (CAs and CGAs) under which those bodies will carry out inspections of smaller firms on behalf of CPAB.
- CPAB has entered into a protocol with the Public Company Accounting Oversight Board (PCAOB) in the U.S. whereby CPAB has agreed that it will review all firms that are registered with the PCAOB at least once every three years.

Practice Monitoring in Canada

Scope of Inspections:

- ❖ In its inspections of a firm, CPAB reviews the policies and procedures of a firm in the areas of Tone at the Top, Independence and Ethics, Client Acceptance and Continuance, Human Resources/Professional Development, Engagement Performance, Engagement Documentation and Quality Monitoring and then tests the firm's compliance with these policies and with those standards established by external professional bodies in these areas.
- ❖ At the end of each review, CPAB sets out for the firm a series of recommendations which the firm is required to implement if it wishes to retain its registration status.

Practice Monitoring in Canada

Recognised Professional Bodies include:

- ✓ ACCA
- ✓ ICAEW



Conclusion



Questions?