

**PUBLIC ACCOUNTANCY BOARD
ANNUAL REPORT
2012/2013**

Pursuant to Section 8 of the Public Accountancy Act Part II, and Section 3 of the Public Bodies Management and Accountability Act, the Public Accountancy Board submits its forty-third (43rd) Annual Report for the year April 1, 2012 to March 31, 2013.

1. MEMBERSHIP AND COMPOSITION OF THE BOARD

As indicated in the 42nd Annual report a new Board was appointed on April 18, 2012 for a two year period ending on April 17, 2014. The composition of the Board is as follows:

Mr. Eric Crawford	-	President
Mrs. Ethlyn Norton-Coke	-	Vice-President
Mr. Linval Freeman	-	Member
Mr. Raphael Gordon	-	Member
Mrs. C Patricia Hayle	-	Member
Ms. Minna Israel	-	Member
Mr. Garth Kiddoe	-	Member
Miss Annaliesa Lindsay	-	Member
Mrs. Ann Marie Rhoden	-	Member
Mr. Eric Scott	-	Member

2. MEETINGS

During the year there were three (2) regular meetings of the Board. In addition there were five (5) Committee meetings.

3. PRACTISING CERTIFICATES

The Board issued 270 (2011/12 - 297) Practising Certificates during the year.

4. DISCIPLINARY ACTION

The Board's Investigations Committee considered a report from the Institute of Chartered Accountants of Jamaica (ICAJ) concerning a registrant who had been removed from membership of the Institute for non-payment of his annual membership fees. The registrant had signed a Continuity of Practice Agreement as a Chartered Accountant. The Board will consider the Report from the Investigations Committee during the 2013/2014 year.

5. BREACHES OF SECTION 15 OF THE ACT

In the 42nd Annual Report it was reported that the Director of Public Prosecution had referred to the Fraud Squad two matters involving alleged breaches of Section 15 of the Act. The Board had brought these two matters to her attention. In the first case the individual did not attend Court. A Bench warrant was issued but the Police have not executed same for over one year.

In the second case the Fraud Squad has reported that they are still trying to locate the individual concerned.

6 BREACHES OF SECTION 25 OF THE ACT

The Board in its 42nd Annual Report indicated that it had brought to the attention of the Director of Public Prosecutions a complaint that a student member of the Institute of Chartered Accountants of Jamaica who had passed the qualifying examinations of the Institute but had not sought membership, had used the Chartered Accountant designation without having completed the application process for becoming a member of the Institute. The Board is awaiting a response from the Office of the Director of Public Prosecutions.

7. REGISTRATION

There were seven (7) additions to the Register during the year. These persons qualified under Section 12(1)(a) of the Act – members of the Institute of Chartered Accountants of Jamaica.

8. DELETIONS FROM THE REGISTER

The names of thirty-one (31) persons were removed from the Register during the year. The deletions were due to (i) death and (ii) persons ceasing to be engaged in the practice of accountancy.

9. STATE OF THE REGISTER AS AT MARCH 31, 2013

At March 31, 2013, Two Hundred and ninety (290) persons (2012- 314), were listed in the Register of Public Accountants. An analysis of the registration is as follows:-

<u>Section</u>	<u>Description</u>	<u>Total</u>
12 (1) (a)	being members of the Institute of Chartered Accountants of Jamaica;	261
12 (1) (b)	being persons who are entitled to practise accountancy in a country other than Jamaica by virtue of a qualification recognized by that country. Such qualification to be approved by the Minister after consultation with the Board;	4
12 (1) (c)	being persons who are members of the Association of International Accountants, the Society of Commercial Accountants, the British Association of Accountants and Auditors and the Chartered Institute of Cost and Management Accountants or such other body that is approved by the Minister after consultation with the Board.	5
12 (1) (d)	being persons who, in the opinion of the Minister, had immediately before the commencement of the Act, acquired sufficient experience in the practice of accountancy.	<u>20</u>
	Total	<u>290</u>

10. COMPARISON WITH THE REGISTER OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF JAMAICA.

At March 31, 2013, there were One Thousand and Ninety (1,190) members (2012 – 1,139) of the Institute of Chartered Accountants of Jamaica (ICAJ). Of these members, Two Hundred and Sixty-one (261) (2012– 274) held practising certificates issued by the Board.

11. MONITORING, DISCIPLINING AND REGULATING THE PROFESSION.

It will be recalled that on February 2, 2011, the Board, the Institute of Chartered Accountants of Jamaica (ICAJ), and the Institute of Chartered Accountants of the Caribbean (ICAC) entered into an agreement with the Association of Chartered Certified Accountants (ACCA) for the Monitoring of all practising accountants in Jamaica.

The objective of the Monitoring Programme is to assess the extent to which a registered public accountant, in the conduct of his practice, complies with

- International Standards on Auditing (ISA)
- International Standards on Quality Control (ISQC).
- the Code of Ethics for Professional Accountants prescribed by the International Federation of Accountants (IFAC) for the maintenance of high quality performance.
- Provisions of the Board's Rules and Recommendations and in particular those dealing with AML/POCA and FATF 40 +9 requirements

The IFAC Code of Ethics establishes fundamental principles of professional ethics, covering issues which include:

Integrity
Objectivity
Professional competence and due care
Confidentiality
Professional behaviour and
Independence

ACCA appointed a Senior Practice Reviewer (SPR) in late 2011. The SPR has considerable auditing experience at a senior level. The reviews commenced in January 2012.

The reports of the SPR are reviewed by a Monitoring Committee comprising three (3) representatives of the PAB, two (2) from the ICAJ and one (1) from the ICAC.

The primary purpose of the programme is to facilitate the raising of the general standard of audit work of audit firms (inclusive of single practitioners) rather than to penalize firms for non-compliance (in the first instance). Initially, the Board will therefore apply an "educational" and progressive approach to audit monitoring. This will involve providing audit firms with guidance and assistance to improve the quality of their work. Regulatory action on non-compliance with auditing standards will only be taken if extremely egregious breaches of auditing

standards are identified during the review or where a firm needs to improve its standards but fails to do so after subsequent monitoring visits. In due course, more punitive action will be pursued where breaches are identified.

At the end of March 2013 the Monitoring Committee had completed reviews of Twenty-eight (28) reports submitted by the SPR. Of these reports five (5) were satisfactory. Registrants whose reviews are unsatisfactory have been informed that they will be reviewed again in two (2) years' time. Those with satisfactory reviews will be reviewed in four (4) years. Letters have been sent to registrants with unsatisfactory reviews indicating that they are expected to have addressed the shortcomings by the time the second review commences. All registrants are issued with an Action Plan which is used to set out the corrective action planned by the registrant. Same is sent by the registrant to the SPR.

Registrants whose reviews indicated shortcomings with Independence requirements are interviewed by the Committee to ascertain what steps they are taking/have taken to address and resolve these issues.

Overall, the nature of the reviews has been somewhat interactive between the registrant and the SPR and the cooperation of the registrants have been satisfactory. Those registrants interviewed by the Committee have indicated that the visit has been beneficial to them.

12. IMPROVING AND STRENGTHENING THE EFFECTIVENESS OF THE PROFESSION.

The Board conducted a review of the various regulations governing the functioning of registered public accountants in Jamaica for improving and strengthening the effectiveness of the Profession. Based on this review the Board submitted its recommendations to the Ministry of Finance and the Public Service. In summary the recommendations are designed to inter alia

- Require the establishment of Audit Committees for all Public Interest Entities (PIES)
- Stipulate certain non-audit activities which the auditor must not perform for his client
- Require the disclosure in the Annual Report of non-audit fees paid to the auditor
- Legislate the requirement for auditor independence
- Define fiduciary responsibilities of senior officers in companies
- Prescribe guidelines to prevent conflicts of interest which could arise from the employment of certain members of the audit team by the client within a certain time period
- Codify standards to be used by professional accountants.

The recommendations fall into two categories viz.,

- (a) those which will involve legislative changes as they relate to enterprises in which the broad public has an interest in ensuring that there is the reality of auditor independence.
- (b) Those which concern generally the ethics of the profession and therefore fall within the ambit of the Board's Rules and Recommendations.

The recommendations at (a) were approved by the Cabinet in 2011/2012 and drafting instructions issued to the Chief Parliamentary Counsel (CPC). During the year under review the Board received the first Draft of the Bill to Amend the Public Accountancy Act which reflects the recommendations made by the Board. Once these are reviewed by the Board the Draft Bill will be returned to the CPC for further action. It is anticipated that the Bill will be tabled in Parliament during the 2013/2014 Financial year.

The recommendations at (b) have been incorporated into the revised draft of the Board's Rules and Recommendations which have been the subject of a comprehensive overhaul. The Board is presently reviewing the draft revised Rules.

13. TRAINING OF REGISTERED PUBLIC ACCOUNTANTS

On December 8, 2012

, The Board held a Seminar designed to inform registrants about the progress of the Practice Monitoring Programme.

Presentations made were as follows

- (i) Practice Monitoring Reviews and general information on the progress of the programme - Mrs. Nadine Forrest-Allen, the Senior Practice Reviewer.
- (ii) Monitoring Programmes – A Multi-Jurisdictional Review – Mr. Eric Scott
- (iii) Importance of Engagement Letters – Mrs. C. Patricia Hayle

The Seminar was also addressed by Mr. Eric Crawford, PAB President. The Moderator was Mr. Garth Kiddoe.

14. ANTI-MONEY LAUNDERING/COUNTERING THE FINANCING OF TERRORISM REGULATORY MECHANISM

The Board continues to work with the Bank of Jamaica to bring to the attention of registrants the FATF 40 + 9 requirements as well as the provisions of the Proceeds of Crime Act (POCA). Under the AML legislation accountants will be categorized as a "Designated Non-Financial Business/Profession (DNFBP)."

The Board had requested the Bank of Jamaica (BOJ) To ensure that certain provisions of POCA were modified to reflect the provisions of FATF 40 +9. The BOJ brought the matter to the attention of the Ministry of Justice and the proposed revisions of POCA have addressed these and other matters.

The Bank of Jamaica has scheduled a number of Forums in April 2013 for regulatory regimes for Designated Non Financial Businesses and Professions (DNFBPs). The main presenter is Mr. Stephen Thompson, the Inspector of the Compliance Commission for the government of the Bahamas.

Registrants are being kept abreast of the developments concerning the things they need to do and to be aware of when the act is amended. The Board's Rules give guidance. In addition the SPR tests the knowledge of the registrant concerning the provisions in the Rules.

The Board's next Seminar will focus on this matter.

15. RULES and RECOMMENDATIONS

The Board engaged a retired practitioner to update and revise the draft Rules and Recommendations which had been developed in-house and placed on the board's website for comment. Registrants were asked to use the Recommendations as a guide in their day to day practices. The update and review exercise has now been

completed and the board is at present reviewing the updated document. It is planned that at the 2013 PAB Seminar, the revised draft will be an item for discussion. Once the review exercise is complete the Rules and Recommendations will be sent to the Minister for approval.

16. COMPENSATION TO BOARD MEMBERS and the Registrar

Set out below are particulars of compensation to Board members for 2012/13 based on meeting attendance and functions as Registrar.

	<u>Fees</u> Board	<u>Fees</u> Committee	<u>Travelling</u>
Board Members			
Eric Crawford	19,000		
Ethlyn Norton-Coke	9,500		
Linval Freeman	11,000		
Raphael Gordon	16,500		
C. Patricia Hayle	16,500		
Minna Israel	11,000		
Garth Kiddoe	16,500	5,500	
Annaliesa Lindsay	16,500	11,250	
Ann Marie Rhoden	16,500		
Eric Scott	16,500		
	149,500	16,750	
Registrar			
Compton Rodney			616,628

17. CONCLUSION

The Board takes this opportunity to express to the Minister and his staff their gratitude and appreciation for the Ministry's continued dedication and assistance.

July 20, 2013