

PUBLIC ACCOUNTANCY BOARD

ANNUAL REPORT

APRIL 1, 2016 – MARCH 31, 2017

PUBLIC ACCOUNTANCY BOARD

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2016/2017

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-seventh (47th) Annual Report for the year April 1, 2016 to March 31, 2017.

1. MEMBERSHIP AND COMPOSITION OF THE BOARD

A new Board was appointed on May 2, 2016 for a three year period ending on May 1, 2019. The composition of the Board is as follows:

Mr. Eric Crawford, C.D.	-	President
Mr. L. Garth Kiddoe	-	Vice-President
Mr. Linval Freeman	-	Member
Mr. Raphael Gordon	-	Member
Mrs. C Patricia Hayle	-	Member
Dr. Wayne Henry	-	Member
Mrs. Elizabeth Ann Jones, C.D.	-	Member
Mr. Clive Nicholas, C.D.	-	Member
Mr. Eric Scott	-	Member
Mrs. Veronica Warmington	-	Member

2. MEETINGS

During the year there were three (3) regular meetings of the Board. In addition there were seven (7) Committee meetings.

3. PRACTISING CERTIFICATES

The Board issued Two Hundred and Seventy-eight (278) (2015/16 – 224) Practising Certificates during the year. A Registrant who engages in practice without a Practising Certificate will be incapable of maintaining any action for recovery of any fee or reward for work done during the period when he was without a Practising Certificate.

4. BREACHES OF SECTION 15 OF THE ACT

In the 45th Annual Report covering 2014/2015 it was reported that the Board had referred to the Director of Public Prosecutions (DPP) three (3) cases where persons who are not registered by the Board had issued audited financial statements. These matters were referred by the DPP to

the Fraud Squad. We are awaiting the results of their investigations. In the 46th Annual Report covering 2015/2016 it was reported that a further three (3) cases were referred to the DPP by the PAB. During 2016/2017 these three cases were referred by the DPP to the Criminal Investigation Branch (CIB). The CIB has pursued the matters and these are now before the Courts. In 2016/2017 the Board referred to the DPP one more matter, similar to the other six cases. The DPP has referred this matter to the CIB and this is being actively investigated by the CIB.

5. REGISTRATION

There were ten (10) 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.

6 DELETIONS FROM THE REGISTER

The names of four (4) persons were removed from the Register during the year. One deletion was due to death and the other three (3) due to retirement from practice.

7. STATE OF THE REGISTER AS AT MARCH 31, 2016

At March 2017, Two Hundred and Eighty-two (282) persons (2015 – 276) were listed in the Register of Public Accountants. An analysis of the register is reflected in Table 1.

Table 1: Analysis of the Register

Section	Description	Total Registrants
12 (1) (a)	being members of the Institute of Chartered Accountants of Jamaica;	255
12 (1) (b)	being persons who are entitled to practice 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.	18
	Total	282

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

At March 31, 2017, there were One Thousand Two Hundred and Seventy-nine (1,279) members (2016 – 1,212) of the Institute of Chartered Accountants of Jamaica (ICAJ). Of these members, One Hundred and Seventy-four (174) (2016 – 176) held practising certificates issued by the Board. Eighty-one (81) members of the Institute who do not hold the Institute’s practising certificates hold practising certificates issued by the Board.

9. MONITORING, DISCIPLINING AND REGULATING THE PROFESSION

On February 1, 2011, the Board, the Institute of Chartered Accountants of Jamaica (ICAJ), and the Institute of Chartered Accountants of the Caribbean (ICAC) entered into a four year agreement with the Association of Chartered Certified Accountants (ACCA) for the monitoring of all practising accountants in Jamaica. This agreement was renewed, effective 1 January 2016, for an initial period of three years, with the provision to automatically extend it for a further three years, unless any of the parties involved give notice within a specified time, to either amend or terminate the agreement.

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 1 (ISQC 1).
- The Code of Ethics for Professional Accountants prescribed by the International Ethics Standards Board of Accountants (IESBA) of the international Federation of Accountants (IFAC) for the maintenance of high quality performance.

The programme also entails checking the firms' and their principals' (Registrants) awareness of the requirements of provisions of the Board's Rules and Recommendations dealing with AML/POCA and FATF 40 requirements.

The process involves reviews of Registrants who are principals in audit firms, by a Senior Practice Reviewer (SPR) from ACCA, based in Jamaica. Where necessary the SPR is supported by another ACCA SPR who is either based in Trinidad or in the U.K.

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

The review process started in January 2012.

The Board adopted a six year cycle for all audit firms, which was changed to a three year cycle for those firms with audits of public interest entities (PIEs) from 1 January 2016.

Registrants whose reviews are determined to be unsatisfactory are reviewed again after two (2) years (one year if they have PIE audits) where widespread deficiencies are found in compliance with auditing standards and after four years (two years if they do have PIE audits) if limited significant deficiencies are found in compliance with auditing standards. Those whose reviews are determined to be satisfactory would not have another review until after three years if they have PIE audits or six years if they do not have such audits.

At each review the SPR provides guidance on the improvements required to address the deficiencies. This guidance is also provided in the review report issued to the firm. Registrants whose reviews are determined to be unsatisfactory have to submit a detailed Action Plan in a prescribed format which is designed to assist them to remedy the shortcomings. Guidance on

how to prepare the Action Plan is given at the review visit and firms are also provided with a template for preparing the plan and written instructions, at the same time the reports are issued.

Those Registrants whose reviews indicate shortcomings are also interviewed by the Monitoring Committee to ascertain what steps they are taking/have taken to address and resolve them.

The primary purpose of the programme is to facilitate the improvement in the quality of audit work of Registrants rather than to penalize them for non-compliance (in the first instance). The Board has taken the approach of applying an “educational” and progressive approach to audit monitoring. This involves providing Registrants engaged in auditing with guidance and assistance to improve the quality of their work, where required. Regulatory sanctions for non-compliance with auditing standards will only be taken if extremely egregious breaches of auditing standards are identified during the review or where a Registrant needs to improve standards but fails to do so after two monitoring visits. Thereafter, more punitive action will be pursued where breaches are identified.

Based on suggestions made by Registrants who have been interviewed by the Committee, the Board in collaboration with the Institute of Chartered Accountants of Jamaica has held workshops to highlight the most common areas requiring improvement and to help Registrants ensure a satisfactory outcome on future visits.

It should be noted that a number of Registrants mostly with unsatisfactory outcomes after their first visit, either gave up providing audit services or ceased to be Registrants.

165 Registrants who are principals in audit firms were on the Board’s register as at 31 March 2017. Some of these Registrants are newly registered. Seventy-seven (77) Registrants had satisfactory outcomes either at their first review or follow-up review. In addition there were Forty-five (45) Registrants who were found at either the first or follow-up visits with limited deficiencies of significance requiring some improvement. There were, however, Forty-Three (43) Registrants with unsatisfactory outcomes. Eight (8) of these Forty-Three Registrants had three (3) reviews. Disciplinary hearings are being scheduled for these eight persons. Letters have been sent to Registrants with two unsatisfactory reviews indicating that they are expected to have addressed the shortcomings by the time their third review commences. If they fail their third review they will then be asked to attend a disciplinary hearing.

While the overall results of audit monitoring indicate that a fair proportion of smaller firms and their Registrants need to make significant improvement in the quality of their audit work, ACCA has indicated that this is consistent with the early years of most monitoring programmes it is involved with, including its own programme in UK and Ireland. The Board is committed to playing an important role through the provision of audit training courses and workshops to assist such Registrants to make the necessary improvements and in the activities of its Monitoring Committee in their supervision and taking appropriate enforcement action where necessary.

10. IMPROVING AND STRENGTHENING THE EFFECTIVENESS OF THE PROFESSION

The Board undertook a review of the various regulations governing the functioning of registered public accountants in Jamaica to determine how these could be improved and strengthened for the effectiveness of the Profession. Following this review the Board submitted its recommendations to the Ministry of Finance and the Public Service. 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 an auditor of financial statements 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 the 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 registered public accountants.

The recommendations fall into two categories viz.

- (a) Those which will involve legislative changes as they relate to entities in which the broad public has an interest in ensuring that there is real and perceived 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 and drafting instructions issued to the Chief Parliamentary Counsel (CPC). The Board has been in consultation with the ICAJ on the matter and will in early 2017/2018 resubmit the revised Draft Bill to the Ministry of Finance and the Public Service for submission to the CPC. It is anticipated that the Bill will be tabled in Parliament during the 2017/2018 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.

11. TRAINING OF REGISTERED PUBLIC ACCOUNTANTS

The Board in collaboration with the Institute of Chartered Accountants of Jamaica held its annual Seminar in early April, 2017. The Seminar was designed to assist Registrants with their Continuing Professional Development (CPD). The topics covered were as follows:

- (a) Rules of Professional Conduct- A synopsis of Section B2- presenter Annaliesa Lindsay
- (b) Rules of Professional Conduct- General Requirements for Registrants- presenter Mr. Linval Freeman
Professional appointment, conflicts of interest, second opinions, independence, audit reviews and other engagements.
- (c) General Applications of the Rules of Conduct- presenter Mr. Garth Kiddoe
Integrity, objectivity, professional competence and due care, confidentiality, professional behaviour
- (d) Fees and other types of Remuneration- presenter Mrs. C. Patricia Hayle
Promotional Material and articles, gifts and hospitality, custody of client assets, objectivity-all services.

12. PROCEEDS OF CRIME (DESIGNATED NON-FINANCIAL INSTITUTION) (PUBLIC ACCOUNTANTS) ORDER 2013

Effective April 1, 2014 any Registrant who carries out any of the following activities on behalf of any client will be designated a non-financial institution for the purposes of the Proceeds of Crime Act.

- a. purchasing or selling real estate;
- b. managing money, security or other assets;
- c. managing bank accounts or savings accounts of any kind, or securities accounts;
- d. organizing contributions for the creation, operation or management of companies;
- e. creating, operating or managing a legal person or legal arrangement (such as a trust or settlement); or
- f. purchasing or selling a business entity.

The Order, signed by the Minister of National Security, dated November 15, 2013, was published in the Jamaica Gazette, Proclamations, Rules and Regulations on November 29, 2013.

Registrants are required annually to inform the Board if they are carrying out any of the above six activities. They will be monitored under the Practice Monitoring Programme to ensure compliance.

In 2016 the Anti-Money Laundering Guidelines were approved and gazetted by the Ministry of National Security. Same are now published on the Home Page of the Board's website

13. RULES AND RECOMMENDATIONS

The Rules were developed using the templates of the IFAC Ethics Code and the ACCA Ethics Rules. In order to do this, the Board has received the approval of the International Federation of Accountants (IFAC) and ACCA to incorporate the provisions of their Ethics Codes/Rules in our Rules. The Rules and Recommendations were in 2016 discussed with the Institute of Chartered Accountants of Jamaica and will shortly be sent to the Minister for approval and gazetting.

14. COMPENSATION TO BOARD MEMBERS AND THE REGISTRAR

Set out below are particulars of compensation to Board members for 2016/17 based on meeting attendance. Also set out is the compensation to the Registrar.

	Board Fees	Committee Fees	Salary and Travelling
	\$	\$	
Board Members			
Eric Crawford	55,000		
Garth Kiddoe	33,000	33,851	
Linval Freeman	33,000	18,500	
Raphael Gordon	33,000		
C. Patricia Hayle	33,000	9,250	
Dr. Wayne Henry	22,000		
Ellizabeth Ann Jones	11,000		
Clive Nicholas	33,000	19,800	
Eric Scott	33,000	19,800	
Veronica Warmington	33,000		
	319,000	101,201	
Registrar			
Compton Rodney			2,305,087

15. CONCLUSION

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

Public Accountancy Board
July 20, 2017