

PUBLIC ACCOUNTANCY BOARD
ANNUAL REPORT
2019/2020

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 Fiftieth (50th) Annual Report for the year April 1, 2019 to March 31, 2020.

1. MEMBERSHIP AND COMPOSITION OF THE BOARD

On April 1, 2019 the Board consisted of six (6) of the original ten (10) members who had been appointed on May 2, 2016 and who had been, on April 23, 2018 requested by the Hon. Dr. Nigel Clarke, the new Minister of Finance and the Public Service to continue to serve until further advised. These were:

Mr. L. Garth Kiddoe	-	Acting President
Mr. Linval Freeman	-	Member
Mr. Raphael Gordon	-	Member
Mrs. C Patricia Hayle	-	Member
Mr. Clive Nicholas, C.D.	-	Member
Mr. Eric Scott	-	Member

On September 6, 2019, Mr. Garth Kiddoe passed away. As a consequence Mr. Linval Freeman commenced serving as Acting President.

On April 15, 2020, the Minister wrote to the following persons informing them of their appointment to the Board effective March 9, 2020 for a three (3) year period ending March 8, 2023.

Mr. Colin Maxwell	-	President
Mr. Linval Freeman	-	Member
Mr. Raphael Gordon	-	Member
Mrs. C. Patricia Hayle	-	Member
Dr. Wayne Henry	-	Member
Miss.Cynthia Lawrence	-	Member
Mr. Leighton McKnight,C.D.	-	Member
Mr. Clive Nicholas,C.D	-	Member
Miss Carlene O'Connor	-	Member
Mr. Eric Scott	-	Member

2. MEETINGS

During the year there were three (3) regular meetings of the Board and four (4) Disciplinary Hearing Meetings.

3. PRACTISING CERTIFICATES

The Board issued Two Hundred and Fifty-Seven (257) Practising Certificates (2018/2019 – 253) during the year. A Registrant who engages in practice without a Practising Certificate will be incapable of maintaining any action for recovering of any fee or reward for work done during the period when he/she was without a Practising Certificate.

4. BREACHES OF SECTION 15 OF THE ACT

During the year there was one outstanding matter before the Parish Court which had been initiated by the Board. The matter had been referred to the Office of the Director of Public Prosecutions (ODPP) in 2015/2016 and was subsequently investigated by the Criminal Investigations Branch (CIB). At the end of March 2020, four persons, viz. The Registrar of the PAB, the owner of the business for whom the financial statements were prepared, the Police and the complainant had given evidence. Since April 2020 two more persons testified, viz. the person who was engaged to prepare the financial statements (a non-registrant) and the person who prepared the financial statements have given evidence. In July of 2020 the Parish Judge found that the defendant was not guilty of the charge laid against him.

One breach came to the Board's attention in January 2020 and was referred to the Office of the Director of Public Prosecutions (ODDP). A reminder has been sent to the ODPP.

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 Six (6) persons were removed from the Register during the year. One (1) was due to death, four (4) due to retirement from practice and one (1) due to disciplinary action by the Board.

7. STATE OF THE REGISTER AS AT MARCH 31, 2020

At March 31, 2020, 257 Registrants (2019 – 253) were listed in the Register of Public Accountants. An Analysis of the Register is reflected in Table 1

Section	Description	Total Registrants
12 (1) (a)	being members of the Institute of Chartered Accountants of Jamaica;	234
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.	2
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.	17
	Total	257

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

At March 31, 2020, there were One Thousand Four Hundred and Fifty (2019 – 1420) members of the Institute of Chartered Accountants of Jamaica (ICAJ).

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 (4) 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. The agreement was accordingly renewed effective 1 January 2019.

The objective of the Monitoring Programme is to assess the extent to which a registered public accountant, in the conduct of his/her 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 Registrants' awareness of Proceeds of Crime Act (POCA). In this connection guidance is provided by the Board's Anti-Money Laundering Guidance Notes.

The practice monitoring 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.

Registrants whose reviews are determined to be unsatisfactory are reviewed again after two (2) years (one year if they have Public Interest Entity (PIE) audits) where widespread deficiencies are found in compliance with auditing standards. In cases where limited deficiencies are found in complying with auditing standards the Registrant is reviewed after four (4) years unless the Registrant has PIE clients in which case he/she is reviewed again in two (2) years. Those Registrants with satisfactory reviews will have their next review in six (6) years unless they have PIE clients in which event they will be reviewed in three (3) years.

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 are required 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 discuss their Action Plan or otherwise determine what steps they are taking/have taken to address and resolve the shortcomings identified.

The primary purpose of the programme is to facilitate the improvement in the quality of audit work of Registrants. Where Registrants have three (3) unsatisfactory reviews they are subject to a Disciplinary Hearing.

During 2018 and 2019 four (4) Registrants have been removed from the Register and three (3) have been subject to special reviews to determine their competence to continue to engage in practice. All three have passed the special reviews.

Set out below is a comparison of the movements between persons who have achieved satisfactory, marginally unsatisfactory and unsatisfactory reviews

	2019/2020	2018/2019	2017/2018
Satisfactory	100	83	82
Marginally Unsatisfactory	27	52	47
Unsatisfactory	<u>24</u>	<u>24</u>	<u>34</u>
	151	159	163

The programme is having a positive effect on the profile of Registrants who have moved from unsatisfactory to marginally or satisfactory.

During 2020/2021 the Practice Monitoring Committee will be meeting with Registrants and the SPR to see what needs to be done to have them achieve a satisfactory status.

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 draft Bill is with the Ministry of Finance and the Public Service and is now expected to be tabled in Parliament during the 2020/2021 financial year.

The recommendations at (b) have been incorporated into the Board's Rules and Recommendations which were approved by the Minister in 2017 and are now in force.

11. TRAINING OF REGISTERED PUBLIC ACCOUNTANTS

Training in 2019/2020 was focused firstly on persons who fall within the group who carry out one of the six functions listed in the Proceeds of Crime Act Order signed by the Minister of National Security and gazette on November 29, 2013. These were carried out at the Financial Investigation Division and described as Go AML.

Secondly, in 2019/2020 the Financial Investigation Division provided training for those persons who carry out one of the six functions listed in the Terrorism Prevention (Designated Reporting Entity) (Public Accountants) Order, 2017. It should be noted that the Public Accountancy Board

was designated a Competent Authority pursuant to section 18(5) of the Terrorism Prevention Act. This designation took effect on May 29, 2018.

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. Those who respond in the affirmative 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.

The necessary inspections have been carried out in 2018 by the SPR. No breaches have so far been detected.

13. MUTUAL EVALUATION REPORT

During the year the PAB participated in twice monthly meetings at the Ministry of Finance and the Public Service. Those meetings involved representatives of the Designated Non-Financial Business (DNFB's) and various government Ministries and Departments which have responsibilities relating to the Proceeds of Crime Act – POCA/AML. The meetings were chaired by the Financial Investigations Division. Since 2020 the Bank of Jamaica has taken over responsibility for overseeing the activities of the DNFB's and agencies with a view to ensuring that Jamaica meets the Financial Action Task Force (FATF) requirements by September 2021. This follows the decision of FATF in February 2020 to place Jamaica on the grey list.

14. COMPENSATION TO BOARD MEMBERS AND THE REGISTRAR

Set out below are particulars of compensation to Board members for 2019/20 based on meeting attendance. Also set out is the compensation to the Registrar.

	Board and Hearing Meeting Fees	Salary	Travelling
	\$	\$	\$
Board Members			
Linval Freeman	111,000		
Raphael Gordon	66,000		
Mrs. C. Patricia Hayle	66,000		
Clive Nicholas	55,000		
Eric Scott	55,000		
Total	353,000		

Hearing fees are part of the costs recoverable from Registrants and are not reflected in the financial statements as a line item

Registrar			
Compton Rodney		1,600,000	895,097

15. CONCLUSION

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

Colin D. Maxwell
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 President
 Public Accountancy Board
 July 29, 2020

C. N. Rodney
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 Registrar