

PUBLIC ACCOUNTANCY BOARD
ANNUAL REPORT
2017/2018

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-eighth (48th) Annual Report for the year April 1, 2017 to March 31, 2018.

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

During the year Dr. Wayne Henry and Mrs. Veronica Warmington tendered their resignations.

2. MEETINGS

During the year there were four (4) meetings of the Board and twelve (12) Disciplinary Hearing meetings.

3. PRACTISING CERTIFICATES

The Board issued Two Hundred and Forty-five (245) (2016/17 – 278) 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

During the year three cases which had been referred by the Board to the Director of Public Prosecutions (DPP) in 2015/16 and investigated by the Criminal Investigations Branch (CIB) reached the court system. By the end of March 2018 these three cases were called up and are in various stages in the courts. In one case, the PAB has given evidence and other witnesses are in the process of giving evidence. In another the defendant indicated to the Judge that she wished to represent herself. This case is to resume in October 2018. Regarding the third case the PAB has not yet been asked to give evidence.

With regard to the three cases reported to the DPP in 2016/2017 and referred to the CIB, efforts are being made by the CIB to ascertain the whereabouts of one person who resides in the parish of St. Ann. The PAB is awaiting summonses from the Court in relation to the other two cases.

No breaches came to the Board’s attention in 2017/2018..

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 nineteen (19) persons were removed from the Register during the year. Three (3) deletions were due to death and sixteen (16) due to retirement from practice.

7. STATE OF THE REGISTER AS AT MARCH 31, 2018

At March 2018, Two Hundred and Seventy-three (273) persons (2017 – 282) were listed in the Register of Public Accountants. An analysis of the register is reflected in Table 1.

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Section	Description	Total Registrants
12 (1) (a)	being members of the Institute of Chartered Accountants of Jamaica;	246
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	273

Table 1: Analysis of the Register

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

At March 31, 2018, there were One Thousand Two Hundred and Seventy-nine (1,279) members (2017 – 1,212) of the Institute of Chartered Accountants of Jamaica (ICAJ). Of these members, One Hundred and Seventy-two (172) (2017 – 171) held practising certificates issued by the Board. Seventy-four (74) 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 (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, 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 Anti-Money Laundering/Proceeds of Crime Act (AML/POCA) and Financial Action Task Force (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, 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 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 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. In 2017/2018 one such hearing took place. The hearing involved the Registrar of the Board as complainant, the defendant and his attorney. The hearings were completed after March 31, 2018 when the Board determined that the Registrant operated his accounting practice in a manner that made him guilty of grave impropriety, gross negligence and/or gross incapacity in the performance of his professional duties. The Board further agreed that

- (i) His name should be removed from the Register of Public Accountants
- (ii) He will not be eligible to reapply for registration until a period of eighteen months has elapsed
- (iii) He should pay One Million Five Hundred Thousand dollars towards the costs and expenses of the enquiry.

The Registrant has the right to appeal the Board's decision to the Court of Appeal and has indicated his intention to do so.

163 Registrants who are principals in audit firms were on the Board's register as at 31 March 2018. Eighty-two (82) Registrants (2017 (77)) had satisfactory outcomes either at their first review or follow-up review. In addition there were Forty-seven Registrants (47) 2017 (45) who were found at either the first or follow-up visits with limited deficiencies of significance requiring some improvement. Encouragingly, there were Thirty-four (34) 2017 (43) Registrants with unsatisfactory outcomes. This represented an improvement on the results for 2017. Eight (8) of the Thirty-four Registrants had three (3) reviews. As indicated earlier one of the eight was the subject of a Disciplinary Hearing in 2017/2018. Hearings are being scheduled in 2018/2019 for the other seven Registrants.

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 was reviewed in 2018 by the Ministry of Finance and the Public Service and is now expected to be tabled in Parliament during the 2018/2019 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 Rules were approved by the Minister in 2017 and are now in force.

11. TRAINING OF REGISTERED PUBLIC ACCOUNTANTS

The Board in collaboration with the Institute of Chartered Accountants of Jamaica held its annual Seminar in January 2018. The Seminar was designed to assist Registrants with their Continuing Professional Development (CPD). The subject was POCA and AML and was designed to assist Registrants to do inspections of attorneys, in the event that the Court of Appeal rules that attorneys are subject to POCA AML. The Financial Investigations Division of the Ministry of Finance and the Public Service each provided one presenter. The Seminar was well attended.

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.

13. RULES AND RECOMMENDATIONS

The Rules were developed using the templates of the IFAC Ethics Code and the ACCA Ethics Rules and incorporate the provisions of the International Federation of Accountants (IFAC) and ACCA Ethics Codes/Rules. The Minister of Finance and the Public Service approved the Rules during 2017.

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	Hearing Fees	Salary and Travelling
\$	\$	

Board Members

Eric Crawford	58,500	214,500
Garth Kiddoe	33,000	140,500
Linval Freeman	33,000	132,000
Raphael Gordon	Nil	
C. Patricia Hayle	33,000	132,000
Dr. Wayne Henry	Nil	
Elizabeth Ann Jones	Nil	
Clive Nicholas	22,000	19,800
Eric Scott	33,000	121,000
Veronica Warmington	Nil	
	212,500	740,000

Registrar

Compton Rodney	2,307,458
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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 22, 2018**