

PUBLIC ACCOUNTANCY BOARD
ANNUAL REPORT
2018/2019

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-ninth (49th) Annual Report for the year April 1, 2018 to March 31, 2019.

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
Ms. Elizabeth Ann Jones, C.D.	-	Member
Mr. Clive Nicholas, C.D.	-	Member
Mr. Eric Scott	-	Member

During the year Mr. Eric Crawford (2018) and Ms. Elizabeth Ann Jones (2019) tendered their resignations.

On April 23, 2018, the Minister wrote to each of the above members requesting them to continue to serve as a member of the Board until further advised.

2. MEETINGS

During the year there were three (3) meetings of the Board and eighteen (18) Disciplinary Hearing meetings. In addition there were two (2) meetings of the Practice Monitoring Committee.

3. PRACTISING CERTIFICATES

The Board issued Two Hundred and Forty-five (245) (2017/18 – 261) Practising Certificates during the year. In 2018/2019 eight (8) Registrants did not pay their fees (2017/2018 – 12) 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 (3) 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 2019 these three cases were called up and are in various stages in the courts. In the first case the Parish Judge was unable to determine who had signed the opinion issued in respect of the financial statements. Accordingly the person charged was found not guilty. In the second case the defendant who represented herself was asked by the Parish Judge to pay a fine of \$200,000. Regarding the third case this was called up on a number of occasions but due to the absence of the defendant's attorney the case was not started. The trial is now set for September 17, 2019.

No breaches came to the Board's attention in 2018/2019.

5. REGISTRATION

There were six (6) 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 Twenty-six (26) persons were removed from the Register during the year. Three (3) deletions were due to death, three (3) to failure to meet Practice Monitoring standards and twenty (20) due to retirement from practice.

7. STATE OF THE REGISTER AS AT MARCH 31, 2019

At March 2019, Two Hundred and Fifty-three (253) persons (2017/2018 – 273) were listed in the Register of Public Accountants. An analysis of the register is reflected in Table 1.

Section	Description	
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		Total Registrants
12 (1) (a)	being members of the Institute of Chartered Accountants of Jamaica.	230
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	253

Table 1: Analysis of the Register

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

At March 31, 2019, there were One Thousand Four Hundred and Twenty (1,420) members (2018 – 1,327) of the Institute of Chartered Accountants of Jamaica (ICAJ). Of these members, One Hundred and Eight-three (183) (2018 – 175) held practising certificates issued by the Board. Forty-seven (47) 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 January 1, 2016, for an initial period of three (3) years, with the provision to automatically extend it for a further three (3) years. The agreement was accordingly renewed effective January 1, 2019.

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 and compliance with the requirements of the 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 the work done by 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 and after four (4) years (two (2) 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 (3) years if they have PIE audits or six (6) 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 the 2017/2018 Annual Report it was noted that one (1) Registrant was the subject of a Disciplinary Hearing. 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 (18) months has elapsed
- (iii) He should pay One Million Five Hundred Thousand dollars (\$1,500,000) towards the costs and expenses of the enquiry.

The Registrant made a submission through his Attorneys to the Court of Appeal to quash the decision. He subsequently withdrew this application.

During 2018/2019 Six (6) Registrants were the subject of Disciplinary Hearings. Three of these were removed from the Register for either gross negligence or gross incapacity. The other three (3) will be reviewed again during the last quarter of 2019/ 2020 to determine if their work is of a standard that meets the requirements of Practice Monitoring. If any of them fails to meet such requirements they will be subject to a further Disciplinary Hearing.

One Hundred and Fifty-nine (159) Registrants who are principals in audit firms were on the Board's register as at March 31, 2019 (2017/2018 – 163). Eighty-three (83) Registrants (2017/2018 - 82) had satisfactory outcomes either at their first review or follow-up review. In addition there were Fifty- four Registrants (54) (2017/2018 - 47) who were found at either the first or follow-up visits with limited deficiencies of significance requiring some improvement. The number of Registrants with unsatisfactory reviews continues to fall. At the end of March 2019 there were eighteen (18) (2017/2018 - 34) Registrants with unsatisfactory outcomes. This represented an improvement on the results for 2018. This also reflects the three (3) Registrants removed from the Register and some of those who gave up their practice voluntarily or who died.

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 2019/2020 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

Training in 2018/2019 was focused on persons who fall within the group who carry out one of the six (6) functions listed in the POCA Order signed by the Minister of National Security and gazetted on November 29, 2013. These were carried out at the Financial Investigation Division and is described as Go AML.

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 (6) 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

The PAB has been participating in meetings at the Ministry of Finance every other Friday involving Designated Non-Financial Businesses (DNFBs) and Government Agencies including Ministries and Departments who have responsibilities relating to POCA AML/CFT. The meetings are conducted by the FID and the Ministry. The objective is to ensure that all the parties are fully aware of the implications of the next CFATF meeting in February 2020. The objective is to ensure that Jamaica receives a satisfactory rating in the Mutual Examination Report.

14. COMPENSATION TO BOARD MEMBERS AND THE REGISTRAR

Set out below are particulars of compensation to Board members for 2018/19 based on meeting attendance. Also set out is the compensation to the Registrar.

	Board Fees	Hearing Fees	Salary and Travelling
	\$	\$	
Board Members			
Eric Crawford		18,500	
Garth Kiddoe	37,000	286,750	
Linval Freeman	22,000	176,000	
Raphael Gordon	Nil	22,000	
C. Patricia Hayle	22,000	198,000	
Elizabeth Ann Jones	Nil	Nil	
Clive Nicholas	22,000	198,000	
Eric Scott	22,000	187,000	
	125,000	1,086,250	

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

2,408,978

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, 2019