



THE INSTITUTE OF
CHARTERED ACCOUNTANTS
OF SCOTLAND

Regulation & Compliance

Annual Review 2010





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Statement by the Chairman of the Regulation and Compliance Board

ICAS regulates its members with two complementary themes in mind: to support members in upholding standards and to provide assurance to the public. Those who fall short of the required standards are investigated and disciplined and, when necessary, removed from membership.

The Institute operates a model of regulation which ensures the oversight of professional work by those with relevant expertise. ICAS regulation is overseen by the Professional Oversight Board of the Financial Reporting Council and The Insolvency Service (which is part of the Government's Business Innovation and Skills Department).

Each and every Chartered Accountant is expected to conduct him or herself in a manner that maintains and enhances their own professional reputation and that of their fellow members.

It is expected that each CA will adopt the following principles:

- Each member will conduct him or herself with integrity, honesty, objectivity and high ethical standards,
- Each member will have due regard to the public interest in his or her role as a CA,
- Each member agrees to abide by the rules, regulations and Code of Ethics of the Institute,
- Each member will give due consideration to the guidance and recommended good practice issued by the Institute, and
- Each member will commit to continuing professional development.

ICAS operates a robust governance structure which includes public interest representation throughout. This ensures that our members are subject to fair, balanced but rigorous regulation, in turn providing the public with confidence that Chartered Accountants are highly skilled professionals who apply the highest standards of ethics.

This review is intended to set out the way in which ICAS has executed its regulatory responsibilities in 2010. For further information go to www.icas.org.uk/regandcompboard

Graeme Bissett

Key points

Quality Assurance

The Quality Assurance teams are responsible for monitoring certain 'regulated areas', so called because there are further externally imposed regulatory requirements attaching to each type of work. ICAS is authorised to license and monitor the following regulated areas:

- audit
- insolvency
- investment business, which is often referred to as 'DPB licensing' – the Designated Professional Body regime.

In 2010 all inspection targets in the regulated areas were met or exceeded by ICAS monitoring staff.

ICAS also operates its own scheme 'Quality Review', a visit process that applies to all Chartered Accountants who are practising certificate holders offering accountancy services to the public, which has been in place since 2000. Ten years on and at the conclusion of the first two cycles of visits, an extensive review of this service has been conducted. Key points of note were:

- Firms of Chartered Accountants work to high standards
- Members of ICAS appreciate the support of the Quality Review teams in disseminating best practice
- Members sought further help by way of guidance and help sheets, which the Quality Review teams are now providing.

Entering the third cycle of visits, Quality Review will be targeted at the known risk areas and will continue to ensure that entitlement to use the name of Chartered Accountant and to hold a practising certificate is governed by quality.

Continuing Professional Development

It is important that each member undertakes relevant continuing professional development to maintain and enhance their expertise and professional standards – those standards that the public has a right to expect from a Chartered Accountant.

In 2010 we continued to promote CPD and we monitored CPD compliance. Those who fail to maintain standards are referred to the Investigation and Professional Conduct Enforcement Committee.



The Regulation and Compliance Board agreed that a CPD strategy was required. A working group was set up and has met throughout 2010. The working group approved a strategy at its meeting on 18 November 2010. The ICAS CPD strategy will be rolled out in 2011 with a view to:

- Foster a commitment to lifelong learning among professional accountants
- Facilitate access to continuing professional development opportunities and resources for members
- Establish for members benchmarking for developing and maintaining the professional competence necessary to protect the public interest
- Monitor and enforce the continuing development and maintenance of professional competence of professional accountants.

Facilitating online services for members

In the last three years the Regulation and Compliance division has moved many of its member facing services and requirements online. 2010 saw the introduction of new online application forms for practising certificates. Take up has been high. ICAS is committed to facilitating smart, efficient regulatory interfaces with members.

Support for members in practice

Over the course of 2010 the regulations applicable to those in practice have been rationalised. The work of the Public Practice Committee has also been reviewed and subsequently its remit has been widened so that the committee is now responsible for the oversight of those in public practice.

Supporting publications have been prepared and will come into force from January 2011:

- The Public Practice Regulations
- The CA Handbook: Members in Practice
- Guide: The well run practice – a practical guide from the ICAS monitoring teams
- Guide: When is a Practising Certificate required?

Legal Services

In England & Wales (where almost half the ICAS membership is based) the Legal Services Act 2007 aims to remove barriers to competition in the legal services market and provides for Alternative Business Structures with:

- External capital in a legal practice, and
- Practices in which lawyers can work with non-lawyers.

In Scotland, the Legal Services (Scotland) Act 2010 will also open up the legal services market and ICAS has had on-going, significant input to the evolution of this Act throughout 2010.

We have contributed to the development of regulatory models that enable lawyers and accountants to work together – offering opportunities for the ‘one-stop shop’ and niche market practices whilst providing robust upholding of standards and protection for the public.

Investigations and Discipline

ICAS has over 18,000 members and in 2010 the Institute received 89 conduct related complaints compared to 140 similar complaints in 2009. In 2010 this equated to 0.47% (0.77% in 2009) of our membership.

In addition, the Institute handled 220 CPD non-compliance cases, where the member had failed to self-certify CPD compliance or to submit their CPD plan upon request.

Many of the cases under investigation are highly complex and require a blend of forensic accountancy and legal input. The Institute has ensured, and will continue to do so, that there is adequate professionally qualified resource within the investigation function to maintain the quality and standards which members and the public have come to expect.

Of the 89 conduct related cases, insolvency and ethical related matters continued to dominate (71%) though two thirds of these complaints did not give rise to grounds for investigation. The majority of insolvency complaints relate to personal insolvency appointments. Ethical complaints range from complex conflict of interest situations (ICAS Code of Ethics, Section 220) to more straightforward professional appointment matters (Section 210). The Investigation and Professional Conduct Enforcement Committee has issued an Annual Report which provides more detailed information about the complaints function and the common types of complaints. For further information go to www.icas.org.uk

In October 2010 the Privy Council approved Rule changes with immediate effect so that all new disciplinary hearings will now be held in public.

Financial Penalties

Financial Penalty guidelines have been developed to support and strengthen the existing regulatory powers available to the regulatory committees, and to ensure a consistent approach both in the use of penalties and when a case may be referred to Investigations.

The Accountancy and Actuarial Discipline Board (AADB)

The AADB is the independent investigative and disciplinary body for accountants and actuaries in the UK. The Companies Act 2006 requires ICAS to be a member of an independent investigation and disciplinary scheme in relation to serious matters affecting the public interest in the UK. ICAS agrees and supports this requirement and as such is a member of AADB. In order to fully participate and prepare for AADB cases, ICAS continues to raise a levy on members to ensure the proper funding of the public interest discipline cases.

Public Interest Member Review

As noted in its strategy, recognition of the public interest is central to the philosophy of ICAS as defined in the Royal Charter, requiring the maintenance of a high standard of efficiency, probity and professional conduct in the interests of the profession and of the public generally.

Respect for the public interest within ICAS is achieved through rigorous regulatory procedures and transparent public accountability mechanisms. A key means of achieving this is by having public interest members on the Regulation and Compliance Board and on each regulatory committee.

Public Interest representation is as follows:

- The Regulation and Compliance Board – Ruthven Gemmill WS, Sue Roff

There are three public interest members on each of the following committees:

- Audit Registration Committee
- Insolvency Permit Committee
- Public Practice Committee

The Investigation and Professional Conduct Enforcement Committee is comprised of nine public interest members, nine members of ICAS and a convener and vice convener.

At the close of 2010, all public interest members were asked to undertake a public interest review of the regulatory functions. The results which were reviewed by Sue Roff, public interest member of the Regulation and Compliance Board can be summarised as follows:

- All public interest members confirmed that they are satisfied that ICAS has discharged its regulatory functions effectively.
- Some of the key issues to address in future include:
 - ICAS should consider reviewing its communication with members of the public who make a complaint, to evaluate whether it is written in plain English, easily understood and to highlight areas that may be improved
 - Ongoing monitoring and evaluation of existing approaches to regulation to ensure that the Institute demonstrates best practice
 - Minimise the period in which issues are investigated to ensure that the public interest is not at risk
 - Conduct a human rights audit of the ICAS rules

In conclusion, public interest continues to be central to all functions in ICAS and the representation on ICAS Regulation and Compliance Board and Committees is indicative of that. Over the forthcoming years, public interest members will continue to work with the accountancy professionals on the Regulation and Compliance Board and Committees to ensure that the public interest is at the forefront of all regulation and compliance. More specifically, there will be oversight to ensure that there is appropriate interaction and joined up operations in the different highly specialised areas, and proportionality in decision making.

Sue Roff



Governance and Regulatory Structure

The Regulation and Compliance Board remit is to formulate, advocate, implement and monitor policies and standards designed to achieve the strategic aims and objectives set by Council in relation to ethics, professional conduct and compliance with regulatory standards. The Board reports progress to Council and it oversees the following operational committees:

- Audit Registration Committee
- Insolvency Permit Committee
- Investigation and Professional Conduct Enforcement Committee
- Public Practice Committee

The Discipline and Appeal Panels operate independently of both the Regulation and Compliance Board and Council.

The Public Practice Committee is responsible for issuing practising certificates, and the oversight of compliance with the practising certificate requirements.

Members engaged in public practice must:

- hold a practicing certificate which is required to be renewed annually,
- hold professional indemnity insurance,
- comply with CPD requirements, and
- be within the Quality Review programme.

Audit Registration Committee and the Insolvency Permit Committee

ICAS has the authority to license qualifying firms and members to carry out audit and insolvency work.

Under the Companies Act, any individual or firm signing audit reports must be a Registered Auditor registered with a Recognised Supervisory Body. ICAS is a Recognised Supervisory Body for the purposes of the registration and supervision of registered auditors.

All insolvency practitioners in the UK require to be licensed by a Recognised Professional Body or by the Insolvency Service. ICAS is a Recognised Professional Body and therefore licenses ICAS members as insolvency practitioners, and also various non-members who have met the examination, competence and other license requirements (known as regulated non-members).

ICAS devotes significant resource and technical expertise to monitoring the conduct of these businesses to ensure that the work is carried out to a high professional and technical standard.

The Professional Oversight Board of the Financial Reporting Council and The Insolvency Service (which is part of the Government's Business Innovation and Skills Department) are the main regulators that oversee ICAS regulation.

Regulation & Compliance Board

The membership of the Regulation and Compliance Board is as follows:

Chairman : Graeme Bissett CA

Secretary : Vivienne Muir LLB(Hons) DipLP NP

Members:

The President, Alan M Thomson MA CA

Senior Vice President, Iain A McLaren BA CA

Junior Vice-President, Sir David P T Tweedie BCom PhD DSc LLD CA

Gillian Burns MA CA

Lesley Byrne BAcc CA

Jeremy Chittleburgh BSc CA

Ewen Alexander (left February 2010)

Laurie Manson MA (Hons) CA FABRP (joined April 2010)

Murdoch McKillop (left August 2010)

Michelle Mullen LLB (Hons) Dip LP

Ian Robertson CA CCMI (joined Dec 2010)

Members Appointed by Council:

John Sharkey BAcc (Hons) CA MBA

Graeme Sheils BA CA

Jacqueline Thomson CA

Ronnie Wilson CA

Public Interest Members:

Ruthven Gemmell WS

Brian Paterson – left August 2010

Sue Roff



