REGULATORY MONITORING

ICAS operates a robust monitoring regime for audit, insolvency and DPB.

We also conduct practice monitoring visits to all Members who are Practising Certificate holders offering general accountancy services to the public. This regime has been in place since 2000 and covers general accountancy practice monitoring, including a number of public interest issues such as anti-money laundering, clients’ money financial accounts disclosures and compliance with the financial services DPB regime.

The results of the various monitoring areas are set out below:

AUDIT

In 2014, Audit Monitoring conducted 39 visits, and the majority resulted in either no follow up action, or follow up action restricted to a particular area. Where the issues were more serious, robust and prompt action was taken by the Audit Registration Committee (ARC). Only 5% of the reports considered resulted in serious regulatory action.

Audit initiatives

We continue to provide support and guidance to our members and firms to drive up the quality of audit work. One of our key initiatives is the delivery of our mandatory course for Audit Compliance Partners (ACP), which is now entering its 5th year and the final year of the first cycle.

Attendance is required once every 5 years and we will be ensuring all ACPs have attended by the end of 2015. At the end of 2014, 89% of our Audit Compliance Partners had attended the course, along with many other audit practitioners and we continue to receive good attendance and feedback in relation to this course which is delivered by the monitoring team.

We also continue to provide helpsheets, and Audit News on a quarterly basis to help our practitioners stay up to date with technical matters.
PRACTICE MONITORING

In April 2014, the Quality Review programme was replaced with Practice Monitoring which takes a more risk based approach and provides a number of different delivery methods to reduce the regulatory burden for our member firms. All Practising Certificate holders are covered by the Practice Monitoring regime. In 2014, we visited Practising Certificate holders within 189 firms. Of these, 71% were found to be complying with the regulations and rules in force, with 29% requiring follow up action on one or more aspects of the visit. Follow up action is conducted by the reviewers on a timely basis where repeat issues are identified in order to obtain evidence that appropriate action will be taken. The most serious cases (1% in 2014) of non-compliance are dealt with by the Public Practice Committee.

INSOLVENCY

In 2014, Insolvency Monitoring conducted 23 routine insolvency monitoring visits and 1 follow up visit (equivalent to 25% of our IPs). The majority of IPs received no recommended follow up action, or follow up action restricted to particular issues. In 16% of cases, the Insolvency Permit Committee concluded that there were significant system or compliance issues which required to be addressed. No cases required regulatory action by the Insolvency Permit Committee.
PROFESSIONAL CONDUCT

Professional behaviour and competency are fundamentals principles of the ICAS Code of Ethics.

ICAS will take disciplinary action where there is sufficient evidence of a failure to observe the standards expected of our Members, CA Student Members, or Affiliates. We will take regulatory or disciplinary action against our Firms where there is evidence that they have failed to comply with the legislative requirements of the audit and DPB authorisations.

In 2014, ICAS received 104 new complaints.

CATEGORIES OF COMPLAINTS RECEIVED 2014

- Audit - 2%
- Ethics - 11%
- Fees - 7%
- Incompetence - 21%
- Insolvency - 22%
- Misconduct - 28%
- Regulatory - 9%

OUTCOME OF COMPLAINTS DETERMINED IN 2014

- Conciliated - 5%
- Dismissed by Convener - 4%
- Dismissed by Review Panel - 71%
- Dismissed by Committee - 7%
- Upheld by Committee - 13%

TIMING OF COMPLAINTS AS AT 31 DECEMBER 2014

- Under 3 months - 52%
- 3 – 6 months - 22%
- 6 – 12 months - 26%

SUMMARY OF SANCTIONS APPLIED IN 2014

- Referred to Discipline Tribunal - 1
- Formal Written Warning - 7
- Reprimand - 3
- Resignation - 2
CPD

Professional competence is one of our fundamental principles, and we require our Members to maintain CPD to ensure that their skills and knowledge stay relevant and up to date for their professional roles.

ICAS operates a four-step CPD framework aimed at requiring our Members:
• to assess the needs of their professional role;
• assess their learning and development needs for that role;
• plan their CPD activities to meet those needs;
• record their CPD activities and review the learning outcomes achieved.

Each year as well as asking Members to confirm their CPD compliance via their Annual Return, we require an annual sample of Members to submit their CPD records. During 2014, we selected our largest sample of Members yet. After taking account of Members who were exempt, 502 Members were asked to submit their 2013 CPD records. The sample was selected on a risk basis taking into account the following:
• Directors, Non-Executive Directors and senior personnel in the FTSE 250, the top 50 AIM companies and large financial institutions;
• Members previously exempt who were no longer exempt from CPD;
• Members who had not submitted their Annual Return by the time of the sample;
• Members apparently retired but still conducting professional work;
• Charity trustees and independent examiners;
• Members whose CPD record required improvement last year; and
• Members in practice requested by our practice regulatory committees; as well as sampling the wider Membership.

The results were positive: 93% of Members were considered compliant: 369 (74%) submitted compliant CPD records and 97 (19%) had their CPD compliance confirmed by their Accredited Employer.

20 Members (4%) had submitted records which needed improvement and were advised where improvements were required for future years.

15 Members (3%) submitted records which were considered non-compliant and these Members have been asked to submit their next year’s CPD record to demonstrate improvement and have been provided with advice regarding the shortfalls in their record. Regulatory action was taken in relation to 1 Member who failed to submit a CPD record.

As well as the regulatory aspects, we provided additional CPD support. We produced a number of CPD videos, explaining the sample process, and made a number of example CPD records available on our website to assist Members in completing their CPD record. We delivered a number of free events to retired members involved in the charitable sector. Videos of those events are also available on our website.

SAMPLE RESULTS

- COMPLIED – 93%
- NOT COMPLIED – 3%
- NEEDS IMPROVED – 4%