

LMB

7 September 2010

THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND

Mrs Tracy Neilson
The Professional Oversight Board
Aldwych House
71-91 Aldwych
LONDON WC2B 4HN



Dear Tracy

Review Of The Monitoring Arrangements By The UK Professional Accountancy Bodies Of Their Members Who Practise Non-Regulated Accountancy Services

ICAS would like to thank the POB for its recent report on the practice assurance regimes of the UK accountancy bodies. ICAS welcomed the review and would like to thank POB for the manner in which the visit was conducted.

As you know, ICAS has been proactive on practice assurance and introduced its Quality Review scheme back in 2000, in order to:

- promote and maintain good standards of practice; and
- protect the public interest.

The Quality Review scheme covers a review of all practice activities of each accountancy firm, except for those activities already statutorily monitored by our audit and insolvency monitoring teams. ICAS has, to date, operated two five year cycles of Quality Review and commenced its third cycle of Quality Review on 1 July 2010.

In March 2009, ICAS launched its third cycle strategy project, in order to decide whether Quality Review was still fit for purpose and what changes and developments should be made for the third cycle. It was therefore opportune that the POB review coincided with this project.

As part of this project, ICAS engaged with its members, as follows:

- the project group set up included members in practice;
- the feedback received from firms during the second cycle, of which there was a high response rate, was reviewed in detail; and
- ICAS engaged with a sample of members in practice to obtain their views and thoughts on Quality Review.

ICAS also sought the views of the public interest members of the Practising Certification Committee and the Regulation and Compliance board of ICAS to ensure that public interest views were represented.

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Based on the feedback and an in-depth review of current procedures by the project group, ICAS made a number of key decisions regarding the third cycle. The key decisions included, but were not limited to:

- a more risk based approach would be used to visit selection, visit frequency, and the extent of fieldwork undertaken on Quality Review visits;
- a more risk based approach to file selection would be adopted, including a number of engagements of a higher risk or specialist nature being looked at in more depth;
- firms with more significant findings (in number/nature) would require to submit evidence of follow up action post visit;
- firms with poorer results would be visited more frequently;
- reviews would be extended in relation to a number of areas, including but not limited to: ethics, PII, client acceptance and disengagement; advertising/communications; bank account reviews; complaint handling; and fee note reviews.
- the positive findings of the visit would be more prominently highlighted in the visit report; and
- the website would be refreshed and a number of practice helpsheets would be devised to help promote best practice and educate members.

All of these areas were identified prior to the POB review and ICAS was pleased to see that the majority of the POB findings were consistent with decisions already made by ICAS, providing ICAS with comfort that it was “ahead of the game”.

ICAS is therefore pleased to confirm that the key POB recommendations were actioned on the roll out of the third cycle on 1 July 2010. Inevitably, there were a small number of minor matters where the ICAS view differed from those of the POB, but not in any material respect.

ICAS would also like to thank the POB for clarifying in the published report that only qualified accountancy practitioners were covered and that the review excluded the work of unqualified accountants. Unfortunately, unlike professions such as medicine and law, the term “accountant” is not reserved and any unqualified person can set up in practice, without being monitored or regulated. ICAS thinks that more can be done to look at reserving the title “accountant” and that the POB/the Financial Reporting Council (FRC) could take a leading role in this. Failing this, more should be done across the profession, possibly led by the POB/FRC, on promoting the difference between a qualified and unqualified accountant. The consistent feedback received from our members during our third cycle discussions were that they felt frustrated that:

- they have to compete with unqualified accountants, and that those persons could easily undercut on costs because they have no regulatory, best practice or monitoring costs to meet; and

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- there is no policing of the poor standards of work being produced by unqualified accountants, whereas members of accountancy bodies are highly accountable and regularly monitored.

Finally, whilst ICAS appreciates the difficulty in generating a report covering all of the bodies, where there is clearly a range of very different approaches, we think that it would make for a more balanced report if the positive findings were also highlighted in future reports.

Yours sincerely

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