

MINISTRY PAPER 69/20
PUBLIC ACCOUNTANCY BOARD

ANNUAL REPORTS FOR YEARS ENDED MARCH 31, 2018 AND MARCH 31, 2019

1.0 Introduction

1.1 The matter for tabling in the Houses of Parliament is the Annual Reports of the Public Accountancy Board (PAB) for the financial years ended March 31, 2018 and March 31, 2019.

1.2 The PAB was established to carry out the functions of the Public Accountancy Act of July 6, 1970. The primary functions of the Board are to promote in the public's interest acceptable standards of professional conduct of Registered Public Accountants (RPAs) in Jamaica and to perform the functions assigned to it by other provisions of the Act. The Act was amended in February 2004 to strengthen the Board's role in promoting higher standards of public accountancy, and to improve monitoring of the practice and professional conduct of the RPAs.

2.0 Disclosures

2.1 Auditors' Report

Crowe Horwath and Mair Russell Grant Thornton independent auditors have audited the financial statements of the PAB and indicated that the Board's financial statements give a true and fair view of the financial position of PAB, as well as its financial performance and its cash flows for the years ended March 31, 2018 and March 31, 2019 respectively. Crowe Horwath and Mair Russell Grant Thornton also stated that the audit evidence obtained was sufficient and appropriate to provide a basis for their opinions and noted that the financial statement were prepared in accordance with International Financial Reporting Standards.

2.2 Compensation Packages of Senior Executives

Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability (PBMA) Act 2011, details of the compensation package for the senior executive are enclosed. The Registrar operates in the capacity of a Chief Executive Officer. For the review period, salaries and emoluments paid to the Registrar totalled \$2.31 million (2017/18: \$2.31 million). Details of the compensation paid to Board members which totalled \$1.21 million are also enclosed.

3.0 Review of Operating Activities

3.1 State of the Register

The Board continued to review applications for admission and renew the practicing certificates for registered public accountants (RPA). During 2018/19 there were six (6) [2017/18 : 10] additions to the Register while twenty-six (26) persons were removed; three (3) were removed due to death, three (3) were removed based on failure to meet Practice Monitoring standards and twenty (20) others due to retirement from practice. At March 31, 2019, two hundred and fifty-three (253) persons [2017/18: 273] were registered with the PAB.

3.2 Monitoring, Disciplining and Regulating the Profession

During the review period, the PAB continued to collaborate with the Institute of Chartered Accountants of Jamaica (ICAJ), the Institute of Chartered Accountants of the Caribbean (ICAC) and the Association of Chartered Certified Accountants (ACCA) for the monitoring of all practicing accountants in Jamaica. The parties continued to undertake activities under the Monitoring and Enforcement Programme to assess the extent to which each RPA, in the conduct of his practice, complies with the International Standards on Auditing and the International Standards on Quality Control. Of the two hundred and fifty-three (253) registered members, one hundred and fifty-nine (159) registrants are principals in audit firms. One hundred and fifty-nine (159) reviews were conducted of which eighty-three (83) registrants had satisfactory outcomes either at their first or follow-up review. There were fifty-four (54) registrants who were found at either the first or follow-up review with limited deficiencies of significance requiring some improvement. In addition, eighteen (18) registrants had unsatisfactory outcomes; this represents an improvement on the results for 2018/19 which had thirty-four (34) Registrants with unsatisfactory outcomes. Three (3) registrants were removed from the Register for either gross negligence or gross incapacity. Three (3) Registrants will be reviewed again during the last quarter of 2019/20; this will determine if their work is of a standard that meets the requirements of Practice Monitoring.

3.3 Breaches of Section 15 of the Act

No breach came to the Board's attention for the 2017/18 and 2018/19 financial years.

3.4 Improving and Strengthening the Effectiveness of the Profession

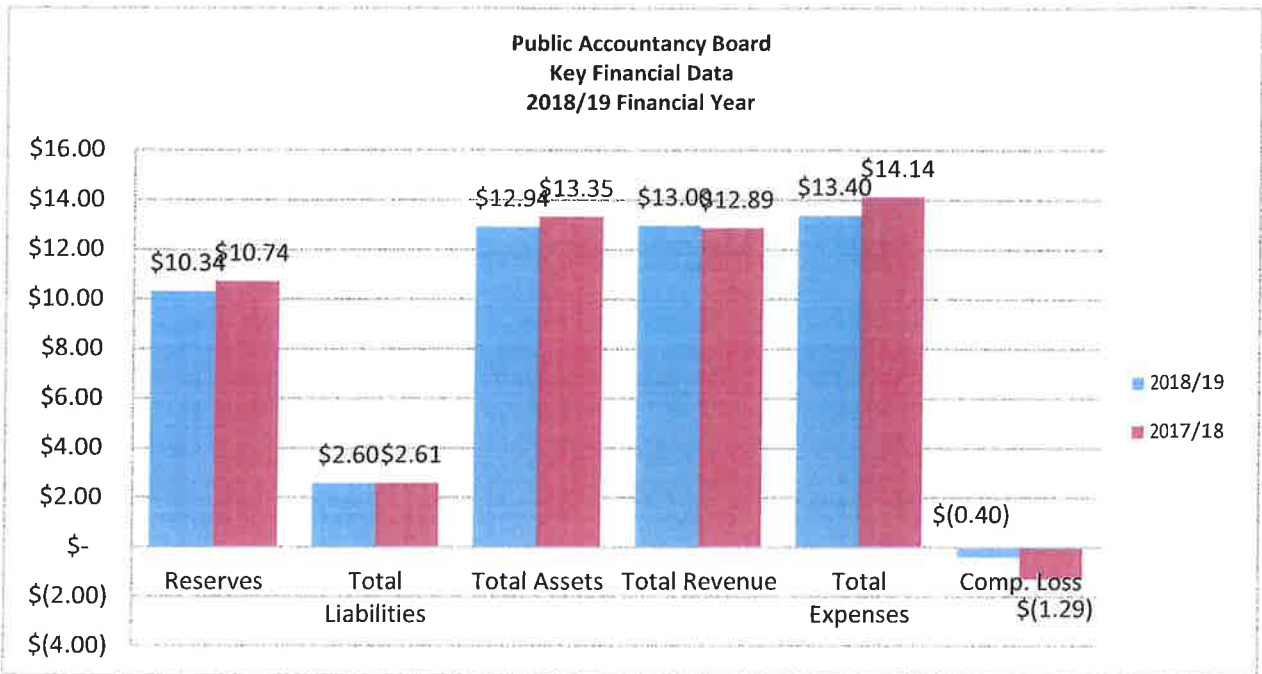
The PAB undertook a review of the various regulations governing the functioning of RPAs in Jamaica to determine how these could be improved and strengthened for the effectiveness of the profession. The recommendations were designed to inter alia, require the establishment of audit committees for all Public Interest Entities, legislate the requirement for auditor's independence and codify the standards to be used by the RPAs. The recommendations were approved by the Cabinet and drafting instructions issued to the Chief Parliamentary Counsel.

4.0 **Comprehensive Income and Statement of Financial Position**

4.1 The PAB realized total comprehensive loss of \$0.40 million for 2018/19 financial year, \$0.89 million improvement on the \$1.29 million loss for the 2017/18 financial year. The outturn for 2018/19 was influenced primarily by a decrease in administrative and other expenses (\$0.87 million) and an increase in practising certificate fee income (\$0.26 million). This was partially offset by an increase in auditor's remuneration (\$0.10 million), a decrease in interest and other income (\$0.09 million) and deterioration in registration and application fee income (\$0.07 million). Notably, the PAB was awarded judgement of \$1.51 million in a disciplinary hearing in 2017. An amount of \$3.41 million was included as receivables for disciplinary enquiry in the 2018/19 financial statements.

4.2 The Statement of Financial Position at March 31, 2019, indicated that the Board remained solvent and continued to record positive liquidity ratios; honouring its obligations as required. Total assets declined by \$0.41 million to \$12.94 million due primarily to a decrease in cash and cash equivalents by \$2.41 million to \$3.79 million respectively.

However, this was negated partially by an increase of \$2 million in membership fees and other receivables.



5.0 Conclusion

5.1 The PAB has been promoting higher standards of professional conduct among Registered Public Accountants in Jamaica. As such, the Board continued to collaborate with the ICAJ, ICAC and ACCA to monitor all practicing accountants. During the review period, the entity also made recommendations regarding amendments to the PBMA Act in order to improve and strengthen the effectiveness of the profession.

N. Clarke

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July 29, 2020

