



The Insolvency  
Service

# Association of Chartered Certified Accountants

Follow-up Targeted Monitoring Report 2017

<b>Insolvency Practitioner Regulation Section (IPRS)</b>	
<b>Authorising Body</b>	Association of Chartered Certified Accountants (ACCA)
<b>Title</b>	ACCA Follow-up Targeted Monitoring Report 2017
<b>Inspection Period</b>	23/24 February 2017
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## PART 1 – EXECUTIVE SUMMARY

### Background

1.1 The Association of Chartered Certified Accountants (ACCA) is a Recognised Professional Body (RPB) which authorises and regulates insolvency practitioners<sup>1</sup>. As at 1 January 2017, the ACCA 109 licensed practitioners of which 103 were taking insolvency appointments. From the beginning of this year, the ACCA has contracted out its regulatory functions, other than the initial authorisation of insolvency practitioners, to the Insolvency Practitioners Association (IPA).

1.2 A targeted monitoring visit to the ACCA authorisation team was carried out in February 2016 by the Insolvency Service and [a report](#) published in August 2016.

1.3 A further follow-up visit was carried out in February 2017 and this report outlines the progress made by ACCA against previous recommendations and also notes some other findings from the visit.

### Summary Findings

1.4 ACCA has implemented the recommendation to set up a system to record and track the status and progress of applications. The ACCA has also made progress in ensuring that the files for new applications contain better evidence to support decisions on applications.

1.5 The Insolvency Service continues to have concerns regarding decision making. While, in the cases sampled, these concerns were in regard to renewals of insolvency licences, the same concerns could apply equally to new applications. The Insolvency Service also identified other concerns regarding renewals of licences. While ACCA carried out the annual renewal exercise in 2017, under the terms of the collaboration agreement it is expected that this will be done by IPA in future years.

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<sup>1</sup> As defined under Section 391(1) of the Insolvency Act 1986 and Article 350(1) of the Insolvency (Northern Ireland) Order 1989.

**PART 2 – DETAILED FINDINGS**

**Monitoring of insolvency practitioners**

Recommendations from prior visits	Findings on this visit	Response
<p><b>Decision making</b></p> <p>Responsibility for decision-making should rest with the authorisation team. If the application is not straightforward, the application should be referred to the Admissions and Licensing Committee (ALC). Where there are concerns raised in a monitoring report from a previous authorising body, we would expect these types of cases to be referred to the ALC.</p> <p>In order to improve the decision making process the ACCA should introduce clear guidelines on the type of cases that should automatically be referred to the ALC.</p>	<p>ACCA has not introduced guidelines on the type of case that should be referred to ALC.</p> <p>Of the initial application cases sampled, the majority were straightforward and did not require referral to the ALC. The Insolvency Service noted that one case, which was not straightforward, was properly referred by the authorisation team to ALC.</p> <p>The Insolvency Service identified concerns with decision making in the case of renewal of licences. There were 4 cases where practitioners received unsatisfactory monitoring visit outcomes, but their licences were renewed on the advice of monitoring colleagues without referral to the ALC. The Insolvency Service accepts that a decision not to renew a licence should be taken by Committee, but in the four cases mentioned, there was no evidence of any challenge from the authorisation team of the advice from monitoring colleagues to renew licences without referral to the ALC or any questioning of what measures had been put in place to safeguard against unsatisfactory performance. In one case, it was noted that there should be an accelerated monitoring visit,</p>	<p>ACCA’s procedure is that at the beginning of the renewal exercise in October each year the Authorisation team contacts the Monitoring team to find out if any IPs are in the process of being referred to ALC and, if so, when the hearing is scheduled to take place. If the hearing is scheduled to take place during the renewal period (Oct – Dec) their renewals are put on hold by the Authorisation team pending the outcome of the hearing. If the outcome of the ALC hearing will not be known until after the IP’s current licence has expired the licence is renewed so as to avoid the IP being unlicensed for a period. It is then a matter for ALC to decide upon any regulatory action.</p> <p>In the 4 cases identified they were not referred to ALC by Monitoring. The issues arising from their monitoring visits were assessed by colleagues from Monitoring during the monitoring process and none of them were referred to ALC for fitness and propriety reasons. However, regulatory action was still taken as all four were flagged for accelerated follow-up visits as noted by Authorisation on the renewal assessment sheets. Therefore, there was no challenge or questioning of the advice</p>

	<p>but this has been scheduled for the end of 2017.</p> <p>In another case (which we highlighted last year) a new licence was granted to a practitioner on the authority of monitoring and compliance colleagues without referral to the ALC, despite strong evidence of concerns by the previous regulator. A year later, similar concerns about the practitioner remain and the case is only now being referred to the ALC following a licence renewal.</p> <p>On renewal of licence the authorisation team carry out an administrative check that the correct insurance, Continuing Professional Development (CPD), Continuity of Practice (COP) and other requirements are in place, but the Insolvency Service's view is that there is no qualitative decision making by the team of whether the practitioner remains fit and proper to act and whether on not there should be referral to the ALC.</p> <p>In future, renewal applications will be dealt with by IPA, but given that ACCA will be keeping the function of approving initial licence applications the authorisation team should have the capability for robust and independent decision making, as well as the ability (where appropriate) to refer cases to the ALC promptly.</p> <p>We therefore reiterate the following recommendations:</p>	<p>from monitoring colleagues because regulatory action had already been taken by Monitoring, there was no ALC hearing taking place during the renewal period for any of these IPs and all four IPs had met the other conditions to renew their licence for 2017 (e.g. PII, COP, CPD, bond).</p> <p>As well as the outcome of the last monitoring visit and the information included on the renewal form, the Authorisation team undertakes checks on disciplinary matters. The team confirms whether there are any 'Legal' flags on the IP's record on ACCA's corporate membership database. A 'Legal Priority' flag indicates that the IP is being referred to the Disciplinary Committee and this prompts the Authorisation team to check the situation with colleagues in Assessment and Investigations before processing a renewal. None of the four IPs have a 'Legal Priority' flag on their record.</p> <p>The 2017 renewal of the case referred to demonstrates that the Authorisation team follows the above procedure. As the Insolvency Service will have noted from the file, an Interim Orders Committee (IOC) was originally scheduled to take place on 22 December 2016. The Authorisation team had already received Mr Swindell's 2017 renewal by that point and as they were made aware of the IOC a decision was made to put his renewal on hold pending the outcome of the IOC.</p>
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	<ul style="list-style-type: none"> <li>• Responsibility for decision-making should rest with the authorisation team.</li> <li>• If an application is not straightforward, the application must be referred to Committee.</li> <li>• Clear guidelines should be provided on the type of cases that should be referred to ALC.</li> </ul> <p>A number of cases are being followed up with ACCA as they raise wider concerns.</p>	<p>Therefore, when considering initial applications and renewals the Authorisation team carry out more than just “administrative checks”. There is a qualitative aspect to the decision making which involves taking into account a range of factors and information from different departments including monitoring, complaints and CPD as well as the ongoing conditions for holding a licence (e.g. PII, COP, bond).</p> <p>The Insolvency Service has indicated that “a number of cases are being followed up with ACCA as they raise wider concerns.” Please clarify what these cases are.</p> <p><b>Action:</b> As the Insolvency Service is aware, processing of renewals will be undertaken by the IPA from 2018 onwards.</p> <p>For initial applications, the Authorisation team will continue to process routine initial applications on an administrative basis and non-standard initial applications will continue to be referred to ALC automatically.</p> <p>The Authorisation team will work with colleagues in Regulation and Monitoring to develop guidelines on the types of applications that should automatically be referred to ALC, particularly from individuals who apply to transfer their licence to ACCA from another body and where ACCA has received a copy of the last monitoring report. In such cases, the</p>
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		Authorisation team will continue to seek relevant information from ACCA colleagues but the final decision on whether to grant the licence will be made by the Authorisation team, taking into account all the advice received.
<p><b>Tracking mechanism for applications</b></p> <p>A system should be set up as a matter of urgency to record and track the status and progress of applications.</p>	<p>ACCA now has three tracker systems in place to record and track the progress of initial applications, renewal applications and bond renewals.</p>	<p>ACCA has had a tracker system in place for enabling bonds for a number of years.</p> <p>The existing trackers for initial applications and renewals were both enhanced to meet the Insolvency Service's expectations.</p>
<p>There should be a consistent policy on whether or not authorisation is granted in advance of payment of the full fee, with a system in place to verify receipt of payment and a standard mechanism for chasing fees when not received. Evidence should be placed on file to demonstrate that the correct fee has been paid. The implementation of a tracking mechanism should help achieve this.</p>	<p>The tracker system for initial applications and renewals records whether payment has been made. The Insolvency Service noted, however, that there were frequently queries about the correct fee due to be paid and often practitioners were required to send in a balance of payment, because information about the correct fee had not been provided.</p> <p>ACCA should ensure that practitioner members are given up to date information about the fee</p>	<p>On 1 October each year ACCA starts issuing new insolvency licences valid to 31 December of the following year rather than 31 December of the current year but charge the following years' initial application fee. If an applicant has used the current application form then it will have the current year's fee in it and the Authorisation team asks the applicant to send in the balance if the initial application fee for the following year has gone up.</p>

	required.	<b>Action:</b> ACCA will ensure that the initial IL application forms are updated with the correct fees as soon as these are agreed.
The date of issue of the licence should be clearly recorded on file and on the system to track status and progress of applications, as recommended above.	The date of the issue of licence is now recorded on the tracker system.	Noted.
<p>Regulator to regulator checks should be carried out promptly upon receipt of the application.</p> <p>In one case, a licence holder had applied to transfer to another regulatory body, but because he was concerned that the licence from the other regulator would not be received before expiry of his current licence, he also applied to renew his licence with ACCA. ACCA renewed his licence and he was then licensed by the other regulator. While ACCA then cancelled their licence, the practitioner effectively had two licences for a short period of time.</p> <p>This highlights the need to carry out full regulator to regulator checks in all cases and to ensure effective communication with other regulators.</p>	<p>Full regulator to regulator checks were generally carried out in respect of applications from practitioners who had not previously held a licence.</p> <p>Where a practitioner transferred from another RPB, a check was only carried out with the previous RPB and not with all other regulators. Checks were also not always carried out within the required five days of receipt of application.</p> <p>ACCA should ensure that full regulator to regulator checks are carried out within five days of receipt of application, for all new licence applications, regardless of whether the practitioner has previously been licensed. This is to safeguard instances where practitioners have applied to more than one RPB at the same time, and to ensure awareness of any previously rejected applications.</p>	<p>In the cases highlighted we followed our current procedure of carrying out a check with only the previous RPB as the previous RPB had licensed the individual.</p> <p>The check was not carried out within five days of receipt of the application.</p> <p><b>Action:</b> ACCA will update its current procedure in respect of applications from IPs who are licensed by another RPB and will carry out full regulator-to- regulator checks with all RPBs and not just the applicant's previous RPB. These will be carried out within five days of receipt of the application. The assessment sheet and procedures manual will be updated accordingly.</p>
Notifications to the Insolvency Service and the Department for the Economy (DfE) should be made in accordance with the current MoUs.	<p>There were instances where notifications were made to the Insolvency Service, but not DfE.</p> <p>ACCA should ensure that notifications are made</p>	<p>In the cases highlighted, notifications were not sent to the DfE.</p> <p><b>Action:</b> ACCA will ensure that notifications are</p>



	to both the Insolvency Service and DfE as required.	made to both the Insolvency Service and DfE as required. The assessment sheet and procedures manual will be updated accordingly.
The authorisation team should ask CPD colleagues to provide details of all random samples of CPD testing so that they can be considered as part of the application process. A check should be carried out with CPD colleagues on receipt of an application and CPD should be asked to alert the authorisation team to any instances of where CPD requirements have not been met.	The authorisation team said that it does have access to the outcome of CPD reviews, although this was not always evident from files, other than from the assessment sheet.	<p>The Authorisation team has access to database used by the Professional Development team to record the outcome of CPD evidence reviews. As the Insolvency Service will have noted from the files, the 2017 renewal assessment process included a check by the Authorisation team on whether the IP had received a CPD evidence review and the outcome of the review was noted on the assessment sheet. The procedures manual states that if the outcome of a CPD evidence review was unsatisfactory the matter should be followed up with the Professional Development team. There were no IPs with unsatisfactory CPD evidence reviews.</p> <p><b>Action:</b> As the Insolvency Service is aware, processing of renewals will be undertaken by the IPA from 2018 onwards.</p>
<b>Other findings</b>		
The ACCA's policy is to renew licences at the end of the calendar year. There were a number of instances where the licence was not renewed before the end of December and there was a gap in authorisation, albeit in most cases, usually only for a couple of days. ACCA explained that it has a system in place for reminding licence holders of	<p>IPA will be carrying out renewals of licences for ACCA members in future and it will be important to ensure that gaps in authorisation do not occur again at the end of year.</p> <p>ACCA must ensure that it is in a position to convene a Committee in timely fashion, in respect of any new authorisations which require</p>	<p>ACCA's regulations allow for A&amp;LC hearings to be convened at short notice. A panel can be brought together and a notice of hearing can be issued within 14 days.</p> <p>As the Insolvency Service is aware from previous cases ACCA takes swift action to</p>

<p>the need to renew licences, but because renewal occurred over the Christmas/New Year period there were sometimes delays in processing payments, hence the licence could not be issued.</p> <p>In one case, however, there was a gap of 17 days before renewal of licence. Practitioners are clearly informed that where licences are not renewed before the year end, the matter will be referred to the ALC. This particular case was not referred to Committee and this was attributed to difficulties in convening a Committee within a short timeframe. This is a particular concern as regulators must be able to act promptly to refer cases to Committee where necessary and also take swift action to transfer cases where a practitioner is unlicensed.</p>	<p>referral.</p>	<p>transfer cases to other IPs if required.</p> <p><b>Action:</b> As the Insolvency Service is aware, processing of renewals will be undertaken by the IPA from 2018 onwards.</p> <p>For initial applications, non-standard initial applications will continue to be referred to ALC automatically. Authorisation will continue to liaise with colleagues in the Hearings team to list cases on a timely basis.</p>
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