



Summary of Investigation and Discipline (SMO 6) Systems Workshop

Presenters:

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Key Takeaways and Questions

Investigation and discipline (I&D) systems are a cornerstone of the accountancy profession alongside our ethical requirements. This requirement, SMO 6, establishes the best practices for three key parts of an I&D system: investigation, discipline, and appeals. Where non-compliance or misconduct are discovered, public must have confidence in the I&D system designed to hold professionals accountable.

Underlying principles of a good I&D system—which should be embedded in the PAOs' structure—are:

- Public interest – PAOs need to understand their role in protecting the public, maintaining public confidence in the profession, and declaring and upholding proper standards of conduct in the profession.
- Proportionate – PAOs should only intervene when necessary and with balance in their actions. They also need to understand the costs associated with their actions and assess the outcomes that should be appropriate to the risk posed and not unduly punitive.
- Fair and transparent – PAOs must uphold principles of natural justice, consistent, accountable, maintaining respected, and credibility throughout its I&D system and actions.
- Independent and impartial – PAOs must be free of conflict of interest, bias, and apparent bias, and show clear separation of decision making. Examples of areas of concern relevant to I&D systems are public perception that the profession is judging its own cause, the lengthy adjudication process, overall process transparency, and effectiveness and consistency of the penalties. PAOs need to identify measures within their control and those that need to be communicated to other stakeholders, such as legislative changes (to the government).

In general, a good I&D system will have a process that includes managing complaints, assessment, investigation, independent assessment, case progression, and hearing. To establish and/or strengthen its I&D system, PAOs could consider the following:

- Establish an independent disciplinary board/committee as tribunal for all I&D matters and appellate board/committee to hear appeals emanating from the disciplinary process supported by the PAO. This should be supported by an independent disciplinary directorate free of operational oversight of the PAO.
- Diversify representation of external parties in the investigation board/committee to achieve a higher level of transparency and objectivity
- Increase quality, consistency and fairness of decisions and penalties. Ensure all past disciplinary/investigation decisions and information are transfer into a database manual to support efficiency, fairness, and equity. For public interest and to enhance learnings from I&D cases, PAOs may also consider making the results of I&D proceedings available publicly.
- Focus resources on areas and/or cases with the highest risks.



How can PAOs manage perceptions of conflict of interest, particularly in the context of disciplinary board/committee composition?

PAOs can consider introducing a balanced composition for their I&D board/committee that includes laypersons to demonstrate independence. Moreover, PAOs need to conduct test of conflict prior to any appointment. In general, involving experienced practitioners is essential for their technical expertise. PAOs should also look at actual and apparent bias and ensure that both are being effectively managed. Mechanism for members (and stakeholders) to hold PAOs accountable in their conduct throughout the I&D system is also important to maintain public trust.

For a jurisdiction with multiple PAOs (each with their I&D system), how do you maintain coordination between the PAOs to deal with cases involving an accountant with multiple memberships?

PAOs are encouraged to first understand and adhere to any prevailing laws on data protection and privacy before proceeding with any agreements with fellow PAOs that may include sharing membership data and information, including on outcomes of any disciplinary proceedings. PAOs need to work out which PAO is best placed to conduct the assessment and undertake any disciplinary actions. Where there are parallel proceedings, it is important that PAOs are careful not to take any actions that may overlap. Whilst not actively informing other PAOs of outcomes of any disciplinary proceedings, some PAOs publish this information on their website and other communication platforms.

One of the public interest considerations in SMO 6 is that the results of I&D proceedings are made available. How can we enhance learnings from I&D cases?

For fairness and transparency, PAOs could consider publishing information about their disciplinary proceedings to share relevant information, highlights issues, educate members, and build stakeholders' awareness. As optics are important, it is an opportunity for PAOs to improve their profile and outlook on I&D, building public perception that their interest is being protected. PAOs should also consider integrating the learnings into their CPD so members can learn from real cases.

What are some of the key challenges for PAOs in developing a solid I&D system?

A major challenge is building the capacity within the investigation function, which includes the board/committee and its supporting management/staff. Finding the right experts with the right qualification, expertise, knowledge, and experience is a challenge for many PAOs. PAOs need to understand that different cases may require distinct set of expertise.

One of the major challenges for developing PAOs in establishing an effective I&D system is the lack of resources. What should these PAOs focus their resources on, especially if they are still at their initial stages of developing their I&D system?

PAOs need to understand the linkages between the SMOs and engage on all angles of professional practice to have a better working relationship with its members and a better response to the I&D system. PAOs are encouraged to focus their resources on cases with the highest risks to the public. PAOs need to be proportionate and understand the resources needed to deliver the right outcome for members and public interest' perspective.