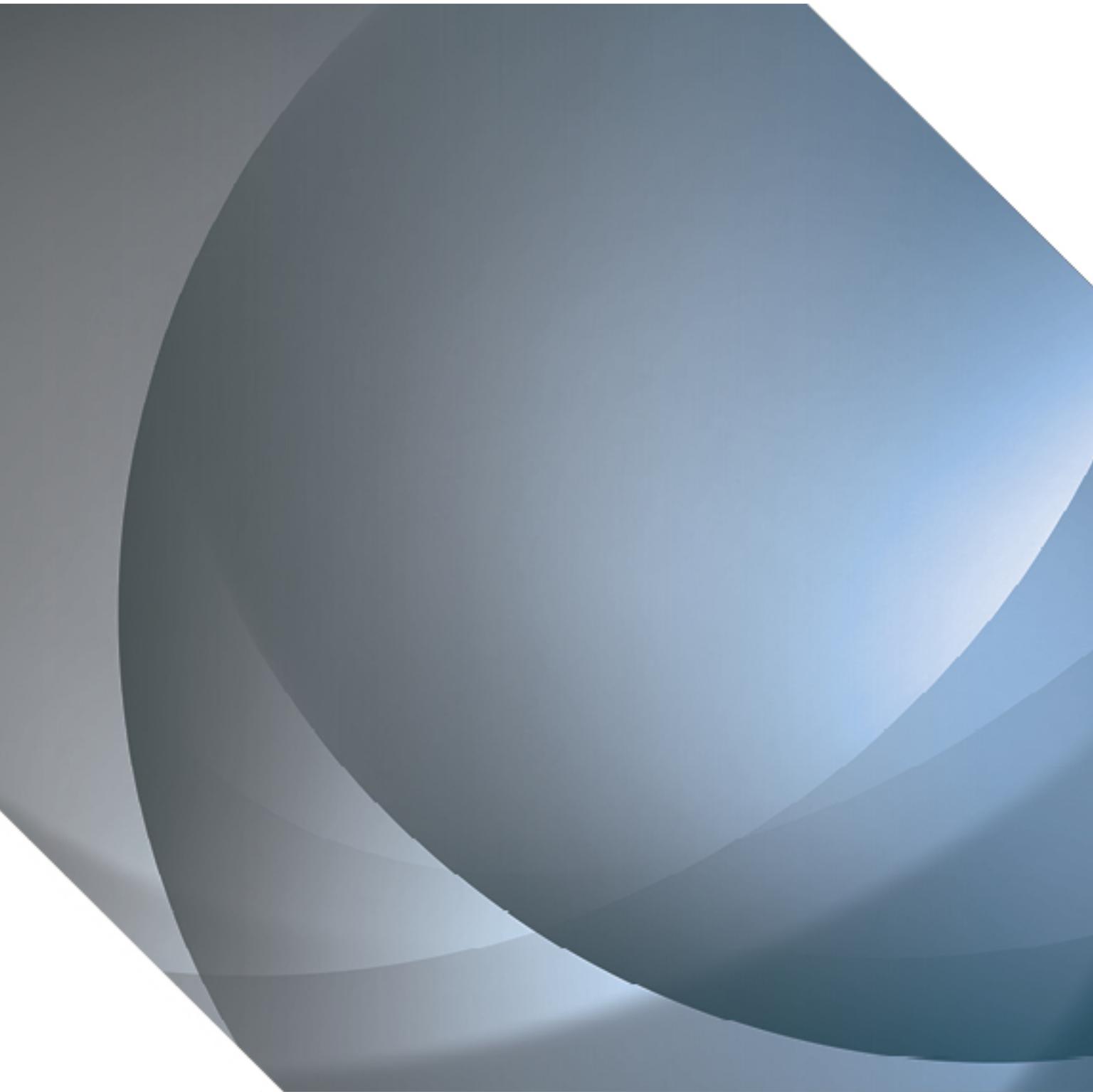


# Invitation to participate in the ATOL Reporting Accountants' scheme

**CAP 1288**



## Invitation to participate in the ATOL Reporting Accountants' scheme

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This letter is an invitation to the professional accountancy representative bodies to participate in the Civil Aviation Authority (CAA) scheme for ATOL Reporting Accountants (ARA).

The scheme has been developed by the CAA in order to help improve the standard of ATOL reporting and to provide assurance on the financial information submitted by ATOL holders and help ensure the correct amounts of APC are paid. The scheme is designed to ensure that designated accountants of participating bodies are sufficiently knowledgeable about both the industry and specific requirements of ATOL to provide the required assurance needed by the CAA.

The scheme will ensure that the professional bodies provide the appropriate level of continuing professional development (CPD) in order to best equip their members to successfully undertake ATOL work. It also means that the professional bodies will have in place a more professional regime that focuses on the demonstration of competence, helping to reduce overall risks in the market of reporting false or inaccurate financial information by ATOL holders.

Professional bodies must be appointed to the scheme by 1 August 2015. The CAA retains discretion to accept applications after this period but such cases would be assessed on a case by case basis.

The purpose of this letter is to invite professional bodies to initially express their interest in participating in the scheme. Prospective applications from the professional bodies will need to show how they propose to meet all of the key components that are set out in the 'ATOL Reporting Accountants' Scheme Key Components' document that is attached as an appendix to the CAA's Guidance Note 10. A copy of the draft Guidance Note 10 will be forwarded under separate cover.

Prospective applicants are required to express their interest within 21 days from the date of this letter by returning written confirmation to the CAA for the attention of Luke McInerney, Consumer Policy Group, CAA House, 45-59 Kingsway, London, WC2B 6TE (on or before 15 May 2015).

Thereafter, prior to appointment, professional bodies will be required to agree to the terms of a Memorandum of Understanding (MOU) with the CAA.

The purpose of the timeline for appointment is to allow adequate time for the professional bodies to prepare for 1 October 2015 when the ATOL Reporting Accountants' Scheme becomes effective. Respective members will need to be registered with their professional body by this date to provide ATOL reporting. The members will then need to be designated by their professional body by 1 April 2016 in order to continue to report under the scheme. Therefore, the first ATOL renewal period that will require reports under the scheme will be March 2016.

The benefits of the scheme have been outlined in detail in the CAA decision document on rebalancing ATOL, published [here](#).

The remainder of this document sets out the ATOL Reporting Accountants' scheme in greater detail. The appendices contain the key components document that forms one of the appendices of the revised Guidance Note 10. Future updates including the issuing of new documents or guidance, will be published on the CAA website.

Yours sincerely,

Simon Froome

**Head of Risk Management  
Civil Aviation Authority**

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ATOL Reporting Accountants' Scheme Key Components

# ATOL Reporting Accountants' (ARA) scheme

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## Background and purpose of the scheme

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It is essential that the CAA can place confidence in the accuracy of reports reviewed and submitted on behalf of ATOL holders by third parties (accountants / auditors). The purpose of the scheme is to provide assurance to the CAA on this financial and reported information. Having in place a more professional regime that focuses on the demonstration of competence is a better way for the CAA to receive this assurance. This helps to mitigate the risk that licences could be issued on the basis of incorrect information, prevent consumer detriment and potential exposure to the ATT.

It also helps ensure that the correct amount of APC is paid by ATOL holders, which provides for fairness and consistency between businesses.

The CAA first proposed the ARA scheme in the 2014 consultation *Rebalancing ATOL: Consultation on proposals to ensure a fair and proportionate financial protection scheme*. It was determined that having such a scheme in place would reduce such risks and mean that it was not necessary to introduce more intrusive forms of regulation to protect consumers.

## How the scheme works

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The CAA has amended Guidance Note 10 to include a new appendix that contains the key components of the scheme. This appendix sets out the components for the professional bodies such as the level of training and standards required.

Individual qualifying accountants would be designated by their respective professional accountancy bodies with a view that these bodies provide the requisite training and support to enable them to undertake ATOL work to a consistent standard and quality. Although it would be up to the professional bodies to determine the right mix of training and support to achieve the key components and to reach the standard set by the CAA, there will be some training issued directly by the CAA.

Although only an individual accountant will be designated to sign off ATOL reporting, the professional bodies are expected to approve at 2 levels. An accountancy firm would need to take responsibility for firm wide elements, e.g.

policies and procedures, whereas the individual designated ARA will need to demonstrate they are competent to perform the ATOL reporting.

The scheme is open for all accountants and professional bodies to participate. However, a single and consistent quality standard has been set by the CAA. It is a requirement of the scheme that all participating accountants and the professional bodies must adhere to the standard set by the CAA and they can demonstrate competence across all of the required areas. This is in conjunction with Guidance Note 10 and any other revisions or updates issued by the CAA.

Professional bodies wishing to participate in the scheme must express their interest in writing on or before 15 May 2015 and be appointed by the CAA by 1 August 2015.

Accountants wishing to be part of the scheme are required to register with their respective professional bodies, which are participating in the scheme, by 1 October 2015 and after this date the CAA will only accept signed ATOL Reports for those registered. From 1 April 2016 the CAA will only accept signed reports from members of professional bodies who have been designated by their professional body to sign-off ATOL reports. Between 1 October 2015 and 31 March 2016 it will be necessary for accountants to undertake the requisite training before being designated by their professional body by 1 April 2016.

The new arrangements for the ARA scheme will build upon existing continuing professional development (CPD) requirements which each professional body has in place and should include training to ensure a consistent standard and full knowledge of ATOL work.

The delivery of ATOL training for accountants and the assessment of competence to undertake the ATOL work is the responsibility of the professional bodies. However the CAA will work closely with the professional bodies to ensure that quality standards around assurance are being met by accountants.

Under the scheme monitoring of an ARA will be undertaken by the respective appointed professional accountancy body. An accountancy firm must appoint a contact who will provide the professional body with an annual declaration that individual(s) in the firm designated as ARAs are complying with their responsibilities under the scheme. We also expect that professional bodies, as part of their usual monitoring and compliance work, conduct site visits of accountancy firms and individual ARAs to review their ATOL reporting. In addition to this the professional body should also require an annual return to provide regular and up-to-date information on the firm or individual ARA and their clients so that it can perform a risk assessment of each and determine if more intensive supervision is needed.

The CAA has the authority to provide feedback to the relevant professional body on ATOL reporting work submitted by an ARA.

## Guidance and information

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The CAA is developing a dedicated webpage that can be used as a repository of information and training material for both professional bodies and accountants.<sup>1</sup> The CAA webpage will be updated with information and guidance on the ARA scheme and will feature news, documents or revisions to guidance.

Under the ARA scheme designated ARAs should follow Guidance Note 10 when performing ATOL Returns/Reporting work. Included is the appendix on the 'ATOL Reporting Accountants Scheme: Key Components', which form the requirements and expectations of the scheme and the core components of the assessment of competence undertaken by the professional bodies in respect of their registered ARAs.

Further information on the scheme and training can be obtained from participating professional bodies.

## Timetable for changes

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Below is a timetable for the implementation of the ARA scheme. The scheme has been designed so that accountants will have in place the necessary training for the March 2016 ATOL renewal, which will be the first one following the scheme inception.

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<sup>1</sup> See: [ATOL Reporting Accountants Webpage](#)

### Timetable for the implementation of the ARA scheme.

15 May 2015	1 August 2015	1 October 2015	1 April 2016
Interested professional accountancy bodies should apply in writing to the CAA on or before 15 May 2015 to participate in the ARA Scheme	Participating professional accountancy bodies required to agree to the MOU and be appointed by the CAA on or before the 1 August 2015	The ARA scheme comes into effect on 1 October 2015. From this date accountants who wish to undertake ATOL reporting work will need to be registered with their professional bodies. The professional bodies will arrange appropriate training for registered accountants.	From 1 April 2016 the CAA will only accept signed reports from members of an appointed professional body and who has been designated by that body to perform ATOL reporting.

**APPENDIX A**

**ATOL Reporting Accountant's Scheme Key  
Components**

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Air Travel Organisers' Licensing (ATOL)

# ATOL Reporting Accountants' Scheme

Key Components

From 1 October 2015 ATOL Reports must be signed by an individual ATOL Reporting Accountant

Consumer Protection Group  
24/04/2015

# KEY COMPONENTS OF THE ATOL REPORTING ACCOUNTANTS' SCHEME FOR ATOL REPORTING



In the table below, we have explained the requisite key components.

Key area	ATOL Reporting Accountants' Scheme
<b>Registration</b>	<p><b>Eligibility criteria</b></p> <p>Each principal in the firm should be subject to disciplinary arrangements through the use of affiliate statuses, or equivalent, and there should be at least one designated ATOL Reporting Accountant for the relevant category of registered ATOL work.</p> <p><b>Other criteria</b></p> <p>The firm must also demonstrate that:</p> <ul style="list-style-type: none"><li>• it has PII (at least sufficient to cover the Liability Cap in the CAA Guidance Note 10);</li><li>• the principal business of the firm is the provision of accountancy services;</li><li>• it is independent of the ATOL holder; and</li><li>• it has appointed a contact principal.</li></ul> <p>The individual designated ATOL Reporting Accountant must also demonstrate that:</p> <ul style="list-style-type: none"><li>• it is independent of the ATOL holder prescribing to the IFAC's Code of Ethics found in the IFAC Handbook of the Code of Ethics for Professional Accountants;</li></ul> <p><b>Scheme infrastructure requirements</b></p> <p>Application form to collect all the relevant information from the firm to assist with the application process and guidance for the firms on the applications process.</p>
<b>Obligations of a Firm and the designated ATOL Reporting Accountant</b>	<p>The firm should take responsibility for firm wide elements including:</p> <ul style="list-style-type: none"><li>• policies and procedures;</li><li>• work programmes;</li><li>• internal compliance reviews;</li><li>• firm wide training; and</li><li>• fit and proper declarations.</li></ul> <p>The individual designated ATOL Reporting Accountant will sign off ATOL reports.</p>

The ATOL Reporting Accountant/Firm must:

- at all times comply with the registration rules of the professional body;
- deal with the professional body in an open and cooperative manner;
- give an annual declaration;
- supply the professional body with information as required;
- inform the professional body, within 10 days, of any substantial changes to the firm and its operations;
- pay any of the fees required by the professional body;
- respond to enquiries by the professional body; and
- subject itself to any monitoring inspection or review process specified by the professional body.

**Scheme infrastructure requirements**

Registration rules setting out the regulations, rules and guidance applicable to the arrangement.

Key area	Designated ATOL Reporting Accountant
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<b>Qualifications and training</b>	<b>Demonstrating competence</b> To do ATOL reporting work an ATOL Reporting Accountant must;
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- have reviewed guidance issued by CAA ATOL or their professional body for ATOL Reporting Accountants;
- have reviewed Guidance Note 10 – Advice for Accountants – issued by CAA;
- have successfully completed the CAA ATOL training package (and as updated from time to time) and the training package and assessment has been approved by the professional bodies within this arrangement;
- have taken and passed a professional examination covering assurance work as approved by the CAA (this may be limited to individual modules of a professional qualification).
- be a member of an approved professional body, as determined by CAA, and hold a practicing certificate where required by the professional body.
- *The CAA ATOL training package - The professional bodies will be given access to their member registrants and training results for review.*
- *The CAA may from time to time update the CAA/ATOL training package where necessary and will issue a notification to registrants where this update needs to be reviewed.*

<b>Ongoing competence</b>	<b>Competence</b> A firm must make arrangements so that all members, principals and employees performing ATOL related work are, and continue to be, competent to carry out ATOL reporting for which they are responsible or employed.  The individual must also meet the continuing professional development guidelines of its professional body for the purposes of ATOL Reporting.  <b>Manuals and programmes</b> A firm must maintain an appropriate level of competence in the conduct of ATOL work and this is best achieved through the use of relevant and bespoke manuals, programmes, checklists and procedures so that the firm has a body of knowledge. Such documentation must be kept up to date if the firm is to retain its competence.
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## Key area

## Designated ATOL Reporting Accountant

### Discipline and sanctions

#### Obligations, duties and rights of approved Professional Body

The professional body is responsible for granting, rejecting or, withdrawing a member's ability to perform ATOL reporting. It can also impose restrictions or conditions on a member and publish its orders or decisions if it considers this appropriate.

A penalty may be imposed where the member agrees that it has breached a provision of the registration arrangement rules. If the member does not agree that the breach has been committed, or does not agree to the terms of the penalty proposed or fails to comply with the terms of the penalty, the matter may be dealt with under the disciplinary arrangements.

The professional body may delegate the performance of any of its responsibilities to committees, sub-committees or staff.

#### Liability of firm/designated ATOL Reporting Accountant to disciplinary action

A firm/designated ATOL Reporting Accountant is liable to disciplinary action under the professional body's disciplinary arrangements if:

- it has performed its ATOL reporting work inefficiently or incompetently to such an extent as to bring discredit on itself/him/herself; or
- if it has breached any of the provisions of the registration arrangement.

**Monitoring****Firm monitoring**

A firm shall review, at least once a year, how effectively it is applying the registration arrangement rules and take action to deal with any issues found. The annual compliance review is done in two parts. Firstly, whole-firm matters such as competence, PII and continuing eligibility. Secondly, 'cold' reviews of completed ATOL reporting to check that the work was completed in accordance with the practice procedures.

**ATOL returns work – specific requirement**

The ATOL returns work category requires the firm to use an independent reviewer, at least once every three years, to perform a review of a sample of client files to check that the work was completed in accordance with the practice's procedures.

- The approved professional body will determine the level of close monitoring that is required for the ATOL Reporting Accountant and the ATOL Reporting Accountant may be required to demonstrate that he/she is competent to conduct ATOL Return work based on his/her experience;
- *Guidance to firms on demonstrating experience. The individual could submit an example file for review or could submit the results of a file review performed by an approved external training organisation to assess the quality of the file. If the quality of the files is insufficient, the individual could be asked to complete a course or assessment.*

**Approved Professional Body monitoring**

A firm must appoint a contact principal who will supply the professional body with information as required and provide an annual declaration of the individual designated ATOL Reporting Accountant compliance with its responsibilities under the registration arrangement rules.

The professional body should apply a six-year cycle to ATOL reporting members. During its visits, the professional body should conduct a review of whole-firm matters and 'cold' reviews of completed ATOL reporting work, using the same staff as used on ATOL reporting member monitoring visits.

The professional body should also require an annual return to provide regular and up-to-date information on the practice and its clients so that it can perform a risk assessment of each firm and identify any firms that may need a visit on a shorter cycle than six years.

The CAA will have the authority to provide feedback to the relevant professional body on ATOL Reporting work submitted by an ATOL Reporting Accountant.

## Key area

## Designated ATOL Reporting Accountant

### Standards and guidance

#### Conduct of licensed work

A designated ATOL Reporting Accountant must:

- act in accordance with the IFAC Code of Ethics; and
- comply with any additional conduct of business requirements that are set out in the registration arrangement rules for a particular category of membership.

#### CAA guidance

A designated ATOL Reporting Accountant should follow Guidance Note 10 when performing ATOL Returns/Reporting work.

A designated ATOL Reporting Accountant should also write example checklists for firms to use as part of their annual compliance review process.

**Key area****Designated ATOL Reporting Accountant/Firm****General practice management****The firm should:**

- comply with laws, regulations and standards that are relevant to the services it provides;
- only accept clients where:
  - there is no threat to the firm's integrity or objectivity that cannot be managed by appropriate safeguards;
  - the firm has access to adequate resources and expertise to provide the services required;
  - the firm has made adequate enquiries to ensure that there are no other reasons to prevent it from providing the services, including those related to the law and regulations on money laundering; and
  - the terms of engagement are clear and unequivocal;
- ensure that all principals, staff and subcontractors are competent to carry out their work; and
- ensure that work is conducted in an environment where quality is monitored.

**Whistle blowing Policy**

The Firm or ATOL Reporting Accountant should follow the whistle blowing guidance in GN10.