

**MINUTES
(APPROVED 9 JUNE 2022)**



ICAEW Regulatory Board

DATE & TIME: 21 April 2022, 10 am
LOCATION: CAH Boardroom + Zoom
CHAIR: Philip Nicol Gent
VICE CHAIR
SECRETARY: Tracy Stanhope

ATTENDEES	BOARD MEMBERS	STAFF
	Andrew Goldsworthy Ann Wright Anthony Pygram Jane Titley Michael Sufrin Steve Barrow Thomas Palm	Duncan Wiggetts Mathew Downton Elaine Griffiths Bob Pinder Claire Phillips Peter James
APOLOGIES	Jonathan Williams, Parjinder Basra, Asif Patel	
OBSERVERS	None	

ITEM DETAILS

1. Welcome and apologies

It was noted that as Jonathan Williams (non-lay), Asif Patel (non-lay) and Parjinder Basra(lay) had sent apologies, the meeting was quorate and compliant with the IRB's terms of reference.

The Chief Officer introduced Emily Healy-Howell, who had recently been appointed as Director of Regulatory and Conduct, to support him and would attend IRB meetings in future. Emily provided a brief overview of her background and career and was welcomed by the Chair on behalf of the IRB.

2. Declarations of interest

There were no new declarations of interest.

3. To approve the minutes of the previous meeting

The minutes of the meeting held on 10 February were approved by the IRB.

The IRB also approved the confidential minute.

4. Matters arising from the minutes not dealt with elsewhere

The Risk subcommittee provided an update to the IRB. It noted four matters:

- i. That there had been positive progress in applying the skills matrix to address the IRB's membership and that this was reflected in recent recruitment exercises.
- ii. That the induction of new board members and ongoing training for existing members remained important.
- iii. The risk assigned to strategy remained red. - IRB members had been asked to consider what they thought the priorities are to assist the development of a strategy.
- iv. The subcommittee discussed papers being available 7 days in advance of the IRB meeting and the importance of an effective executive summary in the papers.

The subgroup would meet again on 27 July 2022. It was agreed that in advance of the meeting the Risk subcommittee would meet with Matthew Downton to consider potential risks associated with BST.

Quality assurance update

The Chair met with the Alternate Chair and other IRB members met to consider the interaction between the IRB and RACAC. It was felt that there was a need to increase the sharing of information between RACAC and the IRB, in light of the IRB's role in quality assuring PSD committees. The IRB Chair agreed to raise this at the next RACAC meeting. It was noted that there may need to be amendments made to the terms of reference of RACAC and/or the IRB to ensure a clear delineation of responsibilities.

5. Review of action tracker

The IRB discussed the action tracker. The following matters were noted:

- To keep the tracker at a manageable size it was agreed that completed issues would be appropriately marked and remain on the tracker until the next IRB meeting after which they would be archived.
- The Chair reiterated his view that there should be a move away from the use of "to be confirmed (TBC)" dates.
- The Chair agreed to discuss a timeline for the appraisal system for IRB members with the Regulatory & Conduct Appointments Committee (RACAC) chair.
- The strategy meeting was marked as "*on going*" as a further meeting date had yet to be agreed in the autumn, the meeting may be combined with the quality assurance meeting. The Chair will collate the output from the strategy meeting for the June IRB meeting.
- To include the confidential insolvency issue in the action tracker.

In the context of the QA programme, there was a discussion on the type of committee data that could be made available by September 2022. If possible, the data will include

- Number of hearings for each of the hearing committees.
- Number of cases considered by the Investigation Committee (IC)
- Number of cases remitted from the IC to the Disciplinary Committee (DC) and the number of cases concluded by the IC,
- Number of DC cases found in favour of ICAEW and against.
- Number of appeals and the outcomes of the appeals
- Types of cases, insolvency, audit PII etc.

The IRB secretary will work with the Committee & Tribunals team to source the above data for the period to September 2022 and thereafter annually.

Annual report

The Annual report is being presented to Council on 7 June 2022. It will be circulated to the Board for their views in early May 2022, with comments before 7 June 2022.

Consultation protocol

It was agreed that the consultation protocol would be circulated to the IRB between meetings for comment by mid-May 2022. In addition, Sarah Gammon would be invited to provide feedback on two recent consultation exercises at the June 2022 meeting.

Legal Services Regulatory plan

Steve Barrow provided an update. A six-week consultation opened on 11 April 2022. Following the completion of the consultation exercise, the final version of the plan to be presented at the June 2022 meeting.

6. PII presentation

Stephen Morton from ICAEW's external insurance brokers provided a presentation about PII and answered questions.

7. Probate compensation scheme funding arrangements

The Alternate legal services Chair chaired the item.

Claire Philips presented the paper. It was agreed for Stephen Morton to remain for this item.

There was a discussion on the funding options for the Probate Compensation Scheme after the current insurance agreement expires on 30 September 2022. It was considered unlikely that the current insurance would be extended beyond September. However, the IRB noted the steps taken by Marsh on behalf of ICAEW to secure alternative insurance arrangements since summer 2021.

Matthew Downton explained that the scheme is well-funded and that there had been no claims to date. Additionally, Claire Philips noted that one of the scheme's key features is the ability of the Probate Committee to make any grants if there are sufficient funds in the scheme. The risk was deemed more reputational, as should there be several significant claims on the fund, it is possible that the Probate Committee would not be able to continue to approve grants.

The IRB discussed the options available and associated issues. In addition, the Board considered the public interest aspects of the scheme, the probable position of the Legal Services Board (LSB) to any request to reduce the limit for claims and the differences between the DPB and probate compensation schemes.

The IRB members were reluctant to agree to reduce the limit for claims. However, it was agreed that discussions should take place with ICAEW regarding the possibility of using ICAEW's reserves as an alternative source of funding for the scheme and ascertaining its view on reducing the current maximum for claims. The first opportunity to do this would be the ICAEW Board meeting on 24 May 2022. Once the view of the ICAEW Board was known, it was agreed that the matter could be raised with the LSB.

8. Chair's update

IRB recruitment

The Chair advised the IRB that the recent recruitment exercise had resulted in four new members being selected to join the Board. There were 42 applicants for lay member and three for non-lay. Annette Lovell and Claire McManus successfully applied for appointment as lay members. Caroline Turnbull–Hall and Richard Thorpe successfully applied as non-lay members.

ICAEW update

Copies of letters sent by the Chair to ICAEW were discussed.

The Chair noted the following matters:

He met with the President of the ICAEW and may also meet with Michael Izza. He attended the ICAEW annual dinner and felt it appropriate to donate to charity for accepting hospitality from ICAEW.

Individual meetings took place with Paul Brooks (Investigation Committee chair), David Matthews, Nick Parker (RACAC members) and Julia Penny (ICAEW president-elect). Further meetings with chairs of other PSD committees were planned.

He attended and addressed the recent Quality Assurance Department conference in Milton Keynes, and the conference was a successful event

The Chair advised that he was scheduled to meet with Sarah Rapson, Executive Director, Supervision at the Financial Reporting Council (FRC), on 4 May 2022. In addition, Dawn Dickson, Director of Professional Oversight at the FRC, may also attend and noted that he would be discussing possible dates for Dawn Dickson to attend to observe a future IRB meeting.

Further meetings with the Office for Professional Body Anti-Money Laundering (OPBAS), the LSB and the Insolvency service were planned.

9. PSD Chief Officer's update

The IRB noted the update.

An observation was made on the RSB annual return and regulatory plan (which has been submitted) whether the report should be approved by the IRB rather than its subgroup. Information sharing with oversight regulators about internal operations and BST was given as an example. The IRB was advised that the oversight regulators were written to advise them of the BST work and were aware of the importance of this work and the impact of BST on PSD's operations. The report's content was also discussed, and, in that context, Duncan Wiggetts agreed to raise how the data in the report was used when next he met with the FRC.

The following issues were noted as having occurred since the preparation of the papers for the meeting:

- The Financial Times (FT) had published an article on Public Interest Entity audit registration based on the FRC briefing - the FRC inferred that they would be tougher on PIE audit firms. In response to the article, a letter was sent to the FT, pointing out that what was being proposed would not result in any substantive change to PIE audit.

- Further discussions had occurred between ICAEW and the government about ICAEW taking on an enhanced role in anti-money laundering (AML) supervision. There had also been a discussion about resourcing of AML supervision and the OPBAS levy.
- There were discussions with the institute of chartered accountants Scotland (ICAS) about the possibility of ICAEW aiding ICAS' regulatory function. One option could be to create a new regulatory hub which could be an accelerator in terms of creating a separate legal entity for regulation. There had been similar conversations with Chartered Accountants Ireland.
- The appeal by Mr "B" was rejected. This was relevant to the DBL subgroup, but as the case was based on the 2011 DBLs, there was no requirement to review the current DBLs in light of any of the issues raised.

Finance update

Matthew Downton introduced this aspect of the update.

PSD had seen a solid start to the year, with continued registration of the Europe LLPs and other billings from QAD outsourcing.

The forecast for PSD showed an improvement in budget, partly due to the European affiliates, some strong fines and cost savings linked to longer recruitment timelines. This reduced the forecasted deficit from £1.5 million, which carries the cost of member conduct, to £700,000.

10. **Oral update on BST project**

Matthew Downton provided an update.

BST has gone live, supported by a fantastic effort from the 12 strong team within PSD. Due to migration and integration issues, the PRO IT system remained active in parallel with the new system. The transition from PRO would take between two and three years. The project board had agreed that 'severity 1' issues would be addressed as a priority. The central project team created a new category of 'severity 2 +', and PSD's remaining severity 1 issues have been reclassified to the new category.

The impact on PSD was as follows

- The majority of the data is correct
- 80 manual processes were being used to work around the system
- 44 core functions of dynamics were off limits
- Over 30 issues where the migrated data isn't correct
- Insolvency is not using the system but can operate on PRO.
- The integration to the joint audit register would not be available for approximately three weeks.
- 180 issues had been designated Priority 2 or 3. These issues will be worked through over the following two to three months.

Pricing and renewals were initially descoped and remain manual processes. Additional functionality would be built over the next four months for billing in November.

The priority was cleaning the data. Insolvency would launch in the next three weeks. The next step would be to address other issues to reduce reliance on workarounds. Once fixed,

staff would be retrained to use the core system rather than spreadsheets. The PSD team would continue to deal with the fixes until the data was cleansed and the system operated effectively. After that, these staff would gradually move back into their usual roles over an extended period. There were also three temporary staff.

The Chair gave extended the IRB's thanks to the team. Duncan Wiggetts also commended Matthew and the team. PSD management team were considering how best to recognise the team's hard work.

A discussion followed on how the issues that remain would be addressed. The IRB also discussed how the lessons learned from the project would be captured, and Duncan Wiggetts informed the Board that there would be a review of the project. The cost of the project was also considered.

11. Oral update on insolvency consultation

Duncan Wiggetts and Bob Pinder provided an update. Further discussions with the CEO of the Insolvency Practitioners Association (IPA) were scheduled for the following week. However, the IPA had expressed concern about the new body being part of the ICAEW group of companies. If IPA remained reluctant to commit, an alternative would be to progress the concept of a separate entity for insolvency regulation without their involvement.

12. Confidential item

The IRB convened in a private session to discuss a sensitive and confidential matter.

13. Revisions to the disciplinary framework

Claire Phillips presented a paper summarising the responses received from the consultation on the proposed new DBLs. The DBL subgroup met on 6 April to discuss the consultation responses. It was noted that most of the feedback the FRC gave were suggestions only, and the FRC had confirmed that they would be content for the DBLs to be put to Privy Council for approval. In addition, it was clarified that the sanction imposed would be at the time of the decision rather than at the time of the event, as had been recommended by Counsel. The FRC had expressed some disquiet at this change.

A subgroup meeting has been arranged in May to start looking at the guidance that will support the new disciplinary arrangements. At the request of the subgroup, Duncan Wiggetts agreed to draft a note to the IRB mapping the development of the new arrangements from the current DBLs.

The IRB:

- i. Noted the responses to the consultation
- ii. Approved the DBLs contained in appendix 2 of the paper,
- iii. Agreed that Council's approval is sought at its meeting in June, subject to any minor drafting amendments being agreed by the IRB Chair and the Chief Officer, Professional Standards.

14. FRC inspection report etc

Duncan Wiggetts introduced this item with Elaine Griffiths providing further detail.

FRC inspection report

This FRC made no requirements and three recommendations which were audit registration/audit registration committee, one of which is a matter for RACAC. As noted previously, there is work ongoing within RACAC to develop an approach to managing the appraisal of the Board and committee members.

For those recommendations that remain open, PSD is confident that they will all be completed by the end of the year. Most of the recommendations relating to PSD were in the context of monitoring, which the FRC needed to see through the whole visit cycle to close. For example, the recommendation around continuing professional development (CPD) is the responsibility of Education & Training.

The reference in the report to climate risk led to a discussion on ICAEW's preparedness in terms of climate risk and sustainability. As a result, it was proposed that a member of the Sustainability team within Reputation and Influence present to the IRB on ICAEW's sustainability activity at a future meeting. The IRB was also informed that it would be possible for PSD's systems to log and identify complaints about sustainability issues if required.

PIE audit registration system.

The FRC's consultation was issued on 14 April 2022, comprising four lengthy documents. The consultation document itself covers 30 + pages and 31 questions. There is a six-week consultation period ending on 26 May 2022.

The Reputation and Influence Department will draft the main response with PSD feeding into that response. However, it was considered more appropriate for Reputation and Influence to lead on the response as PSD had worked closely with the FRC in developing the proposals.

Elaine Griffiths noted that the consultation document was process-heavy, but there are broad similarities between what is being proposed and PSD's current approach to audit registration.

From initial discussions with the FRC, there will be some 40 existing firms that will need to apply for PIE registration and some 700 expected applications for PIE RI status within those firms. This means that there will be quite a heavy concentration of work coming into PSD when the scheme goes live. Discussions with the FRC about the practicalities of operating the scheme are ongoing.

15. Paying ICAEW ACA, Affiliate and IP Members for Attendance on Regulatory, DC & IRB Meetings

Emily Healy-Howell presented the paper.

The proposal in the paper was that ICAEW members should be paid to be members of committees and the IRB to attract a more diverse representation of ICAEW members to participate in the regulatory and disciplinary committees.

The IRB agreed that:

- i. From 1 January 2023, ICAEW, insolvency and practitioner and committee board members are paid for Board and committee attendance where it is appropriate for them to claim their fee.
- ii. An uplift of 10% in all payments to committee/board members be made from 1 January 2023.
- iii. It was agreed that the payment of ICAEW members could be used in future campaigns to assist in recruitment.

It was noted that while the IRB could approve the necessary funds for the payment of members of Committees and Boards, it was a matter for RACAC to make a final determination on the level and use of remuneration when recruiting.

Oral update – sanctions

Duncan Wiggetts thanked Michelle Giddings for the work that she is doing in this area.

Duncan Wiggetts informed the IRB that letters had been written to the LSB, OPBAS, and FRC in response to their request for information on the steps being taken in relation to Russian sanctions. The letters are in the meeting pack for reference.

16. Rethinking CPD monitoring

Duncan Wiggetts introduced this item and was joined by Nick Reynolds and Liz Shaw from QAD.

The IRB was provided with the slides setting out the proposed changes and costs to CPD to be presented to ICAEW Board. A new approach to CPD monitoring is being proposed, with QAD taking on the responsibility for monitoring compliance, funded from ICAEW reserves.

As set out in the slides, four possible options were being proposed, all of which would increase the level of monitoring of CPD from the current level. The cost of the new proposals would increase incrementally from £400 000 per annum for option one to £3.1 million for option four. Either option two or three were to be recommended to ICAEW Board.

The IRB discussed the proposals and was in favour of Option three. The IRB also discussed whether there was an IT-based solution that could be utilised. It was noted that there was no currently available IT solution, and developing one might take between three to five years.

The new CPD arrangements would go live on 1 November 2022, and checking would start after 31 October 2023, which would mean recruitment for any new roles in 2023. Some monitoring was planned to be carried out by QAD reviewers during existing visits.

17. Regulatory Developments

The IRB noted the paper and appendices.

Four items included in the paper were identified as particularly interesting to the IRB.

- Cilex – consultation on remote hearings.

- LSB – consultation on new performance assessment framework; the consultation closes 1 July, and a draft response will be drafted together with the Legal Services subgroup to be considered by the Board in June 2022.
- LSB – final policy document on consumer empowerment
- SRA - paper on health and wellbeing – which quotes ICAEW policy as part of their consultation document as best practice.

There was a discussion about best practice in legal services and how they could be transferred to ICAEW's other areas of regulation. Peter James was requested to consider this for a forthcoming paper for the IRB and, if possible, by the June 2022 meeting.

18. **Left field**

There was a discussion on cultural issues within the profession and an apparent worrying trend for blame being levelled at junior team members rather than senior management.

19. **AOB**

The Chair thanked Steve Barrow, Mike Sufrin and Jane Titley, who were attending their final meeting of the IRB.