

MINUTES



ICAEW Regulatory Board

DATE & TIME: 8 December 2022, 8.45 am
LOCATION: Met House Room 1.1 & zoom
CHAIR: Philip Nicol Gent
VICE CHAIR
SECRETARY: Robert Pragnell (RP)

ATTENDEES

BOARD MEMBERS

STAFF

Andrew Goldsworthy (AG)	Duncan Wiggetts (DW)
Ann Wright (AW)	Mathew Downton (MD)
Annette Lovell (AL)	Elaine Griffiths (EG)
Anthony Pygram (APY)	Peter James (PJ)
Asif Patel (AP)	Sophie Wales (SW)
Caroline Turnbull-Hall (CYH)	Emily Healy-Howell (EHH)
Claire McManus (CM)	Sophie Hooper (SH)
Jonathan Williams (JW)	Bob Pinder (BP)
Parjinder Basra (PB)	Chris Greenhalgh (CG)
Richard Thorpe (RT)	Fay Williams (FW)
Thomas Palm (TP)	

APOLOGIES

GUEST Sara Nathan (SN) – Chair of the Regulatory and Conduct Appointments Committee (RACAC)

ITEM DETAILS

1. Welcome and apologies

It was confirmed that the meeting was quorate.

The Chair welcomed Sara Nathan, Chair of the Regulatory and Conduct Appointments Committee (RACAC), who was in attendance as an observer and to present item 14, the RACAC annual report.

2. Declarations of interest

The Chair declared a possible conflict with regard to his membership of the Guernsey Financial Services Commission (GFSC) for item 9. However, he noted that he was stepping down from his role at the GFSC at the end of the month.

3. To approve the minutes of the previous meeting

The minutes of the meeting held on 6 October 2022 were approved by the IRB.

4. Matters arising from the minutes not dealt with elsewhere

As suggested at the October meeting, Dawn Dickson invited Becky Carr to address her colleagues at the Financial Reporting Council (FRC) on the ICAEW approach to assessing risk in audit.

5. Review of action tracker

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

- It was agreed that the review of the effectiveness of the revised IDRs would be scheduled for the end of 2023.
- It was noted that there had been delays in issuing practising certificates.

6. Chairs update

The Chair reported that he had met his opposite number at the Institute of Chartered Accountants Scotland (ICAS). The meeting had been positive, and he noted the governance structure of ICAS. He also had the opportunity to meet ICAEW members and groups in Edinburgh, Newcastle, and Manchester. The Chair expanded on his meeting with members of the ICAEW Manchester District Society (MDS), a member-led group that had recently hosted a well-attended meeting on the proposals to reform the UK's audit and corporate governance regime. He said that he had been disheartened to learn that the MDS were not aware of the IRB its role or work. The two meetings demonstrated that there remained a long way to go to meet the challenges of building awareness across the country. It was noted that the differences in education, qualification and approaches posed a challenge to effectively regulating ICAEW Chartered Accountants working in Scotland.

The future of audit regulation, the timetable of an Audit Bill and the creation of the proposed Audit, Reporting and Governance Authority (ARGA) were discussed with the FRC at a meeting attended along with Michael Izza and DW. There remained uncertainty about when or if the Audit Bill would progress. A delay was almost inevitable, and there was a possibility that the Bill may not be taken forward by the government in 2023.

The Chair congratulated DW and his team on the outcome of the Comet case and acknowledged the dedication shown by those involved in challenging circumstances. Without the involvement of ICAEW, professionalism and dedication of its staff, there may have been a different outcome. He noted that the work and contribution of ICAEW to the verdict was a demonstration of the commitment of ICAEW staff and effectiveness of ICAEW regulation.

The Chair highlighted an email received from a retiring member praising the support of the Institute and crediting the Professional Standards Department

7. **PSD Chief Officer's update**

The status of the paper was confirmed as confidential.

DW noted that he had received positive feedback from the FRC and met with the new team at Office for Professional Body Anti-Money Laundering Supervision (OPBAS). However, he stated that he did not feel that the last OPBAS report was overly negative and did not fairly reflect the level of effectiveness of ICAEW in AML.

The number of complaints continued to fall, and DW stated that this was partly linked to changes in the approach to continuing professional development requirements. He noted that it had been expected that there would be an increase in complaints for the year as business returned to normal but that this had not occurred.

It was reported that PSD had won audit work in Scotland previously undertaken by ICAS.

As mentioned by the Chair, the Comet insolvency case's judgement was legally significant. It is probable that the decision will be appealed, so the matter is not at an end. He took the opportunity to identify Michael Waters, head of finance at Comet, who had raised the alarm about what had happened. Consequently, Mr Waters had to endure challenges aimed at him for his role but ultimately was wholly vindicated and deserved recognition for his actions. There remained issues with securing Privy Council (PC) time to bring changes to the IDRs and DBLs into force. Until PC approval is granted, the changes cannot come into force, and the current timeline is for May or June 2023.

On 5 December 2022, it became mandatory for all audit firms and responsible individuals (RIs) who undertake statutory audit work for Public Interest Entities (PIEs) to be registered by the Financial Reporting Council. It was noted that ICAEW had always worked with the FRC responsively and robustly to ensure that all requirements were met.

Following the consideration of the audit paper at its October 2022 meeting, engagement had commenced and would continue into 2023. ICAEW Practice Committee (IPC) had considered the proposals as a part of the engagement process and supported all, including alternates.

DW noted the Comet verdict and added to the Chairs comments. He explained that the legal proceedings followed a five-year ICAEW investigation into the handling of the administration of the consumer retail group. ICAEW played a significant role in the work that resulted in the matter proceeding to court and any positive outcome for those impacted by the collapse of Comet, including consumers.

Following an invitation from the Legal Services Board (LSB), a showing of the film "*All too Familiar*" took place. The film was well received.

Insolvency – There appears to have been little progress made with the Insolvency Service (IS) still considering "*lots of options*". ICAEW has not attended any of the roundtable events since the Insolvency Service indicated that, as currently constituted, ICAEW would not be considered the single responsible regulator. Instead, ICAS has been represented and provided information on the progress of IS.

As previously reported to the Board, there remained concerns about the impact of the uncertainty surrounding the future of insolvency regulation and ICAEW insolvency functions on ICAEW staff. It was noted that ICAEW insolvency staff are the most knowledgeable and experienced in the sector. Any new single regulator would need to recruit experienced staff and likely target those with experience in insolvency regulation at ICAEW.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] the Board agreed that it would be prudent to seek an update to the legal advice in this matter.

DW stated that despite IS's position, the reality remained that ICAEW is the most experienced and well-resourced option available. Furthermore, setting up an entirely new organisation would be expensive; it would require experienced staff and take time to establish. By comparison, ICAEW has the staff, experience and infrastructure to guarantee the function from day one.

MD provided a financial update noting that PCD was within budget and forecast to exceed its self-financing target. Registrations remained high, but DPD and audit had both fallen. The level of debt recovery was good, and revenue from fines increased. PCD continued to exercise careful management of its operating costs.

The Business Systems Transformation (BST) challenges remained. However, it was MD view that the successes outweighed the challenges. He noted renewals functionality successes and was optimistic about the project and the decommissioning of Pro in 2023. The Chair thanked DW and MD for their updates.

8.

Regulatory Updates Paper

Sophie Wales, Head of Regulatory Policy, introduced the paper and confirmed the status of the paper as open.

The paper dealt with several issues, including the Solicitors Regulatory Authority (SRA) and Bar Standards Board (BSB) approach to conduct at work, specifically guidance on sexual misconduct. Questions were asked as to whether there was any evidence showing increased complaints involving sexual misconduct in the workplace and the number of prosecutions. It was noted that the overall number of complaints of this type pursued by the SRA was low and that this was also the experience at ICAEW. It was noted that the ICAEW Code of Ethics was not a regulatory matter for the IRB. However, there was a clear direction of travel in the legal and regulatory sectors. SW stated that the Ethics Standards Committee met recently, and a working group had been set up with the membership side, and she would report on any joint working initiatives in this area.

The Chair recognised Peter James and that this would be his last attendance at an IRB meeting as a member of ICAEW staff. However, he advised the Board that while PJ was

retiring, he was pleased to say that he would be returning in the New Year as a contractor, in which capacity the Chair said he looked forward to working with PJ in the future.

PJ thanked the Chair and reflected on his time at ICAEW, in particular, Kelly report and then the creation of the IRB. He noted that it was gratifying to have been involved with the creation of the Board through to today.

9. **Amending ICAEW Statement in relation to Engaging in Public Practice**

Bob Pinder introduced the paper, and its status was confirmed as confidential.

BP explained that the current version of the statement on engaging in public practice (Statement) came into effect in January 2017. While the Statement remained fit for purpose, the Board were invited to endorse a number of changes designed to address perceived gaps and improve the document's utility. A change was also required to align the document with geographical changes to practising certificate fees that came into force in January 2022. A revised Statement was endorsed by the Board to be submitted for approval to the ICAEW Council at its meeting on 29 March 2023.

The Board approved the recommendations in the paper, including an implementation/enforcement process for the transition period. However, the Board felt that a single final deadline did not sufficiently encourage engagement and compliance. Notwithstanding the Board's observations, it agreed that a final cut-off date was required, and it was agreed that this should be 30 April 2024. The Board proposed that rather than giving a single deadline, it would be better to have staggered dates for the implementation process to encourage early engagement and mitigate the risk of a final deadline deluge of applications was preferable.

10. **Options/timeline for creating an IRB website**

Mathew Downton introduced the paper, and its status was confirmed as open with agreed redaction.

As directed by the Board, consideration had been given to the possible options, risks and costs involved in creating a separate regulatory website. The paper addressed the position drawing attention to the current number of hits on the regulation part of the ICAEW website, the challenges involved in building an online presence for a new site, possible confusion and risk of consumer disengagement. Additionally, the need for content and required resources to operate a dedicated site would increase pressure on existing resources. He noted that if there were a total separation from ICAEW.com, that would be a significant move. The

functionality of a site and its online presence would impact the image of the regulatory vs representative functions.

It was suggested that an exploratory 10-15 page brochure site, using current naming conventions and branding, could achieve an independent online presence and share information about regulation, conduct and ICAEW Regulatory Board while testing the concept of a separate over the ICAEW main site.

The Board had a wide-ranging discussion. It was agreed that the concept of a separate site tied in with the view of ICAEW Council that the IRB should seek to improve its visibility to the profession. The brochure proposal was supported, but there were some reservations that it must not be progressed as the final product and that it must be a first exploratory step as proposed. It was noted that the ICAEW site was very comprehensive and, as such vast, making it somewhat difficult to navigate. Others questioned whether there was a need to promote the IRB itself but its remit to ensure that the regulatory and disciplinary work undertaken by PSD is carried out in the public interest. DW agreed that the focus should be on the PSD role and defending and developing the business. A separate website was unlikely to be seen as a game-changer to stakeholders.

The Board approved the recommendation to develop and launch a brochure site during 2023/24 using the existing brand and name to make clear the separation from ICAEW membership and representative activities and allow time to explore the impact of a new website.

11. **Creating a single ICAEW register for regulated persons & entities**

Mathew Downton introduced the paper, and its status was confirmed as open. MD explained that the paper updated the current approach to online firm and individual registrations. First, he noted the reasons why PSD either publishes or provides data for publication. Next, MD directed attention to the schedule of centrally hosted registers that were in place or anticipated and the requirement for PSD to support these registers. Finally, he drew attention to the complexity and risk involved in managing and publishing this data type.

MD advised that there appeared to be little benefit in the creation of a PSD combined online registrations register. Accordingly, the recommendation was that PSD continued to support the centralised approach to registers but did not move to the creation of a consolidated online register of registrations.

The Board thanked MD but felt there was a need to improve the search functionality. In addition, there was an apparent disparity between the ability to easily check registration between registers. It was noted, for example, that the joint audit register, while not advanced, was searchable and provided basic confirmatory information. Finally, MD commented that it would be challenging to create a consolidated registration register in light of existing operational commitments and certainly not possible in 2023.

The Board acknowledged the capacity issues but felt that the **matter should remain on the forward planner and the position reviewed in the future.**

[for expediency, item 16 was dealt with out of the agreed order of the agenda]

12. **Delegated Powers Report**

Elaine Griffiths presented this item and confirmed that the paper was open. However, the appendices were agreed to be confidential.

The Board noted the content of the paper and annexes. Specific cases from the review were discussed, but it was accepted that the review did not identify any significant issues. In relation to the review of applications and withdrawal statistics, members noted that it would be beneficial to monitor the qualitative and quantitative data turning into policy. EG confirmed there were no deadlines but instead a target for progressing applications and that she would take this point on board.

13. **IRB strategy**

The Chair introduced this item, and it was confirmed that the paper was confidential. It was explained that the document followed the IRB's strategy meeting in October 2022. It was agreed that, as previously discussed, the focus should not necessarily be to increase the profile of the IRB but to increase the visibility of ICAEW regulation as discharged by PSB under the oversight of the IRB.

There was a discussion of whether it was the function of PSD to take forward the IRB strategy under the direction of the Board or for the IRB to progress it. It was questioned whether some of the areas included risked being or being viewed as an encroachment on the PSD/ executive function by the Board. Whether it was appropriate or possible for the IRB to include a commitment to diversity was considered. There was a discussion of the scope of action and what can be considered to fall within the remit of regulation. It was also noted that PSD, and the IRB, were subject to oversight for some of the areas included in the

proposed strategy by, for example, the FSA and LSB. With regard to diversity, the LSB requires the collection of diversity data which provides ICAEW with a rationale and power to seek such data. Still, there is no such requirement for other regulated activities.

The Board agreed that further work needed to be undertaken, and a task and finish (T&F) group was established. **Richard Thorpe, Claire McManus, Parjinder Basra, and Thomas Palm volunteered to form the group to develop the strategy and associated thinking before remitting it back to the IRB for further consideration.**

14. **Regulatory and Conduct Appointments Committee (RACAC) Update**

Sara Nathan presented this item, and it was confirmed that the report was open. SN commended the report to the Board, and its content was noted. SN stated that it had been a busy year with a significant number of appointments being made, with Committees being refreshed, and recruitment to the IRB. SN noted that the decision to pay accountant members was a significant change that should make increase the appeal of involvement in the regulatory and other functions of ICAEW to professional members at all stages in their careers. SN was pleased to say that diversity reporting had improved and showed an improvement in diversity and gender balance. In response to a question, SN clarified that diversity included a candidate's area of practice, appointees' backgrounds, and other characteristics.

The Board thanked Sara for her report and the job done by RACAC over the period.

15. **CPD Regulations paper**

Emily Healy-Howell introduced the paper, and it was confirmed that its status was confidential.

EHH confirmed that CPD monitoring was still vested in the Education & Training Board (ETB) but would be transferred to the IRB. The ETB was scheduled to meet on 13 December 2022, and the IRB were invited to provide any feedback on the documents annexed to the paper.

There was a short discussion of the paper and new CPD arrangements. The Board sought clarification of the reference to sickness and reassurance that those who were unexpectedly seriously or otherwise ill would be accommodated. In response to questions about automation and artificial intelligence, DW confirmed that ICAEW was working with Engine B, a software company, to look at the options to process unstructured data. The concept was

to create a means by which anomalies in data can be identified, prompting a request for further information and evidence. Then, AI can assess and validate the evidence, and the anomaly can be resolved where possible. **DW stated that when possible, he would provide the IRB with an example of what is being developed.**

16. **People strategy**

Duncan Wiggetts introduced the paper, and it was confirmed that its status was confidential.

DW commended the update to the Board and explained that in a competitive marketplace to attract and retain the best staff was a challenge faced by ICAEW and its competitors. A part of addressing that challenge is to ensure that the package offered to staff is as good as it can reasonably be. DW noted that he had limited ability to change or influence the package but made the most of what was within his scope of operation, including offering more flexibility in working arrangements. A part of the retention of good staff was to offer flexible working where possible, and it was noted by members of the Board that, particularly since the pandemic, there was a greater expectation of hybrid and flexible working.

It was explained that PSD was making effective use of the available IT resources to streamline and automate processes where possible. At the same time, staff were being upskilled where possible to meet the need for in-demand skill sets.

It was agreed that DW would continue to keep the Board apprised of how PSD was meeting the challenges posed by a competitive marketplace to ensure that it recruited and retained the right and best staff.

17. **Update on legal services review**

Anthony Pygram Chaired the item as alternate Chair for legal services.

Emily Healy-Howell introduced the paper, and it was confirmed that its status was confidential.

The paper provided interim results of the ongoing Reserved Legal Services (RLS) review. EHH commended the paper to the Board and provided some commentary on the main themes. The review would continue into 2023, and a final report is anticipated to be ready to be included in the March IRB agenda.

There was some discussion about the format of the review and queries about the size of the sample and the type of questions being asked. It was confirmed that a broad sample was

selected and representative of the overall stakeholder group. The sample size was considered high in light of the approach taken with qualitative interviews and open questions. Indeed, the sample group size posed a challenge to completing the work within the review period.

18. **Left Field**

The following issues were raised:

- The Online Safety Bill and its definition of "*lawful but not harmful*".
- Press reports of cheating in online professional exams and whether there have been any allegations or evidence of similar cheating in ICAEW exams. DW stated that he would follow up with ETB.

19. **AOB**

No matters were raised.

20. At the close of the meeting, the Chair invited Andrew Goldsworthy to address the Board as it was his last meeting. AG reflected on his tenure with the Board and noted that only the Chair had been with the IRB longer. All present thanked AG for his time and many insightful contributions to the work of the IRB.

Date of Next Meeting

Thursday, 26 January 2023

Thursday, 30 March 2023

Thursday, 25 May 2023

Thursday, 20 July 2023

Thursday, 21 September 2023

Thursday, 30 November 2023