



## MINUTES

# ICAEW Regulatory Board

**DATE & TIME:** 10 August 2021, 10 am

**LOCATION:** By Zoom

**CHAIR:** Michael Caplan

**ALTERNATE CHAIR:** Steve Barrow

**VICE CHAIR:** Philip Nicol-Gent

**SECRETARY:** Tracy Stanhope

### ATTENDEES

### BOARD MEMBERS

### STAFF

Andrew Goldsworthy  
Ann Wright  
Anthony Pygram  
Asif Patel  
Jane Titley  
Jonathan Williams  
Michael Sufrin  
Parjinder Basra  
Philip Nicol-Gent  
Steve Barrow  
Thomas Palm

Duncan Wiggetts  
Mathew Downton  
Peter James (item 6 only)  
Claire Phillips  
Sarah-Jane Owen (item 7 only)  
Phil O'Halloran (item 8 only)  
Nigel Howell (item 5 only)

**APOLOGIES:** None

**OBSERVERS:** None

### ITEM DETAILS

**1. To approve the minutes of the previous meeting held on 10 June 2021**

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

**2. Matters arising from the minutes not dealt with elsewhere**

There were no matters arising not dealt with elsewhere in the agenda.

### 3. PSD Chief Officer update

The Chief Officer updated the IRB on the operation of the department since the June 2021 meeting. The update, covered the following subjects:

#### **Department for Business, Innovation & Skills (BEIS) White Paper update**

After the submission of the IRB's consultation response, BEIS had requested additional information on ICAEW's regulatory framework to include licensing, training and qualifications, practice assurance, complaint handling, discipline, and governance. A factual statement of the framework had been sent to BEIS.

A meeting with the Financial Reporting Council (FRC) showed that there was a divergence in view and approach. Following the meeting Michael Izza, ICAEW Chief Executive was requested to raise the matter with his FRC counterpart.

**Regulated areas / oversight regulators** – FRC, Insolvency Service, Legal services, Anti Money Laundering (AML)

The FRC requested information about the movement of audits from large firms to small firms, something the Professional Services Department (PSD) had raised with the FRC, and the IRB discussed in June 2021. In the context of the Audit Quality Review (AQR), the FRC had raised its dissatisfaction with some messages issued by Reputation and Influence. There followed a discussion of the ICAEW communication strategy and how best to manage messaging from the regulatory side of ICAEW.

The Insolvency Service's consultation on changes to the regulatory framework was expected in late September. There was a suggestion that the Service was waiting for the All-Party Parliamentary Group on Fair Business Banking to publish its report on insolvency regulation first. Changes to bonding was likely to be part of the consultation.

The IRB agreed that the AML Project Board should respond to the Treasury's call for evidence.

**PSD update** – Quality Assurance Department (QAD), Professional Conduct Depart (PCD), Regulatory Practice & Policy, Committees & Tribunals Team, Disciplinary By-laws (DBL) Project

The satisfaction survey results for QAD would be added to the Reading Room.

Complaints since June 2021 were as follows:

June	95
July	65
To 5 August	23
Year to date	537

By comparison, the YTD figures for previous years were as follows:

2017	480
2018	511
2019	599
2020	508

Three complainants were noted as having a history of trying to contact board and Council members and the IRB was advised that it was possible that the complaints may seek to make contact.

In response to a question about the cause of the increase in complaint numbers and what if anything could be done to reduce the figures. The IRB were advised that work was ongoing to identify any trends. A detailed breakdown of complaints was being produced and would be provided to the IRB. It was noted that notwithstanding the increased number of complaints, the percentage of complaints closed before going to committee remained at around 89 to 90%. Other regulators were reporting similar increases in complaint numbers.

As previously advised, the Investigatory Committee's (IC) appeal against a disciplinary tribunal had been allowed, the matter had been returned to the disciplinary tribunal for sanction who excluded the member.

Regulatory Practice were receiving a high number of applications. By 30 June, 70 audit applications had been received. This compares to 89 for the full year in 2020 and 80 in 2019. 29 probate applications had been received by 30 June, compared to 25 for the full year in 2020, and 30 in 2019.

The training for committee members was taking place on 30 September and 1 October. IRB members were invited to attend.

The DBL project is continuing. A meeting of the subgroup will be scheduled for September where the group will be asked to consider some 20 -25 points of principle relating to the IDRs.

The PSD dashboard was a suggestion to develop a dashboard for the IRB containing key information on matters such as complaints data and the number of QAD visits. A first draft would be prepared for the October IRB meeting and the IRB would be able to review the document and see what information was useful and whether there were any gaps.

### **Other miscellaneous matters**

A paper on CPD was presented to ICAEW Board in June, focussing on high level principles. That paper now reflects the input from PS and the IRB. A great deal of the detailed work has been delegated down to workstreams and there are key senior managers from PSD in all the workstreams.

It was hoped that at least a trailer for the film would be available for the IRB to see at its October meeting.

The Better Regulation Executive is consulting on how to reduce regulatory burdens which may be an opportunity for PSD to indicate areas where there is excessive oversight in terms of regulatory burdens. But a first step will be to verify with the BRE whether any response would be made public as that may impact on the information PSD could provide.

There is also an FRC consultation on its audit enforcement procedure which does not directly impact PSD.

### **Finance**

Matthew Downton provided the IRB with a Finance update.

2021 results to date are excellent and PS will go beyond self-financing this year. Forecast for year is to beat budget. This is due to several factors including:

- A financial adjustment in the results around IFRS 15
- Large audit registrations have continued during 2021
- Other registrations have been higher than expected

- COVID has reduced operating costs through less travel and meeting room costs
- Carrying vacancies had reduced staff costs

ICAEW Board confirmed its agreement to the level of regulatory fees for 2022 approved by the IRB in June 2021. LSB will need to approve the increase to the probate fees. The consultation with firms on the probate fees had just ended. There was a relatively low response rate and roughly a 50/50 split in terms of agreeing with the budget and fee increase. The results of the consultation would be shared with the LSB.

The budget figures for 2022 shared with the IRB at its June meeting had been submitted to ICAEW to be included in the ICAEW budget for 2022. ICAEW continues to be in a heavy investment phase. Shared with ICAEW are the two key changes in the PSD budget – the loss of audit registrations in Europe and associated income and the pension deficit funding which is now cleared.

Matthew also provided an update on the planning for turning to the office. This led to a discussion about ICAEW's current and future property requirements and associated costs.

#### **4. Update on IRB options paper**

The IRB agreed that this matter be treated as confidential.

The chair highlighted, for the benefit of the IRB members, the letter he had received from the ICAEW President on behalf of the ICAEW Board. The Board had not supported the option proposed by the IRB and instead invited the Board to reconsider the second option in the associated paper.

IRB members expressed their disappointment at the response received from ICAEW Board.

It was agreed that a meeting should be arranged between the IRB Chair and the ICAEW President to seek a fuller understanding of ICAEW Board's expectations, to explore the next steps in progressing with option two and seek the views of ICAEW Board on the actions already set out in the paper for option two.

#### **5. FRC and Insolvency Service inspection reports and Investigation Committee delegated powers' review reports**

The IRB agreed that this matter be treated as confidential. It was noted however, that the Insolvency Service report was already in the public domain.

Nigel Howell joined the IRB meeting for the discussion of this item.

Duncan Wiggetts introduced the paper. He noted that the purpose of the paper was transparency, so that the IRB were directly aware of the inspection reports produced by the oversight regulators.

A question was asked about whether the recommendations from oversight regulators were stored and how the IRB obtained assurance that the recommendations were being actioned. Duncan suggested that an addition could be made to the dashboard to capture the recommendations and the progress made.

The IRB then discussed how in future the board should receive the delegated powers reviews. It was agreed that the delegated powers reviews should be uploaded into Diligent when they were produced.

## **6. Response to LSB Consultation on applications for rules changes**

This item was chaired by Steve Barrow as the IRB alternate chair.

The IRB agreed that this matter be treated as open, with the drafters proposed redactions.

Peter James joined the IRB meeting for the discussion of this item and introduced the paper.

The IRB then discussed the proposed response. A general theme was that the response should be more positive in its tone and offer alternatives where there was no agreement to what was being proposed. A question was asked about the areas where PSD was supportive of the recommendations. It was noted that reference to the statutory objectives, the Better Regulation Principles and diversity in applications was considered helpful. These positives should be emphasised in the response to promote collaboration.

The IRB went on to discuss ICAEW's position, which was different from other legal services regulators, in that ICAEW came within the scope of multiple oversight regulators and may be required to make a change to its arrangements because of a requirement from an oversight regulator other than the LSB. It was agreed that the consultation response should be amended to offer suggestions as to a means by which the requirements of other oversight regulators could be acknowledged, and a change to Rules 9 and 10(g) was considered a possible mechanism to achieve this. It was also proposed that section 54 could be used as a means of resolving conflict between oversight regulators and that reference could be made to the BEIS consultation which included an obligation on ARGAs to consult. It was also agreed that paragraphs 20 and 21 of the draft responses should be removed.

The IRB agreed that a revised draft could be approved by the Alternate Chair given the tight timescale for submitting the response (by 11 August).

As part of the discussion, it was agreed that the IRB should be made aware of any applications for rule changes but did not need to approve the applications, if the statutory objectives were referenced in the papers. It was agreed that the applications should be shared with the IRB via the internal systems for sharing secure documents. This would mean a minor change to paragraph 5 of the response.

It was also decided that the high-level points of principle about the nature of regulation could be included in any response to the Better Regulation Executive's consultation.

## **7. PII dispensation applications and captive insurance arrangements**

Philip Nicol-Gent declared an interest and did not participate in this item.

Sarah-Jane Owen joined the meeting for the discussion of this item

The IRB agreed that this matter be treated as confidential.

Claire Phillips introduced the item which related to the principal of the availability of captive insurance arrangements.

The IRB considered the matter and noted the content of the paper. During the discussion, IRB members highlighted that the board's focus should be the public interest.

It was agreed that the matter would be brought back to a future meeting of the IRB with more detailed information and any relevant input from the PII Committee with PSD's insurance advisers present if necessary.

## **8. Potential amendments to the CACS Regulations – 2021**

The IRB agreed that this matter be treated as confidential.

Phil O'Halloran joined the meeting for the discussion of this item.

Claire Phillips introduced the paper. The item was for the IRB to note, the board of CACS Limited having asked that the IRB be made aware of potential change to the CACS regulations. The principal changes were outlined in the paper.

Other miscellaneous amendments were also being considered.

The IRB discussed the nature of the CACS scheme, the claims history, and the claims limit. A view was expressed that due to the technical nature of the claims considered by the panels, specialist knowledge was required rather than increased lay membership.

The IRB confirmed its agreement to the CACS Board progressing the changes proposed, including consultation with the ICAEW Board.

## **9. Future funding arrangements for the Probate Compensation Scheme**

The IRB agreed that this matter be treated as confidential.

Claire Phillips introduced the paper. The paper was for information and provided the IRB with information about future funding arrangements for the probate compensation scheme. Claire informed the IRB that it was likely that this matter would be brought back to the IRB at a later stage.

The IRB noted the content of the paper.

## **10 IRB Risk Sub-Committee – introductory note**

The IRB agreed that this matter be treated as confidential.

Anthony Pygram introduced the item on behalf of the risk sub-committee and set out what the sub-committee considered its role to be and was seeking feedback from the IRB.

It was agreed that a review of the "dashboard" referred to in the Chief Officer's update, should form part of the sub-group's scope. It was proposed that the sub-group report to the IRB twice yearly.

## **AOB**

## **11 Consultation protocol**

The IRB agreed that this matter be treated as open.

The secretary introduced this item.

The following additions were suggested to the policy:

- The protocol should set out a communication strategy for consultations
- Have a role for a critical friend who would review the tone etc and looking for volunteers to be that friend

These additions would be made by the IRB secretary.

## 12 **Active member conciliation and complaints policy**

The IRB agreed that this matter be treated as confidential.

The secretary introduced this item which was being raised with the IRB on the request of the Chief Executive's Office. The IRB were asked to consider an internal consultation on the Active member Conduct Committee Conciliation Process (AMCCP). It reviewed the current approach, associated risks, and contained several proposals to mitigate the identified risks.

It was noted that since its implementation in 2015 the processes had never been formally invoked. The IRB considered the makeup of the AMCCP and its Appeals Committee and agreed to feedback directly to the Chief Executive's Office.

## 13 Other business

The IRB discussed the format of the additional QA meeting and whether regulatory committee meetings would remain virtual.

## 14 Dates of future meetings:

2021

Tuesday 14 September (additional meeting for QA)

Monday 11 October (strategy meeting)

Thursday 14 October

Thursday 9 December