

MINUTES



ICAEW Regulatory Board

DATE & TIME:	10 June 2021 at 9 am	
LOCATION:	Lifesize	
CHAIR:	Michael Caplan	
ALTERNATE CHAIR:	Steve Barrow	
VICE CHAIR:	Philip Nicol-Gent	
SECRETARY:	Tracy Stanhope	
ATTENDEES:	BOARD MEMBERS:	
	Andrew Goldsworthy	Ann Wright
	Asif Patel	Jane Titley
	Michael Sufrin	Philip Nicol-Gent
	Steve Barrow	Thomas Palm
	Jonathan Williams	Parjinder Basra
	Anthony Pygram	
	ICAEW STAFF	
	Duncan Wiggetts	
	Mathew Downton	Peter James
	Will Smith	Trevor Smith
	Hazel Garvey (item 7 only)	Robert Pragnell (items 10 & 11)
	Sophie Wales (item 12 only)	Elaine Griffiths
	Nigel Howell	
APOLOGIES:	None	
OBSERVERS:	Sara Nathan	

ITEM DETAILS

1. PSD Chief Officer update

Duncan Wiggetts provided the update. The IRB had been given a note of the headline matters included in the update, covering the following subjects:

Disciplinary Byelaws (DBLs) / IDRs, Financial Reporting Council (FRC), Insolvency, Legal Service Board (LSB), Anti-Money Laundering (AML), Disciplinary, Operational / staff issues, Miscellaneous

The IRB debated the audit review process and the role of the FRC in the context of a review of King & King.

There was a discussion of staffing issues the possibility of using secondees from other bodies and the possibility of greater efficiencies through the simplification of processes or digitalisation in the Professional Standards Department (PSD).

It was noted that there would be an update from the Risk subcommittee at the August IRB meeting.

Sara Nathan provided the IRB with an update on the work of the Regulatory and Conduct Appointment Committee (RACAC) which had been focussed on the recruitment of the new lay chairs for the Disciplinary Committee and looking for experienced chairs to fill these roles.

2. IRB response to the Department for Business, Innovation & Skills (BEIS) White Paper

The chair highlighted that the draft response was included in the agenda papers. The chair also informed the IRB that Sir Jon Thompson, the Chief Executive of the FRC had agreed to meet with members of the IRB.

The working group reported back, and Duncan updated with details of a meeting which had taken place with BEIS that led him to believe that representations that the recommendations at Chapter 11 need not be progressed at this time.

The IRB was asked to consider three areas:

- Was the board comfortable with the direction of travel set out in the draft response?
- Was the IRB in agreement with the approach being taken to answering the questions (the traffic light summary in the appendix)?
- The suggestions made in paragraph 16 of the covering paper about alternatives to what was being proposed in the consultation

The IRB then discussed the proposed approach.

The IRB members confirmed that they agreed with the direction of travel set out in the draft response. The board also discussed the difference in approach that may be being taken in the ICAEW response as compared to the IRB response. It was confirmed that the responses were not dissimilar.

In terms of answering the questions, the IRB confirmed its agreement to the traffic light approach. During the discussion, the point was made that where the IRB was supportive of what was being proposed, that should be highlighted in the response even if the intention was not to answer a specific question in detail, particularly if there was a public interest or consumer protection aspect to the question. This was considered to be an opportunity to develop the IRB's voice and the subgroup had considered the thought leadership aspect of the work.

In terms of the suggestions in paragraph 16, the IRB members were content with the proposals. A possible addition proposed was positioning ICAEW as the profession of choice for auditors. The point was made that there was not necessarily a need for a separate profession. A suggestion was also made that the IRB should be answering

questions 33 and 34 which have relevance to insolvency and could be useful to answer as a reference point for any future insolvency question. There was also a fraud question which may be useful to answer in an AML context.

The final response to the consultation, once submitted, would be circulated to the IRB members out of meeting.

3. Professional Standards' Financial Planning and 2022 Budget

4. Regulatory fees 2022

Items three and four were discussed together.

Required disclosures were made by the chair, the vice chair and Jonathan Williams of family members who were either members of ICAEW or worked for an ICAEW firm.

Matthew Downton introduced the item and gave a presentation to the IRB members on Professional Standards' finances and budget and, for context, the ICAEW financial position.

Questions were asked about the accounting treatment of the Office for Professional Body Anti-money-laundering Supervision (OPBAS) levy and the funding of member discipline. Duncan noted for the IRB's information that Professional Standards was looking at areas where the costs of the disciplinary process could be reduced. A possible option to streamline the review of complaints had been agreed with the FRC but had not yet been broached with the LSB.

Matthew then moved on to the fee proposals, again supported by a presentation for the IRB members. The group looked at the impact of increased fees on probate practitioners. Matthew also identified other possible changes, including FRC Public Interest Entity (PIE) audit registration, change of auditor tracking and the uncertainty around insolvency regulation.

- The IRB discussed the recommendations and rationale for the level of regulatory fees in 2022. It agreed that the levels proposed in the associated paper were appropriate.

IRB members asked that the rationale behind the probate fee increase be provided to probate firms.

The IRB agreed in principle to the proposals regarding the levies paid to oversight bodies as the final figures were not available.

The decision on the level of fee increase for audit firms was held over to be discussed at item 8.

5. Electronic Quality Assurance Department (eQAD) demonstration

Will Smith demonstrated the aspect of the eQAD system, which was used to automate visit planning, to the IRB.

A question was asked about where AML visits were captured in the context of the eQAD system. Will explained that the variable data was configurable so AML could be brought into the risk factors. There were also rules around AML in the context of Practice Assurance

visits. It was also confirmed that there is the capability to prioritise visits based on intelligence from other sources such as AML. It was confirmed that the same security applied to eQAD as to other ICAEW databases and the system was backed up. General Data Protection Regulation issues were also discussed.

The IRB commended QAD on the development of the system.

6. Audit regulatory issues regarding independence and competence

Duncan Wiggetts introduced the item. He noted for the IRB's benefit that PSD were looking at the lessons that could be learned from the cases recently reported in the press where the articles have raised questions about the competence of firms carrying out certain high-profile audits. These reported cases were not common but had the potential to become more common as larger firms reviewed their risk appetite around audit clients meaning that smaller firms could then be approached to undertake the audit.

Following the debate, the IRB agreed its high-level support for further work to address the issue. Specifically, the IRB agreed to:

- a) Raise the issues with other professional bodies and the FRC, to establish and agree an appropriate reporting mechanism for identifying high risk audits.
- b) Resourcing an intelligence gathering function to improve monitoring in this area

It was also agreed that the matter would be included in issue being discussed with the FRC in the immediate future.

The IRB then considered staffing implications and the required funding for associated work.

It was noted that as the fee increases agreed would need to be shared with ICAEW Board.

It was highlighted to the IRB that the matter may need to return to the IRB at a later stage to agree guidance for the Audit Registration Committee.

7. Developing ICAEW's approach to CPD

The Managing Director of Education and Training joined the IRB for the discussion of this item.

Elaine Griffiths introduced the paper to the IRB. She highlighted the proposal to introduce two additional elements to the CPD requirements – a mandatory ethics requirement and a requirement that individual's that fall into high-risk categories be required to complete additional CPD inputs. PSD senior management support both proposed additions, but there are several factors to work through. As the IRB's terms of reference include within its remit commenting on changes to CPD policy, the views of the IRB were being sought to feed into the discussion.

The IRB then discussed the proposed changes. The IRB was broadly supportive of what was being proposed.

The following points were made during the discussion:

- Whether there was a need for a structured framework for CPD

- How to identify high risk individuals in audit – whether it should be everyone with the AQ, or AQ plus PC, or RIs auditing PIEs
- Whether probate was a high-risk area as it was a relatively new area for accountants
- Whether all directors were “high risk”
- The importance of ethics training, the need for compulsory ethics training for all members, and how ethics training should be delivered (e.g., film clips)
- The number of hours a year – whether this should be an average over several years, or a stipulated number of hours per year.
- That the approach should be targeted and proportionate
- The position of retired members and how much CPD they would need to do, dependent on what the member was doing, for example acting as a charity trustee
- CPD requirements for those doing pro bono work

8. Governance arrangements for the oversight of regulatory & disciplinary work: options for change

It was noted that timing was key, in light of the BEIS White Paper and emerging trends in the regulatory space. The IRB considered the options outlined in the associated paper.

The IRB’s current operation within the existing structure and the interaction between the IRB and ICAEW Board was discussed. The interaction with ARGA and the Insolvency Service was also discussed. Resource implications were considered.

The IRB expressed its support for the principle set out in option three of the paper and noted that there was no appetite for option four.

The matter would be discussed at ICAEW Board in July. What would be put to ICAEW Board was the IRB’s recommendation of option three (with a reference to other bodies that had adopted the proposed model) and ask for ICAEW Board’s agreement in principle to progress work on implementing this model. As office holders had asked for a range of options, option one would be included in the proposals for ICAEW Board with the suggestion that it should also involve a review of the IRB’s terms of reference. The IRB agreed to remove option 2 from the paper to be presented to ICAEW Board.

9. Legal Services and pricing and service transparency

This item was chaired by Steve Barrow as Alternate Chair.

Bob Pinder introduced the item. Bob noted that firms had been given a final opportunity to embrace price and service transparency before introducing regulations imposing the requirement. There had been some improvement in compliance but not to the level required. What was now being proposed was the introduction of regulation to require compliance.

It was noted that the process for implementing the change would require a full rule change application to the LSB to approve the regulation change and a consultation with the regulated population.

The IRB discussed the approach to non-compliance. Bob informed the IRB that this would be picked up on the monitoring side. It could be escalated to the Probate Committee for a penalty if a firm did not comply with the remedial actions coming out of a visit. The communications plan associated with the regulation change will also raise awareness.

The IRB agreed:

- i. mandating transparency measures through regulation, effective from 1 September 2021
- ii. the proposed wording to the regulation change
- iii. to notifying the CMA/LSB of the change agreed

Additionally, the IRB agreed a delegation to the Alternate Chair to agree a new effective date should seeking approval from oversight regulators delay the implementation of the rule change.

10 Publication policy – minutes, board papers, etc

Peter James introduced the item.

Members of the Project Light group expressed their support for increased transparency. It was noted that the policy should not impact on the quality of the papers. Project Light favoured adopting the BSB policy as a public policy, but there could be more guidance for senior management.

The IRB agreed to the proposed increased level of transparency, effective from the August IRB meeting.

11 Approach to Engagement and Consultation

Robert Pragnell introduced this item. The IRB discussed the benefits of having a consultation policy.

The IRB:

- a. Agreed in principle to moving to a greater level of public consultation.
- b. Delegated the operational detail to the Project Light sub-group as a part of its transparency agenda.

12 CCAB guidance on when a member's personal behaviour is of relevance to their professional life

Sophie Wales, Head of Ethics and Economic Crime, joined the IRB for the discussion of this item and introduced the paper. Nigel Howell also joined the meeting for the discussion to provide a perspective from Professional Conduct.

The IRB confirmed that it was content for the guidance to be published.

It was confirmed that once the CCAB guidance had been published, each body would consider its own approach to issuing guidance, and a decision would be taken as to whether the guidance should be issued by PSD or by Ethics and Economic Crime. One option could be amending the guidance on the duty to report misconduct. One issue which was highlighted by the IRB members was the jurisdiction where the "illegal" behaviour had taken place as different countries have different laws.

13 To approve the minutes of the previous meeting held on 8 April 2021

The minutes of the meeting held on 8 April were approved by the IRB.

14 Matters arising from the minutes not dealt with elsewhere

There were no matters arising.

AOB

Irish Auditing and Accounting Supervisory Authority (IAASA) had informed PSD that it was minded to approve ICAEW's application to withdraw as a recognised appointment body RAB and would likely formally approve the application at its board meeting on 14 July, meaning the withdrawal would have taken place by the time the IRB next met in August. ICAEW currently had only 17 firms remaining on the Irish Audit Register. The only remaining large firm, had made its own arrangements.

A preliminary meeting was being held with the LSB to discuss their next assessment of ICAEW. There was some optimism amongst staff that there would be fewer "reds" in the assessment because of the progress made in terms of the Disciplinary database and improvements around transparency. The Legal Services Working Group had a meeting arranged for next week to discuss the LSB's assessment.

There was no further any other business.

15 Dates of future meetings:

2021

Tuesday 10 August

Tuesday 14 September (additional meeting for QA)

Monday 11 October (strategy meeting)

Thursday 14 October

Thursday 9 December