

# PROFESSIONAL STANDARDS DEPARTMENT OPERATIONAL UPDATE

**"I am incredibly proud of the way all staff in PSD have adapted so well and so effectively to working in an unfamiliar way."**

**Duncan Wiggetts**

Chief Officer, ICAEW Professional Standards Department



At the time we published the 2020 report, we all hoped that, by the Summer of 2021, COVID-19 would be a thing of the past. Sadly, that proved not to be the case and we have continued our work in the Professional Standards Department (PSD) remotely for the most part through to February this year when staff started to return to our Milton Keynes office. The one exception to this was our Quality Assurance Department (QAD) team who were able to get back on the road in Q4 and this has continued into Q1 2022.

I am incredibly proud of the way all staff in PSD have adapted so well and so effectively to working in an unfamiliar way and how we have managed to maintain the quality of our licensing work and to satisfy our statutory and regulatory responsibilities. The performance is remarkable given the amount of staff time lost because of COVID-19 infections and our struggle to fill vacancies in PSD during this period due to the surge in demand for experienced accountants and lawyers.

We continue to have a very constructive relationship with our oversight regulators and work with them to discuss how improvements can be made to the way in which we regulate ICAEW members, firms and insolvency practitioners (IPs). It was pleasing to see the outcome of the inspection reports received from our oversight regulators in the course of 2021, with no serious concerns being raised about the quality of the work carried out by PSD.

We have had a particular focus on economic crime and our work as an anti-money laundering (AML) supervisor during this period and I continue to represent the accountancy profession on the Economic Crime Strategic Board which is co-chaired by the Chancellor and the Home Secretary.

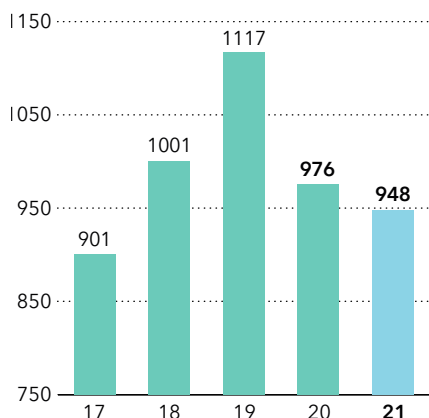
Further information about our regulatory roles for audit, probate and insolvency, and our role as an AML supervisor and Designated Professional Body (DPB) are available in Appendix 6.

I have summarised below some of the key PSD areas of activity during the 15 months to March 2022.

## PROFESSIONAL CONDUCT DEPARTMENT (PCD)

During 2021, we increased the number of case managers investigating complaints following a significant increase in new complaints received in the last few years. While the difficulties we have experienced in retaining and recruiting experienced staff have so far prevented us from expanding as much as we would like, we were able to launch a new Special Investigations team within PCD which is dealing with complex, document-heavy and sensitive matters. The new team is working alongside PCD's Audit, Insolvency and General Compliance and Tax investigation teams.

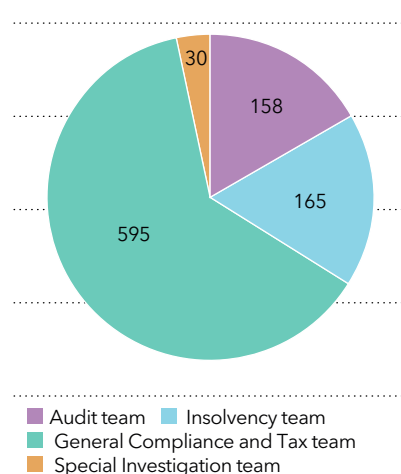
**Number of new complaints received 2017-2021**



The number of new complaints received during 2021 fell slightly from 2020 with 948 complaints received compared to 976 the year before. The tables above show a comparison of the number of complaints received in recent years and the number of complaints allocated in 2021 to the different PCD teams.

In 2021, 1,512 cases were completed. Of these, 239 (16%) were considered by the Investigation Committee (IC) with the remaining investigation files being closed with no action taken. 34 of the 239 cases considered by the IC were cases where the complainant was challenging the assessment by the case manager that there was no potential liability to disciplinary action. After reviewing the evidence, the IC rejected all of these challenges.

**The types of new complaints received during 2021**



PCD's processes have become more efficient during this period as a result of process changes introduced in recent years. This can be seen in the continued use of fixed penalty notices for compliance breaches (29 fixed penalty notices issued in 2021), more fast-track referrals of serious conviction complaints to the Disciplinary Committee and the increasing number of settlement agreements being approved prior to disciplinary tribunals (6 settlement orders approved in 2021).

In 2021, the Appeal Committee (AC) considered the first ever appeal by the IC following the introduction of this appeal right in 2019. The IC appealed against the rejection of a dishonesty complaint it had referred to be heard by a disciplinary tribunal. The AC allowed the IC's appeal and remitted the matter to a differently-constituted disciplinary tribunal which excluded the member for misconduct.

#### KEY AREA OF FOCUS 1:

#### CREATING THE NEW INVESTIGATION & DISCIPLINARY REGULATIONS AND THE NEW REGULATORY HANDBOOK

Many staff within the Professional Conduct Department (PCD) and the current chairs of the disciplinary committees have contributed to the development of the new Investigation & Disciplinary Regulations (IDRs) which set out for the first time in one document the whole process for the investigation and prosecution of complaints from initial assessment through to final appeal.

When launched, the new IDRs will replace the process

provisions currently scattered throughout the current Disciplinary Bye-laws and set out in the separate regulations for each of the disciplinary committees. The opportunity has also been taken to introduce some changes to improve the processes and make them clearer and easier to navigate for all users.

PCD management and staff have also contributed to the development of the new Regulatory Review and Appeal Regulations which

will govern in the future the process for appeals of decisions taken by ICAEW's regulatory committees and on changes to the current processes for readmission, re-registration and fitness to practise applications.

**"The IDRs will make it much easier for all users to understand our disciplinary processes."**

**Nigel Howell**  
Head of Investigation



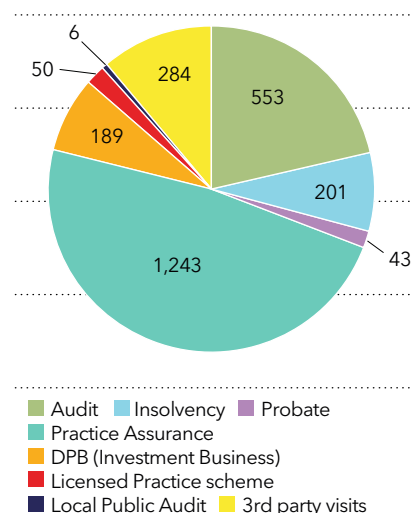
## QUALITY ASSURANCE DEPARTMENT (QAD)

Despite not being able to return to a full schedule of onsite visits until Q4, 2021, QAD completed a total of 2,569 monitoring reviews in 2021. Their work included;

- The completion of ICAEW's statutory obligation under the Companies Act to ensure that all audit registered firms receive a visit at least once every six years.
- The completion of all its planned visits to the larger firms on one yearly or three yearly cycles.
- Reviews carried out for our expanding number of assurance outsourcing contracts with UK bodies including the Association of Accounting Technicians, Chartered Accountants Ireland, the Institute of Chartered Accountants of Scotland and the Institute and Faculty of Actuaries.

The monitoring reviews were split as follows.

**Monitoring Reviews**



## Audit monitoring

Each audit file reviewed by QAD has been placed into one of the following categories:

- **Good:** no concerns about audit quality although QAD may identify some minor improvement points.
- **Generally acceptable:** limited concerns in relatively isolated areas.
- **Improvement required:** more gaps or weaknesses in evidence or more widespread weaknesses in documentation.
- **Significant improvement required:** significant concerns over the adequacy or appropriateness of audit evidence or judgements in one key area or multiple issues across several different areas.

Results for the year to December 2021 show that 77% of the audits were either satisfactory or generally acceptable, 19% required improvement and 4% required significant improvement.

Overall these figures are very similar to the 15-month period (to March 21) reported in the [Audit Monitoring Report 2020/21](#).

However, there is an indication of some progress on audit quality compared to prior periods, in particular, the continuation of a trend which has seen fewer audit files requiring significant improvements.

During the same period, we reported 24 firms to the Audit Registration Committee. This is around 4% of completed visits.

## Quality Assurance monitoring: view from the firms.

Firms and insolvency practitioners (IPs) are asked to complete an anonymous survey after each monitoring review. They are asked to provide feedback on the review process, the quality of interaction and the support provided.

These survey responses are collated and analysed by an independent research agency, and we receive a quarterly overview report which we use to support the continuous improvement of our monitoring processes and procedures.

It was pleasing to see the positive feedback from firms who received a monitoring visit during 2021 (page 14).

## 2021 FEEDBACK FIGURES\*

Monitoring review feedback survey results for 2021. Quarterly reports are available at [icaew.com/QADmonitoring](https://icaew.com/QADmonitoring)



### MONITORING PROCESS

**80%**

Very satisfied with the management of the monitoring process



### QUALITY OF INTERACTION

**86%**

Very satisfied with the quality of interaction with the ICAEW team (reviewers, support team)



### TECHNICAL COMPETENCE

**92%**

Very satisfied with the technical competence of the ICAEW reviewer who completed the firm/IP's review



### HELP AND ADVICE

**97%**

Satisfaction with the help and advice received before and during the monitoring review



### TIME GIVEN FOR REVIEW

**99%**

Satisfaction with the amount of time during reviews to cover all areas and answer questions

\* Sample size: 433 respondents 1,638 visits 26.4% response rate

## KEY AREA OF FOCUS 2:

### RAISING PROFESSIONAL STANDARDS WORLDWIDE

The accountancy profession is pivotal to economic growth and business development throughout the world. We therefore need to promote best practice in a range of areas including technical advancement, education and training and in combatting business and financial crime. To strengthen the accountancy profession, ICAEW is committed to raising professional standards worldwide. In addition to monitoring ICAEW's firms in the UK, QAD also undertakes monitoring work for a number of organisations

around the world. Over the last 12 months this has included audit reviews for the Cayman Islands Institute of Professional Accountants and their Auditors Oversight Authority, insolvency and audit reviews for the Gibraltar Financial Services Commission and Practice Assurance reviews for the Institute and Faculty of Actuaries worldwide Quality Assurance Accreditation scheme.

**"Our growing reputation for quality assurance monitoring is expanding our international work."**

Trevor Smith  
Director, Quality Assurance



## ANTI-MONEY LAUNDERING (AML) COMPLIANCE

We have also been very active in the areas of AML/economic crime during this period in our role as an AML supervisor. We strengthened our relationships with key law enforcement agencies in the fight against economic crime. Michelle Giddings, our Head of AML, is the current chair of the Accountancy AML Supervisors Group.

During 2021, the AML team launched resources including:

- AMLbites – a series of 10-minute videos designed to help money laundering reporting officers with different money laundering topics;
- the Trust and Company Service Providers (TCSPs) Thematic Review 2021 and accompanying training animation. [icaew.com/TCSPReview](https://icaew.com/TCSPReview)
- live webinars on topics including money laundering risk assessments, customer due diligence and suspicious activity reports; and
- we continue to issue *AML – the essentials*. A quarterly e-newsletter to update firms on key changes in the AML regime, inform firms' risk assessments, policies and procedures. Emailed to all ICAEW money laundering reporting officers (MLROs) and *AML risk e-bulletins* which are produced in conjunction with the Joint Money Laundering Intelligence Taskforce (JMLIT).

### KEY AREA OF FOCUS 3:

#### NEW AML FILM *ALL TOO FAMILIAR*

On 8 March 2022, we launched our new educational film drama, *All Too Familiar*, which has been created to raise awareness among ICAEW members and firms of the importance of compliance with the Anti-money Laundering Regulations and the important role chartered accountants can play in the fight against economic crime.

This film follows the earlier launch of training films, *False Assurance* and *Without Question*, that focussed on issues affecting auditors and directors and are now incorporated into training

programmes at firms all around the world.

The key difference with *All Too Familiar* is that we have worked in collaboration with HMRC to produce it as part of a public interest initiative. It is being distributed to all UK ICAEW and HMRC supervised firms free of charge. And as with all our training films, it's supported by a suite of learning materials to support firms with the delivery of training to their staff.

The keynote speakers at the launch event were John Glen MP, Economic Secretary to the Treasury who praised ICAEW

and HMRC for working together to produce *All Too Familiar* and Ruth Dearnley, CEO of the Stop The Traffik charity.

Find out more about ICAEW films at [icaew.com/films](https://icaew.com/films)

*"All Too Familiar demonstrates how important an ICAEW Chartered Accountant's professional scepticism is in the fight against economic crime."*

Michelle Giddings FCA  
Head of AML & Operations, ICAEW





## REGULATORY PRACTICE & POLICY (RPP)

The RPP team saw a rise in audit, responsible individuals and affiliate applications in 2021 which may have been as a result of firms deciding to postpone expansion or reorganisation plans in 2020.

### Number of regulatory applications received 2019-2021

Applications received*	2021	2020	2019
Audit firms	97	89	80
Responsible individuals	354	300	298
Affiliates**	425	314	371
Probate firms	48	35	30
Insolvency practitioners	52	65	61
DPB (Investment Business) firms	76	75	71

\* Applications received in the calendar year, excluding any that were subsequently cancelled/abandoned by the applicant.

\*\* Includes all regulatory affiliates (i.e., audit, DPB and probate) but excludes bulk-affiliate applications from European Big-4 audit holding entities.

The RPP team has also seen the emergence of a clear trend in mergers and acquisitions (M&A) activity between accountancy firms, many of which have involved an injection of external funds including from private equity investors. These business combinations often come with a pre-designed group structure which meets the needs of the investors, but this must be checked to ensure that any regulated firms within the new structure meet the relevant eligibility criteria post-transaction. This buoyancy in the M&A market looks to be continuing in 2022.

The team has also continued to work with the FRC on the introduction of a revised audit registration process with different levels of accreditation for firms and auditors wishing to carry out PIE audit work.

## KEY AREA OF FOCUS 4:

### INTRODUCTION OF A NEW CONTINUING PROFESSIONAL DEVELOPMENT POLICY

We have worked closely with senior management in the ICAEW Education & Training Department (E&T) during 2021/2022 to develop a new Continuing Professional Development (CPD) Policy.

This project has involved the discussion of key cornerstones for the new policy with the ICAEW Regulatory Board and the Education & Training Board and in workshops at the ICAEW Council conference in November 2021. The cornerstones include a requirement for members to be able to demonstrate that they have carried out

a minimum number of verifiable hours of CPD where the requirement will depend on which one of three risk categories they fall into. Firms will also be given the responsibility to ensure their principals and staff are compliant with the new policy.

ICAEW Council considered and approved in principle the cornerstones in March 2022 and agreed they should be put out for public consultation until May 2022. ICAEW Council will be provided with a summary of the feedback at its conference in June and asked to approve the new

policy ready for launch at the start of the next CPD year in November 2022.

**“The revised CPD Policy will enhance trust in the high professional standards of ICAEW Chartered Accountants.”**

Elaine Griffiths  
Director, Regulatory  
Policy and Practice



## KEY AREA OF FOCUS 5: INTERACTIVE DISCIPLINARY DATABASE



**"It is in the public and the profession's interest that disciplinary information about ICAEW Chartered Accountants and firms is made accessible in this way."**

Emily Healy-Howell  
Head of Committees  
& Tribunals

In April 2021, the Committees & Tribunals team launched ICAEW's interactive Disciplinary Database which, for the first time, allows ICAEW members and firms and members of the public to search and find out whether an ICAEW member or firm has a disciplinary or adverse regulatory record. This is a significant improvement from the previous system which did not have a search function.

The launch of the database was the culmination of a significant amount of work which included developing the software to create the search facility, the scanning of disciplinary records into the database and the development of a disclosure policy (subsequently approved by the IRB) which specifies the length of time records are maintained within the database. View the database at [icaew.com/disciplinarydatabase](https://icaew.com/disciplinarydatabase)

## COMMITTEES AND TRIBUNALS

The Committees and Tribunals team, which looks after the regulatory and disciplinary committees, was also very busy during 2021. Looking first at disciplinary complaints, the team administered 90 consent orders offered by the Investigation Committee, organised an increased number of disciplinary tribunals (44 in 2021 v 36 in 2020) and appeal panels (12 in 2021 v 4 in 2020) and obtained approval from settlement agreement chairs for an increased number of settlement orders (6 in 2021 v 3 in 2020).

### As a result:

- 16 ICAEW Chartered Accountants were excluded from ICAEW membership.
- 60 ICAEW Chartered Accountants and firms received severe reprimands.

- 36 ICAEW Chartered Accountants and firms received reprimands.
- 5 cautions were given with many also receiving financial penalties.

The team was able to re-introduce the option of physical tribunal hearings from September 2021. Since that time, two thirds of members have opted at case management hearings to have complaints against them heard at virtual hearings. We are keeping this under review.

The Committees and Tribunals team also administered the work carried out by the regulatory committees and applications for review of their decisions to the Review Committee and appeals of Review Panel decisions to Appeal Panels. These resulted in the actions shown in the table below.

	Audit Registration Committee	Insolvency Licensing Committee	Practice Assurance Committee	Investment Business Committee	Probate Committee
Number of meetings* in 2021	11	6	6	4	3
Licences withdrawn	8	1	n/a	5	0
Licences restricted	13	1	n/a	0	0
Conditions imposed	20	29	n/a	0	0
Regulatory penalties/charges offered	25	5	n/a	3	4
Practice Assurance penalties offered	n/a	n/a	18	n/a	n/a

\* Excludes sub-committee meetings

## PSD EMPLOYEE ENGAGEMENT FORUM

We have put a renewed focus on staff engagement during the last couple of years which has included the creation of a PSD sub-group of the ICAEW Employee Engagement Forum (EEF).

The PSD EFF sub-group, led by Wendy Drewett, has worked closely with the PSD Senior Management team to develop PSD's new Regulatory and Conduct Strategy (set out on pages 4 and 5) to explain to the public how PSD operates and to make staff more aware of their individual contributions to the overall strategy. The PSD EFF worked with the PSD Communications team to produce an interactive strategy document and an animation to bring PSD's strategy to life which can be seen at [icaew.com/improvementregulator](https://icaew.com/improvementregulator)

## PSD COMMUNICATIONS TEAM

The PSD Communications team has continued to ensure that ICAEW firms and IPs are kept up to date with regulatory developments and made aware of educational content created by PSD (including thematic reviews, webinars, videos, helpsheets, checklists and educational training films) to help them maintain the highest professional standards.

*Regulatory & Conduct News* is sent monthly and features regulatory and conduct news and guidance to help ICAEW regulated firms and IPs stay up to date as well as insights into our role as an improvement regulator. Articles are typically hosted on [icaew.com/regulatorynews](https://icaew.com/regulatorynews) and on the [Regulation and Conduct LinkedIn page](#)

In 2021 we published over 50 articles covering topics including emerging economic crime risks, when and how to apply for regulated areas of work, and social media: the hidden risk of professional misconduct. ICAEW members and non-members can sign up to receive this

e-newsletter using the 'receive email updates' button on [icaew.com/regulatorynews](https://icaew.com/regulatorynews)

A *Regulatory Round-up* is also included in the *ICAEW Monthly* email and the team continues to send audience specific regulatory e-newsletters including *AML – the essentials*, *Audit News*, *Insolvency News* and *Probate News* and to utilise other ICAEW communication channels to help disseminate information.

The team also supports many PSD initiatives which we have communicated to ICAEW firms, IPs and members throughout the year. These have included:

- The development of a hub for IRB/PSD led consultations and responses to consultations [icaew.com/regulatoryconsultations](https://icaew.com/regulatoryconsultations)
- The launch of ICAEW's first interactive searchable disciplinary database [icaew.com/disciplinarydatabase](https://icaew.com/disciplinarydatabase)
- The launch of ICAEW's first Regulatory and Conduct Strategy [icaew.com/improvementregulator](https://icaew.com/improvementregulator)

And, we have worked with organisations such as the Charity Commission, supporting their work to highlight guidance for auditors and independent examiners about the statutory duty to report any matters of significance to charity regulators in England and Wales, Scotland and Northern Ireland. As well as creating a web hub [icaew.com/MoMs](https://icaew.com/MoMs) which sets out the expectations of UK charity regulators and what should be considered a matter of material significance, webinars and articles were also produced that highlight why reporting matters of material significance is so important, and what ICAEW firms can do to improve their reporting of them.

All these resources are available for our firms and IPs at [icaew.com/regulation](https://icaew.com/regulation)

### KEY AREA OF FOCUS 6:

### LAUNCH OF REGULATORY & CONDUCT NEWS

In March/April 2021, the PSD Communications team introduced two new communication channels: *Regulatory & Conduct News*, PSD's first monthly regulatory and disciplinary e-newsletter and a related Regulation and Conduct LinkedIn page.

*Regulatory & Conduct News* is sent to over 12,000 firms and 840 insolvency practitioners (IPs) regulated by ICAEW, oversight bodies including the FRC and

the Legal Services Board and ICAEW members and non-members with an interest in regulatory activity.

The e-newsletter contains key regulatory reminders, guidance articles aimed at highlighting common pitfalls and regulatory changes, as well as feature articles that inform and shine a light on our work in the public interest. We also use these channels to promote new resources and webinars such

as our popular anti-money laundering events. The first 12 issues of *Regulatory & Conduct News* received 200,000 unique opens.

**"In 2021 we strengthened our communications programme to help firms access new resources quickly and easily."**

Sarah Gammon  
Head of Communications  
& Marketing, Professional  
Standards Department

