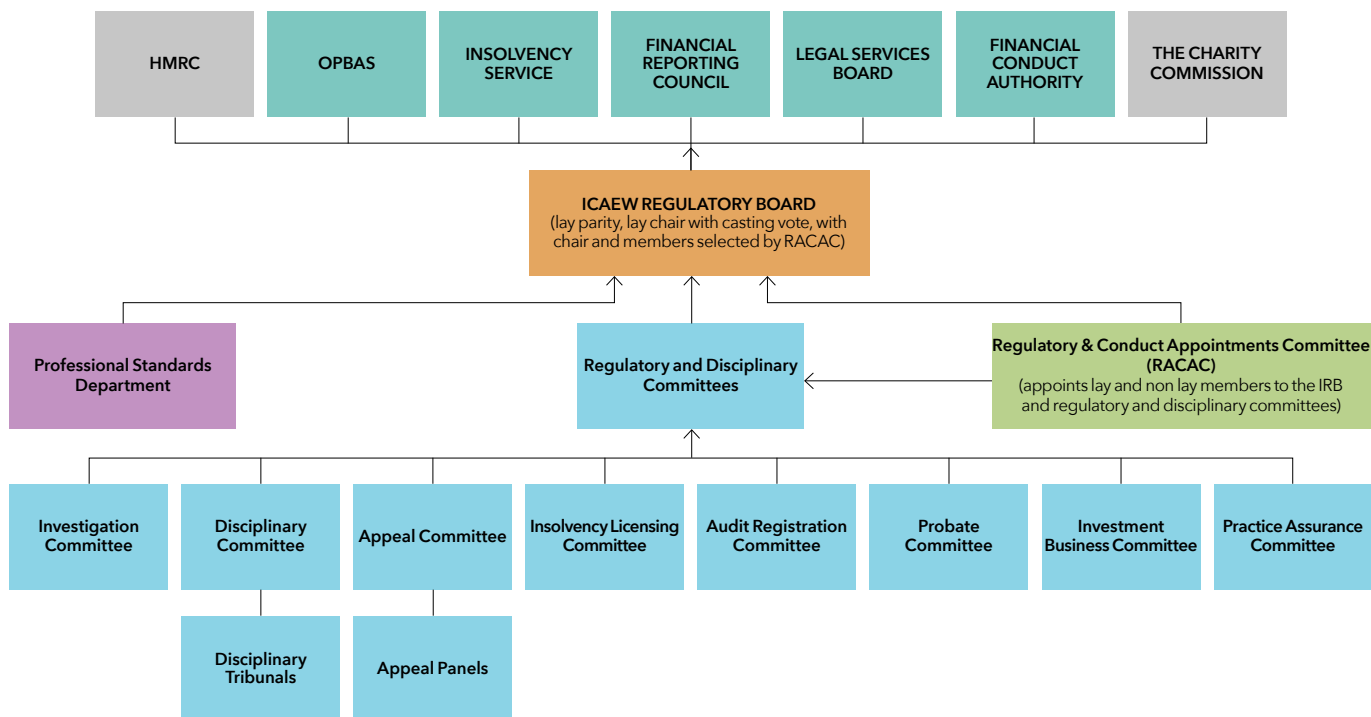


APPENDIX 5: OVERSIGHT OF ICAEW'S REGULATORY AND DISCIPLINARY FUNCTIONS



All regulatory and conduct decisions are made by a lay majority or lay parity.

All significant decisions on regulatory matters are made by the Audit Registration Committee, the Probate Committee, the Insolvency Licensing Committee, the Investment Business Committee and the Practice Assurance Committee.

These committees are independent from staff and comprise of a parity of lay and chartered accountants with a lay chair who has a casting vote. This maintains an important balance of technical insight from the chartered accountant members and public interest insight from the lay members. Members of all regulatory committees are appointed by the Regulatory & Conduct Appointments Committee (RACAC) which has a majority of lay members and a lay chair, Sara Nathan OBE, and which reports to the ICAEW Regulatory Board (IRB). Sara is not a member of any of the regulatory committees or the IRB.

Where regulatory action may be appropriate, following a Quality Assurance Department (QAD) monitoring visit, these committees will consider whether such action is appropriate, which could include one or more of the following outcomes:

- licence/registration withdrawal;
- impose conditions/restrictions;
- propose a regulatory penalty;
- order a QAD visit;
- require a firm/member to undertake specific action to address any shortcomings eg, provide a record of CPD plan for 2023.

Every year a lay parity subcommittee of each of these committees carries out a 'delegated powers review'. Sub-committee members review Regulatory Practice & Policy (RPP) files to check that licensing decisions taken by staff on new applications for regulatory areas of work, eg, probate, are within the criteria set by the committee and to check whether RPP staff follow up on remedial action recommended by QAD or required by the committee following a visit. They also review the grading of a sample of QAD visits to gain assurance that remedial action is taken against all firms and insolvency practitioners whose work has fallen below standard. Each 'delegated powers review' report is considered by the respective committee and then submitted to the IRB.

The Investigation Committee considers investigation reports prepared by the Professional Conduct Department (PCD) in respect of disciplinary matters. It comprises of a parity of lay and chartered accountant members with a lay chair and its members are also appointed by the RACAC.

In addition to considering reports following investigation to determine whether there is a liability to disciplinary action, the Investigation Committee also considers challenges by complainants to the rejection of complaints by PCD staff at the assessment stage and determinations by staff following an investigation that there is no liability. Like the regulatory committees, the Investigation Committee carries out an annual closed case review which

focuses, in particular, on complaints which were closed by staff without reference to the committee to ensure that the committee is satisfied with judgments made by PCD staff under its delegated powers.

#### **Oversight by the ICAEW Regulatory Board (IRB)**

The IRB has overall responsibility for overseeing the regulatory and disciplinary work carried out by the Professional Standards Department (PSD) and the effectiveness of the regulatory and disciplinary committees. Its members (and chairs/vice chairs) are appointed by the RACAC.

The IRB holds 5-6 meetings per year and reviews updates from the PSD Chief Officer on PSD's progress on current initiatives and the impact of proposed regulatory changes.

The IRB's quality assurance programme consists of IRB members observing meetings of the regulatory and disciplinary committees and meeting with committee chairs to discuss feedback on committee performance and ideas as to how to make the committees more efficient and effective.

The IRB receives and reviews all the 'delegated powers review' reports prepared by the regulatory committees and the Investigation Committee. It also reviews the final inspection reports prepared by each of ICAEW's external oversight regulators.

#### **Oversight by external oversight regulators**

##### **The Financial Reporting Council (FRC) for audit regulatory work.**

The FRC carries out an annual inspection of PSD's audit licensing, monitoring and enforcement work and publishes the results of its inspections. The FRC also undertakes reviews of complaints about PSD's handling of audit and accountancy complaints.

##### **The Insolvency Service (IS) for the regulation of insolvency practitioners.**

The IS carries out regular thematic reviews of PSD's licensing, monitoring and enforcement work and publishes reports of its findings. The IS also carries out reviews of complaints about PSD's handling of insolvency complaints.

##### **The Legal Services Board (LSB) for probate regulatory work.**

The LSB publishes an annual performance assessment of all legal services regulators, including ICAEW.

##### **The Office for Professional Body AML Supervision (OPBAS) for AML supervisory work.**

The OPBAS carries out a biennial inspection of PSD and publishes reports of its findings.

##### **The Financial Conduct Authority (FCA) for DPB (Investment Business) regulatory work.**

The FCA has the power to review ICAEW's work as a Designated Professional Body (DPB).