

ICAEW REGULATORY BOARD GOVERNANCE UPDATE

By Philip Nicol-Gent, Chair of the ICAEW Regulatory Board

All ICAEW Regulatory Board (IRB) meetings were held in person in 2022, although we did take advantage of some remote attendance at meetings where necessary and to assist those joining from the public sector. I have set out below some of the key developments and changes which the IRB saw or was involved with during 2022.

Changes to the IRB's composition and how it operates

While it is always sad to see the departure of longstanding board members who have contributed so much during their time on the IRB, it is important that the board is continually refreshed to keep it invigorated and to introduce new ideas and perspectives. New board appointments are made by the Regulatory & Conduct Appointments Committee (RACAC), which is chaired by Sara Nathan OBE, and which has a lay member majority. A copy of the RACAC Activity Report 2021/22 is available in Appendix 6.

So, in June, I was very pleased to welcome four new board members to the IRB, two lay members, Annette Lovell and Claire McManus and two accountant members, Richard Thorpe and Caroline Turnbull-Hall. It was also good to see that these changes led to an improved gender balance in the IRB's composition. At the end of 2022, the board also saw the departure of Andrew Goldsworthy after seven years on the board. Andrew was, other than me, the last remaining original member of the board. Andrew's wise counsel will be missed. In January, we were delighted to welcome Angela Foyle to the IRB as his replacement. Angela is Head of Risk Management and Economic Crime at BDO Global Office.

Ahead of the latest round of appointments, the IRB decided on a recommendation from the RACAC that all board and regulatory and disciplinary committee members should be offered remuneration for their work rather than just lay members. We are hoping that this will encourage a higher number of applicants for future board positions and also increase the diversity of representation. Sara Nathan and I consider it important that smaller firms, in particular, are represented among the chartered accountant members.

We have also had a change in board secretary. While it was sad to see Tracy Stanhope relinquish the role, which she had undertaken since the board was created, we were pleased to welcome Sophie Hooper as Tracy's replacement.

I have also made some changes to the way in which the IRB's business is conducted. Due to the increasing number of initiatives, the board will now meet six, rather than five, times a year during 2023. The five board meetings in 2022 were also supplemented by two meetings held to discuss a set of strategic objectives for the next three years and the work put in by board members who had agreed to be members of sub-groups considering certain matters in more detail.

I have also introduced a new standing item on the agenda: 'left field', the purpose of which is to make sure that we are not just looking at matters on the horizon but also to ensure there is nothing evolving in other spheres which might surprise us.

Continuing our quality assurance programme

During 2022, we have continued our quality assurance programme for the regulatory and disciplinary committees by IRB members taking time to attend and observe the Audit Registration Committee, Investment Business Committee, Investigation Committee, Professional Indemnity Insurance Committee, Appeal Committee, Disciplinary Committee and Review Committee meetings. The evaluations by board members of how effectively and efficiently the committees operated, and how well they were supported, was then the subject of a meeting with the chairs of the committees. At this meeting, potential improvements were discussed and the chairs were also asked to set out what changes, if any, they would like the board to make to allow them to function better.

We have also continued to review the 'delegated powers review' reports which are prepared by the representatives of the regulatory committees and the Investigation Committee who conduct reviews of files where decisions have been taken by staff during the previous 12 months. While these reports provide us with considerable assurance about the quality and reliability of the work carried out by Professional Standards Department (PSD) staff, we have asked for a project to be undertaken to introduce as much consistency as possible in the areas being reviewed by the committees (to make this more consistently risk-focused) and in the content and style of reporting. This internal assurance is considered alongside our review of the inspection reports we receive from ICAEW's external oversight regulators.

Introducing our new disciplinary framework

A sub-group of the IRB has also spent a lot of time during the first half of 2022 supervising the completion of the new Investigation and Disciplinary Regulations (IDRs) which will be launched alongside a reduced number of Disciplinary Bye-laws (DBLs) when the new disciplinary framework goes live. The sub-group debated policy issues arising out of new processes and considered advice of external legal counsel. The close monitoring of this important project provided the whole board with significant assurance when it was asked to approve the final set of IDRs in June. The IDRs were then submitted as a key part of the new framework for final approvals from ICAEW Council, oversight regulators and the Privy Council.

Unfortunately, there was then a delay in setting a date for the launch of the new framework caused by the sad death of Queen Elizabeth II and the subsequent cancelling and rearrangement of Privy Council meetings at the end of 2022 and start of 2023. I am, however, pleased to note that our application for approval to changes to the DBLs and their replacement, in part, by the IDRs, was approved by the Privy Council in February and will now be launched on 1 June 2023. We understand that plans are already in place to ensure that all relevant PSD staff and all disciplinary and regulatory committees are fully trained on the changes being made and, in particular, on the new processes. We have also been assured that there will be a comprehensive communications programme in the months prior to the launch.

Reimagining continuing professional development

The IRB was consulted on moving responsibility for continuing professional development (CPD) from the Education and Training Department to PSD in advance of the significant changes in the requirements from November 2023. We considered that this made sense on a number of fronts. The ICAEW Quality Assurance Department (QAD) is best placed to carry out the monitoring of CPD compliance given its regular contact with firms and the ongoing competence of members is closely connected to the investigations which are undertaken by the Professional Conduct Department (PCD) into allegations of poor work.

After accepting its new governance role in this area, the IRB has been closely involved in, and has given important input into the development of the revised CPD Regulations and the accompanying guidance. During 2023, we will monitor the steps taken to implement the new framework and we will clearly have an important role to play after launch in assessing the effectiveness of the new framework during its first few years.

Our ongoing reviews

The IRB has instigated two reviews during 2022: a review of the effectiveness of the current Professional Indemnity Insurance (PII) Regulations and a review into our regulation of legal services. The PII Regulations review will be supervised by the PII Committee with regular reports to the board. The review will consider whether changes should be made to various aspects of the regulations which have been the source of complaints by firms and which have concerned the PII Committee. The IRB will consider any proposed changes and decide which should be the subject of public consultation later in 2023, with a view to possible changes being made prior to the renewal of our PII arrangements with our qualifying insurers in early 2024.

The legal services review is being undertaken to gauge whether ICAEW firms are interested in expanding into other legal services, if ICAEW were to be authorised to regulate other areas. The review is also gauging the likelihood of existing probate-accredited firms continuing with probate work and the appetite of non-accredited firms to start work in this area.

“It was great in 2022 to be able to put behind us the COVID-19 pandemic and embrace a return to normality.”

New strategic objectives for the coming year

Cognisant that we have a number of new members on the IRB, we have spent time at the end of 2022 and start of 2023 discussing what we would like to achieve in the coming years. This is with a view to setting a number of specific strategic objectives for the next three years to overlay the **3Es** which set out how the PSD functions from an operational perspective. We intend to publish these objectives during 2023 on a new microsite, which we are creating to contain key and focused information relating to the IRB and operation of ICAEW's regulatory and disciplinary functions and to report on our progress against these objectives.