

Chief Officer Report - September 2024 (Redacted)

 **READING TIME:** 10 mins

 **ACTION:** To note



FRAMING

Context

This report provides an update to IRB members on developments in the key areas of PSD's regulatory and disciplinary work and on developments within PSD.

Parts of this report can be published, other parts should remain confidential.

Questions to the reader

1. Does this report provide you with sufficient information about recent relevant developments (internal and external)?
2. Do IRB members have any comments to make or questions to ask in relation to any development mentioned in this paper?

THE PAPER

1. What are the key developments in our regulatory areas?

Audit

1. The King's Speech confirmed that the new government intends to introduce the long-awaited ARGAs bill which will impact the work we carry out on audit monitoring as well as potentially provide ARGAs with a wide new power to oversee the regulation of all chartered accountants. There is a separate paper on this matter on the IRB's agenda.
2. After the IRB Acting Chair's approval of the changes to the Audit Regulations in July, we sent emails to all of the Audit Compliance Principals at our audit-registered firms explaining the upcoming changes affecting audit firm eligibility. This included the provision of the following material and information:

An explanation of the changes [Audit eligibility changes: check your firm will meet new requirements | ICAEW](#)

Steps a firm should now take to check eligibility [Steps your firm should now take | ICAEW](#)

FAQs [FAQs and further help | ICAEW](#)

A link to the FRC's "position statement"

https://media.frc.org.uk/documents/FRC_Position_in_respect_of_paragraphs_6b_and_6c_of_the_Eligibil

The revised Audit Regulations will be published and come into effect on 1 October 2024.

3. [REDACTED]
4. The Regulatory Practice team has also been receiving a number of enquiries from small or sole practitioner audit registered firms who, as part of succession planning, would like to sell their practice to an employee ownership trust. Given this is a new area for us, specialist advice has been obtained from Linklaters to guide our approach to these enquiries and, in particular, to advise on whether the proposed trust structures are compliant with the audit eligibility criteria. We will shortly be confirming our approval to the firm which is most advanced with its plans.
5. In August, the FRC notified us that it was consulting with the Recognised Supervisory Bodies on an updated FRC Registration Protocol. This is an appendix to the Delegation Agreement with the FRC and details the information which should be shared between ICAEW and the FRC on firms that have (or are applying for) PIE Audit Registration with the FRC. The proposals are being discussed with the Audit Registration Committee on 11 September and we have promised to respond to the FRC by 13 September. The proposed changes include ICAEW providing all audit monitoring reports in the future to the FRC rather than just those which have been referred to the ARC and a new obligation on the RSBs to confirm to the FRC any application received from a PIE firm relating to a change to that firm's structure or ownership or governance arrangements.
6. A number of issues have arisen in respect of information which is included by ICAEW in relation to firms on the Joint Audit Register and also in relation to the request from the FRC that the JAR should be extended to cover information regarding which firms have PIE audit registration from the FRC. Meetings are ongoing to try to resolve these issues. If a resolution is not found, I will provide you with an oral update at the board meeting.

Insolvency

7. Bob Pinder and Sophie Wales attended the July roundtable held by the Insolvency Service in relation to the non-legislative changes which the Service would like to make to the insolvency regulatory framework. The topic for this roundtable was the Service's current plans to take over the standard-setting responsibility from the RPBs (currently through the Joint Insolvency Committee). No decisions were taken as to how that would be taken forward.

8. [REDACTED]

9. [REDACTED]

Legal Services

10. An application was made in July by the ICAEW Board as the Approved Regulator for approval from the LSB to the change in regulatory arrangements around the process for appointing new IRB members (as per the agreed actions shared with the IRB in May). The LSB has served a notice extending the period for consideration from 30 to 90 days and a call was held to discuss the application with the Joint Interim CEOs. I will update on the progress of that application at the meeting.
11. On 6 September, a submission was made by the ICAEW Board (through a letter authored by the ICAEW CEO), in its capacity as the Approved Regulator, to the review announced in June by the LSB into the workings of the Internal Governance Rules introduced in 2020. This submission reiterated the concerns which were expressed by ICAEW during the consultation in 2019 about the conflicts of interest created by the strict application of Rule 8 (regulatory body requiring to have control over its appointment panel). It also asked for revisions to the saving provisions in Rule 16 so as to cater expressly for difficulties which regulators face if they are being required to do things differently by other oversight regulators. It is unclear what the timescale is for the review and when any changes will be notified.

12. Sophie flagged this review to the Legal Services sub-group in a call which took place on 13 August (with new Chair Paul Brooks also on the call) and a decision was taken that it would not be appropriate for the IRB/PSD (as the regulatory body) to submit its own response on the operation of the IGRs as there had been insufficient time for the IRB to consider what would be included in any response due to the shortness of the period for consultation. The response submitted made clear that this came solely from the Approved Regulator.
13. Over the Summer, we launched a new probate consumer hub that brings together a range of resources for consumers. This covers all areas of the LSB's policy statement on consumer empowerment such as price of services, quality of service, regulatory status, and public legal education – in particular, this includes some new consumer guides on being an executor or beneficiary of a deceased estate. These guides are designed to explain to consumers what their rights and responsibilities are in the event that they become an executor or beneficiary. The guides were shared with consumer organisations before publication to test that the content is appropriately pitched for a consumer audience.
14. Sophie attended a LSB workshop on its Professional Ethics and Rule of Law (PERL) project. Attendees included representatives from all legal services regulators, representative bodies, academics and civil society groups. The discussion centred on regulatory and non-regulatory solutions to support legal professionals to uphold high standards of ethical conduct. Suggestions included ethics CPD for all legal professionals, which ICAEW leads the way on. There was also discussion about whether there should be an oath for legal professionals to take, akin to the Hippocratic oath for medical professionals.
15. I attended the most recent Regulator Chair and CEOs meeting at the LSB with Anthony Pygram on 9 September. The agenda items at this meeting were a discussion about how regulators are intending to implement the changes required by the recent policy statement on first tier complaints and a discussion about what changes the new government might seek to make to legal services regulation and what it will expect regulators to focus on.

2. What are the key developments in our non-regulatory work

Professional Indemnity Insurance

1. After tremendous efforts from Sarah-Jane Owen, the updated PII Regulations came into effect on 1 September 2024. We ran a comprehensive communications exercise over the summer, with an email campaign and alerts in both PSD and ICAEW newsletters as well as a webinar with members of the PII Committee presenting the changes. Sarah-Jane has also attended various team meetings in PSD and Advisory Services to explain the changes in preparation of the implementation date. She was also interviewed by AccountingWeb to help raise awareness of the changes: [ICAEW gets crucial backing for PII regulations | AccountingWEB](#) Other key highlights on the PII project since the last IRB meeting are:
 - ICAS and CAI approved the final regulations with no questions or issues arising
 - approval was granted on 7 August by the LSB to our application to change our regulatory arrangements. The LSB has, however, set out a number of expectations in its [Decision Notice](#) and the PII Committee is working through these at its meeting in September 2024. While Sarah-Jane and Elaine are pleased that the application was approved, this did follow a number of rounds of detailed questions and clarifications from the LSB.
 - ICAS and CAI approved the Regulations with no questions or issues arising

- Approval was granted on 7 August 2024 from the LSB to our application to change our regulatory arrangements. The LSB has set out a number of expectations in
- Sarah-Jane has been working with the ICAEW Annual Returns team to update the existing questions on PII to reflect the new arrangements from 1 September 2024
- Elaine and Sarah-Jane are working on a 'large firm questionnaire' to be completed by firms that are not required to put 'qualifying insurance' in place by virtue of their gross fees exceeding £50m. The PII Committee is keen that there is some level of 'assessment' over such firms' arrangements and a draft of the questionnaire will be shared with the PII Committee at its next meeting, for discussion. To assist with this exercise, the FRC helpfully gave Elaine a copy of its PII questionnaire that firms in FRC scope are required to complete.

Tax

2. Prior to the submission of the ICAEW response to the HMRC consultation on the introduction of a new tax regulatory framework, Sophie and I organised a call with Rob Jones, the HMRC Director of Intermediaries and his team (who are in charge of this initiative) to try to get clarity on what the expectation would be on professional bodies in terms of regulatory activity if the outcome of the consultation was to follow HMRC's stated preference for the professional bodies to take the lead role in regulation. It was agreed during that call that the HMRC team would benefit from a meeting to understand how we regulate our members and firms who provide tax advice.
3. [REDACTED]

CPD

4. Preparations are continuing for PSD to take over the responsibility for monitoring members' and firms' compliance with the new CPD regulations from the end of the first year of the new framework on 1 November. The QAD team led by Liz Shaw have been in regular contact with all of the major firms discussing what our expectations will be when we conduct reviews of firms' records for ongoing training of their staff.
5. We are in discussion with the Education & Training department in relation to the transfer of resource in order to continue with the review of 600 randomly sampled individual members which will carry on alongside the new firm reviews.

Guidance on Sanctions update

6. Key staff members are contributing to the project to revise the disciplinary part of the Guidance on Sanction following the earlier review of the regulatory part. Emily will be chairing full day meetings with key staff involved in the disciplinary process on 12th and 26th September. This is with a view to bringing a full paper to the IRB in November with proposed changes.

CIPFA complaints work

7. [REDACTED]

Fundamental principle of professional behaviour

8. Following previous updates provided to the IRB, I can confirm that Council approval was obtained in June for the new wording in the Code of Ethics relating to professional behaviour. The final approved wording for 115.1 A2 in the Code is:

“A reasonable and informed third party would expect, that a professional accountant, in their professional life, treats others fairly, with respect and dignity, and for example does not bully, harass, victimise or unfairly discriminate against others.”

This will be implemented into the Code of Ethics at its next update, expected to take place in Q1 2025. ICAS has recently contacted the regulatory policy team to say they would like to adopt ICAEW’s new professional behaviour wording into their Code of Ethics at its next update.

PSD Comms update

9. The following reports were published and supported with a promotional campaign:

- [Regulation and Conduct Annual Report](#)
- [Practice Assurance Monitoring Report](#)
- [Audit Monitoring Report](#)

10. The launch of the Regulatory & Conduct Annual Report was supported by a promotional campaign which included a dedicated webpage, tailored stakeholder emails, lead item in our R&C News e-newsletter, hero image on the ICAEW website, cross-promotion in other ICAEW newsletters, internal comms plus a comprehensive LinkedIn thought-leadership campaign.

11. The LinkedIn thought-leadership campaign involved a series of posts from the Regulation & Conduct LinkedIn account which included short video clips of both me and Parjinder discussing the report, plus posts were created for the PSD staff featured within the report to post from their own accounts, thus expanding our reach

12. Results were extremely positive with detail as below:

- The engagement rate for the report launch post on LinkedIn was 33.81% (our highest for the month and our second highest for the year).
- As a comparison to the launch post from last year’s Annual Report:
 - Impressions gained were **9,772** compared to **819** in 2023
 - Total engagements were **3,304** compared to **456** in 2023
 - This equated to over **1,000% more** impressions and **600% more** engagements than last year.

3. Which areas will be covered by oral updates at the meeting?

Quality Assurance Department

1. I will provide an oral update at the meeting on:

- the number of visits undertaken to end of August and current projections for the end of the year
- QAD's current performance against its main KPIs
- Q2 visit feedback gathered by our independent monitors
- Resourcing

The Conduct Department

2. I will provide an oral update at the meeting on:

- The number of new complaints received to date in 2024 and a comparison with prior years
 - The current average workload of Investigation Officers (split between teams)
 - The number reports passed to the Conduct Committee YTD
 - Final outcome of the restructuring of the department
 - Resourcing
 - Update on significant cases including Project Barrow
Regulatory Practice and Regulatory Policy teams
3. I will provide an oral update at the meeting on resourcing within those two teams and performance year to date.

Business operations

4. Matthew will provide an oral update at the meeting on PSD finances YTD and on the progress of ongoing IT and other projects impacting PSD.

Litigation

5. I will provide you with an update on the progress of current cases.

PSD Away Day

6. I will provide an update on the annual PSD Away Day which took place in June. [Hopefully, Parjinder will be able to give some of his own observations.]