

# UPHOLDING THE HIGHEST STANDARDS

REGULATORY AND CONDUCT  
ANNUAL REPORT 2021-2022



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## OUR REGULATORY AND CONDUCT ROLES

Our role as an improvement regulator is to strengthen trust in the work of ICAEW Chartered Accountants and firms and to protect the public. We do this by **ENABLING, EVALUATING and ENFORCING** to try to ensure the highest standards in the profession.

ICAEW's regulatory and conduct roles are separated from ICAEW's other activities through internal governance arrangements to prevent outcomes being influenced by ICAEW's representative role for the profession. These regulatory and conduct roles are carried out by the Professional Standards Department (PSD) and overseen by the ICAEW Regulatory Board (IRB).

### We:

- *authorise* ICAEW firms, members and affiliates to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- *support* the highest professional standards in general accountancy practice through our Practice Assurance scheme;
- *provide* robust anti-money laundering supervision and monitoring;
- *monitor* ICAEW firms and insolvency practitioners to ensure they operate correctly and to the highest standards;
- *investigate* complaints and hold ICAEW firms and ICAEW Chartered Accountants to account where they fall short of standards;
- *respond* and comment on proposed changes to the law and regulation; and
- *educate* through guidance and advice to help stakeholders comply with laws, regulations and professional standards.

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**A**s a member of the ICAEW Regulatory Board (IRB) since its inception, I am delighted to present my first annual report as chair. It's been a busy, challenging and rewarding period for both the IRB and the Professional Standards Department (PSD).

Like my predecessors, I am a lay chair. A barrister and Guernsey Advocate by profession, I have more than 20 years of experience in the regulatory field, starting in aviation and more recently as General Counsel at the Guernsey Financial Services Commission.

As a professional myself, I understand the value that qualification as a chartered accountant brings. It is a significant achievement and provides entry to a profession that directly supports the economy.

Being a professional also brings with it a wide range of responsibilities. And these include our duty to act in the public interest and provide leadership. Within this, we also have a broader responsibility to ask ourselves not just: 'Is it legal?' but 'Is it right?'

In my experience, culture and corporate governance are at the heart of a well-led professional business. I recognise that for smaller firms and sole practitioners, this may sound rather corporate but, for all of us, it ultimately boils down to simply acting professionally.

Over the next three years, I intend to focus on good leadership; outwardly as members of the community supporting the economy, but also internally in the way that accountants lead themselves and their teams.

In referring to teams, I cannot write this foreword without talking about the achievements of PSD in 2021. The year continued where 2020 left off, and PSD staff showed their customary resilience, adaptability, perseverance and determination in responding to the unique challenges of the pandemic.

PSD's Quality Assurance Department (QAD) team was finally able to restart face-to-face visits at the end of last year, and has met its

key targets, as well as maintaining its constructive relationships with oversight regulators, and strengthening relationships with law enforcement agencies in the fight against economic crime.

For the IRB's part, 2021 saw us continue our work on reforming ICAEW's disciplinary framework and consult on a refreshed strategy for legal services. We submitted two responses, independently of ICAEW, to government consultations: first, to the Department for Business, Energy and Industrial Strategy's (BEIS) consultation on '*Restoring Trust in Audit and Corporate Governance*'; and second, to the Insolvency Service's consultation on '*The Future of Insolvency Regulation*'.

Last year also saw Michael Caplan QC step down as chair of the IRB after six years at the helm. Michael was our first chair and worked hard to establish and position the IRB as an improvement regulator. I, and the board, are very grateful to him for all his efforts and hard work.

Other inaugural members, all of whom played key roles in taking the IRB forward, also stepped down at Easter 2022. I would like to thank Steve Barrow, the alternate chair for legal services; Jane Titley, who was involved in reviewing the Disciplinary By-laws and sat on our diversity subgroup; and Mike Sufrin, who chaired the IRB working party responding to the BEIS consultation.

I look forward to welcoming new board members this year and working with them and other colleagues to lead the IRB through the next phase of its development. As changes across the accountancy sector unfold, we will make sure the IRB plays a central role in shaping the landscape and, above all, that the public interest is upheld.

I set out below the key highlights which are covered in more detail in this report.

**Philip Nicol-Gent** FRAeS, FRMetS  
Chair, ICAEW Regulatory Board

#### HIGHLIGHTS OF THE 15 MONTHS TO MARCH 2022

- Submitted detailed responses to important government consultations on the future regulatory framework for audit, insolvency, and accountancy.
- Significant progress to launch a new disciplinary framework with positive responses received to the public consultation.
- Positive inspection reports from all of ICAEW's current oversight regulators.
- Significant progress to revise ICAEW's CPD policy for launch in November 2022.
- Launch of ICAEW's first interactive searchable disciplinary database providing greater transparency and awareness for the public (spring 2021).
- Launch of ICAEW's first anti-money laundering film drama, *All Too Familiar*, a joint venture with HMRC, raising awareness of the risk of ICAEW members/firms becoming inadvertent professional enablers of money laundering (March 2022).
- Launch of monthly e-newsletter: *Regulatory & Conduct News* (March 2021).
- Launch of ICAEW's first Regulatory and Conduct Strategy.

# ICAEW'S REGULATORY AND CONDUCT STRATEGY

ICAEW's regulatory and conduct responsibilities are delivered by the Professional Standards Department (PSD). Our role is to strengthen trust and protect the public by following the 3Es: Enable, Evaluate and Enforce

## OUR 3Es

In fulfilling the 3Es, we strive to ensure ICAEW supervised firms, ICAEW insolvency practitioners, ICAEW Chartered Accountants and students uphold the highest standards and act in the public interest.



## ENABLE

We enable ICAEW firms and ICAEW Chartered Accountants to expand the services they provide to their clients because we are authorised as regulators of audit, insolvency, investment business advice and probate work.

This requires PSD to demonstrate that it is compliant with authorisation conditions during regular inspections by oversight regulators and to comply with any new requirements and recommendations made by them.

We enable ICAEW firms to provide services to the public by providing their anti-money laundering (AML) and counter-terrorist financing supervision through our authorisation as an AML supervisor by HM Treasury. We discharge our supervisory responsibility through the ICAEW Practice Assurance scheme where AML compliance is checked for circa 11,000 firms.

We also enable through educational initiatives across PSD. These include:

- The production of regular quality assurance webinars e.g., money laundering risk assessments, customer due diligence, pre-pack reforms and diversity reporting.
- The publication of articles which, in 2021, included COVID-support fraud, matters of material significance (MoMS) reporting, SARs - emerging threats, profiles of the independent regulatory and disciplinary committees, and the rise of social media complaints.
- The circulation of a monthly e-newsletter, *Regulatory & Conduct News*, containing articles on how to reduce the risk of being in breach of requirements, new resources and news.
- The creation of educational training film dramas (*False Assurance* and *Without Question* focusing on issues facing auditors and directors and *All Too Familiar* focusing on the importance of AML compliance).



## EVALUATE

### We evaluate the quality of work or compliance with rules through monitoring.

All ICAEW-supervised/regulated firms and insolvency practitioners (IPs) are monitored by the PSD's Quality Assurance Department (QAD) team to ensure they meet the expected requirements and standards and comply with all applicable regulations, the ICAEW Code of Ethics and the requirements of ICAEW's Practice Assurance scheme. Our QAD team has many years of industry experience and reviewers receive regular training for their monitoring roles. On average they carry out around 2,000 monitoring reviews a year.

In addition to the monitoring reviews, QAD provides guidance and support to firms and IPs to help them achieve the high standards expected of them. This support includes webinars, roadshows, helpsheets, reports and educational training film dramas. QAD also provides monitoring services for third party organisations.

Our Regulatory Practice & Policy team (RPP) **evaluates** applications from firms and individuals for authorisation to carry out regulated work for clients. They determine if the applications meet the relevant eligibility criteria set by statute or by our oversight regulators. The criteria can require specific qualifications and/or experience in the area of work where a licence is sought. If an application is refused, the RPP team provide advice on what changes are needed, or if further work experience or CPD is required before a further application can be submitted.

Once a firm (or an individual) is approved to carry out regulatory work, QAD endeavours to visit within the first two years of authorisation. This is to ensure work is being carried out to the required standard and to provide guidance on best practice.



## ENFORCE

### We enforce through taking regulatory action when the standards we expect of ICAEW firms, IPs, members, affiliates or students are not met.

Our independent regulatory committees review all reports produced by QAD on its visits where concerns are identified with the quality of work being carried out and/or compliance with all relevant regulations. These committees have the power to withdraw regulatory licences or to impose conditions and/or restrictions for a specified period to see whether the regulated firm or individual can improve their performance.

Our Professional Conduct Department (PCD) investigates complaints referred to them by the regulatory committees (where they consider disciplinary action may be merited) and complaints which are made by members of the public, including clients or former clients. They also investigate any

issues regarding the conduct of ICAEW Chartered Accountants highlighted by the media or other regulators. PCD comprises four teams covering; audit, general compliance and tax, insolvency and the Special Investigations team that deals with complex and sensitive matters.

Where the investigation identifies a potential liability to disciplinary action, findings are reported to the independent Investigation Committee which decides whether the ICAEW member or member firm has a case to answer. If so, the Investigation Committee may offer consent orders and may refer more serious matters to the Disciplinary Committee, where a disciplinary tribunal will decide upon the appropriate disciplinary action.

View the PSD Strategy at [icaew.com/improvementregulator](https://www.icaew.com/improvementregulator)

# OVERSIGHT OF ICAEW'S REGULATORY AND DISCIPLINARY FUNCTIONS

## OVERSIGHT BY THE REGULATORY AND DISCIPLINARY COMMITTEES

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 and 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
- imposing conditions/restrictions
- proposing a regulatory penalty.

Every year a lay parity or lay majority sub-committee 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, e.g., 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 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 delegated powers' 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.

## OVERSIGHT BY THE ICAEW REGULATORY BOARD (IRB)

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

**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.**

OPBAS carries out a bi-annual 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).

# ICAEW REGULATORY BOARD GOVERNANCE UPDATE

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

In 2021, we saw the first change of the ICAEW Regulatory Board (IRB) chair with Michael Caplan QC retiring from the board at the end of October 2021. Jenny Watson CBE took up the role on 1 November 2021 but unfortunately stepped down for unforeseen personal reasons after just two months in post. I was subsequently appointed as chair from 1 January 2022 having been a member of the IRB since 2016 and vice-chair since 2017.

COVID-19 continued to play its part which meant in the 15 months to March 2022 all but two ICAEW Regulatory Board (IRB) meetings were held virtually.

And, in each of our meetings, we followed regularly and carefully the reports from the Professional Standards Department (PSD) Chief Officer about how PSD was continuing to adapt to operational challenges arising because of COVID-19, working remotely and increased staff absences through illness and resourcing challenges. We remain impressed by the resilience of the PSD senior management team and staff during two years of uncertainty and change.

'Business as usual' matters in 2021 included our regular review of resourcing, complaint and application numbers and progress with monitoring reviews. These matters also included our review of inspection reports authored by the Financial Reporting Council, the Insolvency Service, the Office for Professional Body Anti-Money Laundering Supervision and the annual performance assessment published by the Legal Services Board.

There were also five key activities for the IRB during this period.

## **1. Response to the BEIS consultation on 'Restoring Trust in Audit and Corporate Governance'**

Given the potential impact of the proposals in the consultation on PSD's work, and our unique and important insight from our oversight of this work, we decided the government should receive a response from the IRB in addition to the ICAEW response produced by the Reputation & Influence Department following consultation with its firms and members.

We were particularly concerned to note that the consultation document made no reference to the fact that ICAEW had created the IRB in 2015, with similar internal governance arrangements being introduced at other Recognised Supervisory Bodies (RSBs), and that it had not considered the important impact of these changes to ensure regulatory work is conducted independently and impartially. We were disappointed to see unsubstantiated criticisms made about the robustness of the RSBs regulatory and disciplinary work, and frequent references to 'self-regulation'. In our response, we explained the degree of oversight of PSD's work and pointed out that all decisions on significant regulatory or disciplinary decisions are made by committees or tribunals with at least lay parity in membership, if not lay majority.

While we were able to support many of the government's proposals, we challenged the need for the Audit, Reporting and Governance Authority (ARGA) to be provided with an enhanced oversight role over chartered accountants as a proposition not only lacking a good evidential base but also one which ignores the fact that anyone can call themselves an accountant.

Unlike 'lawyer', which is a reserved title, anyone can use the term 'accountant' and continue to operate without qualifications, insurance or any adherence to an ethical code or disciplinary scheme. We do not believe that the public interest is being prioritised by the government continuing to ignore this issue and proposing an increase in the regulation of those already supervised which will just exacerbate the unlevel playing field.

In contrast, we were fully supportive of the government's proposals to make more robust the framework for making sure that directors of companies are held accountable for preparing or approving materially misleading financial statements and to strengthen the audit regulatory framework.

We hope that such a substantive response from a board with our insight, comprising a parity of lay and chartered accountant members, will be carefully considered by those making the final conclusions. The response is available to read in full at [icaew.com/regulatoryconsultations](https://www.icaew.com/regulatoryconsultations)

## 2. Reform of the ICAEW disciplinary framework

One of the IRB's primary areas of focus during this period was the continuing project to reform ICAEW's disciplinary framework which we started in 2019.

A dedicated IRB sub-group with a lay member majority was set up. This sub-group met with the project team frequently during this period to agree which of the existing Disciplinary Bye-laws should be retained, what changes should be made to them and, more recently, to review the development by PSD lawyers of the new Investigation & Disciplinary Regulations (IDRs) and consider process changes to improve efficiency and effectiveness. We have also reviewed advice provided by Counsel and the results of the public consultation which we carried out in February/March 2022. At every stage, the sub-group has made provisional policy decisions to guide the project by PSD management, with a summary of policy decisions being shared and ratified at subsequent IRB meetings.

We are happy with progress and that the changes will achieve the original objectives;

- Making the Disciplinary Scheme clearer and more accessible to all users.
- Separating duties and obligations from process provisions.

It was pleasing for us to see the positive endorsements for re-casting the framework which we received from nearly all the respondents to the consultation.

The consultation is now closed but the explanatory document outlining the changes is available to read at [icaew.com/regulatoryconsultations](https://www.icaew.com/regulatoryconsultations)

We hope to launch the new disciplinary framework between October 2022 and January 2023 depending on when we receive Privy Council approval.

## 3. Revisions to our quality assurance programme for regulatory and disciplinary committees

After a review of how the quality assurance programme had operated in recent years, we decided to expand the observation programme substantially in 2021 to make it more comprehensive. As a result of these changes, all committees will now be reviewed on a two-year cycle and the Investigation Committee will be reviewed annually.

Board members (in pairs; one lay, one chartered accountant) are now reviewing the committees both remotely and in person, and meeting committee members informally after meetings. The IRB secretary then collates feedback forms which are used as the basis of discussions with committee chairs. Suggestions may be made by IRB observers about how the committee might manage its workload more efficiently or effectively and the committee chairs are asked about the quality of the support they receive from PSD staff and whether the IRB should consider introducing any changes to improve processes.

There will be a review when the current two-year cycle closes at the end of 2022, and any enhancements and changes implemented ahead of the 2023 cycle.

#### 4. Legal Services Strategy and Business Plan

During 2021, we consulted on a refreshed strategy for legal services (probate).

Our activities are guided by, and support, the Legal Services Board's strategic themes (fairer outcomes, stronger confidence and better services), to strengthen trust and protect the public by enabling, evaluating and enforcing the highest standards in the profession.

Our business plan for 2021/22 was also published. The plan describes what ICAEW does in relation to the regulation of reserved legal services, and how this aligns with our values, our work with the Legal Services Board and our statutory duties. This plan also describes how we intend to continue to improve this regulation, to educate and inform and encourage actions in the best interests of the consumer.

#### 5. Response to the Insolvency Service's consultation on 'The Future of Insolvency Regulation'

We submitted our second separate consultation response in March 2022; this time in response to the government's 'Future of Insolvency Regulation' proposals. We agree with the government that changes should be made to the current insolvency regulatory framework to make it more effective and welcome the proposal to introduce the regulation of firms which we believe would be the single most important change for a better system.

However, in our response, we have also pointed out the weaknesses in the evidential case put forward for removing regulatory responsibility from ICAEW and the other Recognised Professional Bodies (RPBs) and replacing the RPBs with a government regulator. It was disappointing to note the lack of reference in the consultation document to the significant governance changes which had been made by ICAEW and the other RPBs in recent years. While we can understand the government's preference to have a single regulator in place, the consultation document did not properly reflect the fact that, in reality, ICAEW and the IPA carry out over 90% of all insolvency regulatory work in the UK and that both bodies have signed up to common approaches on many issues including the use of common sanctions guidance approved by the Insolvency Service.

We also highlighted the danger that continuing with the current proposals could create a regulatory vacuum at a time when corporate and personal insolvencies are rising post-pandemic which would be contrary to the public interest. The vacuum would be created if the finite number of specialist insolvency regulatory staff decide to take up better remunerated positions in private practice rather than wait for any new government regulator to be created. The response is available to read in full at [icaew.com/regulatoryconsultations](https://www.icaew.com/regulatoryconsultations)

# 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.

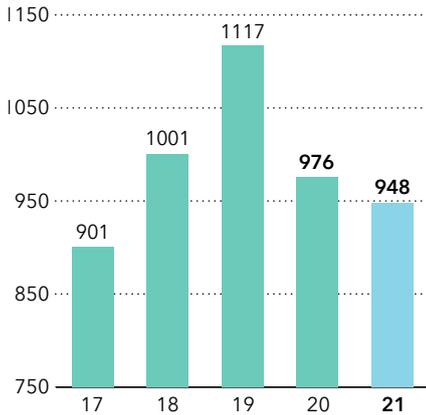
Further information about our regulatory roles for audit, probate and insolvency, and our role as an AML supervisor and Designated Professional Body (DPB) are available in Appendix 6.

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

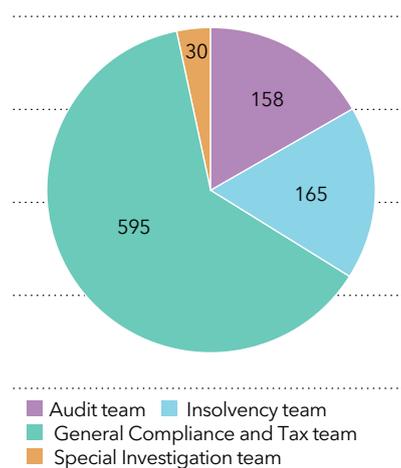
## **PROFESSIONAL CONDUCT DEPARTMENT (PCD)**

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 types of new complaints received during 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.

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



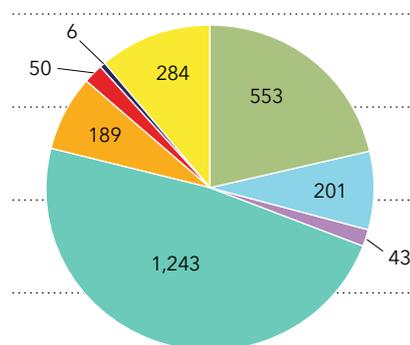
**QUALITY ASSURANCE DEPARTMENT (QAD)**

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
- Practice Assurance
- Insolvency
- DPB (Investment Business)
- Licensed Practice scheme
- Local Public Audit
- 3rd party visits
- Probate

**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 EEF 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 EEF 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.

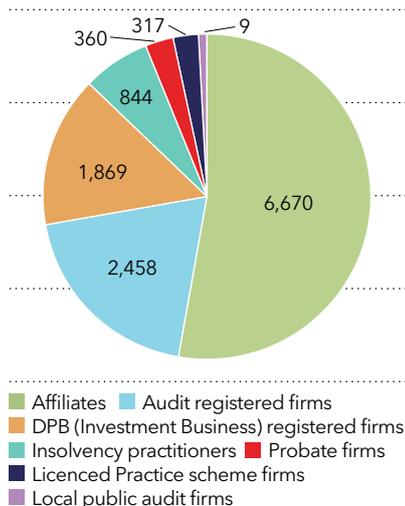
**"In 2021 we strengthened our communications programme to help firms access new resources quickly and easily."**

Sarah Gammon  
Head of Communications & Marketing, Professional Standards Department



# PROFESSIONAL STANDARDS DEPARTMENT FINANCES 2021

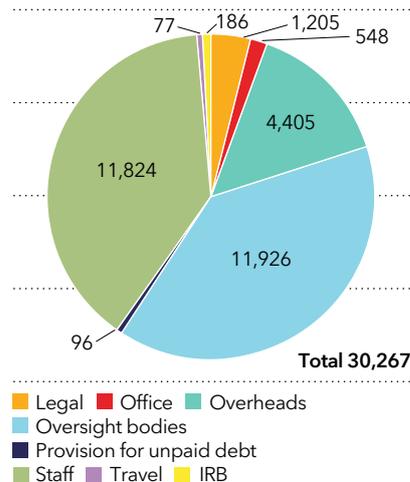
**Registered Firms**  
full year 2021



**Income Analysis £,000**  
2021 full year actuals



**Cost Analysis £,000**  
2021 full year actuals



The Professional Standards Department (PSD) budget represents the department’s wide range of activities i.e., self-financing regulation and Practice Assurance scheme, the net cost of member-related discipline, margin generating products and services and, from time to time, investments in programmes of work in new areas. The self-financing strategy (sometimes called ‘user pays’) remains in operation in the regulatory and Practice Assurance area, whereby income is targeted to match expected cost. To note, there is no budget subsidy to the regulatory and Practice Assurance activities from ICAEW membership subscriptions.

The operational plan addresses the challenge of income and cost opportunity and threats, change and increased expectations and the required funding of oversight bodies and fellow regulators, investment and, crucially, to provide sufficient resources to:

- work in the public interest;
- carry out statutory and regulatory functions;
- deliver a range of services and initiatives as an improvement regulator; and
- explore new practice and educational opportunities.

## LEVIES WE COLLECT ON BEHALF OF OTHER ORGANISATIONS

The PSD regulatory budget also includes levies. These are used to source funding for the operation of bodies including, e.g., the Insolvency Service, the insolvency complaints gateway, Office for Professional Body Anti-money Laundering Supervision, Financial Reporting Council Operations and Conduct Committee and Financial Reporting Council conduct case funding. The levies also facilitate the operation and funding of the investment business and reserved legal services compensation schemes.

## COMPLAINTS

The cost of member discipline (non-statutory complaints) is included in the budget and results of PSD.

While not part of PSD budget, at an ICAEW level, membership subscriptions contribute to the funding of this cost.

Costs relating to conduct have been growing at a rate ahead of inflation in recent years, reflecting a sustained number of complaints and a generally more litigious and societal blame culture.

## THE PSD BUDGET CATEGORIES

The budget is described by income and cost type and also by functions and reported in this way for management control purposes:

- regulatory (sub-divided into registration areas such as audit and insolvency).
- member discipline.
- contracts and products.

## THE PSD FINANCIALS

**There are four main income and cost areas:**

- income generated from regulatory registration and application fees and contract charges;
- levies on firms and individuals, to fund oversight organisations and compensation scheme arrangements;
- operating costs; and
- overheads including property, utilities and shared systems and processes.

PSD also receive fines and associated recovery of costs incurred.

The following year's draft budget is produced for the June ICAEW Regulatory Board (IRB) meeting. The budget sets out the principles related to income generation and underpins any fee and/or levy increase proposals for the IRB to review, change where applicable, and approve.

The department operates with a strong sense of, and commitment to, financial stewardship, the self-financing model and budget targets.

We understand that we operate in a competitive environment and that regulatory fees are a cost of operation for registered firms, individuals and, therefore, for their customers.

## 2021 FINANCIAL RESULTS

The regulatory areas met the self-financing target and, along with exceptional regulatory fines and cost reductions (related to COVID-19 imposed limitations), generated a surplus.

As anticipated, volumes of firms registered for audit and investment business, and individuals in the Practice Assurance scheme fell, but not by as much as estimated. New registrations were

higher than estimated. These elements played a part in exceeding the self-financing target. The longer-term financial strategy and operating model take these market pressures and changes into account.

The cost base is considered to be well managed. Operating costs are largely made up of staff who are actively responding and meeting statutory and regulatory requirements.

Oversight body activity, and therefore operating costs, has increased at the Financial Reporting Council, and levies on audit firms are rising accordingly.

While poorly behaving ICAEW members remain a small minority, the number of new matters remains high, close to 1,000 which is in line with the volumes seen in 2020.

## 2022-2024

Financial planning reflects a busy and ambitious department. There are risks, such as those related to COVID-19 and the cost of conduct investigations, but also opportunities, including the potential for new areas of regulation, contract work with fellow regulators and other bodies and those afforded by educational training films.

2022 regulatory fee increases recognise pressure of general cost and wage inflation, the challenges faced by smaller firms and the cost of regulation, and an ongoing commitment to cost reduction through continuous improvement, new systems and processes and virtual ways of working.

The 2022 budget and income and cost projections for 2023 and 2024 are considered pragmatic, particularly considering the economic damage due to COVID-19.

Risks to achieving our financial strategy and mitigating actions have been put in place to secure appropriate future income to be able to discharge PSD's regulatory duties. Progress and change will be monitored regularly.

Financial plans, including project proposals and business cases, will be reviewed by the IRB.

A 2023 budget and fee proposal will be presented for review and approval mid-2022.

# OUTLOOK

We are hopeful that, by the end of 2022, we will have launched our new disciplinary framework and a revised CPD policy. A lot of work will need to be carried out in the second half of 2022 to ensure that these significant changes are communicated to members and firms who will be subject to the new provisions.

We will also continue to engage with the Department for Business, Energy & Industrial Strategy (BEIS), HM Treasury and the Insolvency Service in relation to actual and potential proposals to change ICAEW's regulatory role to position ICAEW, and the work of the ICAEW Regulatory Board (IRB) and the Professional Standards Department (PSD), as being part of the solution to improving regulatory frameworks.

In addition to this work, IRB/PSD will also focus on the following matters:

- Considering, and responding to, feedback statements issued in respect of current regulatory consultations;
- Commenting on, and responding to, HMT's review on the effectiveness of the current Money Laundering Regulations and the robustness of the current AML supervisory regime (expected to be published in June 2022);
- Instilling an understanding of the need for good leadership within accountancy firms to support the economy and themselves and their teams;
- Issuing guidance notes to the committees and tribunals on aspects of the Investigation and Disciplinary Regulations;
- Creating a new standalone regulatory website for all aspects of our regulatory and conduct work;
- Considering if further changes should be made to ICAEW's regulatory processes to reduce the time between initial order and final appeal or to insert more safeguards for the public during the appeal process;
- Reviewing the current Guidance on Sanctions [icaew.com/sanctions](https://www.icaew.com/sanctions), including a comparative study of sanctions imposed by other accountancy bodies and by regulators in relation to other professional service providers;
- Continuing an initiative to try to obtain better visibility on the movement of audits between firms and greater proactivity by the Quality Assurance Department/ Audit Registration Committee to ensure audit-registered firms have the right resourcing and expertise to take on large, specialist audits.
- Considering whether reforms should be made to the current Professional Indemnity Insurance Regulations.
- Starting new, and continuing existing, initiatives to increase knowledge and awareness with government and with media commentators about the robustness and degree of oversight of ICAEW's regulatory and disciplinary work.

## **Philip Nicol-Gent**

Chair, ICAEW Regulatory Board

## **Duncan Wiggetts**

Chief Officer, ICAEW Professional Standards Department

# APPENDICES

- Appendix 1: IRB members in 2021.
- Appendix 2: IRB meetings in 2021.
- Appendix 3: Use of delegated powers by the IRB in 2021.
- Appendix 4: Professional Standards Department senior management team.
- Appendix 5: Oversight structure: the ICAEW Regulatory Board and oversight regulators.
- Appendix 6: ICAEW's regulatory and supervisory roles.

## APPENDIX 1: IRB MEMBERS IN 2021

Please see [icaew.com/irb](https://www.icaew.com/irb) for further details about the IRB and its members.

Name	Status	Number of meetings attended during 2021
Michael Caplan (Chair until 31 October 2021) **	Lay	6/6
Jenny Watson (Chair from 1 November 2021 until 31 December 2021)	Lay	1/1
Philip Nicol-Gent (Chair from 1 January 2022 and Vice Chair until 31 December 2021) **	Lay	7/7
Steve Barrow (Alternate Chair until 31 October 2021*)	Lay	7/7
Ann Wright **	Lay	7/7
Anthony Pygram (Alternate Chair from 1 January 2022)	Lay	7/7
Parjinder Basra	Lay	7/7
Asif Patel	Non lay	7/7
Jane Titley	Non lay	6/7
Jonathan Williams**	Non lay	7/7
Michael Sufrin	Non lay	7/7
Andrew Goldsworthy	Non lay	7/7
Thomas Palm	Non lay	7/7

\* Alternate chair for legal services matters not required between 1 November - 31 December as Jenny Watson was lay for legal services.

\*\* Not lay for legal services matters.

## APPENDIX 2: IRB MEETINGS IN 2021

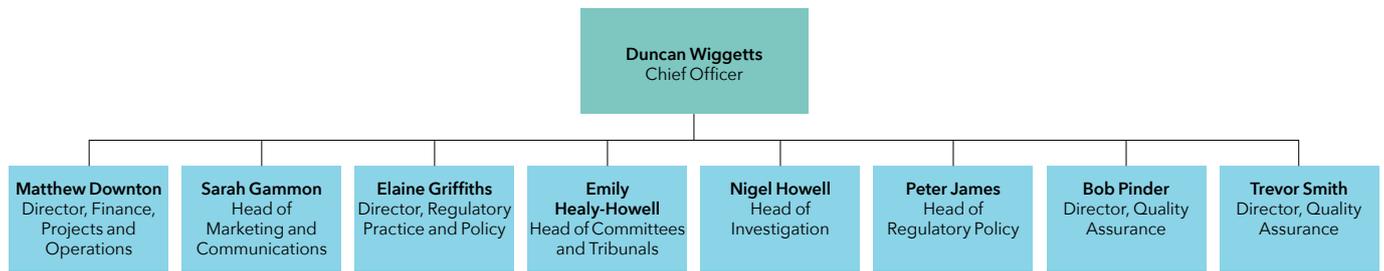
Tuesday 2 February
Thursday 8 April
Thursday 10 June
Tuesday 10 August
Tuesday 14 September
Thursday 14 October
Thursday 9 December

Additionally, the IRB met on Monday 11 October for an IRB Strategy Day.

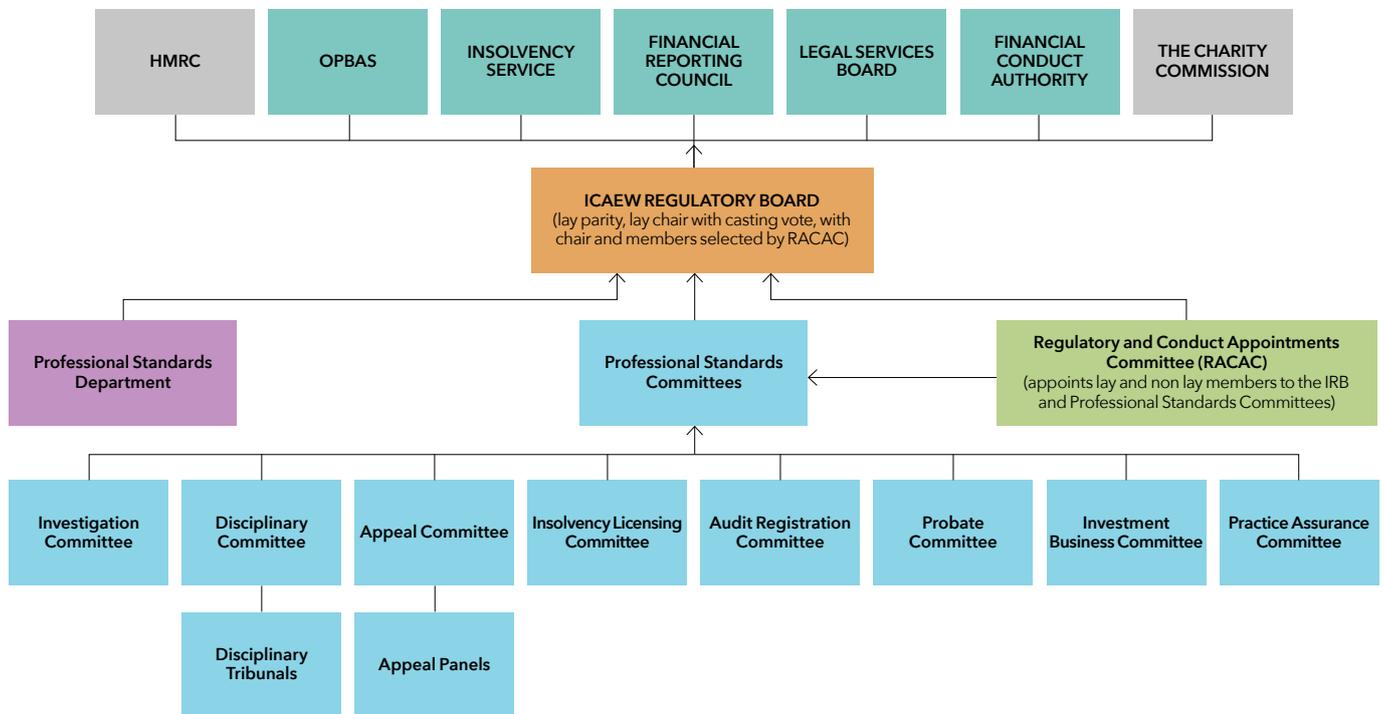
## APPENDIX 3: USE OF DELEGATED POWERS BY THE IRB IN 2021

Date of meeting	Decision	Paragraph in the IRB's terms of reference
2 February 2021	Disciplinary framework changes - supplemental charter change, principal bye law change, agreement to consult probate firms	12(g), 12(i) 12(u)
2 February 2021	Creation of a risk sub-group	12(a)
2 February 2021	Policy decision on the chairing of disciplinary tribunals	12(b)
2 February 2021	Quality assurance plan for the Professional Standards committees	12(e), 25
8 April 2021	Agreement to the submission of a response by the IRB to the BEIS consultation - Restoring Trust in Audit and Corporate Governance	12(a)
8 April 2021	Relationship with the LSB - next steps	12(s), 12(t)
8 April 2021	Changes to the Assigned Risks Pool and to the minimum approved wording	12(j)
10 June 2021	Finalised the IRB response to the BEIS consultation - Restoring Trust in Audit and Corporate Governance	12(a)
10 June 2021	Agreed the level of regulatory fees for 2021	12(h)
10 June 2021	Established an audit intelligence function and related matters	12(c)
10 June 2021	Governance arrangements for the oversight of regulatory and disciplinary work	12(a)
10 June 2021	Pricing and service transparency - changes to the Probate Regulations	12(v)
10 June 2021	Approach to transparency, engagement and consultation	12(a)
10 August 2021	Amendments to the CACS Regulations	12(f)
10 August 2021	Governance arrangements for the oversight of regulatory and disciplinary work	12(a)
14 October 2021	Agreed legal services regulatory change applications	12(t)
14 October 2021	Agreed approach to the insurance arrangements for the Probate Compensation Fund	12(v)
14 October 2021	Amended the quality assurance plan for the Professional Standards committees	12(e), 25
9 December 2021	Approved Investigation & Disciplinary Regulations (IDRs) for public consultation	12(i)
9 December 2021	Approved policy changes in relation to regulatory appeals	12(i)

APPENDIX 4: PROFESSIONAL STANDARDS DEPARTMENT SENIOR MANAGEMENT TEAM



APPENDIX 5: OVERSIGHT STRUCTURE: THE ICAEW REGULATORY BOARD (IRB) AND OVERSIGHT REGULATORS



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

## APPENDIX 6: ICAEW'S REGULATORY AND SUPERVISORY ROLES

### Our role as an audit regulator

We continue to be the largest single regulator of audit work in the UK. Under delegated responsibility from the Financial Reporting Council (FRC), we monitor the audits of companies which are not categorised as Public Interest Entities (PIEs) and that are carried out by the 2,458 ICAEW-audit registered firms. The results of monitoring visits to the largest firms are included in the FRC's annual quality review.

Auditors' already critical role in underpinning confidence in financial reporting by companies has been heightened by the significant additional risks presented by the COVID-19 pandemic. For its part, ICAEW met the challenges facing audit regulators in continuing to monitor the quality of audit work undertaken during the pandemic with QAD conducting 538 reviews in the 15-month period to 31 March 2021. While further improvement is needed in some areas, QAD saw many examples of robust, challenging audit work. The 2020/2021 Audit Monitoring Report provides further details of this work. [icaew.com/auditguidance](https://www.icaew.com/auditguidance)

### Our role as an insolvency regulator

ICAEW continues to be the largest insolvency regulator in the UK. By the end of 2021, ICAEW had licensed 844 insolvency practitioners out of a total population of 1,550. This is the highest number ICAEW has ever licensed.

In a challenging year, our insolvency monitoring team achieved their statutory monitoring review target and facilitated and delivered nine webinars during the year to over 2,600 delegates on a wide variety of topics, including AML, pre-pack reforms, valuations, and legal and compliance updates. [icaew.com/insolvency](https://www.icaew.com/insolvency)

### Our role as a regulator of probate

To develop and advance ICAEW's consumer engagement strategy and to address the concerns and recommendations outlined in the report issued by the Competition and Markets Authority in 2016, ICAEW opted for a voluntary approach to improving the provision of price and service information to consumers. During 2021, we continued with a series of initiatives to encourage improvements in transparency disclosures by its probate accredited firms. This included a training webinar [Transparency - what you need to know](#) and a dedicated [Price and Service Transparency](#) web page, both of which were promoted in *Probate News*. While the IRB noted improvements in disclosures around price and service provision, it concluded that the extent of engagement was not sufficient. Consequently, it recommended mandating transparency measures through the introduction of regulation. ICAEW consulted on the recommendation of the IRB during August 2021, collated the feedback and made an application to the Legal Services Board (LSB) to approve the amendments to the Probate Regulations. These changes came into effect on 1 February 2022. [icaew.com/probate](https://www.icaew.com/probate)

### Our role as an anti-money laundering (AML) supervisor

The AML project board, led by representatives of the IRB, challenged PSD to improve the understanding of AML risk within its supervised population and to convert its conclusions into risk alerts for ICAEW firms, so they are better informed on how to identify and report potential risks. These risk bulletins which highlighted 15 individual risk alerts have been emailed to all AML supervised firms quarterly and will continue in 2022. The alerts contain information and red flags to inform the firm's training plan and any changes to the firm's risk assessment procedures.

[icaew.com/amlsupervisor](https://www.icaew.com/amlsupervisor)

The HM Treasury [National Risk Assessment \(NRA\)](#) highlighted that trust and company services providers (TCSPs) are at a higher risk of being used by criminals to facilitate money laundering. Almost 7,000 of our supervised firms offer trust and company services to clients. We undertook a thematic review to assess the nature of the TCSP services offered by the firms we supervise and to explore the risk that these services may be used to facilitate money laundering. If, as an anti-money laundering supervisor, we understand the underlying risk factors within our community we can educate our firms to identify, mitigate and possibly avoid such risks where they exist. The results of our thematic review are available to view at [icaew.com/TCSPReview](https://www.icaew.com/TCSPReview) and the findings have been shared with HM Treasury so that they can be considered as part of the next NRA.

#### **Designated Professional Body**

ICAEW is a Designated Professional Body (DPB) under the Financial Services and Markets Act 2000 and licenses 1,846 firms to undertake investment business activity which is appropriate to professional practice. During 2021, we reissued our *Traffic Light Guide to Investment Business Activity* which helps firms identify those activities which fall within the scope of the licence and those which require direct authorisation from the Financial Conduct Authority. We continue to provide practical guidance to licensed firms on compliance, including training in conjunction with ICAEW's Personal Financial Planning community. ICAEW's DPB status also permits us to provide oversight arrangements for firms wishing to provide credit related regulated activities as part of a professional service.

[icaew.com/DPB](https://www.icaew.com/DPB)

## ICAEW's regulatory and conduct roles

Our role as an improvement regulator is to strengthen trust in ICAEW Chartered Accountants and firms. We do this by enabling, evaluating and enforcing the highest standards in the profession.

ICAEW's regulatory and conduct roles are separated from ICAEW's other activities so that we can monitor, support or take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department (PSD) and overseen by the ICAEW Regulatory Board (IRB).

Our role is to:

- authorise ICAEW firms, members and affiliates to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- support the highest professional standards in general accountancy practice through our Practice Assurance scheme;
- provide robust anti-money laundering supervision and monitoring;
- monitor ICAEW firms and insolvency practitioners to ensure they operate correctly and to the highest standards;
- investigate complaints and hold ICAEW firms and members to account where they fall short of standards;
- respond and comment on proposed changes to the law and regulation; and
- educate through guidance and advice to help stakeholders comply with laws, regulations and professional standards.

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Chartered accountants are talented, ethical and committed professionals. There are more than 1.8m chartered accountants and students in the world, and more than 195,300 of them are members and students of ICAEW. All of the top 100 global brands employ chartered accountants.\*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor over 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

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\* Source: CAW, 2020 - Interbrand, Best Global Brands 2019

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