



PSD Chief Officer Update

STATUS

1. Some parts of report and all attachments confidential (marked in blue) / some parts open
2. For information

AUDIT

FRC inspection 2022/2023 closing meeting

3. I attended the closing meeting for the 2022/2023 inspection at the FRC on 21 June with Parjinder joining by video and Jonathan Jones present representing Education & Training for the E&T part of the report (Michael Izza was ill) and the FRC team was led by Dawn Dickson and Helen Henshaw. [REDACTED] Parjinder was also able to update the FRC team on the soon-to-be-published Regulatory & Conduct strategic objectives.
4. [REDACTED]
5. [REDACTED]
6. [REDACTED]
7. [REDACTED]

Audit Regulations' consultation

8. The consultation has been drafted and is set for publication on 1 September with an 8 week consultation period. The consultation will cover policy changes relating to compulsory alternates for sole practice auditors, sanctioning power for committees for individual RIs, and some changes relating to CPD. The results of this consultation will be available for review by the IRB at its November meeting.

FRC 2023/2024 inspection information request

9. We have also had the annual request for pre-visit information from the FRC in relation to the RSB and RQB inspections. A number of the information requests are more detailed and broader than in previous years. For example, the FRC has asked for copies of full IRB agenda bundles (unredacted) and full minutes for 2023 year-to-date and ongoing and Council minutes for 2023 and ongoing thereafter. [REDACTED]

Joint Audit Register

10. Work has been progressing on the project for ICAEW to become the host of the joint audit register (i.e. the register that shows all firms and individuals registered by any of the four RSBs). The register is currently hosted by ICAS but we agreed with the FRC at the start of 2022 to take over hosting responsibilities in late 2023/early 2024. Work has had to be done to re-write some of the JAR code and the changes are being tested. Some web-page designs have been shared with the RPP team that are a clear improvement on the current look and feel of the online register and some enhancements will be made to the search and display functions to boost the overall user experience. We believe that we are now on track to take over the JAR and have it run on our systems in late Q3 or early Q4 this year [REDACTED] Matthew Downton has led this project and the FRC team expressed happiness with progress.

Crown Dependencies

11. The annual meeting between FRC, ICAEW and the three Crown Dependency regulators from the Isle of Man, Jersey and Guernsey took place virtually on 22 June 2023. The agenda covered a review of recent inspection activity by FRC and QAD over those firms auditing Market Traded Companies (i.e. entities incorporated in one of the three Crown Dependencies that has transferable securities admitted to trading on a regulated market in the EU) as well as updates from the CD regulators on potential changes to their regulations around mandatory rotation of auditors and extension of the FRC Auditor Enforcement Procedure to the CD regime.

12. [REDACTED]

13. [REDACTED]

INSOLVENCY

[REDACTED]

Feedback statement

14. [REDACTED]

15. [REDACTED]

14. [REDACTED]

15. [REDACTED]

16. [REDACTED]

17. [REDACTED]

Insolvency & restructuring annual conference

18. The virtual ICAEW Restructuring and Insolvency conference took place over two mornings on 27 and 28 June including Dean Beale as one of the speakers. It was attended by 180 IPs and the feedback has been very positive *'Great range of issues covered with excellent insight on topical matters. Well worth attending'*.

LEGAL SERVICES

19. Elaine and Sophie have recently had an introductory meeting with Richard Orpin, the new LSB Director of Policy who has come in to replace Chris Nichols. The meeting went well, and forthcoming consultations and areas of policy focus were discussed from both sides. A rule change application relating to the new CPD Regulations is being drafted for LSB review and approval. ICAEW representatives have also met with the LSB about their project to develop a Regulatory Information Service which could involve a single register of all legal service providers. ICAEW has said that consumer research will be required to understand what would be required to address consumer needs in this area.

20. Initial scoping discussions have also taken place about ICAEW's participation in a research project with other legal service regulators to explore the issue of digital exclusion in the provision of legal services.

21. Work continues on the biennial collection and reporting of diversity data from probate firms. Now that the 2023 data has been collected, the summary report of the findings is being drafted by the research agency OMB. A draft report is expected for review later in July and will be shared with the IRB Legal Services Sub-Group for information. As in previous years, the intention would be to include a foreword to the report from the chair of the LSSG. Staff will be in touch to arrange this in due course.

22. [REDACTED]

AML

23. HMT launched a consultation on the future of AML supervision earlier than expected on 30 June with a three-month window for consultation responses. [REDACTED]

24. [REDACTED] the consultation is as expected (and can be accessed here: [Reforming anti-money laundering and counter-terrorism financing supervision - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/reforming-anti-money-laundering-and-counter-terrorism-financing-supervision)) in that it sets out the four options which have been relayed to IRB members along the way and which were outlined in HMT's report in June 2022:

a) Option 1: OPBAS+

This provides for all 22 Professional Body Supervisors (PBSs) to continue as supervisors but with OPBAS provided with more powers.

b) Option 2: Consolidating PBSs

This is the proposal to condense the number of PBSs from 22 to 2-6 PBSs depending on whether there would be the need for separate legal and accountancy consolidators in the

devolved administrations.

c) Option 3: Statutory Supervisor of AML for legal and accountancy

This would be a public or government body which would have responsibility for supervising all accountancy and law firms' compliance with AML regulations.

d) Option 4: Single AML Regulator

This would be a new body created to supervise all AML activity in the UK not just professional services but all banks and financial services' firms.

25. Michelle has already been in contact with the members of the AML Project Board and will be asking them for their input on the questions asked in the consultation before working with me and Sophie on a first draft response to be created and sent to AML Project Board members by mid-August with a view to obtaining feedback from the AML Project Board during the first week of September and producing a second final or near-final draft for review by the IRB at its 20 September meeting ahead of the deadline for submission of 30 September. This provides an opportunity for the response to be amended before final submission based on the IRB's feedback.

26. [REDACTED]

TAX

27. The debate about raising standards in tax work and potential regulation of the tax profession has gathered pace and there is ongoing engagement with HMRC officials about the topic. Sophie has attended a roundtable debate with HMRC [REDACTED] Sophie will also be meeting with Jim Harra, Chief Executive of HMRC, on 2 August 2023 to present on why the Professional Conduct in Relation to Taxation (as revised in 2017) is still fit for purpose and to discuss ICAEW's views on regulation of the tax profession.

PSD OPERATIONAL UPDATE

The Conduct Department

31. [REDACTED]

32. [REDACTED]

33. In the 6 months to June 2023, the Conduct Department have closed 292 cases without reference to the Conduct Committee, passed 108 reports to the Committee team for consideration, issued 14 fixed penalty orders and referred 2 serious conviction cases direct to the Tribunals Committee under the fast-track process.

Quality Assurance (QAD)

Update on visits

34. As at the end of June QAD had undertaken 1,322 reviews across all regulatory areas representing 58.7% of the internal review target of 2,254 reviews. Looking forward, the team are largely 'scheduled out' until the end of October and if all scheduled/proposed reviews take place as planned this will take the team to 1,939 reviews (86% of target). Both visit completion KPI metrics (85% of reviews completed within 25 days of receipt of a firm's response and 70% of reviews completed within 60 days from start to finish) are being met at 85.4% and 73% respectively. In addition, the team has undertaken 184 reviews for its 3rd party clients of which 141 were for AAT.

35. The results of QAD's 2022 audit reviews of the largest accountancy firms were recently published as part of the FRC's Tier1 firms Overview Audit Quality Inspection and Supervision report with further individual firm details contained within FRC's individual firm inspection reports. 95% of audits reviewed by QAD were graded good or generally acceptable. FRC rated 77% of audits at the top 7 firms as good or only requiring limited improvements.'

QAD Conference

36. The second QAD residential training conference took place in Milton Keynes on 14 and 15 June. This coincided with a PSD awayday for the entire department on 13 June. The QAD conference covered technical updates on audit and insolvency as well as sessions covering CPD, systems training and an update from the National Crime Agency.

Regulatory Practice & Policy (RPP)

Private equity investment

37. The audit and probate teams in RPP have been very busy recently dealing with enquiries and applications where firms restructure following external investment. A number of these firms make announcements about successful investment, noting in the small print that it is 'subject to

regulatory approval'. We are always keen for these firms to engage with us early in order for us to review the necessary paperwork in good time for any preferred approval date. We are looking at ways to remind firms of this, including on webpages and in R&C News. Some of the more recent/high-profile cases contacted us c. 6 months in advance, which makes a significant difference to how smoothly the review/assessment goes compared to those firms who approach us late (or after the event). We currently have at least three cases we are working on that involve external investment.

38. [REDACTED]

39. [REDACTED]

40. [REDACTED] Sophie has now managed to recruit a regulatory policy manager to support her with her work who will start at the end of July and has good previous regulatory experience.

OTHER UPDATES

Senior personnel changes at ICAEW

41. Since the last IRB meeting, ICAEW has announced that:

- a) David Franklin, the Managing Director, Belonging & Supporting who had been acting CFO, has been appointed as the new permanent CFO. [REDACTED]
- b) Will Holt has been appointed as Managing Director, Education & Training to replace Hazel Garvey who retired on 30 June 2023. Will used to work in E&T from 2010-2013 and has gained great experience working in other educational providers since.

42. [REDACTED]

43. [REDACTED]

44. [REDACTED]

45. [REDACTED]

46. [REDACTED]

CPD

47. There is significant ongoing work in relation to the revised CPD regulations. Regulatory Policy staff are working closely with the Belonging & Supporting Department on member support and resources, and are providing answers to detailed policy queries received by the technical advisory helpline. PSD staff will be presenting a webinar for firms in September that outlines their main responsibilities and covers hot topics such as what would constitute verifiable CPD.

48. [REDACTED]

49. [REDACTED]

PSD Away Day

50. This was held in Milton Keynes on 13 June 2023 to coincide with the second QAD conference of the year so that we had the opportunity of bringing the whole department together for only the second time post-pandemic. After opening updates/presentations from me, Parjinder and Wendy Drewett (PSD Employee Engagement Forum rep), staff had lunch and were put into teams by an external events company which ran an interactive 'treasure hunt' around Milton Keynes. This was followed by all staff being entertained by the traditional QAD quiz and there were drinks and food in the evening for those who wanted to stay. We have had very positive feedback and the good weather really helped with the success of the treasure hunt.

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| Author | Duncan Wiggetts, PSD Chief Officer |
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