



# ***PSD Chief Officer Update***

## **STATUS**

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

## **NEW DISCIPLINARY FRAMEWORK**

3. I have decided to start unusually in this report, not with the first of the regulatory updates but with the news that the Privy Council has finally agreed, at its meeting on 15 February, to approve all of the Charter, PBL and DBL changes which were approved by members in general meeting in June 2022.
4. Shortly before the meeting, we were asked to specify a definite date for the new DBLs to come into effect and decided that this date should be 1 June 2023 so that we had enough time to carry out the necessary training and communications. The first article announcing the date for introduction of the framework and discussing some of the changes was carried in this month's Regulatory & Conduct news.
5. The changes will also require the introduction on the same day of the new process for regulatory appeals – the Regulatory Review and Appeals Regulations (which are mentioned in another paper on this agenda), together with the revamped Readmission, Re-registration and Appeal Regulations, the Fitness to Practise Regulations and the FTP Committee: Provisional Membership Application and Appeal Regulations. In addition, minor consequential changes will need to be made to a lot of other regulations and Emily has covered this in a separate paper for this meeting.
6. But it is good news and the end of what has become a 3 year project! The initial first draft of the cut down DBLs was produced by Claire Phillips and I during the Summer of 2020.
7. [REDACTED]
8. [REDACTED]

## **AUDIT**

### RSB draft inspection report for 2022

9. We were provided on 10 March with a copy of the first draft of the FRC inspection report for 2022 which is attached as **Appendix 1** to this report. The report has taken a different form this year as a combined report on ICAEW for its RQB and RSB activities and follows the

accountant lifecycle from student to member to firm. The report has been shared with Education & Training colleagues so that they can feedback on their sections. We have been asked for a response by 6 April.

10. [REDACTED]

#### RSB inspection for 2023

11. The FRC has decided to change its methodology for inspection of RPP from this year to mirror the methodology already followed in its review of our monitoring and enforcement work. This means a change to quarterly meetings throughout the year tracking the progress of applications rather than taking a 'one moment in time' assessment approach. Following that methodology, RPP has had its first 2023 meeting with the FRC Oversight team. Elaine tells me that there was nothing significant to report arising out of that meeting with the main focus being the increase in the number of accountancy firms seeking external PE funding and queries regarding our service levels as a result of the workarounds in place to use the new D365 system in conjunction with PRO.

12. [REDACTED]

#### Submissions to the FRC

13. In February, Sophie submitted the Annual Returns to the FRC in respect of Local Audit and our RSB function and we have received already some queries which Sophie is addressing with help from colleagues. Sophie also submitted ICAEW's 2023 Regulatory Plan which provides detail on the operation of our monitoring work and areas of policy focus across PSD. For consistency, we provided much of the highlights and forward-looking content from the R&C 2023 Annual Report. Sophie will discuss with the FRC what is useful to them in the Regulatory Plan before the submission next year as we are not convinced that they are interested in everything which we include (the plan has added lots of things added into it over the years).

#### FRC's review of new CPD policy

14. Trevor and Sophie met with the FRC PCD team during February to run through with them the significant changes which are being made to our CPD requirements. This was requested by Dawn Dickson. The feedback from that meeting was that, while the FRC wanted to go away and examine the detail, the team there was positive about the changes which were being made.

#### Joint Audit Register

15. Matthew and Elaine have been holding more meetings with ICAS, the FRC and, internally, with IT colleagues regarding the transfer of the JAR from ICAS to ICAEW which we had undertaken to be involved in during the second half of 2023. [REDACTED] Matthew and the IT team have looked at the most recent version and believe it is an improvement on the existing version and have created a test environment to test it properly. If this works, when the switch is made, a decision is likely to be made to launch the improved version. [REDACTED]

## Audit Regulations

16. A consultation has been drafted detailing the proposed changes to the Audit Regulations in relation to mandatory alternates for sole practitioners, sanctioning of RIs and CPD requirements, all of which were deferred from the December 2022 update. Given the desire not to make too many changes to Audit Regulations too quickly and the separate paper before the IRB proposing further changes to the operation of the regulatory committees, including the Audit Registration Committee, the consultation has been delayed in case it needs to be widened further.

## **INSOLVENCY**

17. [REDACTED]
18. [REDACTED]
19. [REDACTED]
20. [REDACTED]

## Insolvency Service Board presentation – 28 February

21. Before getting to the board meeting in Birmingham, I should mention that Bob and I had a further meeting with the Insolvency Service policy team on 13 February [REDACTED]
22. The discussion with the Policy team helped shape the final contents of the slides which Bob and I produced for the presentation to the IS Board. The slides we used can be found at **Appendix 2** to this paper and would intend with Bob to provide an update on that presentation and reaction during my update when Bob joins the meeting. Suffice to say that we think it was worth doing and that we believe we made a positive impact but...

## Ministerial movements

23. Since the last IRB meeting, the new Prime Minister has made a number of changes including a change to BEIS which has now been split between Energy and Business & Trade. The new BAT secretary of state is the Rt Hon Kemi Badenoch MP. Lord Callanan who was previously in charge of audit and insolvency regulation has moved to the new Department of Energy and four ministers have been appointed to BAT including Kevin Hollinrake MP and, while there has been no announcement of specific responsibilities, it is believed that Mr Hollinrake will take over from Lord Callanan. [REDACTED]
24. We understand that there is now some pressure on the Minister and the Service to issue a Feedback Statement on the consultation given that it will be over 12 months since the consultation closed by the date of the next IRB meeting. [REDACTED]

## Insolvency & restructuring annual conference

25. The 2023 ICAEW insolvency and restructuring conference has been announced to be taking place on 28/29 June 2023. Keynote speakers include Dean Beale, the Insolvency Service CEO. Bob is leading the organisation of this event which has been very popular with hundreds of online attendees in recent years.

## **LEGAL SERVICES**

### New LSB Chair

26. The new LSB Chair has been confirmed as Alan Kershaw. He will succeed Helen Phillips when her current term ends on 31 March 2023. Mr Kershaw already has considerable knowledge of the legal services sector as he is currently holding positions on the IP Regulatory Board and the CILEX Regulation Board (both positions he will be giving up before 1 April). Further details can be found in the following Law Society Gazette article about the new announcement: [Regulation expert to take helm of regulators' regulator | News | Law Gazette](#)

27. Anthony Pygram and I had a final 'sign-off' meeting with Helen and the LSB CEO, Matthew Hill, on 13 February. Helen was complimentary about the change in the nature of the relationship over the past 12-18 months with ICAEW and indicated that she thought that ICAEW was playing an important part within the legal regulators' community with its various pioneering initiatives such as the CPD changes and the use of drama films to improve learning. Anthony and I updated Helen on the progress with the introduction of the disciplinary framework, the progress in making changes to our CPD policy [REDACTED]

### Future regulatory performance assessments

28. The outgoing Chair has written to the IRB Chair in relation to the assurance mapping of the new Regulatory Performance Assessment framework. ICAEW was partially assessed under the new framework for the most recent performance assessment. The LSB has suggested that Boards might wish to consider creating a framework under which they can identify for themselves how they will gain assurance on how the three standards and 20 characteristics of the new regulatory performance framework are met. Sophie and Elaine have discussed this with our LSB relationship manager who has indicated that the LSB will not be prescribing a format to be used and that there will be further communications on this.

### Ongoing Competence Initiative

29. Since the last IRB meeting, Sophie has submitted our response to the LSB Ongoing Competence request for progress update. This was produced with input from the Legal Service Sub-group and detailed our proposed new CPD regime as well as the extensive work that is already done by QAD in ensuring ongoing competence of our regulated population. We expect to receive feedback on our submission during April.

### EDI questionnaire

30. The LSB has issued an EDI questionnaire asking about ICAEW's strategy in relation to EDI and the data we collect from our population of probate accredited firms. We will be providing a response to the questionnaire prior to the deadline on 14 April.

## **AML**

31. An update on AML activity including the 2022 inspection results is set out in a separate paper before the IRB at this meeting.

## PSD OPERATIONAL UPDATE

### Professional Conduct (PCD)

#### Figures for new complaints in 2023

32. [REDACTED]

33. [REDACTED]

34. [REDACTED]

#### Resourcing

35. With the addition of a new specialist tax investigator in March, PCD has finally reached the +4 increase in case managers which was approved by the ICAEW Board after a presentation by me and Michael Caplan in October 2020. While we have recruited more than 4 additional managers within that time period, additions have, up to now, been offset by departures.

36. [REDACTED]

37. [REDACTED]

#### Delegated powers' review

38. Four members of the Investigation Committee have been selected to visit Met House in April to carry out the annual delegated powers' review. This is the largest number of members sent for a review and we will be providing them with a full list of cases which were closed without reference.

#### PUSH training

39. PCD staff have now attended all of the health wellbeing sessions organised for them by PUSH and feedback is being obtained on the usefulness of the sessions. This is likely to be mixed as some sessions appear to have been much more relevant and helpful than others. This will help in the planning of future sessions. In the meantime, the RPP team will now be attending some sessions with PUSH.

### Quality Assurance (QAD)

#### Update on Q1 visit totals

40. Bob and Trevor have briefed me this week on their expectation that QAD will have completed 628 reviews by the end of Q1 based on completed visits and schedules between now and 31 March. This compares with 623 reviews completed by the same date in 2022 and represents 28% of the 2023 internal review target. In addition, by the end of Q1, QAD will have completed a further 133 reviews for QAD's third party clients (of which 110 have been carried out for AAT).

41. [REDACTED]

42. [REDACTED]

43. [REDACTED]

44. [REDACTED]

45. [REDACTED]

46. [REDACTED]

#### QAD conference

47. On 23-25 January, QAD held its first conference of the year with technical sessions covering PA, AML, DPB, audit, insolvency and probate. There was also a presentation from the FRC Oversight team on what they will for in their inspections and want to see in place in QAD files.

### **Regulatory Practice & Policy (RPP)**

#### Senior appointments within RPP

48. As a final part of the restructuring of RPP post the merger of the Practice and Policy teams, we confirmed at the start of March that Helena Murray would be promoted to a new role – Head of Regulatory Practice – and take over line management responsibility for a whole team which will help alleviate the responsibilities which fall on Elaine. Helena moved from PCD into RPP 18 months ago [REDACTED] In addition to Helena's promotion, we have also promoted another longstanding member of staff, Suzy Patmore from Case Manager to Senior Case Manager and provided her with more responsibility in relation to the running of the PA Scheme.

49. With these promotions, the earlier appointment of Sophie Wales to head up the policy part of the team, the restructuring process is now complete.

50. [REDACTED]

51. [REDACTED]

### **OTHER UPDATES**

52. [REDACTED]

53. [REDACTED]

54. [REDACTED]

55. [REDACTED]

### Significant management / personnel changes at ICAEW

56. Hazel Garvey, the current Managing Director, Education & Training, has indicated her intention to retire and will leave ICAEW on 30 June. Steps are being taken to find a replacement after a re-shaping of the role [redacted]
57. Derek Blair, the current Chair of Council, has been elected as the next Vice President of ICAEW and will be sworn into his new role in June. This has precipitated the current election process for a new Chair of Council.

### PII Review Update

58. The project to review the PII Regulations which is being supervised by the PII Committee continues to gain momentum. We have agreed a twin-track approach to the Call for Evidence; we will issue a short online questionnaire to all of our firms to seek their views and experiences of the current PII regime and we will also hold meetings with a select group of firms, insurers, brokers and other key parties to explore in more detail certain aspects of the current PII Regulations and where improvements/clarifications could be made. To enable productive and immediate feedback at these meetings, we have issued a pre-reading pack explaining the background to the review and highlighting the particular areas we will be asking about so that the firms ensure that they have the right people present or consult internally first. Meetings are currently being arranged for April and May.
59. The intention is for the IRB to receive a paper in July reporting on the issues arising out of the call for evidence and suggestions for changes with a view to an agreement being reached on potential changes so that these can be consulted on during the Autumn. This will then keep us on track for introducing revised PII regulations prior to contracts being entered into with insurers in Spring 2024.

60. [REDACTED]

61. [REDACTED]

62. [REDACTED]

63. [REDACTED]

### PSD Management Away Day at Horwood House

64. I decided at the start of this year that we would hold the first ever PSD management away day this year after seeing other departments doing the same and being able to focus minds on topics which cannot be properly discussed during our weekly calls.
65. In the end, I extended the invitations beyond the 10 of us on the PSD SMT to the next 14 people who I refer to as the 'outer ring' beyond the PSD SMT consisting of senior managers from across the department. In the end 22 of the 24 invitees were able to make it along. The PSD SMT members met mid-morning and we held two long sessions in late morning and early



afternoon discussing the R&C Strategic Objectives, [REDACTED] and other possible prospects for extending the ambit of PSD [REDACTED] and for doing more outsourcing work.

66. Those in the outer ring or SMT2 as that group was referred to on the day were asked to be at the hotel immediately after lunch and were asked to work on a Risks and Opportunities project together during the afternoon. This was with a view to putting on two presentations to the PSD SMT members together with Michael Izza and Parjinder Basra who were our guests. The presentations were very impressive and when the questions stopped, this gave way to Michael and Parjinder talking about the risks and opportunities for ICAEW and PSD as they saw them.

67. [REDACTED]

68. Bob and Trevor took advantage of their QAD senior managers being in MK and organised a QAD SMT the following morning which I joined to talk in more depth about the possibility of moving into other assurance outsourcing areas.

## ICAEW Films

### *All Too Familiar*

69. By year-end, we had tracked nearly 25,000 streams of the film which represents the tip of the iceberg for viewings as many firms have asked for downloadable versions to ensure safe (no wifi outage) broadcasting in training to large audiences. This has completely surpassed original expectations.

70. All Too Familiar was referenced in the year end published HMT report on AML but, unfortunately, only on the page relating to the work which has been carried out by HMRC as an AML supervisor!

71. Michelle Giddings took part in a high profile screening of the film in an event in Brussels at the start of March which was jointly organised between the EU Commission and IFAC. This has prompted a flurry of enquiries about the film and congratulatory emails including from a senior executive at the FATF who was on the panel of speakers. We have received, for instance, a request to allow the film to be shown at an event at the Belgian Institute in June.

72. [REDACTED]

73. [REDACTED]

74. [REDACTED]

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