



PSD Chief Officer Update

STATUS

1. Some parts confidential (highlighted in blue / some parts open)
2. For information

AUDIT

Consultation on further changes to the Audit Regulations

3. Elaine Griffiths, Sophie Wales and Peter James attended ICAEW's Members Board meeting on 15 December 2022 to present on the proposed changes to Audit Regulations, principally relating to compulsory alternates for sole practitioners.
4. The Members Board was supportive of the proposal, both for audit firms and on a wider proposal for all sole practitioners irrespective of whether audit-registered. The key observations were around the need for us to have good support in place for firms. The Chair also gave some useful input from her firm's perspective, including circumstances when the firm agrees (and doesn't agree) to act as alternate.
5. Work is now underway on preparing the consultation material (Peter James will be providing support for this through his new consultancy role).

Change to inspection process of Regulatory Practice & Policy team by the FRC

6. Elaine Griffiths has been informed at a meeting in early January that the FRC has decided now to move its review of RPP onto an ongoing, all year round basis rather than a one-off inspection. This will bring the inspection of RPP into line with how the FRC has started to evaluate PCD and QAD. The idea is to track the progress of cases throughout the year rather than to take a snapshot of what is happening at a specific time in the year.

CCAB / FRC meeting on 26 January 2023

7. The next meeting of the CEOs of the CCAB bodies (mainly the RSBs) with the FRC senior management team takes place in the afternoon of the next IRB meeting.
8. [REDACTED]
9. [REDACTED]

Joint Audit Register – meeting on 18 January

10. Elaine Griffiths and Matthew Downton attended a meeting with the FRC and ICAS to discuss the moving of the JAR from ICAS to ICAEW. Matthew can update at the meeting but our position has not changed. Unfortunately, we cannot contemplate taking over responsibility for the JAR until we have further stabilised the D365 system. There were also discussions regarding the upgrade/development work which is required for the JAR to operate more effectively.

INSOLVENCY

11. [REDACTED]
12. [REDACTED]
13. [REDACTED]
14. [REDACTED]
15. [REDACTED]

Sad news regarding Mike Jervis

16. We were informed in early January of the sad news that Mike Jervis had passed away after a long illness. Mike was a partner in PwC's restructuring and insolvency team and a good friend to, and supporter of ICAEW and, in particular, PSD and the PSD Committees. Mike's last role was as Vice-Chair of the Insolvency Licensing Committee but his assistance and input to Bob and the team went far wider than that. My last contact with him was last February when I discussed with Mike and colleagues our views on the proposals in the Insolvency Service consultation and obtained their feedback.
17. Letters of condolence have been sent by Philip, Michael and Julia Penny and a donation is being made to a nominated hospice.

LEGAL SERVICES

2022 Regulatory Performance Assessment

18. This is the subject of a separate paper by Sophie. Suffice to say that I am very pleased that all of the hard work we put into our role as a legal services regulator has been formally recognised. It was also great to see ICAEW being pointed out in certain places as an exemplar.

Ongoing Competence initiative

19. Our LSB Ongoing Competence response, which the legal services sub-group have reviewed, is being finalised for submission by the end of January, within the deadline set by the LSB.

Diversity questionnaires for probate firms

20. We are holding a webinar for probate firms on 1 February where Sophie will be talking representatives of our regulated firms through their obligations on the diversity questionnaire.

AML

OPBAS inspection

21. We have still not received any written report about our performance from OPBAS following the inspection in November. Michelle understands that the inspection team's draft report is undergoing internal quality assurance and she is still getting requests (presumably arising out of the QA process) for documents to evidence points which the report is relying on.
22. The first AML Project Board meeting of the year took place on 9 January and allowed the chance for members of the Project Board the chance to meet Matt Caren, formerly of the NCA, who joined the team in 2022 as the AML Intelligence Officer to replace Kirsten Quinn.

CHARTERED ACCOUNTANTS' COMPENSATION SCHEME

23. The last active claim on the Scheme was considered by a panel of the CACS committee on 21 December 2022 and was dismissed by the panel so there are no current claims on the Scheme.
24. The RPP case manager who has acted for many years as the Company Secretary to CACS Limited has handed over the secretariat function to the Committees & Tribunals Team (CTT) now that the latter is back up to full compliment. This is the last part of a project which was started many years ago to put a degree of separation between the case manager preparing papers for a committee or board and the person acting also as secretary to the panel. It has taken longer to move this last aspect because of the infrequency of claims, the specialist nature of these cases and the need to ensure sufficient capacity within the CTT with priority being given to other more frequently sitting committees/panels. The transfer of responsibility to CTT follows the transfer of responsibility of administering the PII Committee last year.

FRC TRANSITION TO ARGA – POTENTIAL CHANGES TO SUPERVISION

25. Michael Izza was invited to attend a meeting on 18 January at the FRC with Sarah Rapson and Dawn Dickson to learn more about some of the changes which the FRC is contemplating making to the way in which it will supervise and monitor professional bodies in 2024 when the legislation is expected to be in place to introduce ARGA.

26. [REDACTED]

PSD OPERATIONAL UPDATE

Professional Conduct (PCD)

Final figures for complaints in 2022

27. In total, PCD case managers completed 1,076 cases in 2022 split as follows:

- a) 197 cases were referred to the Investigation Committee for consideration;
- b) 44 of the 197 referred were cases where the case manager had concluded there was no potential liability to disciplinary action but this was the subject of an application by the complainant for review by the Investigation Committee. Nearly all case manager decisions were upheld.
- c) 835 cases were closed without reference to the Investigation Committee.

The number of new complaints allocated to case managers during 2022 was lower in 2022 than in 2021 [REDACTED]

So, 2022 saw the lowest number of new complaints since 2016[REDACTED]

28. There has also been a continuing impact on efficiency as a result of some of the process changes approved by the IRB prior to the revamp of the disciplinary framework:

- a) 25 fixed penalty notices were issued and accepted – this meant 25 fewer investigation reports needing to be drafted and 25 fewer cases being referred for consideration by the Investigation Committee
- b) 3 matters proceeding directly to the Disciplinary Tribunal on the new fast-track system for serious criminal complaints – this meant another 3 fewer reports to the Investigation Committee and sanctions being imposed much quicker
- c) 5 settlement orders being agreed by the PSD Chief Officer and approved by a Disciplinary Committee Chair – this avoided the staging of 5 tribunals with savings on cost and staff time in the legal and CTT teams.

29. [REDACTED]

Quality Assurance (QAD)

Year-end close on visits

30. At the end of 2022, QAD had undertaken 2,519 reviews across all regulatory disciplines representing 101.7% of its 2022 target. All statutory targets were met. [REDACTED]

Feedback on QAD from firms

31. Feedback from firms subject to QAD reviews remains extremely positive. The final year end 2022 feedback has just been received (and is attached as an Appendix). Impressively, 96% of firms stated they were satisfied (76% very satisfied) with the management of the review process and 97% of firms stated they were satisfied (83% very satisfied) with the quality of interaction with all of the QAD teams involved in the review process which includes the Milton Keynes based Head Office scheduling team.

32. Firms are also asked to rate the reviewers' performance across five criteria. The percentage of firms rating the reviewer 9 out of 10 or 10 out of 10 was:

86% - good understanding of the firm's business

87% - being constructive

89% - demonstrating technical competence

91% - being patient

94% - being courteous

33. These results have remained consistent over many years. The 2022 feedback is especially encouraging given the turnover in staff (mainly due to retirements) over the last two years. The independent research company that assesses the firm's feedback concludes *"the high percentage values throughout confirm that the ICAEW QAD team are consistently maintaining very high standards of work commitment and communication with firms. Testament to this is that 9 in 10 of the firms responding commented on the fact that they would make changes to their practices following the visit."*

34. [REDACTED]

QAD conference

35. On 23 January, QAD will hold the first of two 2023 residential conferences. This first conference will take place over three days in Daventry and the programme will include technical update sessions on audit, insolvency, probate, practice assurance and AML as well as some mental health well-being sessions. Colleagues from other parts of the department that work closely with the QAD teams also attended. Members of the FRC Oversight team are attending and presenting.

Regulatory Practice & Policy (RPP)

Year-end stats for regulatory applications

36. The table sets out the total number of applications received by RPP (rather than approved/processed) and confirms my prior updates around the Regulatory Support team being busy. [REDACTED]

	2022	2021	2020	2019
Audit firms	70	97	89	80
RI	442	354	300	298

Affiliates	604	425	314	371
Probate	22	48	35	30
IPs	40	52	65	61
DPB firms	62	76	75	71

37. [REDACTED]

OTHER UPDATES

Introduction of the disciplinary framework

38. I flagged in December update that there was now going to be a delay in the approval necessary from the Privy Council and that the earliest our changes would be considered would be February 2023. [REDACTED]

ICAEW Films

All Too Familiar

39. By year-end, we had tracked nearly 22,000 streams of the film which represents the tip of the iceberg for viewings as many firm have asked for downloadable versions to ensure safe (no wifi outage) broadcasting in training to large audiences. This has completely surpassed all expectations.

40. [REDACTED]

41. Further international events have been taking place in Cyprus and plans are underway to hold a launch event in April in Malaysia and our Brussels office are planning to run an event in early March involving senior figures at IFAC and from the EU.

42. [REDACTED]

43. [REDACTED]

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