



# ***PSD Chief Officer Update***

## **STATUS**

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

## **AUDIT**

### RSB ongoing inspection for 2023

3. The FRC's oversight of registration has moved to quarterly meetings (rather than an annual week-long visit/inspection). The next meeting is scheduled for 18 May 2023 and will see the FRC and RPP teams discuss some recent ARC decisions as well as updates on the timing of our consultation on changes to the Audit Regulations, progress with ICAEW taking over as host of the joint audit register and an update on progress in resolving the outstanding development needed on Microsoft Dynamics. The FRC is also keen to discuss some recent press reports on Private Equity investment in audit firms, and the RPP team has been busy analysing a number of complex restructures to ensure the firms continue to meet the audit eligibility criteria post-investment.

### Audit Regulations

4. Work is underway to finalise the consultation document on some changes to the Audit Regulations that relate to compulsory alternates for sole practitioners, sanctioning power for RIs, and the new CPD requirements. We anticipate that this consultation will be launched in June with 8-10 weeks for responses. The launch date will be selected so as not to clash with the launch of revised audit regulations due to consequential amendments from the revised disciplinary framework.
5. A meeting is taking place with the Regulatory Directors of ICAS and the CAI on 24 May to discuss the further changes which ICAEW would like to make to the Audit Regulations (and other regulations) to increase transparency around orders made by front-line committees and to discuss a revision of interim orders/restrictions
6. [REDACTED]

### FRC roundtable on Audit CPD

7. Trevor, Sophie and I attended a CPD roundtable held by the FRC on 24 April with representatives of all of the other RSBs [REDACTED]

## INSOLVENCY

8. [REDACTED]

### Feedback statement

9. Despite the Insolvency Service Head of Policy indicating that a Feedback Statement would emerge regarding the consultation “after Easter”, nothing has been published and there is now no indication that anything will be published imminently albeit new impetus may be given by the fact that a new minister has now been appointed for insolvency...

### Ministerial movements

10. It was confirmed on 17 May that Kevin Hollinrake MP has been appointed as the Minister within the Department of Business and Trade with responsibility for audit and insolvency. [REDACTED] Mr Hollinrake will also almost certainly be the Minister reviewing and recommending to the Secretary of State any Reprimand which the Insolvency Service considers should be issued.

11. [REDACTED]

12. [REDACTED]

### Insolvency & restructuring annual conference

13. The programme for the annual restructuring and insolvency conference has now been finalised. The conference takes place virtually over two mornings on 27 and 28 June and includes the following sessions:

- The case of Cargo Logic Air Ltd and the impact of sanctions imposed on its Russian owner
- Restructuring plans two years on and their utility to the middle market
- UK Government Special Situations group (supporting nationally important businesses facing critical issues) working with the restructuring and insolvency profession
- Insights from the CEO of the Insolvency Service
- Crypto distress, insolvencies and lessons learned – the case of FTX
- Dealing with the curse of the digital age – fighting back against cyber-attacks and ransom demands
- Navigating economic turbulence

14. Finally, on 26 May at Chartered Accountants’ Hall we will once again be hosting this year’s graduation event for students who successfully completed the Joint Insolvency Examination Board exams. Over 150 graduates, their family and friends and guests of the Joint Insolvency Exam Board are attending. The keynote address will be given by Bruce Cartwright, CEO, ICAS and former insolvency practitioner. The event will also be attended by Dean Beale, CEO of the Insolvency Service.

## LEGAL SERVICES

### LSB Ongoing Competence and Performance Assessment

15. The LSB has now provided verbal feedback on ICAEW's Progress Update on Ongoing Competence that was submitted earlier in the year. The submissions from all legal service regulators were considered by the LSB Board in April 2023, but no written feedback has been provided to bodies. [REDACTED] The LSB will be monitoring ICAEW's progress and will in due course want to know how we monitor effectiveness of the new CPD regulations as a policy to improve ongoing competence of members and other regulated individuals. In particular, the LSB will want to know how effective any sanctions or requirements issued by the Practice Assurance Committee are.

### Performance Assessment Framework

16. The LSB have also issued their new Performance Assessment framework – this is the framework that will be used to assess ICAEW's performance in 2023. An assurance mapping exercise is being carried out by Regulatory Policy staff to identify the sources of evidence we could provide to demonstrate compliance with the revised standards and underlying characteristics. We understand that this year's LSB Performance Assessment will take place in June and July rather than the Autumn as is usually the case. We expect to receive the information request sometime in early June (date TBC) and that there will be a 6 week period for us to respond to the LSB. Once we have greater clarity on dates we will arrange review time for the Legal Services Sub-Group as part of our timeline for response, and advise the LSSG members accordingly.

### Legal Choices

17. I have finally had a response from Matthew Hill to my letter last September raising concerns about liability risks around the encouragement of all regulators to make available disciplinary records of members carrying out legal services work on the Legal Choices website while maintaining the current structure of an unincorporated association rather than moving to an incorporated vehicle. [REDACTED]

18. I attended subsequently a Legal Choices Governance Board meeting on 18 May and there was [REDACTED] an agreement that the SRA will provide me with documentation they have prepared which they believe is sufficient to set out the respective responsibilities and obligations of each member so as to assure that each member will only be liable for damages for mistakes in the data they provide. We will pursue this.

## AML

19. As members may have already seen, OPBAS published its report on the inspections it has undertaken of 9 of the 22 Professional Body Supervisors (PBS) and the very good news is that, while we knew that we had performed well from our private report which was shared at the March meeting, we can now see from the report [REDACTED] that we were the best performing PBS by some distance on the gradings set out in the report [REDACTED]

20. Finally, we have received a number of documents at the time of writing this report which indicate the way in which the HMT consultation on the future of AML supervision will be framed and I will expand on this at the meeting once Michelle and I have had the opportunity to review all of what we have been sent and had a chance to compare notes.

## PSD OPERATIONAL UPDATE

### Professional Conduct

21. [REDACTED]

22. [REDACTED]

23. [REDACTED]

### Delegated Powers Review of PCD

24. Four members of the Investigation Committee attended Met House in April to carry out the annual delegated powers' review. I met with them during their visit and was pleased to hear that they had been impressed with what they had seen and had also been impressed in the meetings which they had had with case managers.

25. Nigel tells me that, at the end of their visit, the members reported finding no significant issues and that there will be no new recommendations. We are waiting to see a draft of their report when it goes to the full Investigation Committee.

### Quality Assurance (QAD)

#### Update on visits

26. As at the end of April, QAD had undertaken 814 reviews across all regulatory areas representing 36.1% of the internal review target of 2,254 reviews. Looking forward, the team are largely 'scheduled out' until the end of July/start of August and if all scheduled/proposed reviews take place as planned this will take the team to 1,676 reviews (74.4% of target) ahead of the start of the large firm visit season. 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 exceeded at 85.3% and 74.4% respectively. In addition, the team has undertaken 158 reviews for its 3<sup>rd</sup> party clients of which 128 were for AAT.

#### Update on visit feedback

27. The team continue to receive very positive feedback from those who are subject to their reviews. I attach reports summarising visit feedback covering the first quarter. Firstly, a report covering the entire visit review feedback questions and secondly a 'Culture report' which extracts feedback data to demonstrate how QAD staff are meeting ICAEW's 3i's (Initiative, Insight and Integrity) values. Particular highlights are:

*Management of process/interaction with QAD* – satisfaction recorded at 98% and 99% respectively – 'these are among the best ever reported' (SwissPeaks, independent research company).

*Reviewer's performance* – nine out of 10 firms rated the reviewer's performance as excellent across all five performance criteria (technically competent, good business understanding,

constructive, patient and courteous). With one firm writing *'simply very impressive and a credit to ICAEW'*

*Help and guidance* – 'Quarter 4, 2022 was reported as an exceptional review period but Q1 2023 has surpassed it – it's been a perfect review period' (SwissPeaks).

*Integrity* – 'These percent values represent record highs across the 10-year period in which the QAD CS survey has been in service' (SwissPeaks).

28. [REDACTED]

#### Update on staff

29. [REDACTED]

30. QAD are continuing to look for two additional reviewers but the market is very challenging particularly around London.

31. We are committed to developing our staff, both within the reviewer/regional-based staff and our Head Office function. In particular, we have two members of staff in our Head Office team who are studying for their CFAB exams and have recently passed the assurance modules. Another team member has just begun a Level 4 Data Analyst Apprenticeship. Not only does this build on a particular interest of the member of staff, but it supports QAD operations by building skills in analysing the data we hold on firms to support our risk assessments and cyclical approach to monitoring.

32. During April QAD provided mental health training for QAD review team line managers with very positive feedback received.

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

33. [REDACTED]

34. [REDACTED]

35. [REDACTED]

### **OTHER UPDATES**

#### Significant management / personnel changes at ICAEW

36. In addition to looking for a new CFO (David Franklin remains as Acting CFO), a new Chair of the ICAEW Board and a new Managing Director for Education & Training, Michael Izza has announced formally that he intends to retire before the end of 2023 so a further exercise has been started to find a new CEO. It is hoped that there will be announcements on the new CFO and MD, Education & Training by the end of Q2 as interviews are currently taking place.

37. [REDACTED]

38. [REDACTED]

## CPD

39. The Education and Training board approved changes to the CPD regulations in early April - these changes related to the categories for members providing tax services so that some simple and lower risk services now sit in category 3 rather than category 2. All other tax services will sit in either category 1 or 2 depending on the risk profile of the client. The relevant supporting guidance on the CPD web pages has been reviewed and updated accordingly. The CPD self-assessment tool has also been updated to ensure it reflects the revised categorisation of tax services. Some additional guidance has been published to explain how members working in tax sit within the CPD categories, which can be seen here under 'tax services': <https://www.icaew.com/membership/cpd/cpd-is-changing/Understanding-CPD-categories#roles>
40. Following the approval of the CPD regulations, the communications campaign launched in the week commencing 24 April, with emails sent to ICAEW firms. Communications to individuals began in the week commencing 8 May. Regulatory policy staff in PSD are liaising with the members advisory helpline team to provide additional detail or clarification where needed on member enquiries.
41. The CPD self-assessment tool launched on the website in tandem with member communications. The self-assessment tool will be available on the MyICAEW mobile app in June. An online CPD record and accompanying recording tool for members using icaew.com are now under development for a targeted launch at the end of the year when the new regulations come into effect. The IT and Digital teams are working with PSD to explore how quickly these tools can be made available for regulated persons who aren't ICAEW members.

## Changes to fundamental principle of professional behaviour

42. Since the paper presented to the IRB in March 2023, the project to review the Professional Behaviour provisions in the Code of Ethics has continued to progress. The options for changes to the Code of Ethics have been further developed based on feedback from the IRB and the Ethics Standards Committee. A briefing on the project was given to Council in May 2023, with a more detailed paper being presented to Council at their June meeting. A public consultation may be launched on potential options for changes to the Code of Ethics, subject to Council approving this course of action.

## Training for the new Disciplinary Framework

43. Kim, Emily and I have now completed a number of training sessions for staff and committee members around the changes which are being made to our disciplinary framework from 1 June. It has been identified from these training sessions that the main issue will be the application of the complicated transitional provisions which will mean staff and committees operating using two frameworks for a period of time.

44. [REDACTED]

45. [REDACTED]

46. [REDACTED]

47. [REDACTED]

48. [REDACTED]

49. [REDACTED]

50. **Fees and subs 2024:** This project launches with systems testing this month.

51. [REDACTED]

52. **Regulation and Conduct micro-website:** The Digital team will assist PSD in the production of a 'wire-frame' contents and example set-up of the new site for the July IRB meeting. ICAEW are replacing their Sitecore content management system this year so it's likely that the new website development will now need to be outsourced to SimpleWeb.

53. **Joint audit register:** ICAEW has decided to re-write the code supplied to us by ICAS. This will provide a more modern, standardised and stable platform for ICAEW to take on the JAR and the RSB data upload process later this year.

#### QAD conference / PSD Away Day

54. This will be held in Milton Keynes on 13 June 2023 where we will have the whole department together (QAD homeworkers and Met Office staff) since 2019.

#### Office move to first floor, Met House

55. While we are still working through some teething issues, the move from the 4<sup>th</sup> floor to 1<sup>st</sup> floor at Met House has been a success with staff appearing to be much happier in brighter working areas and being much closer to colleagues rather than spread out across an entire floor.

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