



REGULATION IN TIMES OF CHANGE

REGULATORY AND CONDUCT
ANNUAL REPORT 2022-2023

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OUR 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 through internal governance 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).

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 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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FOREWORD BY PHILIP NICOL-GENT

“2022 was a very significant year in many ways...it was also significant for our regulatory and conduct activities.”

Philip Nicol-Gent
Chair, ICAEW Regulatory Board



I am very pleased to present my second ICAEW Regulatory and Conduct Annual Report as Chair of the ICAEW Regulatory Board (IRB).

2022 was a very significant year in many ways, two sovereigns, three prime ministers, four chancellors, the return of war to Europe and the emergence of the scourge of inflation: new to an entire generation.

It was also a significant year for our regulatory and conduct activities. These included, notably, obtaining final governance approvals for the launch of ICAEW's new disciplinary framework in 2023, the agreement to significant revisions to ICAEW's Continuing Professional Development Regulations and the launch of ICAEW's first public interest film, *All Too Familiar*, in March 2022, working with HMRC. It was also good to see the continuing expansion of the assurance outsourcing work undertaken by ICAEW's expert reviewers in the Quality Assurance Department which enhance their skillsets and help the Professional Standards Department to recruit high-quality reviewers with the variety of work on offer. Many of these important developments are showcased in the case studies within this report.

It has also been pleasing to again see the positive inspection reports from the [Financial Reporting Council](#) and the [Legal Services](#)

[Board](#) and, having been interviewed by officers from the Office for Professional Body AML Supervision during their 2022 inspection, I am hopeful of a positive report also on our AML supervision work. While there was no inspection during 2022 by the Insolvency Service, we have had significant interaction with it starting with the [detailed response](#) which the IRB submitted in March 2022 to the proposals published by the Service in December 2021.

It was also a busy year for the IRB with changes in its composition and in the way in which it will operate in the future, which I cover later in this report.

2023 will be a difficult time for many. The profession has a significant role to play, in particular, guiding business through what at times will be difficult decisions. These will require measured and independent judgment, whether acting in the role of auditor, insolvency practitioner, tax adviser or as a trusted adviser.

In all that the profession does, it must, through the difficult times, hold itself to the high standards expected by those who rely on it and the wider public at large.

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

OUR HIGHLIGHTS

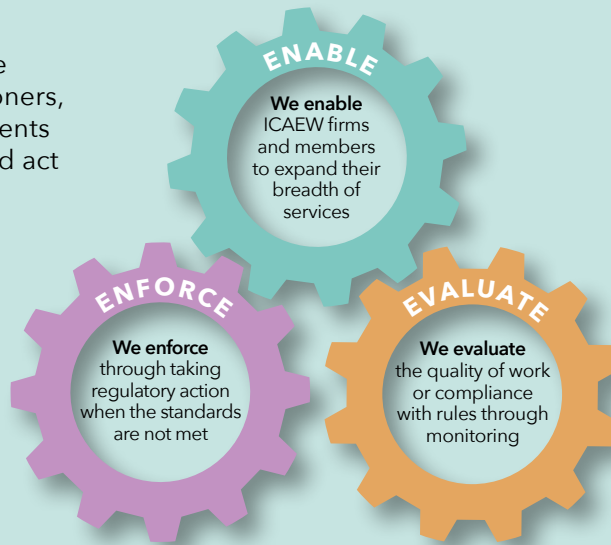
- Received positive inspection reports from all ICAEW's current oversight regulators.
- Introduced a mental wellbeing programme for staff dealing with difficult issues and distressed respondents.
- Completed governance approvals for the introduction of the new continuing professional development (CPD) framework - effective 1 November 2023.
- Completed governance approvals for the introduction of a new disciplinary framework - effective 1 June 2023.
- Fulfilled all ICAEW's statutory responsibilities and commitments to oversight regulators including the completion of 2,520 quality assurance reviews (between 1 January to 31 December 2022) with ICAEW-supervised firms and insolvency practitioners.
- Published 130+ articles and pieces of guidance (50+ in 2021) to support ICAEW-supervised firms and insolvency practitioners. Topics included preparing for ISQM 1, audit guidance in response to the Ukraine crisis, Russian Export Sanctions Prohibitions (US and EU), bounce back loans and client checks.
- Launched ICAEW's third educational and award-winning drama film, *All Too Familiar*. A free resource for all ICAEW- and HMRC-supervised firms, it aims to challenge mindsets and provoke discussion on the need for greater professional scepticism when faced with potential money laundering risks.

THE 3Es: ICAEW'S REGULATORY AND CONDUCT RESPONSIBILITIES

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 following these 3Es, we ensure ICAEW firms, insolvency practitioners, 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.



EVALUATE

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

All ICAEW-supervised/regulated firms and insolvency practitioners (IPs) are monitored by PSD's Quality Assurance Department (QAD) 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 reviewers have many years of industry experience and receive regular training for their monitoring roles. On average they carry out around 2,200 monitoring reviews a year.

In addition to the monitoring reviews, QAD reviewers provide 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. (see **enable** section on page 4 and the **All Too Familiar - hitting the mark** case study on page 19.) 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.

ENABLING THROUGH EDUCATIONAL INITIATIVES

As an improvement regulator, we enable our firms to raise standards by providing a wide range of resources. Some of the resources provided in 2022 included:

- The production of regular quality assurance webinars, videos, thematic reviews, monitoring reports and helpsheets that covered topics including common issues from monitoring reviews, how to verify your client, customer due diligence, politically exposed persons and diversity reporting.
- A very successful virtual Restructuring and Insolvency Conference attended by 100s of insolvency practitioners. "The two mornings challenged

behaviours and thought, and left me wanting to tell others about what I had learned."

- The publication of over 130 articles in 2022, which included guidance on preparing for ISQM 1, audit guidance in response to the Ukraine crisis, Russian Export Sanctions Prohibitions (US and EU), bounce back loans and client checks.
- The circulation of a monthly e-newsletter, *Regulatory & Conduct News*, included articles on reducing the risk of being in breach of requirements, new resources, news and regulatory e-bulletins: *Audit News*, *Insolvency News*, *Probate News*, *DPB Update* and *AML - the essentials*.

- ICAEW's third educational training film drama, *All Too Familiar*, was launched. This public-interest film was made available for all UK ICAEW- and HMRC-

supervised firms and insolvency practitioners to use free of charge. See page 19 **All Too Familiar - hitting the mark**.

"As an improvement regulator, we enable our firms to raise standards by providing a wide range of resources."

Sarah Gammon
Head of
Communications
& Marketing





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.

Find out more about the **3Es** and what we do at [icaew.com/improvementregulator](https://www.icaew.com/improvementregulator)

HOW WELL ARE WE WORKING IN PURSUIT OF THE 3ES?

Regular checks are made to ensure we are working independently and to the highest standards in discharging our responsibilities within the **3Es**. These include a quality assurance

programme carried out by the ICAEW Regulatory Board, the delegated powers' reviews which are carried out annually by all the ICAEW regulatory and disciplinary committees and the regular inspections by our many oversight regulators. See Appendix 5 for more details.

PROFESSIONAL STANDARDS DEPARTMENT OPERATIONAL UPDATE

“The issues we encountered as a department due to the pandemic have raised the importance of the welfare and wellbeing of PSD staff.”

Duncan Wiggetts
Chief Officer, ICAEW Professional
Standards Department



Possibly as a result of delays to firms' business plans caused by the COVID-19 pandemic, 2022 was a busy year for the Professional Standards Department (PSD), with a record number of affiliate and responsible individual applications coming into the Regulatory Practice and Policy (RPP) Team. 2022 also saw the welcome return of on site visits by the Quality Assurance Department (QAD) which has restored our important, regular, face-to-face interaction with the firms we regulate and supervise. This regular contact allows us to remain very aware of developments and trends, both positive and negative, and to react accordingly and in real time.

The issues we encountered as a department due to the pandemic have also raised the importance to me and my senior management team of the welfare and wellbeing of PSD staff. While we knew that some staff members had become used to having difficult conversations with distressed individuals involved in regulatory or disciplinary issues, the move to working from home for part of the week brings with it additional stresses of holding such conversations at home, with the boundary between work and office becoming blurred. To support staff further, we've introduced a mental wellbeing programme for those dealing with difficult issues and distressed respondents which is highlighted in the **Building resilience for the future** case study on page 11. I'm also working closely with the PSD sub-group of the ICAEW Employee Engagement Forum (EEF), led by Wendy Drewett, to make all the changes we can to

make PSD an attractive place to work as it is so important that we are able to recruit and retain high quality people. For example, I meet with all new and existing staff members monthly to receive feedback on what works well in the department and what can be improved. This enables me to meet all PSD staff in person.

One interesting statistic from 2022 was the number of new complaints we received. While still high, 887 was the lowest number of new complaints since 2017. While there are a couple of factors which play into this, such as the change to allow the Practice Assurance Committee to offer consent orders to avoid complaints coming into PCD, they do not explain the significant drop from a peak in 2019. I am hoping that some of this change is connected to the huge emphasis we have placed on our efforts to make members and firms more aware of potential difficulties they could get into and to provide them with good advice as to how they can avoid being on the wrong end of a complaint. The surge in our educational/awareness activity is showcased in the **Enabling through educational initiatives** case study on page 5.

My PSD highlights of 2022 were the really positive inspection reports on the quality of work of PSD staff by the [Financial Reporting Council \(FRC\)](#) and the [Legal Services Board \(LSB\)](#). It was great to see confirmation from the FRC that we were fully compliant with all conditions of the Delegation Agreement and to see the significant improvement in our Regulatory Performance Assessment by the LSB. My own personal highlight was the

amazing response we received to the launch of our third educational drama film, *All Too Familiar*, and the awards we received which made all of the effort worthwhile. (See **All Too Familiar - hitting the mark**, on page 19.)

During 2022, I have also been very heavily involved in securing the necessary governance approvals for the introduction of the new continuing professional development (CPD) framework which will come into force on 1 November 2023. This has included the running of two public consultations, securing ICAEW Council's approval to the key cornerstones of the new framework and obtaining the necessary approvals for the revised CPD Regulations. This is an important change which should maintain and enhance trust in ICAEW Chartered Accountants and one which will allow us in PSD to monitor compliance more effectively and take enforcement actions against those not adhering to the new requirements.

I have summarised below some of the key PSD areas of activity during the 12 months to March 2023. Where dates vary from this activity period, these are noted accordingly.

REGULATORY PRACTICE & POLICY (RPP)

The RPP Team saw a significant increase in responsible individual and affiliate applications in 2022, in particular, a noticeable increase in applications from the largest firms who appointed c200 new principals who required affiliate status.

Number of regulatory applications received (1 January 2019 - 31 December 2022)

Applications received*	2022	2021	2020	2019
Audit firms	70	97	89	80
Responsible individuals	442	354	300	298
Affiliates**	604	425	314	371
Probate firms	22	48	35	30
Insolvency practitioners	40	52	65	61
DPB (Investment Business) firms	62	76	75	71

* Applications received in the calendar year, excluding any that were subsequently cancelled/abandoned by the applicant.

** Includes all regulatory affiliates (ie, audit, DPB (Investment Business) and probate) but excludes bulk-affiliate applications from European Big Four audit holding entities.

We have continued to see a steady volume of merger and acquisition activity among all sizes of our registered firms. Our team of registration and licensing experts have spent a lot of time reviewing proposals and either confirming firms can continue to be eligible to hold registrations/licences for regulated work or pointing out potential issues.

“My PSD highlights of 2022 were the really positive inspection reports on the quality of work of PSD staff by the Financial Reporting Council and the Legal Services Board.”

The team has also been heavily involved in the project to launch the FRC's public interest entities (PIE) Audit Registration scheme in December 2022. Staff in the RPP and Professional Conduct Department (PCD) teams helped the FRC with its sizeable task of confirming applicants' ICAEW disciplinary records and regulatory history. Changes were also required to the UK Audit Regulations and a new Registration Protocol was agreed between the FRC and all the Recognised Supervisory Bodies on the sharing of relevant regulatory information on firms and individuals that hold PIE audit registration. The Audit Registration Committee (ARC) has been regularly briefed on the impact the new regime will have on its remit over firms which have PIE audit clients.

QUALITY ASSURANCE DEPARTMENT

Monitoring reviews

2022 saw QAD reviewers return to carrying out more on site reviews, undertaking a total of 2,520 reviews (between 1 January to 31 December 2022) of ICAEW firms and fulfilling all ICAEW's statutory responsibilities and commitments to oversight regulators.

In addition, QAD reviewers completed a further 413 quality assurance reviews for third parties which included support for other professional bodies (eg, the Association of Accounting Technicians, the Institute of Chartered Accountants of Scotland and the Institute and Faculty of Actuaries) to meet their statutory obligations.

Total number of reviews by year (1 January - 31 December)

	2022	2021	2020
ICAEW reviews	2,520	2,285	2,635
Third-party reviews	413	284	282
Total	2,933	2,569	2,917


Breakdown of reviews by regulated area for 2022 and 2021 (1 January - 31 December)

	2022	Target for 2022	2021
Audit	484	475	553
Practice Assurance	1,509	1,500	1,243
DPB (Investment Business)	216	200	189
Probate	66	65	43
Licensed Practice Scheme	31	30	50
Local Public Audit	9	7	6
Insolvency	205	200	201
Total	2,520	2,477	2,285

QAD monitoring: 2022 independent feedback figures

Firms and insolvency practitioners (IPs) are asked to complete an anonymous survey after each monitoring review. These responses are collated and analysed by an independent research agency, and we receive quarterly/annual overview reports which we use to support the continuous improvement of our monitoring processes and procedures [icaew.com/QADmonitoring](https://www.icaew.com/QADmonitoring)


MONITORING REVIEW FEEDBACK SURVEY RESULTS FOR 2022*



MONITORING PROCESS

96%


Satisfaction with the management of the monitoring process



QUALITY OF INTERACTION

97%


Satisfaction with the quality of interaction with the ICAEW team (reviewers, support team)



TECHNICAL COMPETENCE

89%


Satisfaction 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

97%

Satisfaction with the amount of time during reviews to cover all areas and answer questions

* Sample size: 369 respondents 1,828 visits 20.2% response rate

Audit monitoring

Our [2021-2022 Audit Monitoring Report](#) shows the progress being made on audit quality compared to prior years with fewer audits requiring significant improvements.

In addition to publishing the results of our visits, the report highlights overall trends and puts a particular spotlight on QAD's audit monitoring work in the public sector. This is an area experiencing several challenges, including the timeliness of local auditor reporting. In 2021-2022, 88% of financial audit reviews carried out by QAD were graded good or generally acceptable. The results of these reviews were included within the FRC's public summary report on 2021/22 local audit inspections. Overall, the FRC rated 70% of local audits as good or only requiring limited improvements.

The findings of QAD's wider public sector monitoring activity in 2021-2022 (including the teams' experiences from conducting monitoring work for other public sector bodies under contract) is available to watch at icaew.com/localaudit

Anti-money laundering (AML) compliance

We set ourselves the objective during 2022 to improve information sharing, both between ICAEW and our firms on AML risks, and also to improve the flow of information from law enforcement to ICAEW to allow us to use our disciplinary frameworks to either disrupt or sanction and discipline. Our Head of AML, Michelle Giddings, is the current co-chair of the Accountancy AML Supervisors Group and continues to lead in this important area.

During 2022, the AML Team delivered against its objective of improved information sharing with firms by issuing resources for firms to support their AML compliance:

- [AMLbites](#) - short videos to help money laundering reporting officers with different money laundering topics, including why trust and company service providers and politically exposed persons are considered high risk.
- [COVID fraud and sanctions thematic reviews.](#)
- Live webinars on topics including [client verification and cryptoassets.](#)
- AML risk e-bulletins, produced in conjunction with the Joint Money Laundering Task Force to share AASG Risk Alerts.

LIVE AUDIT MONITORING: OUR FIRST AUDIT RISK OFFICER

Rebecca Carr was appointed during 2022 as ICAEW's first Audit Risk Officer and will work proactively to identify and monitor audit risks within ICAEW registered audit firms. This new role is part of a wider initiative to increase ICAEW's understanding about the amount and nature of audit work being taken on by registered firms in comparison to their resourcing and areas of expertise.

"We want to try and get better visibility on the movement of audits between firms and greater proactivity in monitoring firms' capabilities to take on new work" says Rebecca.

Rebecca will support and complement QAD's normal monitoring work but her role is different to QAD's retrospective reviews. It is about engaging with firms in real time about the nature of work being undertaken rather than coming in afterwards to review the quality of the work done. Rebecca will be using media, risk profiling and other intelligence to follow risks as they occur in between cycles of visits.

"By tracking and checking in on a risk or seeing if there's anything that can or should be done to mitigate it, audit firms can see the benefits of that

straight away. It's a completely different angle; it's not necessarily something that they've already done wrong."

"We want to try and get better visibility on the movement of audits between firms and greater proactivity in monitoring firms' capabilities to take on new work."

Rebecca Carr
Audit Risk Officer, Quality Assurance Department



PROFESSIONAL CONDUCT DEPARTMENT (PCD)

Investigation Team

While I noted in last year’s report the difficulties we experienced in retaining and recruiting experienced, specialist staff for our investigation teams, our recruitment efforts during 2022 have paid off and we expect to be fully staffed – fingers crossed – when our latest recruit joins the team in spring 2023.

The new Special Investigations Team is working well and is now responsible for a portfolio of 49 complex, document-heavy and sensitive matters. This team, together with other investigation teams have continued to make significant inroads into the age profile of open cases by prioritising and progressing our older, complex cases wherever we can.

During 2022, 1,051 cases were completed. Of these, 255 were closed after completion by the Investigation Committee and, where necessary, a disciplinary tribunal process. The other 796 were closed without reference to the Investigation Committee. Of the 255 cases dealt with by the Investigation Committee, 49 were challenges to the case manager’s assessment that there was no potential liability to disciplinary action to investigate. Nearly all these decisions were upheld.

The table (right) shows the further reduction during 2022 in the number of new complaints allocated to case managers and the significant decline from 2019.

Number of new complaints received since 2017

2022	887
2021	948
2020	976
2019	1,117
2018	1,011
2017	901

The types of new complaints allocated to case managers during 2022

Audit Team	115
Insolvency Team	140
General Compliance and Tax Team	601
Special Investigation Team	31

The improved efficiency in PCD’s processes because of changes introduced in recent years can be seen in the continued use of fixed penalty notices for compliance breaches (25 fixed penalty notices issued in 2022), further fast-track referrals of serious conviction complaints to the Disciplinary Committee (3 in 2022) and the continued use of approved settlement agreements being approved prior to disciplinary tribunals (5 settlement orders were approved in 2022).

MENTAL HEALTH AND WELLBEING: BUILDING RESILIENCE FOR THE FUTURE

ICAEW’s Professional Standards Department (PSD) has introduced a targeted mental wellbeing programme to support staff dealing with challenging conversations during regulatory and disciplinary processes.

Firm and ICAEW member-facing PSD staff work with complainants and individuals daily. And their roles mean they have had some unique challenges in adapting, first to working solely from home during the COVID-19 pandemic, and now to hybrid working.

“We recognise staff sometimes have difficult and challenging conversations with people who might be vulnerable, angry or

upset,” explains Emily Healy-Howell, PSD Director. “And we’re very conscious that when people are dealing with those sorts of calls it can be a little bit more personal when they’re at home and don’t have their colleagues around them.”

To support staff in coping with these types of calls and provide them with tools to help them more broadly in dealing with mental health issues, ICAEW engaged PUSH Mind and Body, which specialises in supporting staff to thrive in the new era of work.

PUSH started by conducting a staff audit, and then worked with PSD to put together a tailored programme of interactive sessions led by

experts in their fields.

These sessions covered issues such as understanding mental health issues both within yourself and others, stress and anxiety, mastering difficult conversations, and developing relationships.

The training and coaching are just the beginning, however. ICAEW is also looking at what policy changes might help support staff and provide assurance that they have the right tools to meet their individual and collective needs, now and in the future.

“We recognise staff sometimes have difficult and challenging conversations with people who might be vulnerable, angry or upset.”

Emily Healy-Howell
Director, Regulatory and Conduct



Conduct Legal Team

During the year to 31 December 2022, the Conduct Legal Team conducted 106 hearings in total. These are split across the various committees as follows:

91	Disciplinary Committee
5	Appeal Committee (12 matters last year)
6	Fitness Committee (3 last year)
4	Review Committee (3 last year)

The conduct of these hearings come on top of the work of the team in advising the investigation case managers at early stages of investigations. 115 Legal Advice Requests were completed during 2022.

COMMUNICATIONS AND RESOURCES FOR OUR REGULATED FIRMS AND IPS

The PSD Communications Team continues to provide ICAEW firms and IPs with information about regulatory developments, consultations, and resources created by PSD (including ICAEW's third training film *All Too Familiar*, thematic reviews, webinars, videos, helpsheets and checklists) to help them maintain the highest professional standards. See the **Enabling through educational initiatives** case study on page 5 for further information.

The following communication channels are used to share and disseminate information.

- *Regulatory & Conduct News* is sent monthly and features 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. ICAEW members and non-members can sign up to receive this e-newsletter using the 'receive email updates' button on icaew.com/regulatorynews
- Articles are typically hosted on icaew.com/regulatorynews and on the Regulation and Conduct LinkedIn page. In 2022 over 130 articles (50+ in 2021) were published, which included guidance on preparing for ISQM 1, audit guidance in response to the Ukraine crisis, Russian Export Sanctions Prohibitions (US and EU), bounce back loans and client checks. And third-party communications including those from around ICAEW, oversight bodies and organisations such as HMRC and the National Crime Agency are also shared via these channels.
- 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.

All these resources are available for our firms and IPs at icaew.com/regulation

UNLOCKING THE POWER OF DIVERSITY

One of ICAEW's strategic themes is to attract diverse talent, ensuring its members and students reflect the society they serve and draw on a wide range of ideas, experiences and backgrounds.

This goal applies equally to strengthening diversity and inclusion among ICAEW staff and within the ICAEW regulatory and disciplinary committees that make all the important decisions on ICAEW members' and member firms' conduct and competence.

Recently, the Committees and Tribunals Team has introduced a raft of initiatives to ensure accountant and lay members serving on these committees are drawn from as diverse a range

of people, backgrounds and experience as possible.

"We started by changing our recruitment processes," explains Kim Nyawira, Head of Committees and Tribunals. "We advertised in different places to try and attract different people, and we changed the application form to allow for a wider type and breadth of experience."

"Instead of looking at experience in a certain sphere, for example,

we asked for competencies, which could be shown and demonstrated in many different ways," she explains.

"We also introduced blind sifting, so all the personal data is removed to take out the unconscious bias aspect, in as much as we possibly can."

Kim and her team have been working closely with ICAEW's Diversity and Inclusion Manager during the process. Other

initiatives include an anonymous baseline survey of the current make-up of the committees in terms of the characteristics protected under the Equality Act, as well as aspects such as background and experience.

"It's a process and it's early days, but we're committed to making sure we do everything we can to strengthen our committees by making recruitment to, and serving on, them more inclusive and diverse," she says.



"We're committed to making sure we do everything we can to strengthen our committees by making... them more inclusive and diverse."

Kim Nyawira
Head of Committees and Tribunals

DISCIPLINARY AND REGULATORY OUTCOMES

The Committees and Tribunals Team, which supports the ICAEW regulatory and disciplinary committees, reported the following disciplinary and regulatory outcomes for 2022.

DISCIPLINARY OUTCOMES

CONSENT ORDERS

115

Consent orders were offered by the Investigation Committee (145 were offered in 2021).

DISCIPLINARY TRIBUNALS

41

Disciplinary tribunals were held (44 were held in 2021).

APPEAL PANELS

6

Appeal panels were held (12 were held in 2021).

SETTLEMENT ORDERS

5

Settlement orders were approved by settlement agreement chairs (6 were approved in 2021).

AS A RESULT

EXCLUSIONS

10

ICAEW Chartered Accountants were excluded from ICAEW membership (16 in 2021).

SEVERE REPRIMANDS

96

ICAEW Chartered Accountants and firms received severe reprimands (60 in 2021).

REPRIMANDS

40

ICAEW Chartered Accountants and firms received reprimands (36 in 2021).

CAUTIONS

3

Cautions were issued to ICAEW Chartered Accountants and firms (5 in 2021).

REGULATORY OUTCOMES

	Audit Registration Committee	Insolvency Licensing Committee	Practice Assurance Committee	Investment Business Committee	Probate Committee
Number of meetings in 2022	11	5	6	3	5
Licences withdrawn	4	2	n/a	1	1
Licences restricted	25	0	n/a	0	0
Conditions imposed	45	13	n/a	2	0
Regulatory penalties/charges offered	30	14	n/a	3	16
Practice Assurance penalties offered	n/a	n/a	18	n/a	n/a

CPD FOR THE FUTURE: REDUCING RISK, ENHANCING TRUST

In the last Regulatory and Conduct Annual Report, we highlighted the development of a new continuing professional development (CPD) framework. With the final governance approvals now in place, the new requirements will be introduced from the start of the next CPD year in November 2023.

By introducing minimum requirements which can be monitored more effectively, and adopting a risk-based approach, the revised CPD Regulations should provide much stronger assurance to the public, oversight regulators and government that ICAEW Chartered Accountants are maintaining and enhancing their competence within increasingly complex professional and regulatory environments.

Under the revised regulations, firms will be responsible for ensuring ICAEW Chartered Accountants (and relevant persons) are compliant with the new requirements and to maintain records which can be inspected by ICAEW's Quality Assurance Department on request.

Restoring trust

The changes originate from a wider initiative by ICAEW Council to restore public trust in the accountancy profession following a string of high-profile corporate and auditing failures. The importance of all Chartered Accountants carrying out high-quality work, combined with the rapid changes in the regulatory environment, means that our CPD framework must keep pace with the world our members work in today.

Meeting members' needs

ICAEW's broad membership means its approach to CPD must meet a wide range of needs, from sole practitioners to the Big Four firms, as well as members working in business, the public sector or not-for-profit organisations.

The revised CPD Regulations establish new CPD categories for practice and non-practice members, and these categories will determine the minimum CPD requirements for members. Certain specified areas of work fall within CPD categories 1 and 2, with all members carrying out other work falling into CPD category 3.

A driving factor for the CPD categories is the degree of risk to the public in the service or work that's being undertaken. A CPD self-assessment tool is being developed to help members ascertain which category their work sits in.

Consulting our Council

More than 100 ICAEW Council members in different roles around the UK and internationally were asked at the Council conference in November 2021 to rank a range of sample member roles in terms of the risk presented to the public.

The process also led to a full consultation with ICAEW members and firms, which included questions about the appropriateness of the categories and role definitions.

"The revised CPD Regulations should provide much stronger assurance to the public, oversight regulators and government that ICAEW Chartered Accountants are maintaining and enhancing their competence within increasingly complex professional and regulatory environments."

Sophie Wales

Head of Regulatory Affairs and Policy



Tracking verifiable hours

Members will be required to identify which CPD category is most applicable to them and to complete the specified minimum number of verifiable and non-verifiable hours. Verifiable CPD is any activity which can be evidenced. This will capture much wider learning opportunities than just the traditional attendance on courses.

The requirement to undertake verifiable hours is not a new concept. It's increasingly required by other regulators, including other accountancy bodies.

Enhancing resources

One of the biggest concerns being voiced by members during the consultation was the cost of complying with the new requirements.

ICAEW has always provided a large amount of free, online learning content, and this has increased substantially in recent years. And, since the beginning of January, all members now have free access to content from the Audit and Assurance, Financial Reporting and Tax faculties, and all of our communities.

Mandatory ethics training

The type and content of CPD members choose to undertake remains left to their discretion as long as it is relevant to their role, with one exception: they must complete mandatory annual training aligned to ICAEW's Code of Ethics.

Right time for a reset

At its core, the new CPD framework is about offering members the opportunity to step back and think about their professional development and drive themselves forward. It also offers firms the chance to review their current processes, reassess the CPD needs of staff, and enhance their practice risk management.

This is a positive outcome of regulation - the benefit is that members and their firms will continue to be trusted to provide high quality advice. And for individuals, it's about pressing them to be the best that they can be for them and their clients, so their businesses should do much better too. It's a huge opportunity.

Further information about the changes is available at [icaew.com/cpd](https://www.icaew.com/cpd)

ICAEW REGULATORY BOARD GOVERNANCE UPDATE

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

All ICAEW Regulatory Board (IRB) meetings were held in person in 2022, although we did take advantage of some remote attendance at meetings where necessary and to assist those joining from the public sector. I have set out below some of the key developments and changes which the IRB saw or was involved with during 2022.

Changes to the IRB's composition and how it operates

While it is always sad to see the departure of longstanding board members who have contributed so much during their time on the IRB, it is important that the board is continually refreshed to keep it invigorated and to introduce new ideas and perspectives. New board appointments are made by the Regulatory & Conduct Appointments Committee (RACAC), which is chaired by Sara Nathan OBE, and which has a lay member majority. A copy of the RACAC Activity Report 2021/22 is available in Appendix 6.

So, in June, I was very pleased to welcome four new board members to the IRB, two lay members, Annette Lovell and Claire McManus and two accountant members, Richard Thorpe and Caroline Turnbull-Hall. It was also good to see that these changes led to an improved gender balance in the IRB's composition. At the end of 2022, the board also saw the departure of Andrew Goldsworthy after seven years on the board. Andrew was, other than me, the last remaining original member of the board. Andrew's wise counsel will be missed. In January, we were delighted to welcome Angela Foyle to the IRB as his replacement. Angela is Head of Risk Management and Economic Crime at BDO Global Office.

Ahead of the latest round of appointments, the IRB decided on a recommendation from the RACAC that all board and regulatory and disciplinary committee members should be offered remuneration for their work rather than just lay members. We are hoping that this will encourage a higher number of applicants for future board positions and also increase the diversity of representation. Sara Nathan and I consider it important that smaller firms, in particular, are represented among the chartered accountant members.

We have also had a change in board secretary. While it was sad to see Tracy Stanhope relinquish the role, which she had undertaken since the board was created, we were pleased to welcome Sophie Hooper as Tracy's replacement.

I have also made some changes to the way in which the IRB's business is conducted. Due to the increasing number of initiatives, the board will now meet six, rather than five, times a year during 2023. The five board meetings in 2022 were also supplemented by two meetings held to discuss a set of strategic objectives for the next three years and the work put in by board members who had agreed to be members of sub-groups considering certain matters in more detail.

I have also introduced a new standing item on the agenda: 'left field', the purpose of which is to make sure that we are not just looking at matters on the horizon but also to ensure there is nothing evolving in other spheres which might surprise us.

Continuing our quality assurance programme

During 2022, we have continued our quality assurance programme for the regulatory and disciplinary committees by IRB members taking time to attend and observe the Audit Registration Committee, Investment Business Committee, Investigation Committee, Professional Indemnity Insurance Committee, Appeal Committee, Disciplinary Committee and Review Committee meetings. The evaluations by board members of how effectively and efficiently the committees operated, and how well they were supported, was then the subject of a meeting with the chairs of the committees. At this meeting, potential improvements were discussed and the chairs were also asked to set out what changes, if any, they would like the board to make to allow them to function better.

We have also continued to review the 'delegated powers review' reports which are prepared by the representatives of the regulatory committees and the Investigation Committee who conduct reviews of files where decisions have been taken by staff during the previous 12 months. While these reports provide us with considerable assurance about the quality and reliability of the work carried out by Professional Standards Department (PSD) staff, we have asked for a project to be undertaken to introduce as much consistency as possible in the areas being reviewed by the committees (to make this more consistently risk-focused) and in the content and style of reporting. This internal assurance is considered alongside our review of the inspection reports we receive from ICAEW's external oversight regulators.

Introducing our new disciplinary framework

A sub-group of the IRB has also spent a lot of time during the first half of 2022 supervising the completion of the new Investigation and Disciplinary Regulations (IDRs) which will be launched alongside a reduced number of Disciplinary Bye-laws (DBLs) when the new disciplinary framework goes live. The sub-group debated policy issues arising out of new processes and considered advice of external legal counsel. The close monitoring of this important project provided the whole board with significant assurance when it was asked to approve the final set of IDRs in June. The IDRs were then submitted as a key part of the new framework for final approvals from ICAEW Council, oversight regulators and the Privy Council.

Unfortunately, there was then a delay in setting a date for the launch of the new framework caused by the sad death of Queen Elizabeth II and the subsequent cancelling and rearrangement of Privy Council meetings at the end of 2022 and start of 2023. I am, however, pleased to note that our application for approval to changes to the DBLs and their replacement, in part, by the IDRs, was approved by the Privy Council in February and will now be launched on 1 June 2023. We understand that plans are already in place to ensure that all relevant PSD staff and all disciplinary and regulatory committees are fully trained on the changes being made and, in particular, on the new processes. We have also been assured that there will be a comprehensive communications programme in the months prior to the launch.

Reimagining continuing professional development

The IRB was consulted on moving responsibility for continuing professional development (CPD) from the Education and Training Department to PSD in advance of the significant changes in the requirements from November 2023. We considered that this made sense on a number of fronts. The ICAEW Quality Assurance Department (QAD) is best placed to carry out the monitoring of CPD compliance given its regular contact with firms and the ongoing competence of members is closely connected to the investigations which are undertaken by the Professional Conduct Department (PCD) into allegations of poor work.

After accepting its new governance role in this area, the IRB has been closely involved in, and has given important input into the development of the revised CPD Regulations and the accompanying guidance. During 2023, we will monitor the steps taken to implement the new framework and we will clearly have an important role to play after launch in assessing the effectiveness of the new framework during its first few years.

Our ongoing reviews

The IRB has instigated two reviews during 2022: a review of the effectiveness of the current Professional Indemnity Insurance (PII) Regulations and a review into our regulation of legal services. The PII Regulations review will be supervised by the PII Committee with regular reports to the board. The review will consider whether changes should be made to various aspects of the regulations which have been the source of complaints by firms and which have concerned the PII Committee. The IRB will consider any proposed changes and decide which should be the subject of public consultation later in 2023, with a view to possible changes being made prior to the renewal of our PII arrangements with our qualifying insurers in early 2024.

The legal services review is being undertaken to gauge whether ICAEW firms are interested in expanding into other legal services, if ICAEW were to be authorised to regulate other areas. The review is also gauging the likelihood of existing probate-accredited firms continuing with probate work and the appetite of non-accredited firms to start work in this area.

“It was great in 2022 to be able to put behind us the COVID-19 pandemic and embrace a return to normality.”

New strategic objectives for the coming year

Cognisant that we have a number of new members on the IRB, we have spent time at the end of 2022 and start of 2023 discussing what we would like to achieve in the coming years. This is with a view to setting a number of specific strategic objectives for the next three years to overlay the **3Es** which set out how the PSD functions from an operational perspective. We intend to publish these objectives during 2023 on a new microsite, which we are creating to contain key and focused information relating to the IRB and operation of ICAEW's regulatory and disciplinary functions and to report on our progress against these objectives.

ALL TOO FAMILIAR - OUR AWARD-WINNING NEW FILM

We launched our award-winning training film, **All Too Familiar**, in March 2022. This is the third film written and produced for ICAEW by Duncan Wiggetts, Chief Officer, Professional Standards Department (PSD), but the first film created with a partner - HMRC - and the first as the focus of a public-interest initiative. The intention was to create something graphic and memorable to remind accountants of the important role they play in the fight against economic crime, and how money laundering is linked to human tragedies such as human trafficking and modern slavery.

After the launch event in March, **All Too Familiar** was distributed for free to all firms supervised by ICAEW and HMRC for anti-money laundering. We have been overwhelmed by the level of enthusiasm from firms of all sizes in using the film as a key training resource in this area. During the rest of 2022 and into 2023, we've featured a series of [case studies](#) in the PSD Regulatory & Conduct News e-newsletter that look at the different ways firms are using the film and their very positive feedback.

By the end of 2022, **All Too Familiar** had been streamed over 22,000 times. Often watched by groups and teams, we know the total number of accountants who've viewed the film is many times that figure. In addition to firms, we are also seeing great interest from universities to use the film with their accountancy students.

In Q3 2022, we started to show **All Too Familiar** outside of the UK. Its international debut was at a B20 event (part of the G20 Summit) in Jakarta which was quickly followed by a joint event at the British Embassy in Athens with HMRC and the National Crime Agency, a virtual launch in Dubai in association with the UAE Minister of Economies and at a number of events in November in Cyprus and Singapore. The success of these events, and recommendations from UK firms to global learning and development teams, has led to strong demand for the film to be rolled out around many firms' international networks and the start of the creation of subtitled versions in different languages. The licence fees received for the global licences will help fund the production costs of follow up films.

The highlight so far came in October 2022 when **All Too Familiar** received three awards at the prestigious Association Excellence Awards including the Gold Award for Best Learning/Professional Development Programme, being described by judges as a "great demonstration of action-based learning for what is an incredibly important subject-matter".



"A great demonstration of action-based learning for what is an incredibly important subject-matter."

Association Excellence Awards

PROFESSIONAL STANDARDS DEPARTMENT FINANCES 2022

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.

- Regulation and firm conduct, sub-divided into registration areas such as audit and probate.
- Member discipline.
- Contracts and products.

Our 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 central systems, processes and functions.

PSD also receives 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 financial strategy, 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 very strong sense of, and commitment to, financial stewardship, the self-financing model and meeting budget targets. We understand that we operate in a highly competitive and changeable environment and that regulatory fees are a cost of operation for registered firms, individuals and, therefore, for their customers.

2022 financial results

The regulatory areas met the self-financing target and, along with exceptional regulatory fines and registrations, generated a surplus.

As anticipated in planning, volumes of firms registered for audit and investment business, and individuals in the Practice Assurance scheme fell again. Some of this fall is due to firm consolidations.

New registrations in some areas were slightly higher than expected, including related to audit responsible individuals. These elements played a part in exceeding the self-financing target.

The longer-term financial strategy and operating model take these market changes and pressures into account.

The cost base is well managed. Operating costs are largely made up of staff who are actively responding and meeting statutory and regulatory requirements. Good progress has been made to recruit into role vacancies.

Oversight body activity, and therefore operating costs, continues to increase at the Financial Reporting Council (FRC), and levies on audit firms are rising accordingly.

While poorly behaving ICAEW member and firm numbers remain a small minority, the number of new annual complaint matters is holding at c900. A number of these cases can be highly complex and long running.

2023-2025

The financial planning and forecasting reflect a very busy, successful and ambitious department. There are risks, such as those related to the future of the regulatory environment, securing and retaining skills and staff and the short- and long-term cost of conduct investigations. There is also opportunity, including the potential for new and expanded areas of regulation, contract and collaborative work with fellow regulators and other bodies and those afforded by our suite of educational training films.

2023 regulatory fee increases recognise the harsh pressures 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 enhanced processes and wider virtual ways of working.

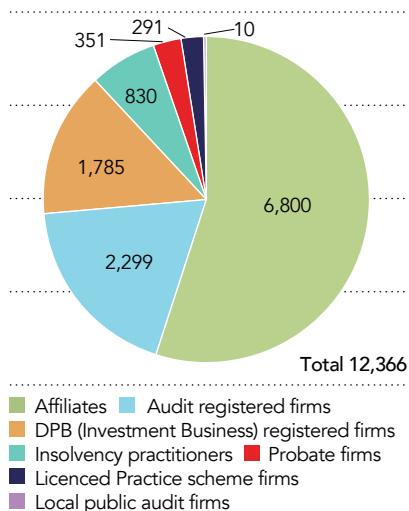
The 2023 budget and income and cost projections for 2024 and 2025 are considered pragmatic, particularly considering the economic environment and projections.

Mitigating actions, in relation to risks to achieving our financial strategy, have been put in place to secure appropriate future income in order to discharge the PSD's regulatory duties. Progress, change and risks will be monitored regularly.

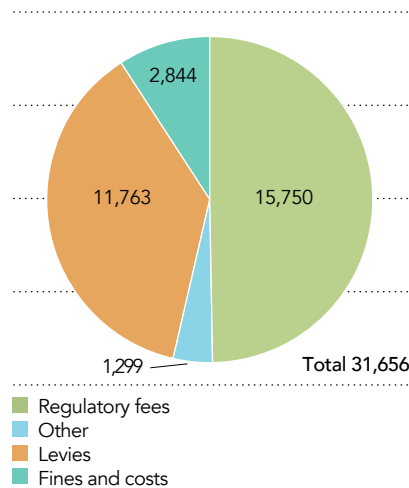
Financial plans, including programme and project proposals and business cases, will be reviewed by the IRB.

2024 budget and fee and levy proposals will be presented for review and approval mid-2023.

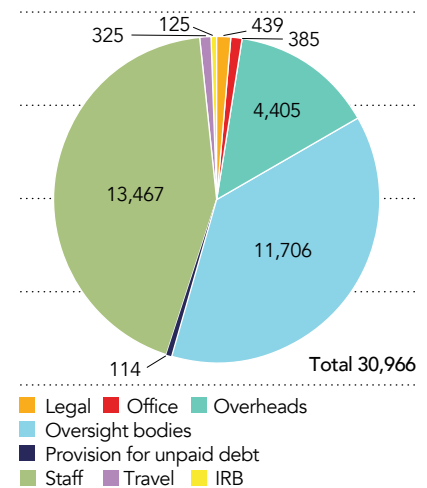
Registered Firms
full year 2022



Income Analysis £,000
2022 full year actuals



Cost Analysis £,000
2022 full year actuals



OUTLOOK

During 2023, the ICAEW Regulatory Board (IRB) and the ICAEW Professional Standards Department (PSD) will focus, in particular, on the following matters.

ICAEW's future role in regulation

We will continue to engage with the Insolvency Service in relation to the future of insolvency regulation. We have already made clear our concerns about the proposal to create a single regulator within the Insolvency Service, and we will continue to show there are other more efficient and effective options to improve insolvency regulation which will, importantly, retain the current finite amount of insolvency regulatory expertise within the UK.

We will also continue to engage with the Department for Business and Trade and the Financial Reporting Council in relation to the forthcoming legislation to create and implement the Audit, Reporting and Governance Authority.

We will also consider carefully the proposals set out in HM Treasury's forthcoming consultation on the future of the anti-money laundering supervisory regime in which ICAEW plays a vital role.

New disciplinary framework

The IRB will closely monitor the introduction of the new disciplinary framework and will act quickly if any problems arise in applying or following any of the new processes.

Changes to regulatory processes

We will also introduce a series of changes to our regulatory processes to improve the efficiency and speed of appeals against decisions of our regulatory committees and to ensure the public is protected during appeal processes.

Guidance on Sanctions

The IRB will consider the results of a review being conducted by PSD senior management into the current Guidance on Sanctions and consider whether any changes need to be made to help the disciplinary and regulatory committees carry out their work effectively and to ensure consistency of approach with other regulatory and disciplinary regimes.

Continuing professional development

The IRB will closely monitor the preparations for the implementation of the revised Continuing Professional Development (CPD) Regulations on 1 November 2023 and consider, in particular, whether any further guidance or communications are necessary to avoid any confusion or misunderstanding about what is expected. The IRB will also consider plans which will need to be put in place to ensure there is sufficient resource and capacity within the Quality Assurance Department to take on the new monitoring responsibilities (which will start at the end of the first year of the new framework in October 2024). This will involve the consideration of the extent of the role which new technology might be able to assist.

Professional Indemnity Insurance Regulations

The IRB will review all the recommendations which emerge from the current review of these regulations being carried out by PSD senior management under the supervision of the Professional Indemnity Insurance (PII) Committee. The IRB will determine which changes should be proposed in a public consultation later in 2023.

New regulatory and conduct microsite

PSD senior management and IRB members will work to create a new, standalone microsite to host key and focused information relating to the IRB and operation of ICAEW's regulatory and disciplinary functions.

New educational drama film(s)

We hope by the end of 2023 to have created at least one more film in our series of educational film dramas to be used by members and member firms for the training of their staff both in the UK and around firms' global networks. The main objective is to create a third film looking at issues facing auditors and directors to follow the success of *False Assurance* and *Without Question*.

Philip Nicol-Gent

Chair, ICAEW Regulatory Board

Duncan Wiggetts

Chief Officer, ICAEW Professional Standards Department

APPENDICES

- Appendix 1: ICAEW's regulatory and conduct roles
- Appendix 2: ICAEW Regulatory Board (IRB) members in 2022
- Appendix 3: Use of delegated powers by the IRB in 2022
- Appendix 4: Professional Standards Department Senior Management Team
- Appendix 5: Oversight of ICAEW's regulatory and disciplinary functions
- Appendix 6: Regulatory & Conduct Appointments Committee Activity Report 2021/22

APPENDIX 1: ICAEW'S 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 **enable, evaluate and enforce** 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.

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 2,299 ICAEW-audit registered firms. The results of monitoring visits to the largest firms are included in the FRC's annual quality review.

Post the COVID-19 pandemic, most audit monitoring visits have once again been conducted onsite (since September 2021). The ICAEW Quality Assurance Department (QAD) conducted 555 audit monitoring review visits, incorporating the review of firms' work on 1,056 audits, between April 2021 and March 2022. During this period, QAD reported a drop in the percentage of audits requiring significant improvement to 4%, down from 7% in 2020-2021.

At 76% the percentage of audits found to be good or generally acceptable remained the same, reflecting continuity in audit quality standards from 2020-2021. The 2021/22 Audit Monitoring Report provides further details of this work. [icaew.com/monitoringreports](https://www.icaew.com/monitoringreports)

Our role as an insolvency regulator

ICAEW continues to be the largest insolvency regulator in the UK. By the end of 2022, ICAEW had licensed 830 insolvency practitioners out of a total population of 1,550. 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 3,300 delegates on a wide variety of topics, including dealing with employees, energy supplier insolvencies, pension issues, Russian sanctions, bounce back loan fraud and legal and compliance updates. [icaew.com/insolvency](https://www.icaew.com/insolvency)

Our role as a probate regulator

ICAEW-probate accredited firms were given until 1 February 2022 to comply with the new Probate Regulations that mandated price and service transparency disclosures. The changes were communicated to firms through a series of communications including [Probate News](#). Our Quality Assurance Team, which monitors probate accredited firms, carried out 55 visits between 1 February 2022 and 31 December 2022 and found 22% of firms were yet to provide transparency information to consumers in line with the new regulations. Further communications were sent directly to probate contact principals and heads of legal practice and published in [Probate News \(November 2022\)](#) to remind firms of their obligations.

During 2022 our Quality Assurance Team identified a rise in non-compliance issues with the Probate Regulations relating to the eligibility of firms to carry out probate work. These non-compliance issues included changes to the structure of a firm, appointing new principals, changes in ownership, voting rights and management boards. In [Probate News \(August 2022\)](#) we circulated a common pitfalls article to help firms avoid inadvertent breaches of the Probate Regulations. Reminding firms that eligibility issues can lead to potential regulatory action and interruption of probate services.

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

The IRB, and the AML project board, were keen for ICAEW to demonstrate its important role in sanctions compliance. Although ICAEW doesn't have legal obligations set out in legislation in respect of sanctions, we do take an interest in firms that fail to comply with sanctions legislation and which have not considered the AML risk associated with sanctions evasion.

The UK imposed a range of economic sanctions on Russia and Belarus as well as export bans to Russia throughout 2022. As these sanctions have been implemented, we clearly set out our expectations of our firms and members – all members of the profession need to be aware of their legal and ethical obligations in relation to compliance with sanctions regimes imposed by the UK Government and their

statutory duties to report any instances of non-compliance with the sanctions regime. Our proactive risk-based approach to AML supervision always included risk assessing firms for AML risk relating to sanctions, as well as understanding the firm's assessment and compliance through regular monitoring reviews, and we were able to adapt this to ensure we effectively covered sanctions through our monitoring activity. We also amended our monitoring approach by providing additional guidance to quality assurance reviewers for immediate use, setting out procedures to address AML risks associated with sanctions.

We brought forward our scheduled thematic review for the largest firms on how they identify, handle and mitigate the AML risk associated with politically exposed persons and sanctions to summer 2022. We also extended it to assess how firms identified, and managed, the AML risks associated with sanctions during this period of significant and rapid change. We published the results of this [sanctions thematic review](#) in October 2022.

Designated Professional Body

ICAEW is a Designated Professional Body (DPB) under the Financial Services and Markets Act 2000, and licenses 1,785 firms to undertake investment business activity which is appropriate to professional practice. We provide practical guidance and have recently published the latest edition of [DPB Update, issue 14](#) to help our firms stay up-to-date on compliance matters.

During 2022, we continued to receive positive feedback for our [Traffic Light Guide to Investment Business Activity](#) which helps firms identify activities which fall within the scope of the licence and those which require direct authorisation from the Financial Conduct Authority. ICAEW's Personal Financial Planning community also use this guide, and other illustrative examples, to encourage firms to make more use of the licence and to highlight the wide range of investment business activities that can be provided as part of a holistic approach to managing clients' affairs. 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)

APPENDIX 2: ICAEW REGULATORY BOARD (IRB) MEMBERS IN 2022

Name	Status	Number of meetings attended during 2022
Philip Nicol-Gent* (Chair from 1 January 2022)	Lay	5/5
Anthony Pygram (Alternate chair from 1 January 2022)	Non-Lay	5/5
Steve Barrow (term ended April 2022)	Lay	2/2
Parjinder Basra	Lay	4/5
Andrew Goldsworthy	Non-Lay	4/5
Annette Lovell (joined in May 2022)	Lay	3/3
Claire McManus (joined in May 2022)	Lay	3/3
Thomas Palm	Non-Lay	5/5
Asif Patel	Non-Lay	5/5
Michael Sufrin (term ended April 2022)	Non-Lay	2/2
Richard Thorpe (joined in May 2022)	Non-Lay	3/3
Jane Titley (term ended April 2022)	Non-Lay	2/2
Caroline Turnbull-Hall (joined in May 2022)	Non-Lay	3/3
Jonathan Williams *	Non-Lay	4/5
Ann Wright*	Lay	5/5

*Not lay for legal services matters

IRB meeting dates 2022

10 February

21 April

9 June

6 October

8 December

APPENDIX 3: USE OF DELEGATED POWERS BY THE IRB IN 2022

Please see icaew.com/irb for further details about the IRB and its members.

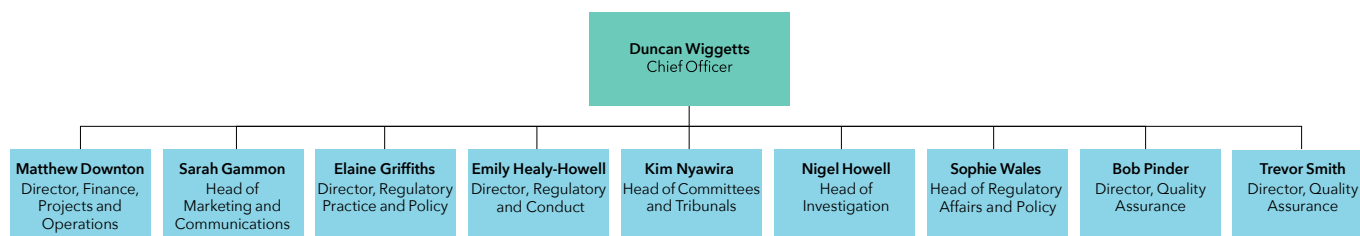
Date of meeting	Decision	Paragraph in the IRB's terms of reference ¹
10 February 2022	Response to the future of insolvency regulation government consultation	11(a)
10 February 2022	Approval of the draft Disciplinary Bye-laws (DBLs) for submission to Council and associated changes to the IRB's Terms of Reference	11(g)
10 February 2022	Strategy for responding to the Legal Services Board consultation on ongoing competence	11(s), 11(u)
10 February 2022	Future funding arrangements for the Probate Compensation Scheme	11(v)
10 February 2022	Approval of the quality assurance plan	11(e)
10 February 2022	Agreeing the terms of reference of the risk sub-group	11(a)
21 April 2022	Future funding arrangements for the Probate Compensation Scheme	11(v)
21 April 2022	Approval of the draft DBLs for submission to ICAEW Council	11(g)
21 April 2022	Agreement to funding being made available to pay ICAEW members on ICAEW regulatory and disciplinary committees and the IRB	11(c)
9 June 2022	Approval of the regulations that will make up the Disciplinary Framework	11(i)
9 June 2022	Agreeing the regulatory and Practice Assurance fees and levies for 2023	11(h)
9 June 2022	Agreement to review of the PII Regulations	11(k)
20 June 2022 ²	Approval of legal services regulatory plan	11(v)
22 July 2022 ³	Approval of minor drafting amendments to the ICAEW Disciplinary Regulations (IDRs) and other regulations which will comprise the new Disciplinary Framework	11(i)
6 October 2022	Approval of amendments to DBL 9 and IDR 69.2	11(i)
6 October 2022	Approval of amendments to the Audit Regulations	11(i)
8 December 2022	Approval of amendments to the statement on engaging in public practice for recommendation to Council	11(m)
30 December 2022	Approval of Statement of Insolvency Practice 3.1	12(o)

¹The IRB's terms of reference were amended in June 2022

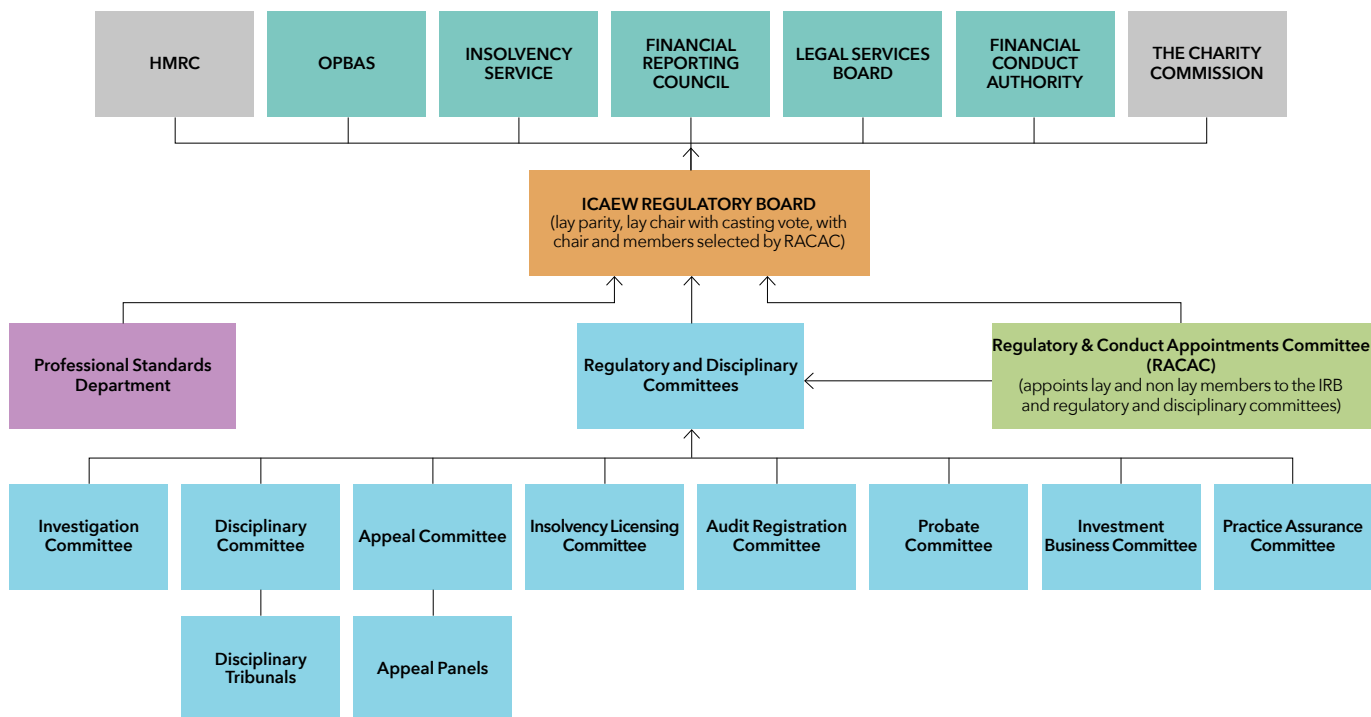
²Approved out of meeting

³Approved by IRB chair out of meeting using delegation from IRB on 9 June 2022

APPENDIX 4: PROFESSIONAL STANDARDS DEPARTMENT SENIOR MANAGEMENT TEAM



APPENDIX 5: OVERSIGHT OF ICAEW'S REGULATORY AND DISCIPLINARY FUNCTIONS



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

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 & 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;
- impose conditions/restrictions;
- propose a regulatory penalty;
- order a QAD visit;
- require a firm/member to undertake specific action to address any shortcomings eg, provide a record of CPD plan for 2023.

Every year a lay parity subcommittee 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, eg, 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 the 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 closed case 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 under its delegated powers.

Oversight by the ICAEW Regulatory Board (IRB)

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

The OPBAS carries out a biennial 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).

APPENDIX 6: REGULATORY & CONDUCT APPOINTMENTS COMMITTEE - ACTIVITY REPORT 2021/2022

ROLE OF THE COMMITTEE

- The Regulatory & Conduct Appointments Committee (RACAC) reports to the ICAEW Regulatory Board (IRB) which, in turn, oversees the work of ICAEW's Professional Standards Department.
- The RACAC is responsible, under powers delegated to it by the IRB, for dealing with all matters relating to the appointment, performance evaluations and remuneration of chairs and members of the IRB and the ICAEW regulatory and disciplinary committees and Reviewers of Complaints.
- RACAC was created by the merger of the Regulatory Board Nomination Committee and the Professional Standards Appointments Committee. RACAC met for the first time in February 2021.

OPERATION OF THE COMMITTEE

- RACAC's terms of reference prescribe the creation of various panels to carry out its functions, including in relation to the appointment of the IRB Chair and IRB members plus committee chairs and vice-chairs.
- For committee chair and vice chair interviews, interview panels comprise two RACAC members, with volunteers sought from available RACAC members and may also include the outgoing or current committee chair.
- For interviews, panels will often convene in advance of the interviews to discuss practical arrangements for the interview including the direction of questioning and when required to sift applications.
- For committee appointments, where interviews are conducted by the Committee and Tribunals team, RACAC will confirm the appointments either in a meeting or as an out of meeting decision after reviewing a paper from the Committee and Tribunals team. RACAC may also take the opportunity to offer guidance to the Committee and Tribunals team on future recruitment, including succession planning and the committee profile.

- RACAC met three times formally as a committee in 2021 (February, May, December) and four times so far in 2022 (February, April, June, August). Between meetings, RACAC may agree appointments out of committee.
- RACAC members will also on occasion, observe IRB meetings. The chair attended one virtually, when she was appointed and is attending December 2022 in person.
- RACAC has been supported by its committee secretary Tracy Stanhope (until September 2022) who was also secretary to the IRB. With the assistance of her colleague Lynette, Tracy has planned meetings, arranged interview panels, supported those panels, and promoted the vacancies across ICAEW channels and externally. Robert Pragnell has supplied interim secretariat and Sophie Hooper joined in late November 2022.

CONSTITUTION OF THE COMMITTEE

- The RACAC comprises six members as follows:
 - a) The Chair
 - b) Chair of the IRB ("IRB Chair")
 - c) Alternate Chair of the IRB
 - d) A lay member
 - e) Two Chartered Accountant members of ICAEW
- The current members of RACAC are:

Name	Name
Sara Nathan	Chair
Philip Nicol Gent	IRB Chair
Nick Parker	ICAEW member
David Matthews	ICAEW member
Anthony Pygram	IRB Alternate Chair
Bronwen Curtis	Lay member

APPOINTMENTS

IRB

IRB chair

- RACAC decided at its first meeting in February 2021 to seek the involvement of an executive search agency to assist in the recruitment of the next IRB chair. After an informal tender process, Saxton Bampfylde were appointed. Saxton Bampfylde also provided advice and assistance in deciding on the level of remuneration to be offered to the new IRB chair.
- Saxton Bampfylde conducted a recruitment process and from its longlist, the IRB Chair Appointments Panel comprising Sara Nathan, David Matthews and Steve Barrow selected seven candidates to be interviewed.
- Interviews for the new IRB chair were conducted in September 2021. Jenny Watson was selected by the panel and appointed IRB Chair, although other candidates were deemed appointable. Jenny was obliged to relinquish the role for personal reasons only a few weeks into her term and RACAC subsequently offered the role of IRB Chair to Philip Nicol-Gent.

IRB members

- Prior to the creation of RACAC, the Regulatory Board Nomination Committee had recruited three new members of the IRB, one ICAEW member and two lay members, appointed effective from 1 January 2021.
- The next recruitment round for the IRB was paused pending the appointment of the new IRB Chair to enable the new chair to have input into the recruitment process. To enable this to happen smoothly, three of the existing IRB members (one lay, two ICAEW members) were asked to continue as members of the board until April 2022. Another ICAEW member was later asked to remain on the board until 31 December 2022.
- A skills audit of the existing IRB members was carried out to identify any gaps in the IRB's skillset.
- Recruitment for new IRB members was launched in spring 2022. Taking into account the skills audit of IRB members and the collection of diversity information about the IRB, the recruitment focused on the following:
 - Encouraging women to apply
 - Filling identified skills gaps in marketing and communications, consumer issues, insurance and tax
 - Recruiting members who were lay for legal services
 - For ICAEW members - in practice or recently retired from practice

- An interview panel comprising Sara Nathan, Philip Nicol-Gent and Nick Parker interviewed candidates in April 2022. Four new IRB members (2x lay, Annette Lovell and Claire McManus, 2 x ICAEW, Caroline Turnbull-Hall and Richard Thorpe) were appointed effective 1 May 2022. One member's appointment was delayed until June 2022 to allow her to transition from the Investigation Committee.
- A further recruitment exercise took place in the autumn of 2022 to appoint a new ICAEW member. RACAC appointed Angela Foyle who takes up her role from 1 January 2023

IRB alternate chair

- Jenny Watson had been lay for both accountancy and legal services matters so an Alternate Chair of the IRB was not required. Philip Nicol-Gent as IRB Chair is not lay for legal services, and this required the appointment of an Alternate Chair. Informal soundings were taken of the eligible IRB members and Anthony Pygram declared himself willing to be appointed Alternate Chair. At its meeting on 1 February 2022, RACAC appointed Anthony as Alternate Chair effective immediately, for the duration of his term as a member of the IRB.

Committee appointments

RACAC interviews

- In 2021 RACAC made the following appointments after conducting interviews:
 - Appeal Committee chair (Agnus Withington)
 - Appeal Committee vice chair (Leslie Cuthbert)
 - Disciplinary Committee lay chairs x 4 (external candidates) (Andrew Harvey, Catherine Audcent, Sheleen McCormack and Wendy Yeadon)
 - For the Disciplinary Committee lay chairs, RACAC had initially interviewed internal candidates but decided not to make an appointment.
- In 2022, RACAC made the following appointments after conducting interviews:
 - Fitness Committee vice chair (Rachel Forster)
 - Review Committee chair (Pamela Omerod) and 2 vice chairs (Ian Walker and Penny Griffith)
 - Probate (Legal Services) Committee chair (Miranda Winram) and vice chair (Melisa D'Mello) (included internal and external candidates)

RACAC confirmations of appointments

- In 2021, RACAC confirmed the following appointments/reappointments after recommendations from the Committee and Tribunals team:

Committee name	Appointments etc
Disciplinary Committee	Tribunal chair renewed for a second term
Insolvency Licensing Committee	1 new member appointed, 2 members renewed for a second term
Investigation Committee	1 member renewed for a second term, Chair renewed for a third term ²
Investment Business Committee	2 new members appointed, 1 member renewed for a second term
Practice Assurance Committee	1 new member appointed, 2 members renewed for a second term
Probate Committee ³	Chair renewed for a third term, 3 members renewed for a third term, 1 member renewed for a second term

- In 2022, RACAC confirmed the following appointments/reappointments after recommendations from the Committee and Tribunals team:

Committee name	Appointments etc
Appeal/Review Committee	5 new members, 8 members renewed for a second term
Audit Registration Committee	7 new members appointed, 1 member renewed for a second term, Chair renewed for a second term
Disciplinary Committee	5 new members appointed, 6 members renewed for a second term, committee Chair renewed for a second term
Insolvency Licensing Committee	4 new members appointed, 1 member renewed for a second term
Investigation Committee	10 new members appointed, 2 members renewed for a second term
Investment Business Committee	2 new members appointed, 2 members renewed for a second term, Chair ⁴ renewed for a third term
Practice Assurance Committee	3 members renewed for a second term
Probate (Legal Services) Committee	3 new members appointed
Professional Indemnity Insurance Committee	5 new members appointed
Reviewers of Complaints	2 new reviewers appointed

² Chair renewal for a third term was for a period of 2 years as RACAC remains uncomfortable with offering third terms to committee members and chairs. RACAC requested that the Committee and Tribunals team develop a succession plan for the IC chair role.

³ The confirmation of third terms for Probate Committee members was considered to be acceptable as the Probate Committee was to be refreshed as the Legal Services Committee in 2022 and a new chair and members would be appointed.

⁴ This was considered an exceptional case as outside factors had prevented the chair from sitting for most of his second term and the vice chair had chaired the majority of the meetings.

Chartered Accountants Compensation Scheme (CACS) appointments

- Appointments to the CACS Committee/Board are made by the company's shareholders. In view of this RACAC considers its role in the process to be the approval of any appointment strategy rather than to approve individual appointments.
- In June 2022, RACAC limited the extension of the terms of three members of the CACS Committee/Board to 31 December 2022. At its meeting in August 2022, RACAC approved a strategy to fill the CACS vacancies by approaching current members of other regulatory and disciplinary committees. RACAC itself had previously suggested merging the CACS committee/board with another committee.
- In December 2021 RACAC had refused to approve the appointment of a new chair of the CACS Committee/Board as the candidate was a member of another ICAEW committee and the appointment was contrary to the Regulatory Appointments Policy. Recruitment is now underway.

POLICY MATTERS

Paying chartered accountants

- From its first meeting, in February 2021, RACAC expressed the view that the policy of not paying Chartered Accountant members of most of the ICAEW regulatory and disciplinary committees and the IRB could have a negative effect on the recruitment of ICAEW members, particularly those from smaller practices.
- RACAC requested that information on the payment policies of comparable institutions be collected, and that the committee be provided with information on the financial impact of paying all ICAEW members.
- The possibility of paying ICAEW members continued to be discussed at subsequent RACAC meetings during 2021 and 2022.

- At its meeting in April 2022, RACAC welcomed the IRB's decision to increase the regulatory fees to fund payments to ICAEW members on the ICAEW regulatory and disciplinary committees and the IRB, and to increase the current payments made to all committee members, committee chairs and IRB members by 10%. RACAC also noted the IRB's decision in principle that payments should be made to ICAEW members.
- As remuneration policy is delegated to RACAC, RACAC decided to introduce payment for all ICAEW members of committees and the IRB, effective from 1 January 2023. RACAC also approved the 10% increase in the sums paid to all committee members and chairs and the members of the IRB.
- RACAC agreed that a formal process should be put in place to agree future uplifts in the amount to be paid to board and committee members. As part of that process benchmark data should be obtained from other regulators (but not to include health regulators).
- Encouraging ICAEW member applicants for both committees and the IRB remains a challenge and RACAC will monitor the impact of the introduction of payment on the level of interest from ICAEW members.

Diversity

- Another area of focus for RACAC since its first meeting in February 2021 has been the collection of diversity information about current committee and IRB members and from candidates for committee/board vacancies.
- Diversity information was collected from IRB members in late 2021 as part of an exercise conducted by ICAEW's Chief Executive's Office. RACAC reviewed the information collected and used it to inform the IRB recruitment in the spring of 2022. The recruitment specifically targeted women as an underrepresented group on the IRB.
- Systems were put in place and diversity information was collected for the first time during the IRB recruitment in Spring 2022. RACAC will use this information to inform future recruitment exercises.
- Information about the Professional Standards committee members was not collected as part of the exercise carried out by the Chief Executive's Office. Separate arrangements have been put in place to collect diversity information from current Professional Standards committee members and as part of the recruitment process. RACAC has welcomed these initiatives.

- RACAC has offered suggestions on how to communicate recruitment exercises to underrepresented groups. As well as using ICAEW channels, IRB vacancies are now routinely advertised on Women on Boards and the language in the recruitment materials are gender de-coded.

Performance assessment

- RACAC first considered a proposal for the performance assessment of committee members from the Committee and Tribunals team at its meeting in May 2021 and offered its feedback on what was being proposed.
- Because the Committee and Tribunals team was planning an extensive committee recruitment exercise and the Head of Committees and Tribunals was about to take maternity leave, RACAC didn't press for progress on the performance assessment programme during 2021.
- In 2022, a sub group of RACAC comprising Philip Nicol-Gent, Bronwen Curtis and David Matthews was set up to work with the Committee and Tribunals Team to finalise the development of the assessment process. Paul Brooks, the Investigation Committee chair was also invited to join the sub group to provide a practical perspective on what was being developed. In designing a process, RACAC has drawn heavily on Bronwen's extensive HR expertise.
- A process was developed by the sub group which has subsequently been shared with the committee chairs. The intention would be to mirror the committee process for the IRB. The RACAC chair and IRB chair are discussing where responsibility for the performance assessment of committee chairs should most comfortably sit, given that the IRB observes committee meetings for its quality assurance programme.

Committee member/chair terms

- After a request from the Committee and Tribunals team in May 2021, RACAC agreed the following:
 - When a committee member is appointed as chair or vice chair that a three-year term begins from the time of their appointment to this role.
 - A renewal for a second term should also be available unless there are compelling reasons why a particular chair or vice chair should not sit for a second term in this role.
 - The policy will be backdated to all current chairs and vice chairs.

- RACAC's decided view is that third terms should not be offered to committee members and chairs (and by extension to IRB members and its chair) as a matter of routine, and that it would have to give detailed consideration to any request for a third term. The committee however, adopted a pragmatic and practical approach to any requests for a third term made during the COVID pandemic when recruitment was obviously more challenging.

Complaints against committee members

- At its meeting in December 2021, RACAC considered an urgent request for guidance about an active complaint against a committee member.
- On subsequently receiving further information about the specific instance, RACAC concluded that the contract for committee members should be amended so that it was incumbent on the committee member to recuse themselves for the duration of an investigation. If the committee member was unwilling to voluntarily recuse themselves then RACAC would consider suspending the committee member. In reaching this conclusion RACAC recognised that having a committee member recuse themselves could cause practical difficulties for the operation of the committees but was of the view that the public interest was better served by recusal, particularly if decisions could subsequently be challenged or criticised if the committee member subject to investigation was present.
- Such a clause has been included in the contract for the IRB chair - this being the first contract put in place since RACAC's decision and will be included in other contracts too.
- RACAC also recommended that a policy be developed for it to review, dealing with the issues that may arise should a committee member be subject to an investigation by ICAEW or otherwise.

RACAC terms of reference

- RACAC has reviewed its own terms of reference and will be putting forward proposals for change at a future IRB meeting.
- For practical reasons, RACAC has chosen not to convene the Regulatory & Conduct Committees Appointment Panel, which comprises the full RACAC committee, less either the IRB Chair or Alternate Chair and instead considers committee appointments as the full RACAC committee. Removing this panel from the terms of reference is one of the recommendations for change that will be proposed.

Author Sara Nathan, Chair RACAC

Date of report 30 November 2022

ICAEW's regulatory and conduct roles

Since our Royal Charter was granted in 1880, ICAEW has been responsible for maintaining the highest professional standards as well as delivering technical excellence in the public interest.

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 through internal governance 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.

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.

ICAEW is the first major professional body to be carbon neutral, demonstrating our commitment to tackle climate change and supporting UN Sustainable Development Goal 13.

We are proud to be a founding member of Chartered Accountants Worldwide, a network of 750,000 members across 190 countries which promotes the expertise and skills of chartered accountants around the world.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.



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