

## 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.

**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



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
<b>Total</b>	<b>2,933</b>	<b>2,569</b>	<b>2,917</b>


**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
<b>Total</b>	<b>2,520</b>	<b>2,477</b>	<b>2,285</b>

**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](https://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](https://www.icaew.com/regulatorynews)
- Articles are typically hosted on [icaew.com/regulatorynews](https://www.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](https://www.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

# 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)