



ICAEW Regulatory Board

TERMS OF REFERENCE: ~~MARCH 2020~~25 JUNE 2018

Authority

1. The ICAEW Regulatory Board (IRB) derives its authority from Council.
2. ICAEW is a unitary body. However, to ensure a greater degree of independence, both in substance and appearance, Council has delegated the regulatory and disciplinary functions of ICAEW to the IRB, to separate them from the other activities of ICAEW. In ~~discharging~~ discharging its role and responsibilities the IRB will discuss significant matters with the ICAEW Board and relevant departmental Boards.
3. The IRB will have regard to the objectives of the profession, as set out in ICAEW's Royal Charter, subject to a primary consideration of the public interest.

Composition

4. The IRB comprises up to twelve members including the chair and alternate chair.¹
5. For non-legal services matters the IRB will be formed of a parity of lay² and non-lay members. The quorum for a meeting will be four: two lay and two non-lay members. In the event that there is not parity, the chair will use his/hert~~their~~ discretion as to whether matters of gravity or public interest will be delayed to another meeting and or taken to vote at that meeting. If there is equality of votes, the chair will have a casting vote.
6. For legal services matters the IRB will be formed of a lay³ majority and a lay chair. If a decision on regulatory functions relating to legal services is taken at a meeting where

¹ The Chair for legal services related matters

² 'Lay' for non-legal services matters means someone who is not and never has been a member, affiliate or employee of the ICAEW or any other accountancy body and such further relevant restrictions as may be appropriate to enhance public confidence in the regulatory process. In making lay appointments, the focus will normally be on consumers of accountancy services and stakeholder organisations rather than those who have more general experience of regulation of other professional services.

³ 'Lay' for legal services matters means someone who is not and never has been -

(a) an authorised person in relation to an activity which is a reserved legal activity under the Legal Services Act 2007, for example, a solicitor or barrister

(b) a person authorised to provide services which are regulated claims management services under the Compensation Act 2006

(c) an advocate in Scotland;

(d) a solicitor in Scotland;

(e) a member of the Bar of Northern Ireland;

(f) a solicitor of the Court of Judicature of Northern Ireland.

there is either not a lay majority or not a lay chair (or both), this decision will be ratified at the next IRB meeting when there is both a lay majority and a lay chair. Ratification will however take place out of meeting if waiting for the next IRB meeting when there is both a lay majority and lay chair would cause unnecessary delay.

7. The IRB shall elect a Deputy-Chair annually from amongst its membership.
- 8.. The chair and alternate chair of the IRB may not be a member of the ICAEW Board or Council or any other ICAEW Committee. They can attend the ICAEW Board or Council by invitation as agreed by the respective chair.
9. The chair of the IRB will be appointed on the basis of being the person best suited for the job, judged on merit without regard to whether they have a lay or accountancy background. The alternate chair of the IRB will also be appointed on the basis of being the best suited for the job, judged on merit but must not be nor must ever have been an accountant nor a lawyer.
10. The chairs and members of the IRB and the Committees which it has oversight of are appointed by independent sub-committees of the Regulatory ~~Nomination~~ Committee. In practice the appointments process is as follows:
 - a) The IRB appoint a panel ('The Chair of the Regulatory Nomination Committee Appointments Panel') comprising 3 members to identify and nominate for approval by the IRB Chair and the ICAEW President the candidate for appointment as Chair of the Regulatory Nomination Committee.
 - b) ~~The Regulatory~~ Regulatory ~~Nomination~~ Nomination Committee appoint a panel ('IRB Chair Appointments Panel'), comprising three members to identify and nominate for approval by ~~make a recommendation to the -Regulatory Nomination Committee Council, the candidate for appointment as Chair of the IRB. to appoint the chair of the panel to appoint the chair of the ICAEW Regulatory Board;~~
 - ~~b)c)~~ c) The Regulatory Nomination Committee appoint a panel ('The IRB Members Appointments Panel') comprising 3 members to identify and nominate for approval by the Regulatory Nomination Committee the candidates for appointment as members of the IRB.
 - ~~e)d)~~ d) The The Regulatory Nomination Committee -appointment of a Committee panel ('Professional Standards Regulatory Appointments Committee Panel') comprising three Council or Chartered Accountant members and three lay members, including the chair of the ICAEW Regulatory Board, with delegated authority to appoint members to the ICAEW Regulatory Board, to the quasi-judicial professional conduct and regulatory professional standards committees (including their chair and vice-chair), and the reviewers of complaints.
11. In accordance with the Regulatory Appointments Policy, Mmembers of the ICAEW Board or Council may not be members of IRB and there will be a period of at least one year between ceasing to be a member of Council or ICAEW Board and taking up membership of IRB. IRB members may not be members of other ICAEW regulatory committees.

Council Delegations

12. Council has delegated the following responsibilities to the IRB:

- a) development of proposals for ICAEW's professional standards strategy and policies, after consultation with the ICAEW Board and with the relevant departmental Boards as appropriate.
- b) approving policies and guidelines that are relevant to the discharge of the functions of the IRB and the committees which it has oversight of, including sanctions.
- c) developing proposals for funding and resources required for professional standards activities as part of the budget preparation process having regard to the high level budgeting principles set at Appendix A.
- d) developing and monitoring performance criteria and performance measures for ICAEW's professional standards activities.
- e) general oversight of the performance of the Audit Registration Committee, the Insolvency Licensing Committee, the Investment Business Committee, the Review Committee, the Probate Committee and its successor, the Legal Services Committee, the Investigation Committee, the Fitness Committee⁴, the Disciplinary Committee, and the Appeal Committee) or their successors, the Practice Assurance Committee, Professional Indemnity Insurance Committee subject to these committees **not** being answerable to the IRB for their decisions in individual cases.
- f) considering and, where appropriate, amending, the recommendations of the specialist advisory and operational committees (the Joint Audit, Joint Insolvency, Joint Professional Indemnity Insurance Committee, the Practice Assurance Committee and the Professional Indemnity Insurance Committee and the Board of the Chartered Accountants' Compensation Scheme Ltd) or its successors.
- g) the submission to the ICAEW Board of any recommendations for additions, deletions or amendments to the Charter and bye-laws in relation to professional conduct and regulatory matters for recommendation to Council for approval.
- h) the setting of the level of regulatory fees, Compensation Scheme contributions and the Practice Assurance fee, provided that it may not approve any increase in these fees above the level of inflation used by ICAEW for employment cost inflation, or any increase which represents a change in policy or any change by ICAEW to the budgeting principles as outlined at Appendix A without discussing with the ICAEW Board.
- i) making and amending regulations in the professional conduct area (except those regulations made by the Investigation, Disciplinary and Appeal Committees under powers delegated to them in the Schedule to the Disciplinary Byelaws), provided that it may not approve any such regulations or amendments without discussing with the ICAEW Board where these represent new, or changes to, policy.
- j) making and amending regulations in respect of insolvency, exempt regulated investment business, audit, professional indemnity insurance, clients' money, corporate practice, use of the description 'Chartered Accountant', membership (cessation, readmission and resignation of members only), the Review Committee, the Chartered Accountants Compensation Scheme and Practice Assurance and

⁴ As from 3 October 2016, the date of the Privy Council's allowance of the Disciplinary Bye Laws.

legal services areas provided that it may not approve any such regulations or amendments without discussing with the ICAEW Board where these represent new, or changes to, policy.

- h)k) amending the Practice Assurance standards and guidance provided that it may not approve any amendments to the standards without discussing with the ICAEW Board where these represent new or changes to policy.
- h)l) amending the guidance on the duty to report misconduct; the duty on firms to investigate complaints; and publicity for the disciplinary and regulatory processes, provided that it may not approve any such amendments without discussing with the ICAEW Board where these represent new, or changes to policy.
- h)m) approving amendments to 'engaging in public practice' after consultation with the ICAEW Board and with the relevant departmental Boards as appropriate for recommendation to Council.
- h)n) commenting to the Technical Strategy Board/ Ethics Standards Committee on issues relating to ethical standards generally including proposed amendments to the Code of Ethics.
- h)o) approval of Statements of Insolvency Practice (SIPs), changes to SIPs and changes to the Insolvency Code of Ethics after taking into account the views of the Insolvency Committee and the Ethics Standards Committee as appropriate, but if any ethical guidance to be produced contains a prohibition (and so does not follow the general system of threats and safeguards) and the Insolvency Committee or Ethics Standards Committee as appropriate does not agree with the prohibition or does not otherwise agree with the approach, the IRB will refer the matter to the Liaison Group, and then if necessary to ICAEW Board and then if necessary to Council.
- h)p) _____ commenting to the Learning & Professional Development Board on proposals for requirements for: continuing professional development, practising certificate eligibility, and the audit qualifications.
- h)q) maintaining liaison with other parts of ICAEW whose work affects the quality of professional practice (including the work of members in business through the ICAEW Board and relevant departmental Boards.
- h)r) approving, on recommendation from the ICAEW Board⁵ memoranda of understanding in relation to Professional Conduct activities with other bodies with which ICAEW has a relationship provided, in the opinion of the IRB, these are appropriate in assisting ICAEW fulfil its functions.
- h)s) oversight of ICAEW's supervisory relationship with the Financial Reporting Council (FRC) and its subsidiary Boards, Legal Services Board (LSB), Insolvency Service (IS), Financial Conduct Authority (FCA), [the Office for Professional Body Anti-Money Laundering Supervision \(OPBAS\)](#), and Irish Auditing and Accounting Supervisory Authority (IAASA) (including related links with other participating accountancy bodies) with respect to ICAEW's regulatory responsibilities to these

⁵ Delegated by the Board to the Executive Director, Professional Standards on 26 January 2017

bodies excluding the RQB responsibility under the Companies Act which remains with the LPD Board.

q)t) ICAEW's regulatory functions as an approved regulator and licensing authority for legal services under the Legal Services Act 2007 (the Act). However, as the approved regulator, ICAEW will retain the right to request that the Legal Services Board intervene into the IRB's arrangements if it is considered that the IRB is failing to discharge its functions in accordance with the Probate Regulations or the Act.

u) the development of ICAEW policy in relation to probate practitioners, in consultation with the Probate Committee and other key stakeholders.

v) rule setting and any amendments to the Probate Regulations and Probate Compensation Scheme Regulations in consultation with the LSB, the Probate Committee and the other stakeholders.

t)w) all matters relating to the IRB, Professional Standards committees and other regulatory appointments

s)x) in undertaking its activities the IRB will maintain close cooperation with the relevant corresponding functions of ICAS and CAI as appropriate.

t)y) to approve an annual regulatory plan that takes into account ICAEW's operational plan and strategy.

13. The IRB has no role in relation to any Professional Standards activity that does not directly relate to the regulation and discipline of ICAEW members or those authorised by ICAEW to undertake regulated activities.

Delegations by the IRB

14. The IRB has delegated the following powers to the Probate Committee (and its successor the Legal Services Committee) as they pertain to Probate activities;

- a. ICAEW's functions as an approved regulator and licensing authority as set out more fully in the Probate Regulations, which include:
 - i. considering and determining applications for probate accreditation;
 - ii. considering and determining applications for authorised individual, Head of Legal Practice, Head of Finance and Administration, non-authorised owner or probate affiliate status;
 - iii. monitoring compliance with the Probate Regulations;
 - iv. taking regulatory action as required to secure compliance with the Probate Regulations;
 - v. referring matters to ICAEW's disciplinary committees as required;
 - vi. compiling and maintaining a register of licensed firms and supplying this information to the Legal Services Board (LSB) as required.
- b. ICAEW's functions under the Probate Compensation Scheme Regulations in determining applications for grants;

~~— the development of ICAEW policy in relation to probate practitioners, in consultation with the IRB and other key stakeholders;~~

- ~~— rule setting and any amendments to the Probate Regulations and Probate Compensation Scheme Regulations in consultation with the LSB, the IRB and other stakeholders;~~
- ~~— budget and fee setting in relation to accredited probate firms, in consultation with the LSB, the IRB (and ICAEW Board where any proposed increase is above the rate of wage inflation); and~~
- ~~— liaising freely with the LSB and other stakeholders on matters concerning probate practitioners and responding to requests for information from the LSB.~~

~~19. On the above matters the executive power lies with the Probate Committee and the IRB has purely a consultative role. The IRB retain the right to request that the LSB intervene into the Committee's arrangements if it is considered that the Committee is failing to discharge its functions in accordance with the Probate Regulations or the Act's regulatory objectives.~~

~~20. The powers delegated to the Probate Committee cannot be withdrawn or amended by the IRB without consultation with the LSB.~~

24.15. The IRB delegates responsibility for detailed work on the co-ordination of policy on:

- a. the regulation of audit to the Joint Audit Committee
- b. the maintenance, improvement, development and promotion of insolvency standards and guidance and the facilitation of discussions between the authorising bodies to the Joint Insolvency Committee
- c. professional indemnity insurance to the Joint Professional Indemnity Insurance Committee

subject to these joint committees having no executive powers.

22.16. The IRB delegates responsibility for the operation of the Practice Assurance Scheme to the Practice Assurance Committee .

23.17. ICAEW owns shares in a limited company, Chartered Accountants Compensation Scheme Ltd, which decides on claims for compensation arising from investment business transactions by authorised firms and from exempt regulated investment business transactions by licensed firms. This relationship is governed by the memorandum and articles of the company and also by various shareholders' agreements. The purpose of this body is to provide services under an agency agreement with each of the participating bodies. The Board of this company (described in this Scheme as an 'operational committee') is accountable to the IRB, for the management of these joint activities.

24.18. The IRB delegates to the Head of the Regulatory Practice Group authority to consider dispensation applications and applications for general affiliate status under the Regulations governing the use of the description 'Chartered Accountants' and ICAEW general affiliates.

Operation of the IRB

25.19. The IRB will carry out its responsibilities within the framework of general duties and procedural requirements for Committees at set out in the governance handbook.

~~26-20.~~ If any contentious issues arise between the ICAEW Board and the IRB which cannot be resolved through initial dialogue, the issue will be referred to the Liaison Group. Contentious issues would include matters relating to the budget principles outlined in Appendix A, proposals for bye-law amendments and changes in process.

~~27-21.~~ The Liaison Group consists of the ICAEW President and Chief Executive and the IRB Chair and Alternate Chair and Executive Director, Professional Standards ~~and the chair of the Investigation Committee~~. In the event that the Liaison Group cannot reach agreement on an issue, it will be referred to Council for decision after consultation with ICAEW Board.

~~28-22.~~ The IRB normally meets up to five times a year or as otherwise necessary to conduct its business.

~~29-23.~~ The IRB will communicate on its regulatory activity to ICAEW Board and Council annually.

~~30-24.~~ The IRB will take account of inclusion and diversity in relation to its activities.

~~31-25.~~ As part of the IRB's responsibility for quality assurance, all members of the IRB and its Committees, both professional and lay, should be provided with appropriate training upon appointment and, as appropriate, thereafter.

~~32-26.~~ Members of the IRB and the committees which it has oversight of should also be subject to annual appraisal and, where necessary, performance management and effectiveness review.

~~33-27.~~ The IRB will keep under review, in consultation with the Regulatory ~~Nomination~~ Committee the structure and membership of the IRB and the committees which it has oversight of, their training and their competence.

Definitions

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- (b) a person authorised to provide services which are regulated claims management services under the Compensation Act 2006
- (c) an advocate in Scotland;
- (d) a solicitor in Scotland;
- (e) a member of the Bar of Northern Ireland;
- (f) a solicitor of the Court of Judicature of Northern Ireland.



IRB budget principles

1.	Regulatory activities of ICAEW are overseen by IRB, whose role is derived from Council. ICAEW acts as a unitary professional body.
2.	As part of its role, IRB will recommend a budget for regulatory activities including the fees required to discharge its responsibilities. This budget will be subject to the agreement of the ICAEW Board, for integration within ICAEW's overall budget.
3.	The basis for recovering costs through regulatory fees should be confirmed from time to time between the ICAEW Board and IRB. Professional standards activities should normally be self-financing.
4.	The number and scope of regulated services may vary from time to time subject to approval of business cases by both the ICAEW Board in the first instance and IRB.
5.	Regulatory and disciplinary costs to be met will include both direct costs of those activities and a reasonable and proportionate share of ICAEW's overhead costs derived on a consistent basis across ICAEW.
6.	IRB will be provided with key details of the budgetary framework, constraints and assumptions in order to assist with understanding and approval.
7.	Exceptional changes to costs or income encountered during a budget year should be discussed between PS and the Finance Director in order to make proposals to IRB and the ICAEW Board for managing the event.
8.	In the event of disagreement over budget proposals, the matter should be referred to the Liaison Group.