

Ongoing competence: Call for evidence



ICAEW's Response

This template can be used to respond to the [call for evidence](#) for the ongoing competence project. Please send completed forms to the [project team](#).

Defining competence and competence assurance

Understanding what it means to be a competent legal professional and how competence can be maintained and assured over time is a core objective of this work.

We would welcome your views on what you think is needed to demonstrate competence, whether competence needs to be tested throughout the career of a legal professional and how it could be assessed. This may cover areas such as:

- the characteristics or skills that should be part of a competency framework
- the types of competence particular to different types or work or legal disciplines (e.g. barristers, legal executives)
- different models for competence assurance that you use or are aware of

We would welcome qualitative and quantitative evidence in particular on: determining the components of professional competence; approaches to competence assurance; the effectiveness of CPD and other methods of assurance.

Please fill in the text box below using the prompts above, providing links to any evidence referenced. Alternatively, supporting documents (e.g. reports, datasets) can be provided separately.

Introduction

1. ICAEW regulates accountants in many areas other than legal services and the approach adopted by ICAEW and other accountancy professional bodies is similar in terms of gaining competency to practise and in creating an obligation on members to keep up their competency by way of continuing professional development. However, the approach differs considerably when it comes to monitoring and checking on the continuing competency of members where they are carrying out work considered by legislators as being more risky and more impacting on the public interest (such as audit, insolvency and investment business advice) and through our Practice Assurance Scheme. We have set out below the regime in relation to assuring competence in accountants so that these similarities and divergences can be seen and considered as an important part of this review.

Definition and assurance of Professional Competence

Definition

2. As a member of the International Federation of Accountants (IFAC) ICAEW's ACA qualification and professional competence framework applies the International Educational Standards (IES) for accountants introduced by the International Accounting Education Standards Board (IAESB).
3. With regard to professional competence, the IAESB's Framework for International Education for Professional Accountants and Aspiring Professional Accountants (the Framework) states:

ICAEW's Response

"The overall objectives of professional accounting education are to (a) develop the professional competence of aspiring professional accountants, and (b) develop and maintain the professional competencies of professional accountants."

4. The Framework defines professional competence as:

"...the ability to perform a role to a defined standard. Professional competence goes beyond knowledge of principles, standards, concepts, facts and procedures; it is the integration and application of (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes."

5. The two main areas of focus of the IESs are the key elements of accreditation and the requirement for continuing professional development. The IES cover the following:

- IES 1: Entry requirements to professional accounting educational programmes
- IES 2 – 6: Initial Professional Development of *aspiring* professional accountants covering: Technical competence; professional skills; professional values, ethics and attitudes; practical experience; and assessment of professional competence
- IES 7: Continuing professional development of professional accountants
- IES 8: Professional competence for engagement partners responsible for audits of financial statements.

Initial Professional Development and assessment

6. ICAEW's ACA qualification applies the standards IES 1 – 6. Aspiring chartered accountants undertake academic and work based learning during their initial professional development (IPD) in order to achieve professional competence and therefore become a member of ICAEW and be able to practice as a chartered accountant. This would equate to the practical work-based learning experienced by trainee lawyers during training contracts, pupillage etc.
7. Having successfully undertaken IPD, a chartered accountant is required to maintain their professional competency by way of CPD detailed in IES7 and for audit in IES8. Learning and development for chartered accountants is therefore an ongoing process of developing and maintaining professional competence throughout their careers.

Continuing Professional Development

8. The Framework defines CPD as:

"...the learning and development that develops and maintains professional competence to enable professional accountants to continue to perform their roles competently. CPD provides continuing development of the learning outcomes for (a) technical competence, (b) professional skills, and (c) professional values, ethics, and attitudes which are achieved during IPD."

Change is a significant characteristic of the environment in which professional accountants work; requiring them to develop and maintain their professional competence throughout their careers. Pressures for change come from many sources

ICAEW's Response

including, but not limited to, (a) public expectations, (b) globalization, (c) advances in technology, (d) business complexity, (e) societal changes, and (f) increase in regulation and oversight. As a result, continuous learning is integral to CPD as professional accountants need actively to pursue the education, training, knowledge and skills which they need to anticipate and adapt to changes in processes, technology, professional standards, regulatory requirements, employer demands, and other areas.

...CPD includes practical experience that provides individuals with the opportunity to develop their professional competence within the workplace. As a professional accountant's career progresses, emphasis tends to shift from structured learning activities to practical experience and informal learning."

9. The competencies required for IES7 are for individuals to judge according to their areas of practice but, in IES8, they are specifically set out for audit principals as follows;

Technical

- Audit
- Financial Reporting and accounting
- Governance and risk management
- Business environment
- Taxation
- Information and communications technologies
- Business law and regulations
- Finance and financial management

Intellectual

- Interpersonal and communication
- Personal
- Organisational

Professional values

- Commitment to public interest
- Professional scepticism and professional judgement
- Ethical principles

10. As an IFAC member body ICAEW has responsibility for the CPD of chartered accountants and must:

- (a) Foster a commitment to lifelong learning among professional accountants;
- (b) Facilitate access to CPD opportunities and resources for professional accountants; and
- (c) Adopt prescribed requirements relating to the development and implementation of appropriate measurement, monitoring, and compliance procedures, so as to help professional accountants develop and maintain the professional competency necessary to protect the public interest.

11. The knowledge needed to function effectively as a chartered accountant continues to grow in all sectors. Continuing development and maintenance of professional competence and lifelong learning are therefore critical if a chartered accountant is to meet public expectations.

ICAEW's Response

12. The recent publication by Sir Donald Brydon of his recommendations for the future of audit has identified further competencies that are believed to be relevant for the future of audit and the professional. These include;

- Policy critique
- Forensic accounting
- Fraud awareness

ICAEW Continuing Professional Development

Requirement to undertake continuing professional development

13. In order to ensure professional competence is maintained, ICAEW has CPD Regulations, compliance with which is monitored by ICAEW's Learning and Professional Development Department. ICAEW's Quality Assurance Department (QAD) also monitors compliance through its Practice Assurance (PA) Scheme and regulatory reviews for the areas of audit, insolvency, investment business and probate. All ICAEW members must comply with the ICAEW's CPD regulations. These regulations place an obligation on members to reflect on their learning and development needs, identify any gaps, source appropriate activities to fill those gaps and assess the effectiveness of their learning on a continuous basis.

14. ICAEW does not specify the form that CPD should take nor do we specify the number of hours or points that must be obtained. Instead members must undertake whatever development activity is required for them to remain competent in their roles. However, the way in which CPD is completed and the requirements for CPD is currently subject to a review during the current inspection period by the Financial Reporting Council which may result in suggested changes.

15. In order to comply with this obligation, persons who conduct and/or supervise the conduct of work are required to maintain and develop their skills throughout their career by completing sufficient development activity to ensure that they remain competent in their roles. To do this ICAEW recommends they use its 'Reflect, Act, Impact, Declare' (RAID) approach (outlined below) which requires practitioners to consider their development needs, how they can meet them and to create a plan of action. This requires them to reflect on such matters as expectations, responsibilities and knowledge gaps and to evaluate the effectiveness of the CPD they have done and whether it has enabled them to meet their objectives. ICAEW recommends practitioners take the following RAID approach to their CPD requirements:

i. Reflect

Consider your development needs and how you can meet them, and create a plan of action. Think about:

- Expectations - what do others expect of you and what standards do you expect of yourself?
- Changes - the main changes affecting you in your role
- Responsibilities – what are the areas of responsibility for your role?
- Environment - what are the main business environment issues for you?
- Knowledge gaps - what do you need to know about?

ICAEW's Response

ii. Act

16. The following activities, if relevant to your role, could count as CPD:

- Technical reading
- Learning at work
- Meetings with experts
- Conferences
- Courses and seminars
- Online learning
- Workshops with your peers
- Reading magazines, newspapers and journals
- Registering for updates and email alerts

iii. Impact

Evaluate the effectiveness of what you have done. Are you satisfied that your Actions have enabled you to meet your objectives, or do you need more work in this area?

iv. Declare

Each year ICAEW members and accredited Legal Services Firms must declare their compliance by making a CPD declaration.

v. Provide evidence

We recommend that you keep a record of your CPD during the year so that you can submit/produce this easily if required to do so.

17. Members must keep a record of their CPD activities as they can be selected to show evidence of compliance by our QAD team through our PA Scheme and regulatory reviews for the areas of audit, insolvency, investment business and probate; and our Learning and Professional Development Department through its annual monitoring processes.

18. Members must also make an annual CPD declaration to this effect, which we audit on a sample basis. We also monitor compliance with the CPD regulations by requiring firms to return a CPD declaration each year for their staff. Regulated firms are required on their annual declaration to confirm that they have made arrangements to ensure that their principals and employees comply with the ICAEW Code of Ethics and ICAEW's Regulations.

19. A false declaration is a serious professional conduct issue and can affect a member's ability to practise as a chartered accountant. Furthermore, inadequate CPD exposes members to risk and potential claims which could have a serious effect on their professional indemnity insurance, a situation practitioners and firms would wish to avoid. Such issues are picked up through our quality assurance processes.

20. All ICAEW members and member firms must also comply with ICAEW's Code of Ethics, a fundamental principle of which is professional competence and due care.

ICAEW's Response

ICAEW CPD Resources

21. Below are some resources ICAEW offers to help support and contribute to CPD:

- **ICAEW Faculties** – centres of technical excellence offering exclusive content, events and webinars customised for the following sectors:
 - Audit and Assurance
 - Banking
 - Business and Management
 - Corporate Finance
 - Financial Reporting
 - Financial Services
 - Tax
 - Tech

Membership of these faculties undoubtedly enhances professional development by offering the most up-to-date information, advice and guidance.

- **ICAEW Academy of Professional Development** – provides:
 - CPD training created specifically for accounting, business and finance professionals. It offers a competency based catalogue of over 90 CPD course titles designed to refresh, update and future proof members' professional development, delivered in both face-to-face and digital formats.
 - In-house training for professionals in business and practice across a wide range of sectors
 - Specialist Qualifications and programmes for a plethora of industries.
- **ICAEW Educational Films** – provoke discussions and challenge mindsets about how to deal with difficult decisions and topical issues in business situations. With a focus on professional scepticism, ethics and everyday business challenges, the films *False Assurance* and *Without Question* which are sub-titled in over 20 languages are being used by firms and companies around the world to support their in-house training and business development programmes. They are currently licensed to the leading UK accountancy firms, banks and UK / US / Australian universities.
- **ICAEW CPD Events** - The ICAEW annual CPD events programme includes a comprehensive range of regional conferences, workshops, roundtables, seminars and webinars aimed specifically supporting members to comply with their CPD requirements..
- **ICAEW District Societies** – many District Societies run business events including annual technical updates and discussion groups.
- **ICAEW Library Information Services** - provides guides, company profiles and an online catalogue of over 45,000 books and 59,000 indexed journals.
- **ICAEW resources pages such as our business resources pages (icaew.com/business)** – are a gateway to a wide range of content. These

ICAEW's Response

provide access to a range of focused support, advice and information from a range of sources across ICAEW.

- **ICAEW Communities** – offering information, insights, guidance and networking opportunities on a range of industry sectors, professional specialism and support throughout members' careers. There are currently 28 member communities with over 100,000 members participating in them.

ICAEW Practice Assurance Scheme

22. Monitoring compliance with ICAEW's CPD Regulations is part of the practice assurance and regulatory review process carried out by QAD.

23. The QAD team sits within ICAEW's Professional Standards Department and is responsible for the delivery of ICAEW's PA scheme. This is a voluntary scheme introduced by ICAEW in 2004 to provide greater assurance to the public in dealing with ICAEW firms and has as its objective to drive up the quality of accountancy practices. It includes checks for compliance with the Money Laundering Regulations. It applies to all members holding a practising certificate (PC) in the European Economic Area. It is supplementary and complementary to the QAD's work in the regulated areas (outlined in detail in response to call for evidence 3 and 4 below).

24. The PA scheme is a principles-based quality assurance framework, which provides firms with advice and practical support to develop and improve their practices. It is centred on four standards (listed below) that set out the quality assurance principles which firms and reviewers use to assess practices.

- **Laws, regulations and professional standards** - firms must comply with laws, regulations and standards that are relevant to the services they provide, including ICAEW's regulations, standards and guidance.
- **Client acceptance and disengagement** - firms should agree to act for a client only if, in doing so, it does not contravene ICAEW's regulations, standards and guidance.
- **Competence** - firms should ensure that all principals, staff and subcontractors are competent to carry out their work.
- **Quality control** - firms should ensure that work is conducted in an environment where quality is monitored.

25. QAD provides guidance and support to members to help them implement procedures to maintain and improve the quality processes in their practices. This guidance sets out acceptable practice and best practice. Additional support is provided to firms when they first register and regular email alerts and web-postings are used to keep firms abreast of key issues.

ICAEW Annual returns and monitoring

26. QAD is responsible for carrying out reviews of firms working in the regulated areas of probate, audit, insolvency and investment business, as well as to other firms that fall within the scope of the PA scheme. It currently carries out over 3,000 reviews of firms each year.

ICAEW's Response

27. All firms that have an ICAEW member working for them that holds a practising certificate are subject to the PA scheme and must complete an annual return. Additional tailored information is also required from firms working in the regulated areas. Data from the annual return is used to monitor firms' compliance with ICAEW's regulations. QAD uses the information in the annual return to understand the risk profile of each firm based on factors such as the firm's size; its turnover, and the nature of the work being carried out. The questions on the annual return are reviewed regularly.
28. Depending on the firm's size, monitoring may take the form of a site visit, review by phone or desk-top review. The frequency of these reviews depends on various risk factors and the firm's size, but PA reviews are generally carried out at least once every eight years for smaller firms and every four years for larger firms. The very large firms are visited annually. QAD also carries out about 100 risk visits each year.
29. QAD reviews a sample of practitioners' CPD as part of each review by discussion and consideration of CPD records to assess the relevance, appropriateness and effectiveness of the CPD the member has carried out by reference to the firm's client base.
30. If a review highlights a serious issue in relation to practice assurance or the regulated areas, the QAD team makes a report to the relevant committee. This committee in turn refers matters for possible disciplinary action if they are sufficiently serious or if the firm or the practising certificate holder fails to take the action recommended by the committee.

Member assurance.

31. Each year ICAEW members are required to confirm that they have carried out their educational responsibilities under IES7 in line with their competencies for the year to 31 October. The results of these confirmations are monitored by a central ICAEW membership team that then follows up on gaps and refers any laggards to Professional Standards for consideration for enforcement action.

Conclusion

32. ICAEW is of the opinion that the continued competency of chartered accountants is best ensured by such scrutiny and monitoring together with provision of good CPD resources rather than being overly prescriptive of what and how much CPD should be undertaken. This approach encourages reflection on what an individual's development needs are and how they can be met.

Ongoing competence: Call for evidence

ICAEW's Response



ICAEW's Response

Consumer expectations of competence

Understanding consumers' perspectives on, and expectations of, competence in the legal services sector is crucial to our work in this area.

We would welcome your views on what ways consumers can have greater confidence that they have a competent advisor. This may cover areas such as:

- the ways consumers can make judgements on the quality of the advice or service that they have received
- what role consumer feedback could or should play in helping legal professionals to build their competence and helping to foster trust
- the frequency of competence checks that would reassure consumers
- different types of consumers, consumer problems or legal activities that are more likely to experience quality issues, or be vulnerable to greater harm from quality issues

We would welcome qualitative and quantitative evidence in particular on: meaningful ways to demonstrate competence to consumers; how professions can provide information to consumers on the quality they should expect; the relative risk and impact of poor quality advice on consumers.

Please fill in the text box below using the prompts above, providing links to any evidence referenced. Alternatively, supporting documents (e.g. reports, datasets) can be provided separately.

Introduction

1. In order for consumers to have the confidence to engage with any professional adviser, they need to be provided with information on how to assess whether a professional services provider is likely to provide a good service; be technically competent; and charge a fair and reasonable price. Such information will help them make an informed choice on which provider to engage with and help them to assess whether a good quality service has been provided after the event.
2. ICAEW has an area of its website dedicated to the probate consumer. This reassures the consumer that ICAEW chartered accountants have high quality professional qualifications and are subject to a stringent monitoring and quality assurance process to ensure their professional competence; that ethical behaviour is maintained; that robust professional indemnity insurance is held and any deficiencies addressed. It also provides information on ICAEW Probate Compensation Scheme; Professional Indemnity Insurance cover regulated firms are required to hold; and the complaints process.
3. It also highlights the possible dangers of engaging an unqualified and unregulated provider in that they may have nowhere to turn if there are problems with the quality of their advice, their conduct or their standards of service and that there may be no recourse to professional indemnity insurance.
4. With regard to best practice, this area of ICAEW's website also directs the consumer to ICAEW's Best Practice Guide to Price and Service Transparency which not only sets out the best practice requirements ICAEW probate accredited firms are expected

ICAEW's Response

to implement but also acts as a guide to consumers on what they should be looking for on websites and other media to judge whether a firm is likely to provide good quality advice and/or service and also whether such a quality service has been provided after the event.

5. The guide advises the consumer to look for the following as a sign of good practice:
 - (a) Price information that enables them to make comparisons with other providers and gives them the reassurance that they will have a good idea at the outset of an engagement how much they are likely to have to pay and what services will be provided in the price. ICAEW's website also gives a more detailed explanation of the different ways firms charge and how to make comparisons.
 - (b) The offer of a free, no obligation consultation to consumers to discuss their specific case and requirements.
 - (c) A clear description of the services the firm offers, the key stages of these services and an indication of the likely timescale within which they will be delivered.
 - (d) Staff profiles (preferably with photos) which include; their experience and qualifications; the types of legal services they carry out; how their work is costed; and whether they will be supervised.
 - (e) Complaints and redress information
 - (f) That the firm is regulated by ICAEW and displays the ICAEW regulatory logo.
 - (g) Details of the Probate Compensation Scheme arrangements and how to claim
 - (h) The firm's professional indemnity insurance arrangements
 - (i) The use of client satisfaction surveys
6. The consumer area of ICAEW's website also provides the following information:
 - (a) Why choose an accountant for probate services - this area of the site provides:
 - An explanation of the benefits of using a regulated Chartered Accountant
 - A short film in which ICAEW probate accredited accountants explain some of the advantages of seeking help from an ICAEW accredited firm.
 - Case studies in which clients of ICAEW probate accredited firms talk about their experience of using their accountant for help with probate
 - Disciplinary information relating to ICAEW probate accredited firms
 - (b) A Register of firms accredited by ICAEW for probate activities
 - (c) The probate process explained – this area of the site provides information on:
 - What probate is
 - Whether a consumer can carry out the probate process themselves
 - What the main steps of the probate process are

ICAEW's Response

- The advantages of choosing an accountant to help with probate
- The areas of probate work that a chartered accountant accredited by ICAEW for probate is not able to carry out
- An explanation of the different ways firms usually charge for probate services and what to look for when comparing fees
- How the payment process might work
- The information a consumer will need to give their ICAEW probate accredited accountant at the start of the process
- The legal terms the consumer is likely to hear and what they mean

(d) ICAEW responsibility as a regulator and the ICAEW Regulatory Board

(e) Probate Compensation Scheme and Probate Regulations

(f) The complaints process and how to make a complaint

(g) Legal Choices – this links to an independent website run by the legal services regulators which aims to help consumers with decisions about legal issues

(h) Find a Chartered Accountant - this links to a search directory

7. These disclosures to the consumer on expectations mirror the obligations expected of licensed practitioners under the Probate Regulations, guidance and ethical standards and bye-laws. The result is a cohesive regulatory regime that is transparent to firm and consumer alike.
8. All this information helps the consumer to choose a professional services provider with the confidence that they should be provided with a good quality service by technically competent professionals. Furthermore, explaining the nature of the services that will be provided and the meaning of technical terms makes them better prepared and more confident to engage.

Competence assurance in the legal services sector

Understanding the current competence assurance frameworks adopted by regulators and the profession is important, as is confirming, qualifying and quantifying any examples of poor-quality services or suggested risk areas.

We would welcome your views on this, and it may cover areas such as:

- practice areas which do or could impose greater competency risks
- legal professionals that may be more at risk of competency challenges
- existing competency assurance methods used in the sector and their effectiveness
- the respective roles of regulators, providers and individuals to assure ongoing competence
- any potential barriers to assuring the competence of legal professionals

We would welcome qualitative and quantitative evidence in particular on: competence or quality issues for particular types of work; service and non-service-related issues experienced by consumers; the effectiveness of current competence assurance practices.

ICAEW's Response

We would also welcome identification of potential evidence sources that are not readily available but that we could seek access to.

We would also welcome any evidence of competence assurance practices used in legal services sectors in other jurisdictions.

Please fill in the text box below using the prompts above, providing links to any evidence referenced. Alternatively, supporting documents (e.g. reports, datasets) can be provided separately.

ICAEW monitoring and competence assurance of the reserved legal service of probate

Introduction

1. ICAEW was designated as an Approved Regulator and Licensing Authority for the reserved legal activity of probate in 2014. At the time ICAEW was already regulating the statutory regulated services of audit, insolvency and investment business. The monitoring and assurance of probate work therefore followed the same processes and procedures used for the other regulated services. These are set out in detail below in response to call for evidence 4: Competence assurance in other sectors.
2. For each regulated service, compliance with the corresponding regulations is included in ICAEW monitoring and assurance processes as is the technical competency of the services provided. Details of this specific monitoring and assurance process for probate is set out below.

Probate and estate administration work

3. Whilst probate is a reserved legal service under the Legal Services Act 2007, the administration of the estate following the grant of probate or letters of administration is not. However, ICAEW considers estate administration to be higher risk work than probate and, therefore, took the decision to regulate both types of work within its probate accredited firms and, as a result, both probate and estate administration work are included in ICAEW's Probate Regulations.
4. It should be pointed out that, although firms not accredited for probate can carry out estate administration work (which is not covered by the probate regulations), they are monitored and assessed via ICAEW's PA Scheme.
5. Regulations 3.1 to 3.12 of ICAEW's Probate Regulations deal with the conduct of authorised probate work and impose the following regulatory obligations on authorised persons:
 - 3.1 *'An accredited probate firm must act in accordance with the fundamental principles set out in the Code of Ethics issued by ICAEW's Council and must make arrangements so that it, its principles and employees comply with these regulations and the professional principles set out in the Act to:*
 - a) *act with independence and integrity;*
 - b) *maintain proper standards of work;*
 - c) *act in the best interests of their clients; and*

ICAEW's Response

d) keep the affairs of clients confidential.

3.2 *An accredited probate firm shall only carry out authorised work which it is competent to perform.*

3.3 *An accredited probate firm must make sure that only authorised individuals undertake, or control the undertaking of, probate work on behalf of the firm.*

3.4 *An accredited probate firm must make sure that all principals and employees undertaking authorised work are, and continue to be, competent to carry out the authorised work for which they are responsible.'*

6. In a licensed firm, the Head of Legal Practice will be responsible for taking all reasonable steps to ensure that the licensed firm and its principals and employees comply with their duties under the Legal Services Regulations.

7. Therefore, ICAEW's regulations, code, and CPD arrangements place authorised practitioners, and the authorised/licensed firm for which they work, under an obligation to ensure that they or those that work for them are, and continue to be, competent to carry out their work.

Probate assurance and monitoring

8. All firms accredited to carry out probate activities have the following obligations:

- To act in accordance with the Practice Assurance standards;
- To comply with the Code of Ethics and the Clients' Money Regulations
- To demonstrate a commitment to comply with the Money Laundering Regulations 2017; and
- To complete an annual return, to be supervised and monitored

9. ICAEW's aim is to review each probate registered firm within two years of being accredited.

10. We aim to review each firm after they have completed some initial probate work. The review will always:

- covers Practice Assurance and probate; and
- considers a firm's compliance with the Probate Regulations. As part of the review we consider compliance with the CPD Regulations as they apply to ICAEW members and more widely to ensure competency of other staff and principals as part of the general review process..

11. Accredited firms need to have the following available for the review:

- Details of probate and estate administration activities in the last two years.
- Access to client files.
- Records of clients' property.
- Publication of diversity monitoring.
- Annual fit and proper declarations.

Ongoing competence: Call for evidence

ICAEW's Response

- Probate complaints procedures.
 - Notifications to the probate compensation scheme.
 - Most recent annual review of compliance with the Probate Regulations.
 - Records of CPD activity
12. Where QAD is satisfied with the level of compliance seen on a review, it will close the review but may make best practice recommendations. In some cases, QAD will identify follow up action and will refer those matters to Professional Standards' regulatory practice group for further monitoring. Where a matter is particularly serious and could require regulatory sanction, QAD will draft a report to the Probate Committee for its consideration.
13. After the firm's initial probate review, it will follow the practice assurance monitoring cycle as described above, unless we have identified an increased risk either from the previous monitoring review or by review of responses to the annual return process. In such instances we will escalate an onsite review.

ICAEW's Response

Competence assurance in other sectors

Understanding what other sectors do to assure ongoing competence is useful because it helps us to learn what has worked well in other professional services sectors and identify any opportunities to adapt the approach in legal services.

We would welcome your views on what ways the legal services sector can learn from the competence assurance approaches adopted in other professional sectors. This may cover areas such as:

- methods to gain competence assurance that have been tailored to different professional environments
- the benefits to consumers and the profession of different competence assurance schemes e.g. revalidation, observation or simulation
- how assurance data is collected, recorded and made accessible to consumers

We would welcome qualitative and quantitative evidence in particular on: consumer views on the benefits of competence assurance schemes; the robustness of different methods for competence assurance; the competence assurance systems which produce the most reliable assessments.

We welcome evidence from the sectors provided as examples above as well as other sectors not specified in this paper.

Please fill in the text box below using the prompts above, providing links to any evidence referenced. Alternatively, supporting documents (e.g. reports, datasets) can be provided separately.

Regulatory compliance and competence assurance

Introduction

1. Over the past 25 years, ICAEW has undertaken responsibilities as a regulator under statute in the areas of audit, insolvency, investment business and most recently Legal Services. In discharging our regulatory duties we are subject to oversight by the Financial Reporting Council's Conduct Committee, the Irish Auditing and Accounting Supervisory Authority, the Insolvency Service, the Financial Conduct Authority and the Legal Services Board.
2. Amongst ICAEW's regulatory responsibilities;
 - It is the largest Recognised Supervisory Body (RSB) and Recognised Qualifying Body (RQB) for statutory audit in the UK, registering approximately 2,600 firms and 7,000 responsible individuals under the Companies Act 2006.
 - It is the largest Prescribed Accountancy Body (PAB) and a Recognised Accountancy Body (RAB) for statutory audit in Ireland, registering approximately 40 firms and 400 responsible individuals for audit under the Republic of Ireland's Companies Act 2014.
 - It is the largest single insolvency regulator in the UK licensing some 800 of the UK's 1,700 insolvency practitioners as a Recognised Professional Body (RPB).

ICAEW's Response

- It is a Designated Professional Body (DPB) under the Financial Services and Markets Act 2000 (and previously a Recognised Professional Body under the Financial Services Act 1986) currently licensing approximately 2,000 firms to undertake exempt regulated activities under that Act.
- [It is a Supervisory Body recognised by OPBAS for the purposes of the Money Laundering Regulations 2007 dealing with approximately 13,000 member firms.]
- It is designated an Approved Regulator and Licensing Authority for probate and the administration of oath under the Legal Services Act 2007 (the Act) currently accrediting over 320 firms to undertake probate work.

Regulatory compliance and competence assurance of statutory regulated areas

3. The Quality Assurance department (QAD) helps to preserve the highest professional standards of member firms by monitoring their compliance with applicable laws, regulations and standards and their adherence to the Code of Ethics.
4. QAD is responsible for monitoring around 13,000 firms, performing approximately 3,000 quality reviews each year. QAD monitors:
 - firms that are licensed to work in regulated areas (ie, audit, probate, investment business, insolvency and ATOL services under ICAEW's licensed practice scheme).
 - all ICAEW member firms under ICAEW's Practice Assurance scheme (which encompasses anti-money laundering regulation).
5. All monitoring visits focus on the procedures, processes and controls established by firms to ensure that regulated activities comply with professional standards and that the firm meets the requirements of ICAEW's regulations.
6. The monitoring process also involves assessing the quality of regulated work carried out by firms. This is achieved by the recruitment into QAD of experienced auditors and insolvency practitioners and also those with specialisms in the provision of investment business advice. The quality of advice given by accountants in areas which the legislators have deemed either the riskiest or the areas most likely to impact the public interest, is subject to review by peers and any concerns detected in the competency of the advice is reported to the relevant licensing committee.
7. QAD reviewers also offer assistance to firms in identifying and designing appropriate remedial actions where necessary. The process helps firms to maintain the highest standards and provides added value.

Visit selection

8. A risk-based approach to visit selection is applied, underpinned by cyclical reviews which are different depending on the practice area covered.
9. All regulated firms are required to complete and submit an annual return. A small percentage of firms may be selected on the basis of a series of key risk indicators generated from the annual return or other information provided. These visits are called risk visits.

ICAEW's Response

10. Professional Standards' regulatory committees may also request visits for other reasons, for example as a result of information or referrals made to them. The scope of these visits is set by the committee.

Onsite - Compliance with quality control and other relevant whole-firm requirements

11. Work in this area assesses the adequacy and documentation of the firm's whole-firm policies and procedures, including those covering the six key components of International Standard on Quality Control (ISQC) 1. These components are:

- leadership;
- ethical requirements;
- acceptance and continuance;
- human resources;
- engagement performance; and
- monitoring.

12. The approach we take to whole firm matters differs depending on what area of work we are reviewing. However, a major area of work we review is audit work so we have outlined below what we do for audit reviews. It should be noted however, that these policies and procedures do not apply to the largest firms where this is covered for audit by the FRC. The FRC also has responsibility for the detailed records testing (referred to below) for the largest firms.

13. The reviewer will ensure that sufficient work has been carried out to reach a conclusion on compliance with the whole-firm elements of ICAEW's regulations. This will include a review of the firm's approach to and record of continuing professional development (CPD) and review of its application of International Education Standard (IES) 8 for audit engagement partners.

14. The reviewer reviews appraisal and assessment records that are relevant for the reviewer's assessment of competence to work in regulated areas. The larger the firm, the more these records are likely to be relevant. The reviewer judges the extent of the review of individuals' CPD records and declarations based on the firm's culture and attitude to compliance; the quality of regulated work; the size of the firm; the number of staff working in the regulated area being reviewed.

15. ICAEW's approach to CPD monitoring on monitoring visits remains essentially risk-based and holistic. Rather than simply focusing on inputs to assess the adequacy of CPD, reviewers consider each firm's systems, procedures and controls to ensure that:

- appropriate training and other technical updates are identified to match the needs of professional staff, with appropriate planning to ensure that they will be provided or acquired accordingly;
- the firm checks that training and updates are delivered effectively and in a timely way to all professional staff as required;

ICAEW's Response

- the firm assesses the operational performance of professional staff through regular and effective reviews; whenever weaknesses or gaps in skills, knowledge or competencies are identified, appropriate remedial action is taken;
 - the firm operates comprehensive and effective quality control and quality assurance processes and takes appropriate remedial action whenever issues relate to problems with skills, knowledge or competencies of professional staff.
 - For audit work, the firm demonstrates through the application of its systems and procedures that it has given appropriate consideration to the development and maintenance of the professional competence of engagement partners having regard to the areas of competence and learning outcomes set out in IES 8. These cover technical competence, professional skills and professional values, ethics and attitudes.
16. The combination of file reviews and minimum whole-firm work provides sample checks to assess a firm's systems; to ensure that they are operating as described; and that there is reasonable evidence to show they are consistently and effectively applied.
17. This approach includes a review of the CPD records of qualified ICAEW members and of other staff working in the regulated area. This ensures they have gained relevant and effective CPD (eg, training, coaching, reading) to meet the requirements of their role.
18. Significant CPD-related issues or concerns are recorded in our reports and followed up. Such cases are normally notified to LPD via the secretary of the related regulatory committee.
19. Following the file reviews on the quality of advice given in regulated areas, we ask the firm to explore the underlying reasons for any significant failings through a root cause analysis, and to develop plans to address them. For example, if the firm concludes that an individual is not up to date technically, it may require that individual to attend further training. If we decide that we need to monitor the firm's actions in that area, we could then decide to review that individual's subsequent training or appraisal records. If a weakness appears to be more widespread, the firm could undertake a broader review of its overall training programmes and procedures manuals, which we might then request for monitoring purposes. In addition to procedures, controls and training, the reasons for failings may lie in resources (including staffing and financing), personal circumstances, culture, organisation and structure of the firm and we would ask the firm to explain its remediation activity, which we would then potentially monitor through subsequent reviews.

Visit outcomes

20. Our overall visit outcomes (and our approach to any subsequent follow-up action) reflect our conclusions on both whole-firm procedures and our review of audit files, the quality of the firm's response and our assessment of its commitment and ability to address our findings.
21. The visit outcomes are categorised into A / B / C / D reports depending on the assessment by the reviewer. All D reports are referred to the relevant licensing committee (Audit Registration Committee / Insolvency Licensing Committee / Investment Business Committee / Probate Committee or Practice Assurance

ICAEW's Response

Committee) and they can result, in the case of regulated work, in the relevant committees (all of which are lay parity in constitution) taking action to withdraw the firm's or individual's registration or licence or, more likely, to impose conditions on the firm / individual such as further training or restrictions in taking on new clients or the requirement for there to be 'hot' or 'cold' file reviews on future work over a defined period so as to provide assurance to the licensing committee that the firm and its partners can continue to provide such advice to the public. C reports – indicating that more minor improvements are required – are referred to our Regulatory Practice Group where regulatory case managers engage in correspondence with the firm to ensure that remedial actions are undertaken to ensure better quality of work going forward.

22. We believe that the combination of the review of the quality of advice by a subject matter expert, and the subsequent consideration of reports of poor quality by a lay parity committee, provides a considerable protection for the public against the risk of receiving poor quality advice from a professional who lacks the relevant competence.
23. We would also add that there is a further layer of assurance on top of all this in the form of the internal audits which are carried out by the licensing committees and by the reviews of our own reviews which are carried out by our oversight regulators. Every year, representatives from each licensing committee carry out a review of the actions taken by staff on the powers delegated to them by the committees (e.g. ensuring that appropriate remedial action is taken by firms in response to C reports and ensuring that reports have been appropriately categorised). Furthermore, we are subject to an annual inspection by the FRC which reviews a sample of our reviews to assure itself of the robustness of our reviews. This is increasingly taking the form of a live shadowing exercise on selected audit reviews by QAD. In addition, we are subject to file reviews by the Insolvency Service at least once every 18 months and additional thematic reviews. The objective of the oversight regulator reviews is to ensure that QAD reviewers are correctly identifying areas of concern.