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10 May 2016

By email and to Michelle Jones: michelle.jones@icaew.com

Dear Vernon

Application by ICAEW under the Legal Services Act 2007 to become an approved regulator and licensing authority for the reserved activities of: Conduct of litigation; Exercise of a right of audience; Reserved instrument activities; Notarial activities; and Administration of oaths.

The FRC welcomes the opportunity to provide feedback on the above application to be made to the Legal Services Board ('LSB'). We note that the scope of the application is restricted to the regulation of these activities in relation to taxation work.

Our feedback is primarily limited to the references in the application to the FRC and its statutory responsibilities, and any specific relevant non-statutory roles. We have not commented on other aspects of the application or its merits.

The majority of our comments relate to section 3 of the application: 'ICAEW as a Regulator and Monitoring Body'

Section 3 ICAEW as a Regulator and Monitoring Body

For completeness paragraph 3.2 should include reference to ICAEW's regulatory responsibilities as a Recognised Supervisory Body ('RSB') under the Local Audit and Accountability Act 2014 ('LAAA 2014'). Paragraph 3.5 should refer to the FRC's oversight in this respect.

The implementation of the EU Audit Regulation and Directive into UK Law will take effect from 17 June 2016 and will significantly affect the FRC's regulatory relationship with ICAEW and the other RSBs in respect of statutory audit. The ICAEW's current application will be considered by the Legal Services Board after the new legislation has been implemented. To be relevant to the regulatory landscape as it will be from 17 June the application should refer to both the FRC's new status as the competent authority for audit regulation and to oversight and delegation of statutory audit related tasks to the ICAEW and other RSBs in this context. The Introduction (page 1) to the FRC's March 2016 Consultation Paper on its new enforcement procedures under the EU Audit Regulation and Directive <https://www.frc.org.uk/Our-Work/Publications/FRC-Board/Consultation-Enhancing-Confidence-in-Audit-The-File.pdf> summarises the new regulatory relationship between the FRC and the RSBs.

As paragraph 3.3 refers to oversight it might better be included in the section on 'Oversight Bodies (currently paragraphs 3.5 to 3.7).

Paragraph 3.3. explains that in their oversight of ICAEW's responsibilities as a regulator the FRC, and other relevant bodies, have not identified any significant areas of concern in the way ICAEW has discharged its regulatory responsibilities to date. We would suggest, from the perspective of the FRC, the reference be to *having not identified any matters that would give rise to significant questions concerning ICAEW's ability to discharge its regulatory responsibilities.*

The description of the investigative and disciplinary arrangements in paragraph 3.7 does not accurately reflect the arrangements currently in place, and is both confusing and misleading. The current arrangements are as set out below and we expect these to be reflected in the finalised application.

The FRC is the independent disciplinary body for accountants and accountancy firms. Its Accountancy Scheme ('the Scheme') operates independently of ICAEW and the other professional bodies whose members and member firms are covered by the Scheme. Under the Scheme, and through its Conduct Committee, the FRC investigates cases which raise, or appear to raise, important issues affecting the public interest in the UK, and where appropriate brings disciplinary proceedings against those whose conduct appears to have fallen short of the standards reasonably to be expected of the members or member firms of the relevant professional body. All other cases of potential misconduct are dealt with by the relevant professional body. As part of its responsibilities in respect of statutory audit the FRC exercises oversight of the investigative and disciplinary arrangements of the RSBs.

We also note that paragraph 3.7 makes no reference to the changes that will result from implementation of the EU Audit Regulation and Directive. As part of implementation the FRC is establishing new audit enforcement procedures to fulfil its mandatory responsibility for Audit enforcement in relation to Public Interest Entity ('PIE') audits. The FRC has also developed, in consultation with ICAEW and the other RSBs, the conditions under which it will delegate enforcement in respect of non-PIE audits to the RSBs. The FRC and the professional bodies are also considering the extent to which the FRC should continue to deal with public interest cases which do not involve statutory audit and so, therefore, the extent to which the Accountancy Scheme referred to in paragraph 3.7 should continue to operate. The FRC's March 2016 Consultation paper on its enforcement procedures referred to above <https://www.frc.org.uk/Our-Work/Publications/FRC-Board/Consultation-Enhancing-Confidence-in-Audit-The-File.pdf> summarises the existing enforcement arrangements and those under the new enforcement scheme in the section 'Rationale for the change' on page 2.

With reference to paragraphs 3.11- 3.13 'Committees', the status of the FRC as the Competent Authority means that in relation to statutory audit, matters dealt with by the Audit Registration Committee and the Investigation and Disciplinary Committees in the first instance, and the Review and Appeal Committees in the second instance, relate to tasks delegated by the FRC to the ICAEW. This should be reflected in the application as the position that will apply from shortly before, or shortly after, the application is submitted.

Paragraph 3.30 states that a sample of cases closed by the Investigations Team is reviewed intermittently by the Conduct Committee of the FRC. It would be more accurate to say that cases are reviewed by the Professional Oversight Team of the FRC.

Paragraph 3.61 refers to the review of firms working in the regulated area of audit by the ICAEW's Quality Assurance Department ('QAD'). It should be made clear that these reviews include audits carried out under the Local Audit and Accountability Act 2014 ('LAAA 2014') as well as those under the Companies Act 2006 ('CA 2006'). There should also be reference to the FRC's oversight of QAD monitoring in respect of both CA 2006 and LAAA 2014 audits. This paragraph should also highlight that from 17 June 2016 the monitoring of statutory auditors which do not audit any public interest entities will be a task delegated by the FRC to ICAEW as an RSB, and subject to conditions of delegation.

Section 4 ICAEW's Applications to Regulate Reserved Legal Activities

Within the section 'The public interest, administration of justice and protection of the consumer', reference could be made in paragraphs 4.28 to 4.34 to ICAEW's proposed guidance to the Code of Ethics relating to the public interest responsibility of accountants, identifying and managing conflicts and determining the basis of charging fees, as these matters will be relevant to those members involved in providing the reserved activities.

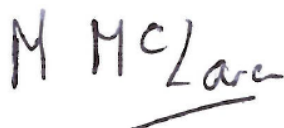
Section 11 Internal Governance

Paragraph 11.4 makes reference to the oversight of the ICAEW as a regulatory body by the FRC and other regulators and states indicates that none of these regulators has taken substantive issue with ICAEW's governance arrangements. We feel that here, as elsewhere, reference should be made to the fact that the implementation of the EU Audit Regulation and Directive into UK law means that from 17 June 2016 the FRC as the Competent Authority will have ultimate responsibility for ICAEW's governance arrangements in relation to tasks delegated to the ICAEW relating to statutory audit.

We hope our feedback is helpful in finalising the application, and we would be grateful if you would you provide us with sight of the revisions to the application made as a result of our letter.

If you wish to discuss this letter further please contact Dilip Varma 020 7492 2464 d.varma@frc.org.uk. We wish you every success with the application.

Yours sincerely



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