



STRENGTHENING TRUST

REGULATORY AND CONDUCT
ANNUAL REPORT 2023-2024



icaew.com/regulation

**PROFESSIONAL
STANDARDS
DEPARTMENT**

Who we are and what we do

Our role as an improvement regulator is to act in the public interest and strengthen consumer confidence and trust in those regulated by ICAEW. We do this by **enabling** ICAEW members, affiliates and firms with appropriate expertise and experience to provide regulated services, including the provision of educational resources and guidance, **evaluating** the quality of regulated work carried out and whether ICAEW firms are operating in compliance with rules and regulations and **enforcing** against those ICAEW members and firms who commit misconduct, break rules or whose work falls significantly below the standards expected of them.

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ICAEW's regulatory and conduct roles are separated from ICAEW's other activities through internal governance arrangements so that none of the decisions taken in respect of regulatory and disciplinary matters can be influenced by ICAEW's representative functions. All regulatory and conduct work is carried out by the Professional Standards Department (PSD) working under delegated powers from ICAEW's regulatory and conduct committees, with the work of PSD and the committees being overseen, in turn, by the ICAEW Regulatory Board (IRB). Our work is also monitored by oversight regulators including the Financial Reporting Council (FRC), the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), the Insolvency Service, the Financial Conduct Authority (FCA) and the Legal Services Board (LSB).

We authorise firms and individuals to undertake work regulated by statute: audit, local audit, investment business, insolvency and probate;

We support the maintaining of high professional standards in general accountancy practice through our Practice Assurance scheme;

We provide robust anti-money laundering supervision and monitoring;

We monitor registered firms and individuals to ensure they operate in accordance with laws, regulations and expected professional standards;

We investigate complaints and hold ICAEW Chartered Accountants and students, ICAEW-supervised firms and regulated and affiliated individuals to account where they fall short of standards;

We respond and comment on proposed changes to the law and regulation affecting the work of chartered accountants and firms; and

We educate through guidance and continuing professional development (CPD) support to help ICAEW's firms, members, affiliates and students comply with laws, regulations and expected professional standards.

KEY STATISTICS RELATING TO ICAEW'S REGULATORY AND DISCIPLINARY WORK**2,137**

firms registered for statutory audit*

805

licensed insolvency practitioners*

1,672

firms authorised to provide investment business advice*

357

firms accredited for probate services*

c.10,500

firms supervised for compliance with AML regulations*

1,111

regulatory applications received**

953

new complaint files opened**

1,089

investigations completed**

2,743

monitoring reviews carried out**

96%

satisfaction with the management of our monitoring process

197,669

social media impressions**

457,777

unique website visits**

* as at 31 December 2023

** for the whole of 2023



FOREWORD BY PARJINDER BASRA

Acting Chair, ICAEW Regulatory Board

“In the spirit of continuous improvement, I am pleased with the changes we have made and the improvements we have implemented during the year.”

Since becoming Acting Chair of the IRB in May, it has been a delight, with the support of my peers on the Board, the tireless work of our regulatory and conduct committees, as well as the dedication of PSD’s knowledgeable staff, to see the solid progress we have made over the year.

As I reflect on the year, my highlights include the Insolvency Service’s decision to retain the role of ICAEW and the other recognised professional bodies as the front-line insolvency regulators (an outcome the IRB had supported in our consultation response), the ‘best in class’ results we received in our latest inspection by the Office for Professional Body AML Supervision (OPBAS) and the positive inspection reports we have received from our other oversight regulators during the year. It has also been pleasing to see the growing demand for our reviewers to carry out work for other regulatory or public bodies in the UK and abroad, and the continuing widespread use all around the world of our educational drama films.

In the spirit of continuous improvement, I am pleased with the changes we have made and the improvements we have implemented during the year. After listening to the valuable feedback we received from our consultation, the IRB approved revisions to the Professional Indemnity Insurance Regulations which will provide greater protection for those engaging ICAEW Chartered Accountants, and we have approved a series of important changes to the Audit Regulations which will be implemented during 2024/2025. We have also overseen a body of work to improve our existing processes around the monitoring of insolvency

practitioners who are subject to restrictions/conditions on their licences following the reprimand issued by the Insolvency Service on this specific issue.

During the year, we finalised our [strategic objectives](#) for 2024-2026 which align both with ICAEW’s 10-year strategy and our obligations under the Royal Charter. I look forward to seeing progress against the objectives which we will share in future Annual Reports.

When I am asked to explain what we do within the regulatory and conduct area, I often liken it to growing apples. In the same way that apple growers try to ensure all of the right conditions to allow apples to grow and flourish, we support ICAEW members and firms by creating and providing them with feedback after inspections on how to improve, educational material (including our films), extensive guidance and ethics resources. In the same way as growers will find bruised apples, we identify members/firms who are falling short of the standards expected of them and we implement corrective methods to get them back on track by the use of conditions/restrictions and more intensive monitoring. And, despite our best efforts, like growers finding bad apples, we have to move quickly to take action to remove licences or registrations, or to suspend or expel members

“I would like to thank everyone involved in working to deliver our obligations. In the conversations I have with many different organisations, I always feel an immense pride when I receive positive feedback about our regulatory and conduct work.”

so as not to contaminate the other apples and ensure trust in the profession remains high. This is exactly what we will continue to do to serve the public interest.

I have developed a strong working relationship with Duncan Wiggetts, the PSD Chief Officer, during the last few months and I have gained from this a greater personal insight into the breadth of the work carried out by PSD. I have also had the opportunity to meet with members of PSD’s senior management team and all PSD staff at their annual away day. From this interaction, it came as no surprise to me to see their professionalism, enthusiasm and their loyalty come through in ICAEW’s 2023 staff survey.

Finally, I would like to thank everyone involved in working to deliver our obligations. In the conversations I have with many different organisations, I always feel an immense pride when I receive positive feedback about our regulatory and conduct work. It is clear that the breadth and depth of knowledge and expertise of my colleagues on the IRB, members on our committees and staff across our teams within PSD is widely recognised and appreciated. I look forward to working with all our stakeholders as we head into 2024 as we continue to serve the public interest in the best ways possible.

Parjinder Basra
Acting Chair, ICAEW Regulatory Board



FOREWORD BY DUNCAN WIGGETTS

Chief Officer

“2023 has seen the implementation of the biggest changes in ICAEW’s CPD Regulations for decades, the conducting of three consultations for proposed changes to important regulations and the submission of a response to a very important consultation on the future of AML supervision.”

I looked at the proposed content for this report before writing this foreword. This brought home to me just how much was achieved by PSD staff during 2023 working under delegated powers from the independent regulatory and disciplinary committees and under the oversight of the ICAEW Regulatory Board.

The implementation of a new disciplinary framework in June 2023 would have been a sufficient change all on its own, but 2023 has also seen the implementation of the biggest changes in ICAEW’s CPD Regulations for decades (with PSD senior managers playing an important role), the publication of three consultations for proposed changes to important regulations and the submission of a detailed response to a very important consultation conducted by HM Treasury on the future of AML supervision. All of this comes on top of ‘business as usual’ with PSD staff dealing with high levels of regulatory applications, new complaints, increasingly demanding targets for monitoring visits and higher demand from other professional and public bodies for the expertise of our quality assurance reviewers.

The real rollercoaster ride for us during 2023 was in relation to our role as the UK’s largest insolvency regulator. My great disappointment at the decision of the Insolvency Service to issue a reprimand was outweighed later in 2023 when the Minister for Insolvency announced that the Government had dropped its intention to create an independent regulator for insolvency and would leave insolvency regulation instead with ICAEW and the other Recognised Professional Bodies (RPBs). We

had strongly challenged the Government’s proposals in 2022 believing them to be neither in the public interest nor in the interests of ensuring a strong insolvency profession, so it was good to see that the Government listened to our concerns. We are now working with the Insolvency Service and the other RPBs to identify where improvements can be made in the current regulatory framework.

We have started 2024 with some significant changes. The PSD senior management team is losing over 55 years, expertise and experience with the retirement of Trevor Smith, who has led our audit monitoring work as Director in the Quality Assurance Department (QAD), and Nigel Howell from his role as Head of Investigation in the Conduct Department. Both Trevor and Nigel will be missed by their teams and all of us on the PSD senior management team.

However, I am pleased to see that my long-held ambition for PSD to ‘grow its own’ has come to fruition. Nick Reynolds has stepped up to take over from Trevor on audit monitoring in QAD and Sarah Brook has become our first Director of Investigations. In addition, Sophie Wales is moving into the new role of Director of Regulatory Policy.

“I believe we go into 2024 in good shape. I am looking forward to the challenges and opportunities which this year will bring.”

2024 will also see the stepping down of long-serving chairs from two of our most important committees. Catherine Boyd has chaired the ICAEW Insolvency Licensing Committee for the last 6 years and will be sorely missed by her fellow committee members and PSD staff alike for the strong leadership she has shown during her time as chair when dealing with some difficult issues.

I also wanted to pay tribute to Paul Brooks as he comes to the end of his eight-year stint as Chair of ICAEW's Conduct Committee which follows on from his earlier role as Chair of the Disciplinary Committee. The Conduct Committee is our busiest committee, responsible for considering nearly all of our

disciplinary complaints and Paul has steered the committee through high volumes of work without (many) grumbles. He has also always found time to feed back his ideas for how our processes could be improved and played an important part in the development of the new disciplinary framework. Paul will also be missed by fellow committee members and PSD staff (there is an opportunity to see Paul's reflections on his time as Chair on page 20).

Despite these changes, I believe we go into 2024 in good shape. I am looking forward to the challenges and opportunities which this year will bring.

Duncan Wiggetts
Chief Officer

THE 3Es

Our regulatory and conduct responsibilities can be summarised by the 3Es:

ENABLE

- members/firms to provide regulated services by maintaining our authorisations
- members/firms to offer new services by vetting applications for new licences/registrations
- members/firms to improve standards through our educational initiatives and CPD support

ENFORCE

- by taking regulatory action to restrict or remove licences and registrations
- by taking disciplinary action against members and firms for breaches of regulations, rules, standards, the Code of Ethics etc.

OUR 3Es

Our role as an improvement regulator is to act in the public interest and to strengthen consumer confidence by enabling, evaluating and enforcing the high standards expected of ICAEW Chartered Accountants and those we regulate.

EVALUATE

- risks within firms to determine monitoring cycles
- members/firms' ongoing eligibility, quality of work and compliance with regulations
- the practical impact of government initiatives by responding to consultations

ENABLE

Maintaining our authorisations

During the year, we enabled ICAEW firms, affiliates and ICAEW Chartered Accountants to deliver and expand regulated work to their clients by maintaining our authorisations to regulate audit, insolvency, investment business advice, legal services and to supervise compliance with anti-money laundering regulations. These authorisations were maintained following positive performance assessments of PSD's work during the year by ICAEW's oversight regulators.

1,111
regulatory
applications
received

Assisting firms to build capability in regulated areas

Specialists within our Regulatory Practice & Policy (RPP) team evaluated applications from firms and individuals aiming to gain authorisation to carry out regulated work for clients. All applications were carefully evaluated against eligibility criteria set either by statute or by our oversight regulators. On the occasions when applications did not meet the criteria, we gave advice on what changes were needed or what further work experience or continuing professional development (CPD) would be required before the application could be approved.

During the year, we saw a noticeable increase in the number of private equity funds investing in accountancy firms. As all of these firms provided regulated services, the RPP team needed to be satisfied that their proposed new structures would comply with relevant eligibility criteria. We have also continued to see a steady volume of merger and acquisition activity among our registered firms, particularly those who have benefitted from private equity investment.

Number of regulatory applications* received (1 January 2021 - 31 December 2023)

	2021	2022	2023
Audit firms	97	70	75
Responsible individuals	354	442	459
Affiliates**	425	604	457
Probate firms	48	22	36
Insolvency practitioners	52	40	32
DPB (Investment Business) firms	76	62	52
Total	1,052	1,240	1,111

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

** Includes all regulatory affiliates (i.e., audit, DPB (Investment Business) and probate) but excludes bulk-affiliate applications from European Big-4 audit holding entities.

While we saw a decrease in the volume of regulatory affiliate applications in 2023, 2022 was an exceptional year when there was a surge of applications, particularly from larger firms, to 'catch-up' on promotion decisions that were postponed during the years affected by the COVID lockdowns.

During 2023, specialists within both our RPP and Conduct teams have worked closely with the FRC to embed new processes around information sharing for firms and responsible individuals that hold or apply for Public Interest Entity (PIE) registration following the launch of the FRC's PIE Audit Registration Scheme in December 2022.

Expanding our educational reach through targeted communications

Throughout the year, our Communications team published a wide range of content including thematic reviews, webinars, videos, helpsheets and infographics to enable ICAEW firms and insolvency practitioners (IPs) maintain the highest professional standards. Multiple communication channels were used to share and disseminate regulatory updates and information.

Our flagship *Regulatory & Conduct News* e-newsletter was distributed monthly to over 16,000 contacts including compliance partners in all of our registered firms. It featured topical news and guidance as well as insights into our role as an improvement regulator. All PSD firms and IPs receive the e-newsletter automatically. In addition, all other ICAEW members and non-members are encouraged to sign up to receive it via icaew.com/regulatorynews.

In 2023, over 160 articles and pieces of guidance were published, hosted on our dedicated regulation web area icaew.com/regulation, and shared on the [Regulation and Conduct LinkedIn page](#).

ENABLE continued

AN INFORMED APPROACH TO ANTI-MONEY LAUNDERING SUPERVISION

Our approach to supervision is constantly evolving. We need to be responsive to changes in the risk and regulatory landscape. An important part of my role is to help our supervised population keep up to date with these changes and maintain regulatory compliance.

It's interesting to reflect on how dramatically the anti-money laundering (AML) risk landscape has changed over the past 20 years. When I first started carrying out quality assurance reviews 17 years ago, it would have been normal to rely purely on seeing a passport and utility bill for a client. Risk assessments were not yet required. There was little practical awareness on how money laundering manifests in our sector.

There is now a much greater understanding of the risks and red flags which signify a client is involved in illegal activities. In the past year, we have focused our AML guidance on passing on this understanding to our supervised population. I am particularly pleased with our suite of AMLbites videos which have proved to be very popular. I hope

the videos are a quick and easy route to help firms spot potential criminality.

Our [2022/23 thematic review](#) was conducted on the critical role of the money laundering reporting officer (MLRO). The published report summarises the responses of 240 of our MLROs and provides insight and guidance from our perspective as an AML supervisor.

Our current emphasis is on the quality of customer due diligence (CDD). CDD exists to identify money laundering risks and to mitigate them. If a firm cannot mitigate the risks, then the firm should not allow that bad actor access to the sector's services. In our monitoring visits, we check that the firm is acting as this gatekeeper and is protecting itself from the risk of being a "professional enabler".

Failings in the quality of the firm's customer due diligence could lead to the firm taking on a client involved in criminality. That is why our emphasis is on the quality of CDD and why, increasingly,

it is firms with a higher risk client base and poor customer due diligence that will find themselves in front of ICAEW committees. I would encourage all of our supervised population to make use of the guidance and resources we provide to ensure that doesn't happen.

Sandy Price

Anti-money Laundering (AML) Manager, Quality Assurance Department



"I would encourage all of our supervised population to make use of the guidance and resources we provide."

ENABLE continued

Launched in 2021, the Regulation and Conduct LinkedIn account continued to attract new followers, ending the year with over 5,000 followers. The engagement rate (the number of times a post appears in the audience's feeds divided by engagements such as clicks, likes and comments) over the year was 8%, pleasingly above our target of 6%, indicating that our content continues to be relevant and engaging.

Most viewed content during the year included articles focusing on the changes to ICAEW's disciplinary framework, CPD Regulations, and the extension of the duty to report misconduct to ICAEW firms, as well as sanctions guidance and examples of good practice for auditors. Useful third party communications and guidance including those from across ICAEW, oversight bodies and organisations such as HMRC, HM Courts and Tribunals Service and the National Crime Agency were also shared via our channels.

- No. LinkedIn impressions
 - 219 posts
 - 197,669 impressions
- No. unique website views
 - 457,774 (unique visits to [icaew.com/regulation](https://www.icaew.com/regulation))
- No. webinar attendees
 - 4,258 attendees at 6 webinars
 - 1,958 views of recordings

All resources are available for our firms and IPs at [icaew.com/regulation](https://www.icaew.com/regulation)

Preparing for the new CPD regime

On 1 November 2023, ICAEW's revised Continuing Professional Development (CPD) Regulations brought in new CPD requirements including responsibilities for firms to ensure ICAEW Chartered Accountants (and relevant persons) are compliant with the new requirements. It is now a requirement for firms to maintain CPD records of their staff who are in scope of the CPD regulations which can be inspected by PSD's Quality Assurance Department (QAD) on request as part of their monitoring schedule.

By introducing minimum requirements which can be monitored more effectively and adopting a risk-based approach, these changes should provide much stronger assurance to consumers, oversight regulators and government that ICAEW Chartered Accountants are maintaining and enhancing their competence within increasingly complex

professional and regulatory environments. How members choose to comply with the revised requirements is left to their discretion as long as the CPD undertaken is relevant to their role, with one exception: they must complete mandatory annual training aligned to ICAEW's Code of Ethics. ICAEW has created a free ethics CPD course to assist members in achieving this requirement which incorporate clips of our training films. Further information is available at [icaew.com/cpd](https://www.icaew.com/cpd)

Showcasing the importance of ethical decision making in film

Our award-winning [educational film dramas](#) continue to be utilised by firms both within the UK and across the globe to support their in-house training programmes. Designed to provoke discussions and challenge mindsets about how to deal with difficult decisions and topical issues in business situations, the films highlight the importance of professional scepticism and successfully navigating ethical dilemmas.

By the end of 2023, our most recent film *All Too Familiar* had been streamed 37,000 times since being distributed free in the UK to all ICAEW firms. Often watched by groups and teams, the total number of accountants who have viewed the film is many times that figure. During 2023, we continued to see strong interest among international accountancy networks for taking licences to use the film across their networks, with the film now subtitled in both French, Spanish and Arabic with other subtitled versions in production. In addition to firms, we have seen great interest from universities wishing to use the film to teach their accountancy students.

In March, the film was screened to 300 attendees at a joint event with the International Federation of Accountants (IFAC) on AML policy developments in the EU. Caritas Cyprus, a UN-supported organisation working with victims of trafficking and slavery, screened the film at an event for its members in August. In September, a screening took place in Sarajevo at the Organisation for Security and Co-operation in Europe's (OSCE) Human Trafficking Conference. The audience included political and business leaders from the Balkans. The film was also screened throughout the year at a wide range of other events including the Economic Crime Symposium at Cambridge University and the AFA ASEAN Federation of Accountants Annual Conference in Bangkok.

37,000
streams of
our *All Too
Familiar* film
by the end
of 2023

ENABLE continued

SUPPORTING FIRMS FOLLOWING PRIVATE EQUITY INVESTMENT

During 2023 we saw more of our regulated firms obtain private equity (PE) investment, with a slew of new PE-backed consolidator firms entering the market. As firms look to grow their businesses and develop their current offerings, PE investment has provided them with a particular opportunity to take advantage of advancements in technology.

Specialists within the Regulatory Practice and Policy (RPP) team have been involved in discussions with PE-backed firms from early stages of transactions, while they navigate the complexities of the regulations governing regulated activities, so as to ensure that the firms understand the complex eligibility criteria of the audit, probate and use of description regulations.

Firms looking to take on PE, or other external investment, often go through an organisational restructure which leads to changes in control of their business. Over the year, we have worked constructively with many firms who have received PE funding to gain the confirmation we need to ensure the firms remain compliant with the regulations. This has often involved members of my team scrutinising complex legal agreements and interacting with the firm, the investor and legal advisers from both sides.

Also, during 2023, we saw a significant increase in merger and acquisition activity. We

have been actively involved in explaining to firms both pre and post transaction what will be required to ensure the business continues to meet all regulatory requirements and to enable those firms being acquired to continue to provide services to their clients with the least amount of disruption. For both the initial funding transaction and subsequent acquisitions, we have found that early interaction with the RPP team is beneficial for both sides to ensure that time is not wasted in developing new structures which will not comply with all relevant regulations.

If there was one piece of advice I would give to a firm embarking on a future transaction, it would be to get in touch with RPP as early as possible. All of us in RPP know that we can play an important role in helping and supporting firms that are on a journey of growth and investment during this period of change within the accountancy sector as firms move away from more traditional structures.

Helena Murray

Head of Regulatory Practice, Regulatory Practice and Policy (RPP) team



“Over the year, we have worked constructively with many firms who have received PE funding to gain the confirmation we need to ensure the firms remain compliant.”

EVALUATE

Quality assurance

In 2023, we continued to evaluate the quality of work and compliance undertaken by those we regulate through our monitoring programme. All ICAEW-supervised and regulated firms and insolvency practitioners (IPs) are monitored by the Quality Assurance Department (QAD) to ensure they operate in accordance with laws, regulations and expected professional standards, the ICAEW Code of Ethics and the requirements of ICAEW's Practice Assurance scheme, in a timescale planned according to the requirements of the regulations.

2,743
total number
of reviews

Using their specialist knowledge and experience, our QAD reviewers carried out 2,304 monitoring reviews in 2023, fulfilling all ICAEW's statutory responsibilities and commitments to oversight regulators.

In addition, reviewers completed a further 439 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 regulatory obligations.

Total number of reviews by year (1 January 2021 - 31 December 2023)

	2021	2022	2023
ICAEW reviews	2,285	2,520	2,304
Third party reviews	284	413	439
Total	2,569	2,933	2,743

Reviews by regulated area by year (1 January 2021 - 31 December 2023)

	2021	2022	2023
Audit	553	484	478
Practice Assurance	1,243	1,509	1,313
DPB (Investment Business)	189	216	240
Probate	43	66	64
Licensed Practice Scheme	50	31	46
Local Public Audit	6	9	5
Insolvency	201	205	158
Total	2,285	2,520	2,304

Audit

As the largest recognised supervisory body in the UK, we continued to conduct monitoring visits to ICAEW firms registered for audit to check that firms are compliant with regulatory requirements.

Our 2022-2023 Audit Monitoring Report showed that 95% of non-Public Interest Entity audits reviewed at the largest seven firms during the year were rated as 'good' or 'generally acceptable'. This is the highest figure ever gained for this set of firms. However, disappointingly, there was a slight dip in the quality of audits reviewed across all firms, with 71% of audits being rated 'good' or

'generally acceptable' compared to 76% in 2021/22. It is important to put this in context as audit-registered firms are only required to be monitored at least every six years with only the big firms being monitored annually. It is, therefore, difficult to compare like for like figures for this set of firms as 95% of the firms vary year on year.

In addition to publishing the results of our visits, the report highlighted overall trends with many of the audits that required improvement relating to four broad areas:

- group accounts and related audit work
- stock and long-term contracts
- valuation, and
- revenue.

Insolvency

ICAEW is the largest recognised professional body for insolvency regulation, licensing over 800 IPs as at 31 December. During the year, we undertook 158 insolvency reviews and provided a range of guidance and advice to IPs, with over 13,000 people accessing insolvency resources on our website.

Investment business

1,672 accountancy firms held a licence to provide investment business advice as at 31 December. Over the year, 240 firms were visited with over 95% being either rated A (no instances of non-compliance) or B (some non-compliance but the firm's response addressed the matter(s) raised). Nearly 10,000 people accessed support materials held on our website including the popular document *ICAEW Personal Financial Planning: Traffic light guide to regulation*.

Probate

We continued to conduct monitoring visits to the 357 ICAEW firms who held accreditation to provide probate services as at 31 December, with 64 reviews carried out in 2023. To raise awareness amongst consumers of the ability to use accountants for probate services, promotional activity was undertaken during the year which included a search engine advertising campaign which gained over 5,000 impressions.

EVALUATE continued

FOCUSING ON AI AND ELIGIBILITY

All of our Practice Assurance monitoring visits include a review of a firm's compliance with the framework of quality assurance standards as well as the relevant laws and regulations. Each year we also select areas of focus based on hot topics and/or areas of heightened risk.

In 2023, we continued to see developments in the market leading to changes in traditional professional firm structures. We also saw the emergence of Artificial Intelligence (AI), in particular Generative AI, with firms seeking to harness this evolving technology. We have therefore chosen AI and eligibility as our focus areas in 2024.

Accountants have been making increasing use of technology for many years, but the emergence of generative AI is a potential game changer. Tools such as Chat GPT and AI driven 'co-pilots' can be powerful tools, but also come with additional risks. Our reviewers will be discussing the procedures that our firms have in place, including how they are protecting confidential client data and what kind of processes they have established to check

the accuracy of output from AI models. Many firms may not be actively using AI, but that doesn't mean it won't have an impact. Our team of reviewers are keen to help firms navigate this evolving area by sharing best practice and signposting to relevant ICAEW resources.

Consolidation in the accountancy sector, some of it fuelled by private equity investment, is leading to more complex firm structures. When firms are restructuring, it's important that they continue to meet ICAEW's eligibility criteria and that they consider the implications for Anti-money Laundering supervision as well as the use of the chartered accountants description. That's why we are also focusing on this area in 2024. We want to understand how our firms keep on top of this area and who in the organisation takes overall responsibility. We still see firms of all sizes falling foul of the rules, so important that

firms take the time to consult with us to ensure they stay within the eligibility rules before they restructure or reorganise.

We look forward to summarising our findings from these two important areas in our 2025 Practice Assurance monitoring report.

Dean Neaves

Senior Manager (DPB and Practice Assurance), Quality Assurance Department



"We have chosen AI and eligibility as our focus areas in 2024 as firms are seeking to harness this evolving technology."

EVALUATE continued

Anti-money laundering (AML) supervision

During the year, our AML supervisory approach combined proactive monitoring reviews of accountancy firms supervised by ICAEW, thematic reviews and reactive investigations. We started 1,161 monitoring reviews during the year, with 35% of these being to our high and high-medium risk firms. Our AML guidance and education material continues to be well-received receiving high engagement rates with our firms. We produced three editions of our *AML the essentials* e-newsletter and published three *AML risk bulletins* sent to all money laundering reporting officers in our supervised firms. Our video series, *AMLbites*, continued to attract high viewing figures with over 10,000 views in 2023.

HM Treasury carried out a consultation on AML Supervisory Reform in June 2023 with ICAEW submitting a response which incorporated feedback from firms. We believe that professional bodies have an important role to play in the AML supervision of the accountancy sector and are best placed to supervise due to our knowledge of how our firms operate, built up through our experience over the years. As we await the outcome of the consultation, ICAEW has continued to work closely with HM Treasury, law enforcement and other professional body supervisors to deliver a coordinated response to the threat of money laundering and terrorist financing in the UK.

Practice Assurance

In 2023, over 11,000 firms were monitored under our Practice Assurance scheme, with 1,313 quality assurance reviews carried out

to ensure compliance with relevant laws and regulations, including those relating to anti-money laundering and protection of client data. During the year, our areas of focus covered more detailed aspects of anti-money laundering including sanctions, suspicious activity reports and the role of the money laundering reporting officer.

Third party contracts

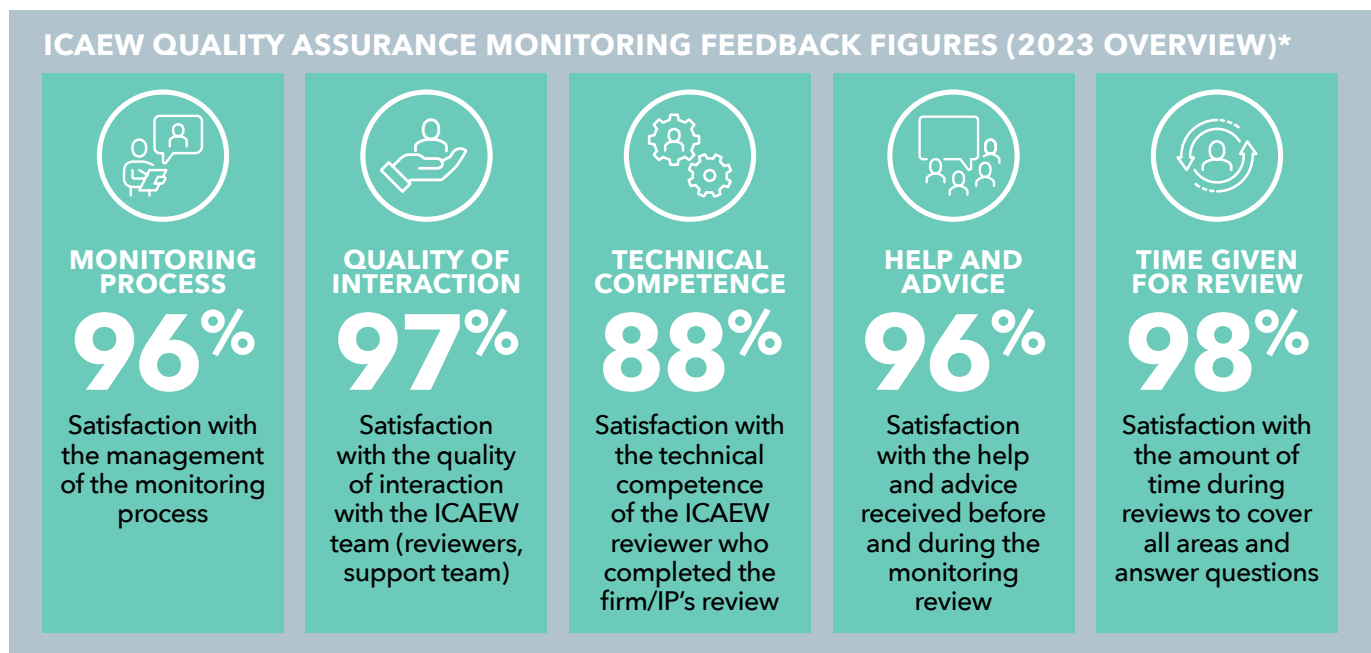
We carry out third party monitoring work because we remain committed to raising professional standards both in the UK and worldwide, and because we see this work as helping to broaden the skills and experience of our reviewers. During the year, we have assisted other professional bodies, oversight regulators, public bodies and firms in the following countries:

- England
- Wales
- Scotland
- Northern Ireland
- Gibraltar
- Jersey
- Isle of Man
- Cayman Islands
- Bermuda
- Abu Dhabi
- Mauritius.

Encouraging feedback to deliver optimum service

To ensure the continuous improvement of our monitoring processes and procedures, firms and IPs are asked to complete an anonymous survey after each monitoring review. Responses are collated and analysed by an independent research agency who provide detailed quarterly and annual reports which are reviewed to identify if any improvements in the process are required.

MONITORING SURVEY RESULTS FOR 2023



* Sample size: 471 respondents 2,027 visits 23% response rate

EVALUATE continued

OUR GROWING OUTSOURCING WORK IN THE UK AND INTERNATIONALLY

Our reputation as an improvement regulator in the UK has not gone unnoticed. Over the years, we have been approached by many regulators and other organisations, both in the UK and overseas, keen to utilise our expertise. Recognising our capabilities, these bodies have requested our support with their own monitoring requirements and, as a result, the Quality Assurance Department (QAD) has developed a growing portfolio of outsourcing work.

In the UK, we perform outsourced monitoring services on behalf of several other professional accountancy bodies. Our reviewers carry out visits to their members, covering general accountancy practice, audit and insolvency regulation, as well as more bespoke consultancy assignments. We also deliver monitoring services on behalf of a number of UK bodies responsible for performing and overseeing public sector audits.

Our skills are also required much further afield than the UK as we also partner with a variety of overseas independent regulators and professional bodies. During the year we have performed in-country monitoring visits to firms in Europe, the Caribbean and the Middle East, and as far away as Mauritius!

My role is to lead teams of expert reviewers on many of these visits. We match reviewers' skills, experience and specialisms with the requirements of each assignment

to deliver the highest quality support to our partners. Our work is not just limited to pure outsourced monitoring. Where we can, we work alongside local reviewers, transferring knowledge, providing on-the-job training and generally supporting local staff.

It's a win-win situation for all involved. Our overseas partners really value our expertise and support, while our reviewers get to experience global methodologies in different jurisdictions and the work brings in valuable additional income which is re-invested in our regulatory work. This work can be challenging at times, with differing industries, cultural and language differences, time pressures, different time zones and working away from home for extended periods of time. However, the experience and insight gained is invaluable, broadens reviewers' skillsets and helps us to continue to recruit high quality people.

Will Strickland

Senior Manager (Licensed Practices, including ATOL), Quality Assurance Department

"We are approached by many regulators and other organisations, both in the UK and overseas, keen to utilise our expertise to help support their own monitoring requirements."



ENFORCE

Throughout the year, we continued to enforce through taking regulatory and disciplinary actions when the standards of work and/or behaviour we expect of ICAEW firms, IPs, members, affiliates or students were not met.

953
complaints received in 2023

Disciplinary framework

ICAEW's new disciplinary framework came into effect on 1 June 2023 with changes introduced to make it more effective, efficient and more accessible for users, with increased clarity and simplified language.

The Conduct Department continued to investigate complaints referred to them from a number of sources; members of the public, clients/former clients, media, other regulators and ICAEW's regulatory committees.

Where investigations identified a potential liability to disciplinary action, findings were reported to the Conduct Committee which decided whether the ICAEW member or member firm had a case to answer. If so, either consent orders were offered or more serious matters were referred to the Tribunals Committee to convene a Disciplinary Tribunal to determine liability.

During 2023, 953 new complaints were received and 1,089 cases were completed. 337 cases were reported to the Conduct Committee while 712 cases were closed without requiring reference to Committee.

Work of the disciplinary committees

During 2023, 377 cases were considered by the Conduct Committee which led to 98 consent orders being offered by the Committee (115 in 2022).

29 of the 377 cases were challenges to the investigation officer's conclusion that there was no potential liability to disciplinary action with all officers' decisions being upheld by the committee.

In addition, 35 Disciplinary Tribunals were held in 2023 (41 in 2022) and 4 Appeal Panels (6 in 2022).

Disciplinary outcomes

Reports submitted to the Conduct Committee and disciplinary tribunal hearings led to the following outcomes during 2023:

- 9 members were excluded from ICAEW membership (10 in 2022).
- 66 members and firms received severe reprimands (96 in 2022).
- 49 members and firms received reprimands (40 in 2022).
- 5 cautions were given (3 in 2022).

Many of the above non-financial penalties were accompanied with financial penalties and costs orders.

2023 also saw the increased use of processes introduced in recent years to improve efficiency in the disposal of complaints:

- 25 fixed penalty notices issued (25 in 2022).
- 5 cases under the fast-track process for serious conviction complaints (3 in 2022).
- 13 settlement orders being approved (5 in 2022).

NUMBER OF NEW COMPLAINTS RECEIVED

2021	2022	2023
948	887	953

ENFORCE continued

SUPPORTING OUR INDEPENDENT COMMITTEES

Our regulatory and conduct work simply could not be achieved without our committees. It is, therefore, vital that we recruit the right mix of people with appropriate skills and experience to discharge their important responsibilities, that we have an effective process in place for their ongoing evaluation by the Regulatory and Conduct Appointments Committee (RACAC) and that we provide support and ongoing training.

We have made significant improvements ranging from how we advertise vacancies to the way we grade applications, and we have changed our interviewing techniques to ensure a process that is fair, transparent and perfectly aligned with ICAEW values. To attract the right calibre of candidates, we use a range of digital and traditional routes as we are keen to encourage interest from the widest pool of applicants. To minimise bias in selection, we have introduced the 'blind-sifting' of applications, we seek fresh perspectives by valuing different experiences, plus we have implemented competency-based interviews. Independence in the appointment process is maintained by the chair of the relevant committee taking

the lead in interviews and final decisions on all appointments being made by RACAC (which is a lay member majority panel).

With a focus on committee member development, we have worked together with the ICAEW Regulatory Board and RACAC to launch the new Committees' Development Process, a reciprocal feedback system by which all committee and board members can receive feedback and reflect on their own performance. By adopting this evaluation process across all of our committees, we aim to empower our members and foster a culture of growth and support at all levels.

We have continued to support our committees with appropriate training on new developments both at committee meetings and in our annual committee training days. The sessions in November 2023 featured legal updates, an introduction to the new CPD regulations and how they will impact the committees, and skills-based training in unconscious bias. These knowledge-sharing sessions and interactive workshops support not only continuous learning and development but also enhance

fairness and consistency in the committees' decision-making processes.

A personal highlight for me has been to witness the tangible impact of our team's efforts in creating more representative committees, and watching our new recruits not only learn from their peers, but also teach them (and us!) new ways to approach difficult matters.

Sumbul Phillips

Senior Lawyer, Committees and Tribunals team



"We have made significant improvements in how we advertise vacancies and grade applications, to create a process that is fair, transparent and aligned with ICAEW values."

ENFORCE continued

Regulatory

Where concerns were identified during quality assurance reviews with either the quality of work being carried out or non-compliance with relevant regulations, copies of the visit reports were considered by our independent regulatory committees. Decisions were then taken by those committees as to whether any regulatory action was required including the imposing of conditions or restrictions on licences/registrations, or to withdraw them completely.

The Committees and Tribunals team also organised Review Committee and Appeal Committee hearings where licensees/registrants sought to review and appeal decisions made by the regulatory committees. The work of the independent committees and regulatory enforcement actions taken by them against firms/members are summarised in the table below:

Fitness to practise

Our legal team conducted 5 Fitness to Practise Committee hearings (6 in 2022) which considered readmission and health cases.

Overseeing CIPFA disciplinary cases

Towards the end of 2023, ICAEW signed a contract with the Chartered Institute of Public Finance and Accountancy (CIPFA) to act as the Investigations Unit for CIPFA under its bye-laws. This will mean, in practice, assessing, investigating and, if need be, starting disciplinary proceedings against CIPFA members. This arrangement follows the signing of a joint declaration between ICAEW and CIPFA in 2023 indicating a closer strategic alignment.

5
licences
were
withdrawn by
committees
in 2023

	Audit Registration Committee	Insolvency Licensing Committee	Practice Assurance Committee	Investment Business Committee	Legal Services Committee
Number of meetings	12	7	6	4	3
Licences withdrawn	2	0	n/a	3	0
Licences restricted	35	2	n/a	0	0
Conditions imposed	51	7	n/a	3	1
Regulatory penalties/charges offered	34	6	n/a	6	10
Practice Assurance penalties offered	n/a	n/a	35	n/a	n/a

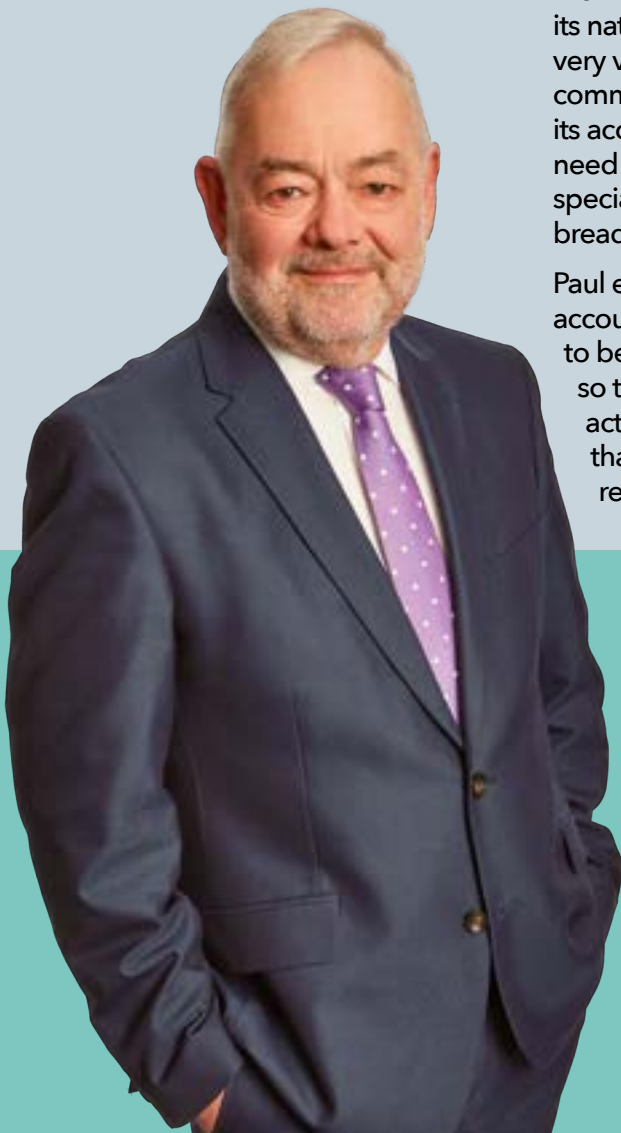
ENFORCE continued

ENSURING ACCOUNTANTS PLAY BY THE BOOK: THE CONDUCT COMMITTEE IN ACTION

Chairing ICAEW's Conduct Committee for the past eight years has given Paul Brooks a unique insight into ICAEW's disciplinary and enforcement activity.

In the year he steps down as chair, Paul reflects on the critical role of the committee in ensuring that accountants 'play by the book', and reassuring the public that those who don't are dealt with properly and fairly.

"This committee is where it all comes together in terms of complaints against members and firms," Paul explains. "As a consequence, we see absolutely everything from complaints against sole practitioners to the Big Four firms.



"We deal with relatively low-level compliance issues through to very complex ethical issues, from reports consisting of a few pages to those running to hundreds of pages with hundreds of attachments. The most challenging matter we dealt with during my time on the committee involved the committee convening for three days just to work through a report on one case in addition to our usual monthly meeting. This was an insolvency case where, not only were two insolvency practitioners ultimately sanctioned, the case concluded with the largest ever fine against a member firm.

"We're a large committee, currently composed of 19 members," he says. "And, by its nature, our workload is very varied. The size of the committee is important because its accountant members need to represent the various specialisations, as well as a breadth of firms."

Paul explains: "And for each accountant member, there needs to be at least one lay member so that we can demonstrate we act in the public interest, and that it's not just accountants regulating accountants."

Paul himself is a lay member and has a background in venture capital and private equity investment, so he has dealt extensively with chartered accountants both as advisers and colleagues.

This experience fits well with the work the committee carries out. "I've always had to deal with a lot of complex information and be able to distil that and understand the real issues, whether making an investment or taking a decision on the Conduct Committee," he explains.

"During my time as chair, the committee has become increasingly professional and disciplined in the way it considers cases," he says. "We take a structured approach to decision making, which allows the committee to show it is dealing with members in a consistent and transparent way, while still considering individual circumstances.

"We're now a pretty well-oiled machine in terms of running that process," he says. "And I see that as a significant improvement in the time I've been on the committee."

"The ICAEW Conduct Committee takes a structured approach to decision making, dealing with members in a consistent and transparent way."

ENFORCE continued

The COVID-19 pandemic played an unexpected part in supporting more structured decision making. "The changes we had to make meant we became more focused and disciplined in our consideration of the cases and we turned technology to our advantage," says Paul.

The committee carried these changes forward when in-person meetings resumed this past year. "Lockdown forced us to think about how we did things," says Paul. "And that was a big plus."

In 2023, 377 complaints were closed after completion by the committee. "We consider 20 to 30 cases every month," says Paul. "They include allegations of professional incompetence and regulatory failures, as well as, unfortunately, complaints about dishonesty and unethical behaviour."

Paul says: "The caseload over the years has been pretty constant, but I think ICAEW and we, as a committee, have got smarter in dealing with the complaints, so, in the cases that come to us, there is a real job to be done in assessing whether there is a case to answer or not, and that's the prime purpose of the Conduct Committee."

"During my time as chair, PSD senior management have also

become a lot more willing to seek feedback from those of us working at the sharp end on how improvements can be made so that the processes become more efficient and effective. I was one of the first to champion the creation of a 'fitness process' to ensure a different routing for members who are struggling to cope with the disciplinary processes through mental or physical health impairments. I have also supported other changes such as the introduction of new sanctioning powers for the Practice Assurance Committee to reduce the number of compliance cases coming to the Conduct Committee and the introduction of fixed penalties for other minor non-compliance issues."

The committee's role is not to decide whether a complaint is proven. Instead, it decides whether there is a realistic prospect that, if an allegation were to be referred to the Tribunals Committee for a hearing, it would be found proved.

One of the trends Paul has witnessed during his tenure has been a rising number of complaints about inappropriate comments posted by accountants on social media. "When I joined the committee, we'd see virtually no complaints of this nature," he says.

Many of the broader complaints the committee considers relate to accountants who have failed to comply with their regulatory or legal responsibilities. "Often these are in respect of anti-money laundering (AML)," says Paul. "And many could have been avoided if the accountant had taken advantage of the excellent and readily-available guidance ICAEW provides."

To place the number of complaints in context, he stresses that most accountants are 'playing by the book' and never come near the Conduct Committee. "But it's not fair that some of their colleagues let them down, and you've got to have read the book to comply with the book," he stresses.

"The touchstone for our work is serving the public and preserving the reputation of the profession," he adds. "I've gained huge satisfaction from serving on the Conduct Committee, and I'm constantly impressed by the quality and commitment of my fellow committee members. I would encourage anybody who is considering serving on a disciplinary or regulatory committee to do so."

Paul Brooks

Lay Chair, Conduct Committee

"I think ICAEW and we, as a committee, have got smarter in dealing with the complaints so, in the cases that come to us, there is a real job to be done in assessing whether there is a case to answer or not."

CONSULTATIONS

In 2023, we continued to consult with stakeholders to ascertain views on issues that relate to our regulatory responsibilities. We invited feedback from ICAEW members, the individuals and firms regulated/supervised by ICAEW, consumers of accountancy services and other stakeholders. From this, as can be seen by the narrative overleaf, we gained invaluable insight through the feedback we received which has helped with the final proposals. Our consultations included possible changes to the Professional Indemnity Insurance (PII) Regulations, the Audit Regulations and to the guidance in the Code of Ethics on the application of the fundamental principle of professional behaviour. The process, the feedback and the outcomes of those three consultations are explained by the PSD staff who managed those initiatives.

CONSULTATIONS continued

OVERSEEING CHANGES TO OUR INSURANCE ARRANGEMENTS

Insurance is a key protection for ICAEW members and firms, and consumers, with professional indemnity insurance (PII) being compulsory for all ICAEW members who hold practising certificates and engage in public practice. The protection provided by our arrangements must, however, be balanced by maintaining a competitive insurance market for ICAEW firms.

My main undertaking during the past year has been to lead a review of ICAEW's PII arrangements requested by the ICAEW Regulatory Board. The review was launched after a sharp increase in dispensation applications being made to the PII Committee following challenging conditions in the insurance market experienced by our firms a couple of years ago.

The views of our key stakeholders were central to getting the changes right and hence consultation was at the heart of the project, with a call

for evidence being launched in early 2023. We wanted to hear from our firms, insurers and brokers about their experience of dealing with our insurance arrangements. To ensure as many stakeholders had the opportunity to input as possible, we launched a survey and held meetings with insurers, firms and brokers. We obtained practical examples of what was working and which areas needed improvement.

The feedback received was that the accountancy insurance market was generally working well, but there were some areas that needed to change. For example, the amount of minimum insurance required had not changed for some time. Some respondents questioned using the number of principals in each firm to calculate certain insurance requirements. This seemed out of date in light of the modern-day structure of firms.

Given its specialist knowledge, the PII Committee was asked by the IRB to assist and held extra meetings to consider the feedback from the Call for Evidence and recommend to the IRB which changes should be put out for consultation between October and December 2023. It was decided ultimately to put forward a series of changes the



“The views of our key stakeholders were central ... We wanted to hear from our firms, insurers and brokers to ensure as many had the opportunity to input as possible.”

CONSULTATIONS continued

PII Committee and the IRB believed should be made together with some more aspirational changes with the expectation that the latter might be subject to challenge by firms, insurers and other stakeholders.

The mixed response we received was not, therefore, unexpected. The consultation feedback provided staff, the PII Committee and the IRB with invaluable insight and resulted in a decision to move forward at this stage with only the core reforms. We will also be increasing our efforts to gather data to determine whether any of the more aspirational reforms should be made in the future.

The fact that we amended our proposals following the consultation highlights exactly how much value we place on the feedback. Taking time to share your experience really does help us to shape our policies and ensure we find the right balance between protecting consumer interests and enabling firms to thrive.

I am pleased that, following this process, we will be introducing several changes to the PII Regulations which will go live in September 2024 and include the increase in the minimum cover for most firms to £2m, changes in the levels of excess in policies and using turnover rather than the number of principals to determine which firms will be regarded as 'larger firms' for the purpose of the PII Regulations. In addition, the regulations are being amended more generally so that they are easier to understand.

Working closely with the volunteers on our PII Committee has been a highlight for me this year. They have contributed their time and expertise to help reshape the PII Regulations. Changes which will benefit our firms and consumers for many years to come.

Sarah-Jane Owen

PII and Regulatory Manager,
Regulatory Practice and
Policy team

"Working closely with the volunteers on our PII Committee has been a highlight for me this year."

CONSULTATIONS continued

INTRODUCING NEW REQUIREMENTS INTO REGULATIONS

During 2023, we consulted on a series of proposed changes to the Audit Regulations, including a requirement for sole practice auditors to appoint an alternate, an increase in the powers of the Audit Registration Committee and changes to reflect the impact of the revised CPD Regulations. While the consultation process indicated majority support for most of the changes, the feedback we gained has caused us to reconsider the final changes with the IRB. We are now discussing the output from those discussions with the Institute of Chartered Accountants in Scotland and Chartered Accountants Ireland with whom we jointly own the Audit Regulations, with a view to those changes being made during 2024/2025. Prior to implementation, we will be working with our colleagues across ICAEW to provide guidance for members on all of the final changes.

Providing clearer guidance on expectations of how members should behave

Although ICAEW is committed to following the Code of Ethics set by the International Ethics Standards Board for Accountants (IESBA), ICAEW is able to add to and enhance the guidance set

out within the principles for its members. While ICAEW will be implementing later in 2024 some changes agreed by IESBA to the wording of the principle itself, we believed it important to reconsider the guidance for the application of the principle, particularly in light of recent changes to the published guidance issued by other regulators on the behaviour expected of members in all activities connected to their professional life.

The existing requirement to treat those with whom you come into contact when performing your work with "courtesy and consideration" has been in the Code for some time, and ICAEW Council members decided there was a need to refresh and modernise this language. A public consultation was issued to seek views on some revised wording to "act in accordance with the standards society expects in all professional and business relationships". We suggested that this might be amended to wording such as "treat others fairly and with respect, and not bully, harass and unfairly discriminate against

others". We received really high levels of member engagement on this consultation who provided some very insightful and thought-provoking feedback. Some possible changes to the original proposal will be considered by ICAEW Council during 2024.

This consultation showed the value of engaging with our members and firms to ensure that any changes work both in the public interest and are workable from a practical perspective for practitioners and the wider membership as a whole.

Sophie Wales

Director Regulatory Policy,
Regulatory Practice and
Policy team



"This consultation showed the value of engaging with our members and firms to ensure that changes [are] both in the public interest and workable."

ACCOUNTABILITY REPORT

The key work areas where the IRB provided direction and oversight during 2023 were:

Launching new strategic objectives

At the beginning of the year, the IRB finalised its strategy for 2024-2026 which was published on a new microsite containing focused information relating to the IRB and the operation of ICAEW's regulatory and disciplinary functions.

Introducing our new disciplinary framework

During 2023, the IRB supervised the implementation of the new disciplinary framework which commenced formally on 1 June 2023 with the coming into effect of the new Investigation and Disciplinary Regulations (IDRs) and the reduced number of Disciplinary Bye-laws (DBLs). The final approval stage prior to launch was cleared in Spring 2023 when the new DBLs and IDRs were given formal approval by the Privy Council.

P11 Regulations review

Following the review instigated by the IRB during 2022 into the effectiveness of the current Professional Indemnity Insurance (PII) Regulations, the IRB considered during 2023 the scope of proposed changes to the regulations and determined which proposals should be the subject of public consultation which was then carried out in the autumn. The IRB has since approved a revised set of regulations to come into effect in September 2024.

Audit Regulations review

The IRB supervised a continuing review of the Audit Regulations during 2023 ultimately leading to a public consultation held during the autumn. The IRB will consider responses to the consultation and agree a proposed way forward in early 2024.

AML Supervisory Reform Consultation response

The IRB reviewed and approved the submission to HM Treasury's consultation on AML Supervisory Reform in June 2023.

CPD

Following the IRB's input into the development of the revised CPD Regulations and the accompanying guidance, in 2023 the IRB oversaw the introduction of the new requirements into PSD's quality assurance monitoring framework. The IRB will continue to monitor reviews closely to assess the effectiveness of the new framework during its first few years.

Processes for monitoring activities of insolvency practitioners

During 2023, the IRB determined that a number of changes should be made to improve existing processes to monitor the activities of licensed insolvency practitioners in certain circumstances and set up a task and finish group to oversee the actions required to improve our processes.

IRB strategy
launched for
2024-2026

FINANCES

The PSD budget categories

The budget is described by income and cost type, and by functions and reported in this way for management control purposes:

- regulation and firm conduct, sub-divided into registration areas such as audit and probate.
- member discipline.
- contracts and products.

Our financials

There are four main income and cost areas:

- income generated from regulatory registration and application fees and contract charges;
- levies on firms and individuals, to fund oversight organisations and compensation scheme arrangements;
- operating costs; and
- overheads including property, utilities and shared central systems, processes and functions.

The Professional Standards Department (PSD) also receives fines and associated recovery of costs incurred.

The following year's draft budget is produced for the May ICAEW Regulatory Board (IRB) meeting. The budget sets out the financial strategy, the principles related to income generation and underpins any fee and/or levy increase proposals for the IRB to review, change where applicable, and approve.

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

2023 financial results

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

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

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

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

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

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

While poorly behaving ICAEW member and firm numbers remain a small minority, the number of new annual complaint matters is holding at c.900. A number of these cases can be highly complex and long running.

2024-2025

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

2023 regulatory fee increases recognise the pressures of general cost and wage inflation, the challenges faced by smaller firms and the cost of regulation, and an ongoing commitment to cost reduction through continuous improvement, new systems and enhanced processes.

The regulatory areas met the self-financing target

FINANCES continued

The 2024 budget and income and cost projections for 2024 and 2025 are considered pragmatic, particularly considering the economic environment, registration volume estimates, guidance and requirements set out by oversight bodies, including those related to consumer protection, and associated cost projections.

Mitigating actions, in relation to risks to achieving our financial strategy, have been

put in place to secure appropriate future income in order to discharge the PSD's regulatory duties. Progress, change and risks will be monitored regularly.

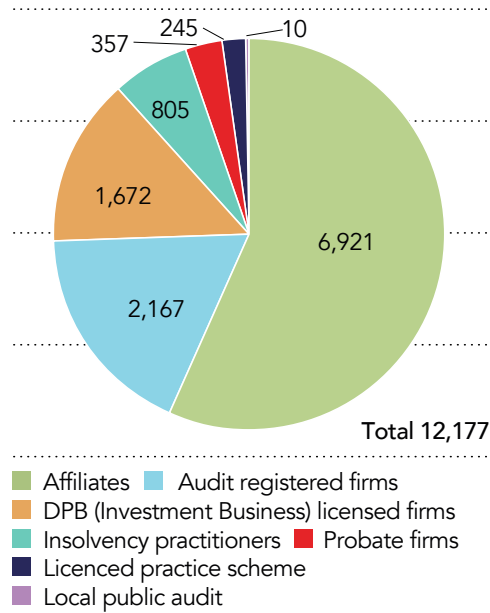
Financial plans, including programme and project proposals and business cases, will be reviewed by the IRB.

2025 budget and fee and levy proposals will be presented for review and approval mid-2024.

12,177
registered firms in 2023

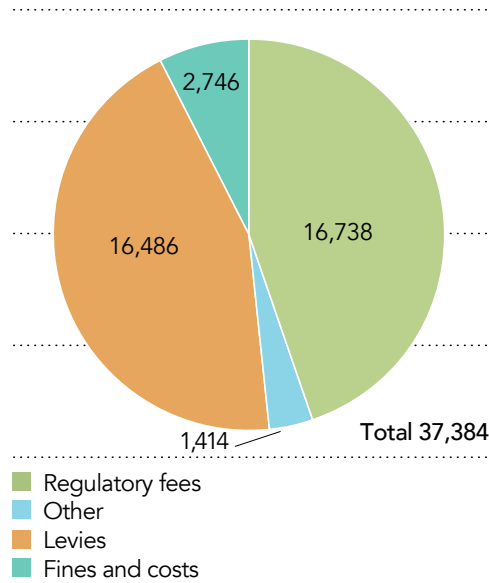
Registered Firms

2023 full year



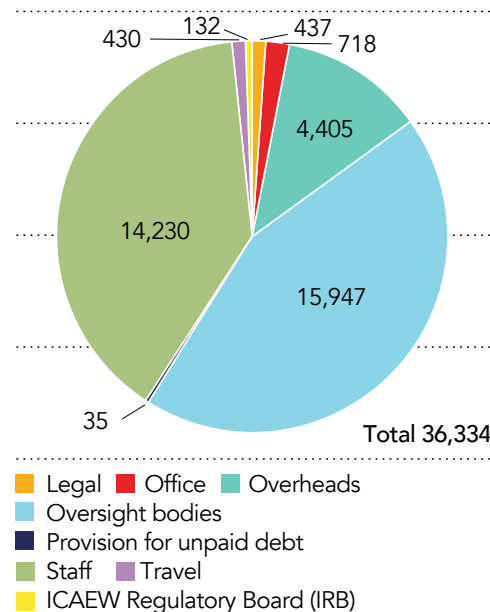
Income Analysis £,000

2023 full year actuals



Cost Analysis £,000

2023 full year actuals



OUTLOOK

During 2024, we will focus, in particular, on the following matters.

ICAEW's future role in regulation

We will continue to work constructively with the Department for Business and Trade and the Financial Reporting Council (FRC) on any improvements to audit regulation which might be possible without legislation given the delay in the creation of the Audit, Reporting and Governance Authority (ARGA).

We will also continue to engage with HM Treasury following the 2023 consultation on the future of the anti-money laundering supervisory regime in which ICAEW plays a vital role, and on its initiative to improve the current Money Laundering Regulations.

We will work with the Insolvency Service and the other recognised professional bodies (RPBs) to consider what changes might be made without legislation to achieve the 'transformational change' which the Government has asked to see in making its decision to confirm that the RPBs should continue in their roles as insolvency regulators.

We will work closely with HM Revenue & Customs (HMRC) and collaborate with other professional bodies in relation to the potential regulation of the tax services market, and the role that ICAEW as a professional body may have in any regulatory solution.

Guidance on Sanctions

We continue to review the current Guidance on Sanctions to ensure that the disciplinary and regulatory committees carry out their work effectively and to ensure consistency of approach with other regulatory and disciplinary regimes. A draft of a separate Guidance on Sanctions to be used by the regulatory committees has already been approved by the IRB and we are now in the process of revising the Guidance on Sanctions to be used by the disciplinary committees. We will send both guidance documents to oversight regulators and out to public consultation with the proposed changes before they are formally introduced.

Continuing professional development (CPD)

We will continue to monitor closely the implementation of the revised Continuing Professional Development (CPD) Regulations which came into effect on 1 November 2023 and consider, in particular, whether any further guidance or communications are necessary to avoid any confusion or misunderstanding about what is expected. We will also ensure there is sufficient resource and capacity within the Quality Assurance Department to take on the new monitoring responsibilities from October 2024. The monitoring approach will evolve over time and ongoing developments will include the consideration of the extent of the role which new technology might be able to assist.

Implementing changes resulting from consultations on the Professional Indemnity Insurance (PII) Regulations and Audit Regulations

Following the review into the PII Regulations, a number of important changes will be introduced on 1 September 2024 to provide greater protection to the public. The implementation of the changes will be supported by a communications campaign to ensure all members are aware of the new requirements.

Following our 2023 consultation, we will be introducing changes to the Audit Regulations in the following areas: introducing a requirement for audit sole practitioners to appoint an alternate, aligning the obligations in the Audit Regulations to ICAEW's new policy on CPD; and giving the registration committee the ability to apply financial regulatory penalties (by way of consent order) to responsible individuals (RIs) as well as to firms.

Further possible amendment to Audit Regulations to improve visibility on the movement of audits

Given the significant increase in the last couple of years in the movement of audits between firms and our concern to ensure auditors have the relevant expertise and resource to take on new work, we are working on potential further changes to the Audit Regulations to establish greater visibility of the movement of audits between audit registered firms at the request of the IRB.

OUTLOOK continued

During 2024, we will be consulting on a possible additional requirement to be inserted into the Audit Regulations, obliging audit registered firms to notify ICAEW if they take on a significant or unusual audit. The criteria for a 'significant or unusual' audit will be developed in conjunction with specialists, and we will review feedback on the criteria suggested before putting a final proposal to the IRB for its consideration.

Opportunities for further outsourced assurance work

As we are committed to raising professional standards in the UK and worldwide, we will continue to seek out opportunities where we can use our monitoring and conduct expertise to support regulators and other organisations through third-party contracts, both in the UK and overseas. Further growth opportunities are under constant consideration, and we will ensure any third-party contracts complement the core work the team undertakes in the UK.

CIPFA disciplinary work

We will also be working hard to ensure a smooth transition of investigation/disciplinary work from the Chartered Institute of Public Finance and Accountancy (CIPFA). We will ensure that staff are supported while they develop a greater understanding of CIPFA's processes and that good working relationships are established with CIPFA disciplinary committees.

New educational drama film

We aim by the end of 2024 to have created another film in our series of educational film dramas to be used by members and member firms for the training of their staff both in the UK and across firms' global networks. The objective is to create a third film looking at issues facing auditors and directors to follow the success of *False Assurance* and *Without Question*.

In the meantime, we will continue to encourage firms to renew existing licences for the use of the first two audit training films, and interest remains very high in maintaining those films as part of firm's educational programmes.

Continuous improvement programme

Our managed change and continuous improvement programme for 2024 will include:

- VisualFiles case and application management system - strategic review of the system and technical infrastructure alongside enhancements to workflows related to data capture and controls.
- Firm Annual Return, registration record and compliance - questionnaire template updates.
- UK Joint Audit Register website - assimilate Public Interest Entity information.
- Risk management - building on a well-established ICAEW process and successes, in support of the new ICAEW framework and improvement plan, continue with marginal improvements.
- UK regulatory registers - support initiatives to establish or enhance centralised registers and provide greater transparency also in support of consumer choice and information.
- Microsoft Dynamics - after successful decommissioning of the old core records system and successful implementation of Dynamics, leverage new system functionality to improve customer service.
- Artificial intelligence - improve efficiency through the use of Microsoft Co-pilot and developments related to data checking and report writing.

Consumer empowerment

Looking forward, we will continue to focus on the consumer empowerment agenda and look for ways to support choice and information, particularly in the legal services market.

This will include:

- considering the impact of consumer empowerment in our regulatory decision making;
- developing consumer guidance and information to build knowledge and capability;
- engaging in collaborative projects that enhance transparency and information sharing; and
- evaluating the effectiveness of these activities and focusing on continuous improvement.

APPENDICES

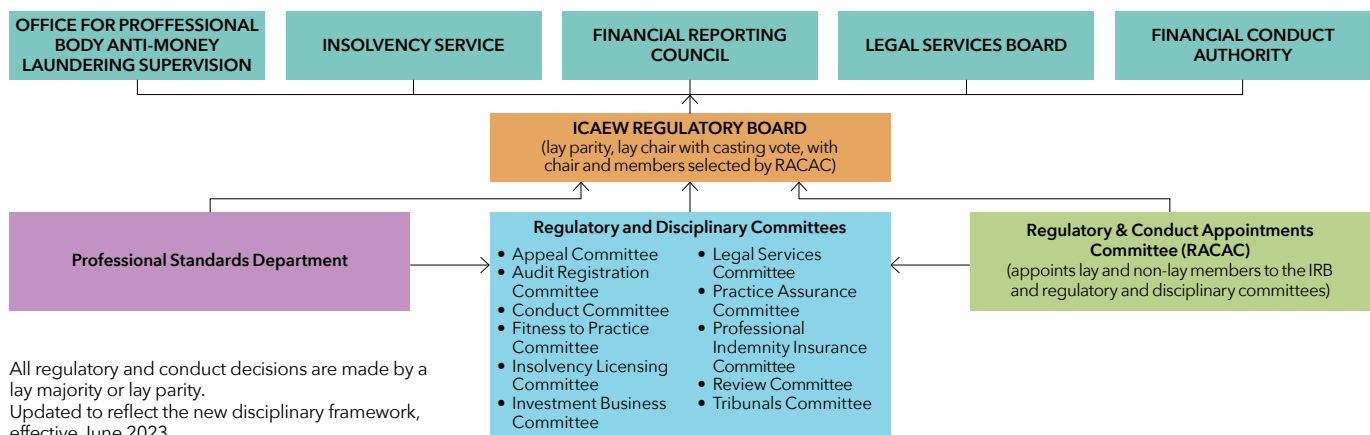
- Appendix 1: Oversight of ICAEW’s regulatory and conduct roles
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APPENDIX 1: OVERSIGHT OF ICAEW’S REGULATORY AND CONDUCT ROLES

ICAEW’s regulatory and conduct work is monitored by oversight regulators including the Financial Reporting Council (FRC), the Office for Professional Body Anti-Money Laundering

Supervision (OPBAS), the Insolvency Service, the Financial Conduct Authority (FCA) and the Legal Services Board (LSB).

ICAEW regulatory and conduct oversight structure



Our role as an audit regulator

We continue to be the largest single regulator of audit work in the UK. Under delegated responsibility from the Financial Reporting Council (FRC), we monitor the audits of companies which are not categorised as Public Interest Entities (PIEs) and that are carried out by the 2,137 ICAEW-audit registered firms. The FRC carries out an annual inspection of PSD’s audit licensing, monitoring and enforcement work and publishes the results of its inspections. The FRC also undertakes reviews of complaints about PSD’s handling of audit and accountancy complaints.

Our role as an insolvency regulator

ICAEW continues to be the largest insolvency regulator in the UK. By the end of 2023, ICAEW had licensed 805 insolvency practitioners out of a total population of 1,508. The Insolvency Service (IS) carries out regular thematic reviews of PSD’s licensing, monitoring and enforcement work and publishes reports of its findings. The IS also carries out reviews of complaints about PSD’s handling of insolvency complaints.

Our role as a probate regulator

ICAEW is an approved regulator and licensing authority for probate services, with 357 firms registered for probate. The oversight regulator for legal services in England and Wales is the

Legal Services Board (LSB) and it publishes an annual performance assessment of all legal services regulators, including ICAEW.

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

Our AML-supervised firms play a critical role in detecting and preventing money laundering and terrorist financing and over 10,000 firms are supervised by us. The Office for Professional Body AML Supervision (OPBAS) oversees our AML supervisory work and carries out a biennial inspection of PSD, publishing reports of its findings.

Our role as a designated professional body

ICAEW is a designated professional body (DPB) under the Financial Services and Markets Act 2000, and licenses 1,672 firms to undertake investment business activity which is appropriate to professional practice. ICAEW’s DPB status also permits us to provide oversight arrangements for firms wishing to provide credit-related regulated activities as part of a professional service. The Financial Conduct Authority (FCA) has the power to review ICAEW’s work as a Designated Professional Body (DPB).

APPENDICES continued

APPENDIX 2: ROLES OF ICAEW'S REGULATORY AND CONDUCT COMMITTEES

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

All significant decisions on regulatory matters are made by the Audit Registration Committee, the Legal Services Committee, the Insolvency Licensing Committee, the Investment Business Committee and the Practice Assurance Committee.

These committees are independent from staff and comprise of a parity of lay and chartered accountants with a lay chair who has a casting vote. This maintains an important balance of technical insight from the chartered accountant members and public interest insight from the lay members. Members of all regulatory committees are appointed by the Regulatory & Conduct Appointments Committee (RACAC) which has a majority of lay members and a lay chair which reports to the ICAEW Regulatory Board (IRB). The chair of RACAC is not a member of any of the regulatory committees or the IRB.

Where regulatory action may be appropriate, following a Quality Assurance Department (QAD) monitoring visit, these committees will consider whether such action is appropriate, which could include one or more of the following outcomes:

- licence/registration withdrawal;
- impose conditions/restrictions;
- propose a regulatory penalty;
- order a quality assurance visit;
- require a firm/member to undertake specific action to address any shortcomings eg, provide a record of their CPD plan for the following year.

Every year a lay parity subcommittee of each of these committees carries out a 'delegated powers review'. Sub-committee members review Regulatory Practice & Policy (RPP) files to check that licensing decisions taken by staff on new applications for regulatory areas of work, eg, probate, are within the criteria set by the committee and to check whether RPP staff follow up on remedial action recommended by QAD or required by the committee following a visit. They also review the grading of a sample of monitoring visits to gain assurance that remedial action is taken against all firms and insolvency practitioners whose work has fallen below standard. Each 'delegated powers review' report is considered by the respective committee and then submitted to the IRB.

The Conduct Committee considers investigation reports prepared by the Conduct Department in respect of disciplinary matters. It comprises of a parity of lay and chartered accountant members with a lay chair and its members are also appointed by the RACAC.

In addition to considering reports following investigation to determine whether there is a liability to disciplinary action, the Conduct Committee also considers challenges by complainants to the rejection of complaints by Conduct Department staff at the assessment stage and determinations by staff following an investigation that there is no liability. Like the regulatory committees, the Conduct Committee carries out an annual closed case review which focuses, in particular, on complaints which were closed by staff without reference to the committee to ensure that the committee is satisfied with judgments made by Conduct Department staff under its delegated powers.

Oversight by the ICAEW Regulatory Board (IRB)

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

The IRB holds 5-6 meetings per year to review updates from the PSD Chief Officer on PSD's progress on current initiatives, to deliver against its strategic objectives, and to review the impact of proposed regulatory changes.

The IRB's quality assurance programme consists of IRB members observing meetings of the regulatory and disciplinary committees and meeting with committee chairs to discuss feedback on committee performance and ideas as to how to make the committees more efficient and effective.

The IRB receives and reviews all the 'delegated powers review' reports prepared by the regulatory committees and the Conduct Committee. It also reviews the final inspection reports prepared by each of ICAEW's external oversight regulators.

Regulatory and Conduct Appointments Committee

The Regulatory & Conduct Appointments Committee (RACAC) reports to the IRB which, in turn, oversees the work of ICAEW's Professional Standards Department.

The RACAC is responsible, under powers delegated to it by the IRB, for dealing with all matters relating to the appointment, performance evaluations and remuneration of chairs and members of the IRB and the ICAEW regulatory and disciplinary committees and case file reviewers.

APPENDICES continued

APPENDIX 3: ICAEW REGULATORY BOARD MEMBERS AND MEETING DATES IN 2023

Name	Status	Number of meetings attended during 2023
Angela Foyle	Non-lay	5/6
Ann Wright	Lay	6/6
Annette Lovell	Lay	6/6
Anthony Pygram (Alternate Chair from 1 January 2022)	Lay	6/6
Asif Patel	Non-lay	6/6
Caroline Turnbull-Hall	Non-lay	5/6
Claire McManus	Lay	6/6
Jonathan Williams (term ended December 2023)	Non-lay	5/6
Parjinder Basra (Acting Chair from 1 June 2023)	Lay	6/6
Philip Nicol Gent (Chair appointment ended May 2023)	Lay	3/3
Richard Thorpe	Non-lay	5/6
Thomas Palm	Non-lay	6/6

IRB meeting dates 2023

26 January

30 March

25 May

20 July

20 September

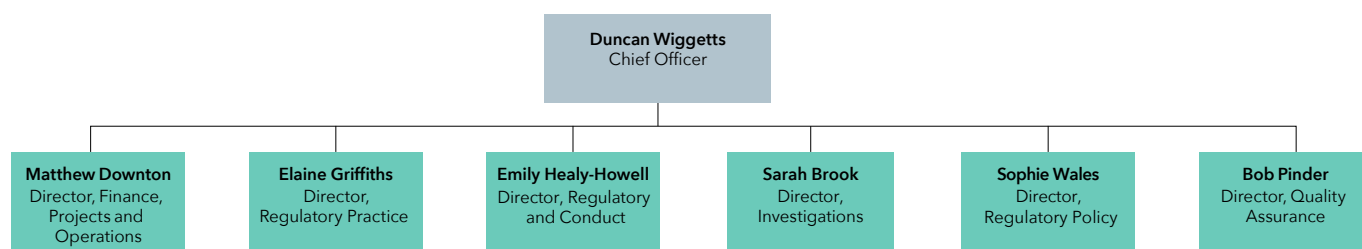
29 November

APPENDICES continued

APPENDIX 4: USE OF DELEGATED POWERS BY THE IRB IN 2023

Date of meeting	Decision	Paragraph in the IRB's terms of reference ¹
January 2023	ICAEW Regulatory Board and ICAEW Governance Structure	11x
January 2023	CPD update paper / approval of change to PBL 56	11g
January 2023	Paper proposing the creation of a Decision Review Panel	11d,e
March 2023	Delegated Powers Review of QAD	11e
March 2023	Code of Ethics Professional Behaviour	11(o)
March 2023	New Disciplinary Framework 'Serious Convictions'	11d,e
March 2023	Introduction of Disciplinary Framework	11e
March 2023	Probate Compensation Scheme	11w
March 2023	Regulatory and Conduct Strategy	11a,z
May 2023	Insolvency Service Annual and Thematic Review	11t
May 2023	Delegated Powers' Review Report	11e
May 2023	Review of our Professional Indemnity Insurance regulations	11k
May 2023	2024 Budget and Fees	11c
May 2023	Disciplinary Database	11b
May 2023	Legal Services Review	11a
May 2023	Setting up a General Compensation Fund	11a
May 2023	Regulatory and Conduct Strategy	11a,z
July 2023	Response to the future of insolvency regulation government consultation	11t
July 2023	PII Review Consultation Update	11k
July 2023	Special Measures Policy	11b
July 2023	Ethics and New Technologies	11o
July 2023	LSB performance assessment considerations	11t
July 2023	Update on Professional Behaviour Project	11o
July 2023	Regulation and Conduct future microsite	11x,z
September 2023	PII Paper and Update from PIC Chair	11k
September 2023	Internal Audit Assurance Report	11r
September 2023	Anti Money Laundering Consultation Draft Response	11t
September 2023	Decision Analysis Group Update	11d,e,
September 2023	Insolvency Service Reprimand Response: Task and Finish Group	11t
November 2023	Update on Audit Regs and PII consultation responses	11(k)
November 2023	Review of the Regulatory Guidance on sanctions	11(b)
November 2023	Amendments to DBLs	11(g)
November 2023	Regulatory and Conduct Strategy	11a

APPENDIX 5: PROFESSIONAL STANDARDS DEPARTMENT LEADERSHIP TEAM



ICAEW's regulatory and conduct roles

Our role as an improvement regulator is to strengthen confidence and trust in those regulated by ICAEW. We do this by enabling, evaluating and enforcing the standards expected by the profession, oversight regulators and government.

ICAEW's regulatory and conduct roles are separated from ICAEW's other activities through internal governance so that we can monitor, support or take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department (PSD) and overseen by the ICAEW Regulatory Board (IRB) and oversight regulators including the Financial Reporting Council, Office for Professional Body Anti-Money Laundering Supervision, the Insolvency Service and the Legal Services Board.

We:

- **authorise** firms and individuals to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** registered firms and individuals to ensure they operate in accordance with laws, regulations and expected professional standards;
- **investigate** complaints and hold ICAEW Chartered Accountants and students, ICAEW-supervised firms and regulated and affiliated individuals to account where they fall short of standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **educate** through guidance and advice to help ICAEW's regulated community comply with laws, regulations and expected professional standards.

[icaew.com/regulation](https://www.icaew.com/regulation)

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 208,000 members and students around the world. 99 of the top 100 global brands employ ICAEW Chartered Accountants.*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor around 11,500 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

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

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

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

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