



PROTECTING THE PUBLIC INTEREST

REGULATION AND CONDUCT
ANNUAL REPORT 2024

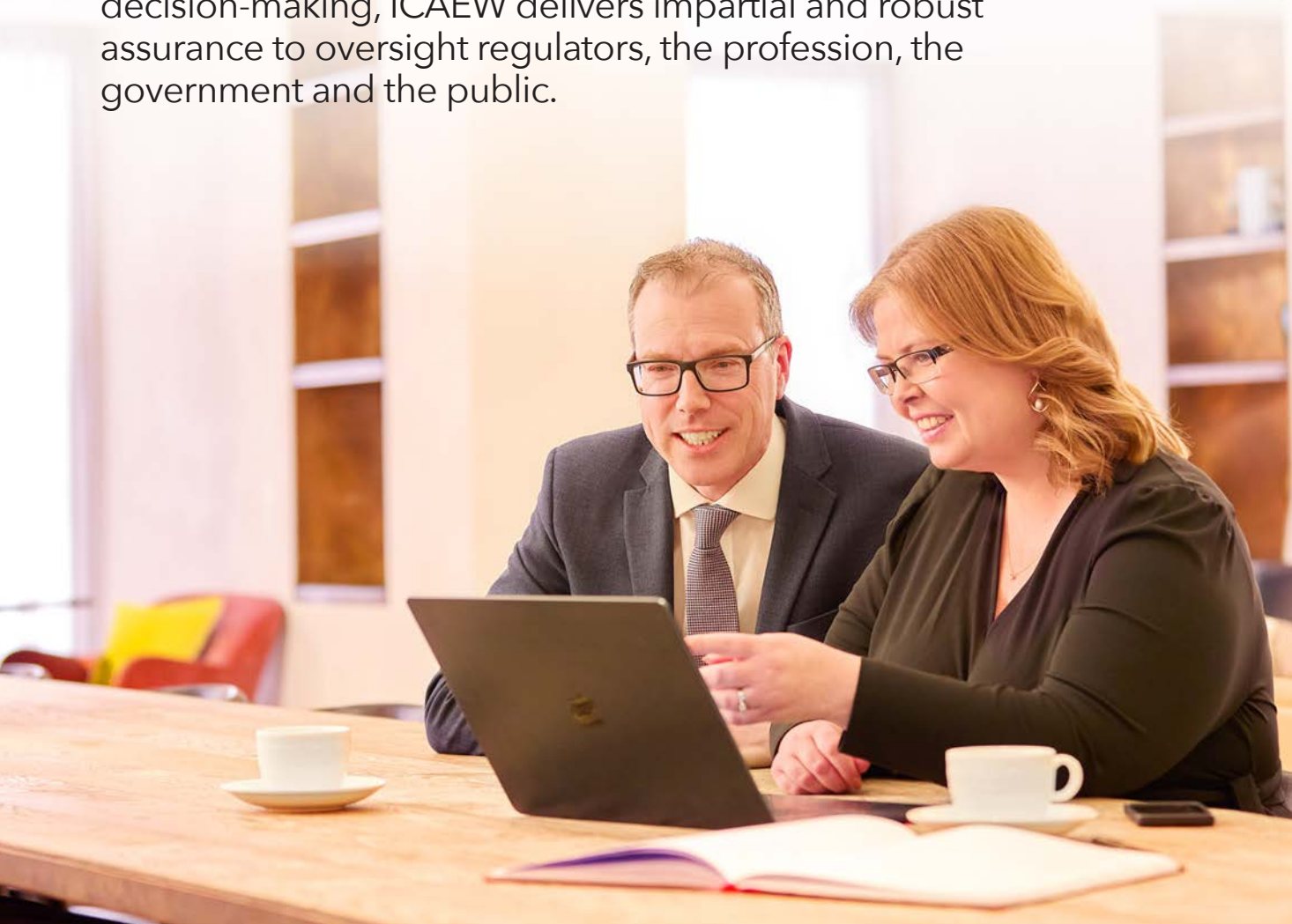
icaew.com/regulation



PROFESSIONAL
STANDARDS
DEPARTMENT

Who we are and what we do

As a world-leading improvement regulator, ICAEW acts in the public interest and strengthens consumer confidence and trust by holding ICAEW members and firms to high professional standards. Underpinned by independent decision-making, ICAEW delivers impartial and robust assurance to oversight regulators, the profession, the government and the public.



Contents

- 3 Our role**
- 4 Regulation and Conduct in numbers**
- 5 Foreword:** Parjinder Basra, Acting Chair, ICAEW Regulatory Board
- 6 Protecting the public interest through independent adjudication and oversight**
- 8 *Explainer: Countering the myths of self-regulation***
- 10 Protecting the public interest by helping to improve professional standards**
- 13 *Explainer: Improvement regulation in practice***
- 15 Protecting the public interest by upholding and enforcing high professional standards**
- 18 *Explainer: Finger on the pulse – proactive monitoring in practice***
- 20 Protecting the public interest through a programme of continuous improvement**
- 22 Protecting the public interest by investing in our people**
- 24 Protecting the public interest by maintaining a self-financing model for our regulatory work**
- 27 Outlook for 2025:** Duncan Wiggetts, Chief Officer, Professional Standards

Appendix 1: Oversight of ICAEW's regulatory and conduct roles

Appendix 2: Roles of ICAEW's regulatory and disciplinary committees

Appendix 3: ICAEW Regulatory Board (IRB) members and meeting dates in 2024

Appendix 4: Professional Standards Department Leadership Team

Our role

Our role as an improvement regulator is to protect the public interest by enabling, evaluating and enforcing high standards of professional competency and conduct.

Our commitment

We **enable**:

- ICAEW members and firms to provide regulated services by maintaining our authorisations from oversight regulators;
- firms to expand their service offering by vetting and authorising applications for licences and registrations; and
- the continuous improvement of professional standards through educational initiatives and continuing professional development (CPD) monitoring.

We **evaluate**:

- the quality of regulated work through proactive monitoring and supervision;
- members and firms' ongoing eligibility and compliance with regulatory requirements;
- adherence to our Practice Assurance scheme to improve quality standards; and
- the impact of government initiatives through stakeholder engagement and consultations.

We **enforce**:

- by investigating those members and firms who may have committed misconduct, broken rules or whose work may have fallen significantly below the standards expected of them;
- by taking regulatory action to restrict or remove licences and registrations for breaches of regulations;
- by taking disciplinary action for breaches of regulations, rules, standards and/or the Code of Ethics; and
- by placing emphasis on supporting members and firms to learn from breaches, remediate their conduct and improve their professional practice.

Key statistics relating to ICAEW's regulatory and disciplinary work

1,996

firms registered for statutory audit*

752

licensed insolvency practitioners*

348

firms accredited for probate services*

1,579

firms authorised to provide investment business advice*

9,802

firms supervised for compliance with AML regulations*

2,398

monitoring reviews carried out**

97%

satisfaction with the management of our monitoring process

1,132

new complaint files opened**

1,171

investigations completed**

1,195

regulatory applications received**

7m

sponsored and organic social media impressions**

376,990

unique website visits**

* as at 31 December 2024

** figures for the whole of 2024

Foreword

"2024 marked the 10th anniversary of the decision taken by ICAEW Council to create the IRB."

Parjinder Basra

Acting Chair, ICAEW Regulatory Board (IRB)



Our 2024 Regulation & Conduct Annual Report builds on last year's report by delving deeper into how we protect the public.

I know that this report will bring home to you, as it did to me, just how much work is carried out by ICAEW's dedicated Professional Standards Department (PSD) staff and the independent regulatory and disciplinary committees, all working to help ICAEW members and firms maintain high professional standards, and to hold them to those standards. The breadth of our work, across our many regulated areas, continued to be significant and varied over the last year with our oversight regulators positively regarding the high quality of what we do, as demonstrated in their formal reports.

2024 marked the 10th anniversary of the decision taken by ICAEW Council to create the IRB to ensure a clear separation between ICAEW's regulatory and representative functions. This was done to provide assurance to the public, oversight regulators and the government that all significant regulatory and disciplinary decisions would be taken by independent committees. An independent review was carried out during 2024 to reassess the IRB's roles and responsibilities which led to revisions to the IRB's Terms of Reference, with a new reporting line to the ICAEW Board and a change in

composition with four new members joining the board, all of whom had significant experience of working on ICAEW's regulatory and disciplinary committees. The new members included Paul Brooks, the former Chair of the Conduct Committee, who took over in July 2024 as the new IRB Chair. We were all so sad when Paul stepped down earlier this year for personal reasons and we all pass on our sincere thanks for his great contribution to ICAEW over the last 20 years. This has led to me resuming my former role of Acting Chair while the Regulation & Conduct Appointments Committee identifies Paul's successor.

We intend to continue with our programme of continuous improvement. What we achieved in 2024 is set out on page 20. It is also clear that 2025 may bring significant changes in the external regulatory environment. Duncan Wiggetts, the PSD Chief Officer, sets out some of the risks and challenges in his outlook on page 27. We see our role as supporting the government in introducing improvements to the current regulatory frameworks. We believe that we are well placed to play an important part in the regulatory landscape of the future.

In last year's report we explored the importance of strengthening trust through improvement regulation. This year we focus on how we protect the public with insightful explainers. From 2025 onwards, our Regulation and Conduct Strategy will supplement these two strategic themes (public interest and improvement regulation) with delivery objectives around our other strategic themes of regulating well, developing our people and continuous improvement. We look forward to reporting on these areas in the coming years.

I would like to take this opportunity to thank my fellow IRB members, our committees, and the PSD senior management team and staff for their dedication and expertise. Their work is critical in maintaining trust, integrity and accountability in the accountancy profession. Together, we are reinforcing ICAEW's position as a leading improvement regulator, ensuring that the profession flourishes and continues to serve the public interest effectively.

Parjinder Basra

Acting Chair, ICAEW Regulatory Board

Protecting the public interest through independent adjudication and oversight

ICAEW's governance structure ensures its regulatory and conduct roles are not influenced by its representative functions. The work of staff and our regulatory and disciplinary committees is overseen, not only by the ICAEW Regulatory Board (IRB), but also by our external oversight regulators.

Independent decision-making

To provide assurance to the public, oversight regulators and the government, all significant decisions relating to regulatory permissions and disciplinary matters are made by the regulatory and disciplinary committees.

These committees are tasked with acting in the public interest and all have a parity of lay and chartered accountant members with lay chairs, with the exception of the Tribunals Committee and Appeal Committee where disciplinary tribunals and appeal panels have a majority of lay members with lay chairs. This maintains an important balance between the necessary technical insight from chartered accountant members and public interest insight from lay members. To maintain the important separation from ICAEW's representative functions, no ICAEW Council or ICAEW Board member can be a member of a regulatory or disciplinary committee.

Members are appointed to the committees by the Regulatory & Conduct Appointments Committee (RACAC), which has a lay majority in its membership and a lay chair, and reports to the ICAEW Regulatory Board (IRB). RACAC also takes all decisions on the renewal of members' terms.

Building stronger committees

In June 2023, RACAC introduced the Committees' Development Process (CDP). The purpose of the CDP is to continually review the effectiveness of the committees and identify opportunities for improvement; to explore the contribution of the chair and committee members and identify opportunities for development; to provide RACAC

with sufficient information to make an informed decision on committee member re-appointments; and to evaluate the effectiveness of the committee member recruitment process. Engagement in this process has been positive as committees have been able to come together and discuss better ways of working together, and to address and identify any training needs that will assist more effective decision-making.

Independent review of Professional Standards Department activity

All decisions taken by Professional Standards Department (PSD) staff under delegated authority from the committees are subject to annual Delegated Powers' Reviews by representatives of each committee. With these reviews, the committees seek assurance that there were no matters that should have been referred to them for consideration,

116

members on regulatory and disciplinary committees

"I have full confidence in the IRB's oversight of ICAEW's regulatory responsibilities and the operation of the ICAEW disciplinary framework. The IRB is committed to work as an improvement regulator providing the important balance between helping to educate ICAEW members and firms about the importance of compliance with standards, laws and regulations while ensuring that swift enforcement action is taken when necessary."

Peter Wyman
Chair, ICAEW Board

Independent decision-making continued

that they are satisfied with the gradings given on monitoring reviews of regulated work and that PSD staff have carefully monitored to ensure that all remedial work was addressed by the individuals or firms subject to adverse reports. The reports of the conclusions of the reviews are considered by the relevant committee before being finalised and provided to the IRB.

Oversight by the IRB

The work of both PSD staff and the regulatory and disciplinary committees is overseen by the IRB, which has a parity of lay and chartered accountant members with a lay chair who has a casting vote. The IRB's Terms of Reference makes clear that its primary responsibility is to protect the public interest. The IRB

sets regulatory policies and strategy to achieve that objective by holding ICAEW members and firms to high professional standards and ensuring that appropriate processes are in place for action to be taken against any member or firm which falls short of those standards or who brings discredit on ICAEW or the profession.

The IRB monitors the performance of PSD against key performance indicators, reviews PSD's risk register and carries out a quality assurance programme looking at the effectiveness and efficiency of the committees. It receives and considers final Delegated Powers' Review reports from all of the committees and reviews and monitors any remedial work required in reports on PSD's performance

authored by ICAEW's oversight regulators. It also ensures that RACAC is operating effectively in ensuring that the committees have high-quality members.

The IRB is also responsible for ensuring that ICAEW's regulatory work is self-financed, rather than reliant on membership subscriptions, to further the independence of ICAEW's regulatory work. The IRB considers and approves budgets for all regulatory work and sets regulatory fees to ensure that sufficient money is raised to adhere to the self-financing principle.

"Attracting and retaining the right skills, knowledge and experience to the committees, whilst ensuring independence and valuing diversity, is vital to maintaining public trust. Our appointment and development processes are driven by a commitment to fairness, transparency and continuous improvement, seeking to appoint and develop those who will uphold the shared standards of independence, integrity and accountability in decision-making."

Bronwen Curtis
Chair of the Regulatory and Conduct Appointments Committee

Explainer: Countering the myths of self-regulation

ICAEW's oversight of chartered accountants is often described as 'self-regulation'. But does this accurately reflect ICAEW's regulatory and disciplinary role?

Catherine Boyd, member of the ICAEW Regulatory Board (IRB) and former Chair of ICAEW's Insolvency Licensing Committee (ILC), and Duncan Wiggetts, Chief Officer, Professional Standards, challenge some of the myths around self-regulation and explain how independent decision-making lies

at the heart of the regulatory regime.

Q: What is self-regulation?

A: Duncan

According to the Cambridge Business English Dictionary, self-regulation is "a situation in which an industry, profession etc. checks that its members act according to particular rules, rather than having this done by another organisation".

So, on one hand, you could say that self-regulation is alive and well at ICAEW as it's 'ICAEW' which ultimately decides whether to take regulatory or disciplinary action against its members or member firms. But you could equally argue that ICAEW has moved away from what many would consider to be the

fundamentals of self-regulation. For several years now, all significant regulatory and disciplinary decisions have been taken by independent committees so that chartered accountants are not marking chartered accountants' homework.

This is an important distinction to make as, unfortunately, and too often, I see the term 'self-regulation' being used in a derogatory or negative way in media articles or even in government consultations to suggest that self-regulation should be seen as neither robust nor reliable. Nothing could be further from the truth on any proper analysis of ICAEW's regulatory and disciplinary operations.

A: Catherine

I would agree with that from my own experience on one of the most important regulatory committees.

Q: How are those important decisions made on who should be allowed to provide regulated services?

A: Catherine

All significant decisions are taken by the regulatory committees. I chaired the Insolvency Licensing Committee, which had parity of chartered accountants and lay persons (who are not, and never have been, chartered accountants or members of ICAEW staff). While the chartered accountants provide invaluable insight and technical expertise to help determine the seriousness

of the issue reported to us, lay members, like me, focus on representing the public interest. Decisions are made, usually unanimously, balancing the need to protect the public and uphold standards with an assessment of whether the insolvency practitioner (IP) was committed to improving the quality of their work.

The committee sets the criteria for matters which need to be referred to it and which could be dealt with by ICAEW staff using delegated powers. The committee also undertakes annual Delegated Powers' Reviews to assure itself that all matters are being considered appropriately and consistently.

Duncan Wiggetts
Chief Officer,
Professional Standards

Catherine Boyd
Member, ICAEW
Regulatory Board

"Decisions are made, usually unanimously, balancing the need to protect the public and uphold standards."

Explainer: Countering the myths of self-regulation continued

A: Duncan

The composition of committees and the way they operate is replicated across all of our regulatory and disciplinary committees. They are provided with reports from our licensing or monitoring teams as well as any representations made by the member or firm and they then have full discretion within the regulations to decide what action should be taken, if any. Staff are informed of the outcome and implement the committees' actions.

Q: Have you ever experienced any pressure or influence to 'go easy' on an ICAEW member?

A: Catherine

Absolutely not. Committee members value and protect their ability to make independent decisions. Every committee member has an equal voice. Every committee decision is reached objectively, using the same structured approach and legal

framework, and based on the evidence before it. Any decision to allow an IP to continue to practise despite a poor monitoring review would be a committee decision, reflecting its collective assessment of the particular circumstances and the IP's commitment to improve. Such a decision would only be made if, in the committee's judgment, appropriate interim measures, such as licence restrictions, could be put in place to safeguard the public.

A: Duncan

I have never been asked by anyone within the Institute's representative functions to give favourable treatment to a member or member firm. We have very strong internal governance arrangements in place ensuring the separation of our regulatory functions. I can also confirm from my own observations that the chartered accountants who sit on our committees are just as likely to find a member or firm culpable

as lay members. They are also just as vociferous as lay members, if not more so, in pushing for the most serious sanctions to be imposed. But this should not be a surprise. Most chartered accountants on our committees give their time voluntarily and take a very dim view of any chartered accountant whose actions might damage the profession's, or the Institute's, reputation.

Q: What about other decisions delegated by committees to ICAEW staff - is there any risk of decisions being taken to treat members leniently?

A: Catherine

All ICAEW staff who interact with the ILC are equally passionate about protecting the public interest. The annual Delegated Powers' Reviews, where lay and accountant members of the committee review the files of decisions taken by staff, have never identified any concerns.

A: Duncan

My staff - some of whom are proud chartered accountants - are dedicated to protecting the public interest. Many give up promising careers in major firms to work in an environment where they believe they are making a real difference by protecting the public from being given poor advice. The reliability of PSD staff's decision-making is reaffirmed annually through a review of all Delegated Powers' Reviews conducted by the regulatory and disciplinary committees.

Q: Do you believe that ICAEW's self-regulatory system protects the public interest?

A: Duncan

If I didn't, frankly, I would have resigned a long time ago. The fundamental changes we have made over the last 10 years to ensure all significant decisions are taken by independent, lay-parity committees as well as the multiple layers of assurance now in place around their, and PSD staff's, work should provide the public with great confidence in our work.

A: Catherine

Since joining the ICAEW Regulatory Board, I have seen how the Board - again comprising parity of lay and chartered accountant members - adds a further layer of oversight. I also have an even greater appreciation of the focus that is given to creating and maintaining a disciplinary framework and regulatory processes that are robust and fair for the profession and the public.



Protecting the public interest by helping to improve professional standards

Through targeted communications, policy development and proactive monitoring, we provide essential support to members and firms, helping them to navigate regulatory requirements and uphold professional excellence.

Supporting members through guidance, policy and oversight

An important aspect of our role to hold ICAEW members and firms to high professional standards is the regular touchpoints we have with members and firms through our monitoring work. During 2024, as with previous years, our quality assurance reviewers assessed the quality of regulated work and the degree of compliance of ICAEW member firms to the four Quality Standards in the Practice Assurance Regulations.

Prior to writing reports for consideration by the regulatory committees and the Practice Assurance Committee, closing meetings held with individuals and firms allowed our reviewers to share best practice and, where necessary, identify areas which could be improved. We believe these meetings help in our quest to be a top-performing improvement regulator.

Quarterly feedback gathered from individuals and firms who were subject to reviews highlights the value they place on the monitoring process. Many viewed visits by reviewers as a positive experience,

appreciating the time and guidance provided to help them improve ahead of their next visit. 93% of firms suggested they were completely satisfied with the information given in the closing meeting, with comments including the following:

"Excellent review process. Felt collaborative and like it was aimed at driving improvement as much as reviewing past work."

"Positive experience throughout. We want to get it right but much of this was very new to us and we needed some handholding which was both professional, challenging but supportive."

Educating and informing through targeted communications

In recent years, we have expanded the size of our dedicated Communications team and broadened the amount of information and education available for members and firms to help them comply with standards, rules and regulations and improve their performance. During 2024, the team delivered a comprehensive range of guidance materials including thematic reviews, webinars, videos, helpsheets, and infographics. Regulatory updates and key information were also disseminated through multiple communication channels to ensure accessibility and engagement across our audience. A notable example is our flagship Regulatory and Conduct News e-newsletter which was distributed monthly during 2024 to over 16,000 recipients, including compliance

16,000

No. of recipients of our Regulatory and Conduct News monthly e-newsletter

"Closing meetings at the end of our monitoring visits are a vital part of our review process, providing firms with direct feedback and practical support to enhance their compliance. Firms greatly value these discussions as they offer clarity, guidance and the opportunity to strengthen their regulatory understanding."

Bob Pinder

Director, Quality Assurance

Supporting members through guidance, policy and oversight continued

partners at all of our member firms, providing updates on key regulatory developments, guidance and insights into our role as an improvement regulator.

During the year, more than 150 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 channel. Most viewed content during the year included articles focusing on changes to Audit Regulations from 1 October 2024, the consultation on further changes to Audit Regulations to require the notification of movement of audits, issues raised by private equity investment in audit firms and what firms can expect in relation to the new CPD monitoring regime. Our dedicated LinkedIn channel, [ICAEW Regulation and Conduct](https://icaew.com/regulation), continued to grow its

audience, reaching over 9,000 followers by year-end. Engagement remained strong with an annual engagement rate of nearly 8% against an industry standard of 2% – exceeding our target of 6% – demonstrating that our content remains both relevant and valuable to our audience.

We also shared valuable third-party communications and guidance from across ICAEW, oversight bodies and key organisations such as HMRC, HM Courts and Tribunals Service, and the National Crime Agency through our channels.

Our anti-money laundering (AML) education material continued to be well-received, receiving high engagement rates with our firms with comprehensive guidance for both new and existing money laundering reporting officers (MLROs) which

included a dedicated guidebook and an online resource hub. Our video series, AMLbites, continued to attract high viewing figures with more than 14,000 views in 2024.

To raise awareness amongst consumers of the ability to use accountants for probate services, promotional activity was undertaken during the year which included a Google ads campaign which attracted nearly 90,000 impressions and a Facebook advertising campaign which gained over 3.6m impressions. A probate consumer hub was also launched to centralise resources for consumers, providing guidance on selecting an accountant for probate and information on the probate process.

All resources are available for members and member firms at icaew.com/regulation

215

No. LinkedIn posts

7m

No. social media impressions (including sponsored activity)

"ICAEW's training films provide an engaging and practical way for us to reinforce key regulatory and ethical principles. The scenarios and storylines are relatable and help our people understand complex themes with clarity, ensuring they can apply lessons learned in their daily work."

Steve Gale

Partner, Head of Audit, Crowe U.K. LLP

Supporting members through guidance, policy and oversight continued

Educating through drama

At the end of 2024, production commenced on our fourth educational film drama, *Crossing the Line*, which is designed to enhance auditor training for ICAEW-registered audit firms. Set for release in the second quarter of 2025, the film aims to provoke discussion and challenge perspectives, encouraging viewers to reflect on the ethical and professional dilemmas faced by auditors and directors. *Crossing the Line* will supplement our first two audit training films, *False Assurance* and *Without Question*, which remain in high demand as part of firms' learning and development programmes.

By the end of 2024, our economic crime film, *All Too Familiar*, had been streamed over 44,000 times. As it is often watched in group settings, the actual number of accountants who have engaged with the film is significantly higher.

Increased use of remedial training orders to help improve quality of work

The minimum number of hours of CPD now required to be undertaken by ICAEW members has allowed our committees to include increases to the minimum requirements as part of remedial training orders put in place to improve the quality of work carried out by individuals and firms.

Providing technical and ethics support

For members and member firms who require additional, bespoke support to improve their compliance standards, ICAEW continued to offer access to a technical advisory service which provides free, expert advice. This includes a technical, ethical, legal and tax helpline, a live webchat facility and helpsheets.

376,990

No. unique website views (unique visits to PSD web pages)

4,615

No. webinar attendees at six webinars

Explainer: Improvement regulation in practice

As an improvement regulator, we see our role as acting in the public interest to help members and firms reach and maintain high professional standards as well as taking swift and robust action against those who fall short.

Emily Healy-Howell, Regulatory and Conduct Director, and Rama Krishnan, Chair of the Audit Registration Committee, explain what improvement regulation looks like at ICAEW.

Q: What is improvement regulation?

A: Emily

It's about getting the balance right between helping to bring about improvements but also taking appropriate action to protect the public interest. Some regulators focus on imposing huge fines in the hope that

improvements will follow, but we see our role more as trying to prevent things going wrong in the first place. We focus on continually raising standards by supporting members and firms to improve how they conduct themselves in their profession, rather than just being punitive when they get things wrong.

Q: Why is improvement regulation important?

A: Rama

Improvement regulation works by creating an environment where members and firms are given space to improve after a poor monitoring report while we ensure that the public interest is protected from receiving a poor standard of service.

This approach to regulation is important because if firms feel the regulator is simply punitive, there's a risk they may become defensive in how they deal with problems or shortcomings, rather than working with the regulator to find a way to improve standards.

A purely punitive-focused approach to regulation would not deliver the member and firm engagement, cooperation and transparency necessary to drive improvement and achieve high levels of compliance.

Q: As an improvement regulator, how does ICAEW support learning?

A: Emily

In many ways. We produce a wide range of learning materials to support firms including technical helpsheets, webinars, training films, videos, reports, infographics and newsletters, all of which are available through our website [icaew.com/regulation](https://www.icaew.com/regulation). We also have a technical advice line that firms can call.

But our commitment to learning goes beyond this. We support firms to expand their remit and skills so they can move into new business areas, and we set standards and eligibility requirements for those areas to ensure standards are protected.

Our proactive approach to monitoring also supports learning because we pick up themes and issues early, meaning we can raise awareness about emerging issues and

work hand-in-hand with firms to improve practice and compliance.

The new CPD regime is another key part of our commitment to learning and improvement. Under this, members must complete a minimum number of hours of mandatory CPD each year, based on the criteria and risks attached to the work they do. This encourages professional development and helps ensure members keep up to date and remain proficient in both the technical and ethical aspects of their role.

Q: How does ICAEW encourage learning for members who breach the regulations?

A: Emily

It's something we're increasingly focused on as an improvement regulator. Under our revised disciplinary framework, our disciplinary committees have several tools at their disposal to encourage learning.

Emily Healy-Howell
Director, Regulatory and Conduct

Rama Krishnan
Chair, Audit Registration Committee

Explainer: Improvement regulation in practice continued

Where there's a competency issue, for example, they can require a member to increase the amount of CPD they undertake. For example, we've recently seen the Tribunals Committee double the amount of CPD one member must complete during the next CPD year.

The disciplinary committees can also impose training orders that require members to carry out training on a specific topic linked to their breach.

These types of forward-looking sanctions encourage people to

improve their competence so they don't make the same mistakes again.

Q: How do monitoring visits from our Quality Assurance Department (QAD) support improvement?

A: Emily

During visits, reviewers establish a dialogue with firms and can identify potential issues early on. This enables firms to work with us to head off any issues before they escalate into something more serious. The visits give firms the opportunity to engage with us face-to-face, ask questions and obtain tailored support and guidance.

Unlike many professional bodies, we monitor all our firms, not just those carrying out regulated activities, through our Practice Assurance Scheme. As part of our commitment to strengthen trust in the profession as a whole, we help firms maintain standards across all their work areas, not just regulated work.

A: Rama

The closing meetings in monitoring reviews are really the first stage of a wider improvement process because they make sure the firm understands what it needs to do to rectify any issues. The two-way discussion allows reviewers to explain their findings in detail and allows firms to ask for clarity if required.

The whole engagement process is designed to be constructive and collaborative.

It also provides as much opportunity as possible for firms to identify how they intend to address failings and demonstrate how they will do things differently in future.

Q: How do the regulatory and disciplinary committees play their part?

A: Emily

These independent committees sit at the core of ICAEW's regulatory framework. Through the range of actions available to them, and their composition, they are best placed to achieve that balance between improvement and protection for the public.

A: Rama

That's right. My committee has at least an equal number of lay and chartered accountant members so we do take a balanced approach. Ultimately, where we identify serious breaches, there has to be a consequence.

People might see a large financial penalty and think it's punitive, but it's a deterrent as well. If my committee identifies a breach, we act, and that's done in the wider context of public protection.

We don't often go down the route of withdrawing a firm's audit registration, although that is within our remit. Where we can see that there is a clear commitment from a firm to make improvements, we may decide to allow their audit registration to continue but with safeguards to monitor and check whether improvements have been made which protects the public. We do this by imposing conditions or placing restrictions on their audit registration. This can include the requirement for another audit firm to review the next audit work carried out by the firm in question before it can sign the audit opinion with copies of the review being sent to us. Once a firm has made

the necessary progress, conditions and restrictions will be removed. So, we have a range of different methods we can use to both protect the public and support the firm to improve.

Q: What else is ICAEW doing to embed improvement regulation?

A: Emily

Going back to Rama's point about striking a balance, we're currently reviewing our Guidance on Sanctions, keeping our role as an improvement regulator in mind.

We want to make sure the improvement theme is consistent throughout our regulatory frameworks and activities, so this is also an important aspect of our new sanctioning guidance. The new guidance, which will be used by the regulatory and disciplinary committees in considering cases that come before them, will be published in 2025.



Protecting the public interest by upholding and enforcing high professional standards

Through carefully vetting applications for regulatory permits, carrying out regular monitoring, and timely and effective interventions and enforcement activity, we hold ICAEW members and firms to high professional and ethical standards.

Promoting high standards through effective regulation

Through positive oversight inspection reports, we maintained our authorisation in 2024 to regulate individuals and firms to carry out audit work, to act as insolvency practitioners, to give investment business advice and to carry out non-contentious probate work. We also maintained our authorisation to supervise ICAEW member firms for anti-money laundering (AML) compliance.

One of the most important responsibilities arising from those authorisations is to carry out careful evaluations of applications received from individuals and firms wishing to obtain regulatory licences or permits. This involves our Regulatory Practice team evaluating the evidence provided against the eligibility criteria set by statute or by our oversight regulators and determining, within the criteria set by the regulatory committees, which applications should be referred to those committees for determination. While many applications were approved in 2024, others were rejected with guidance provided to the applicant as to what more would be required for an approval.

During 2024, we saw a continuing increase in the number of firms seeking private equity investment to assist with expansion plans. Where firms sought to maintain their ability to provide regulated services, it was the responsibility of our Regulatory Practice team to assess the proposed new structures to check that they

would comply with relevant eligibility criteria. Additionally, merger and acquisition activity among our registered firms remained steady, particularly among those with private equity investors and this also contributed to high numbers of applications for new registrations and/or licences.

Number of regulatory applications* received (2024)	
	2024
Audit firms	81
Responsible individuals	524
Affiliates**	423
Probate firms	25
Insolvency practitioners	85
DPB (Investment Business) firms	57
Total	1,195

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

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

Evaluating quality of work and compliance with standards through regular monitoring

As soon as a firm or individual is authorised to provide regulated services, they become subject to monitoring requirements with the frequency of regulatory reviews set either by statute or our oversight regulators. In addition, all firms where there is at least one ICAEW member principal required to hold a practising certificate are subject to the Practice Assurance (PA) Scheme. PA monitoring visits were undertaken during the year to ensure that firms are complying with the four PA quality standards including compliance with the requirements of the Money Laundering Regulations.

Using their specialist knowledge and experience, our quality assurance reviewers carried out 2,398 monitoring reviews in 2024, fulfilling ICAEW's statutory responsibilities and all commitments to oversight regulators.

Promoting high standards through effective regulation continued

Number of reviews by regulated area (2024)	
	2024
Statutory Audit	395
Local Public Audit	2
Insolvency	153
DPB (Investment Business)	268
Probate	49
Practice Assurance	1,489
Licensed Practice Scheme	42
Total	2,398

We continued to publish reports summarising good and bad practice seen across our audit monitoring and practice assurance visits.

Overall audit quality across the firms was reviewed in 2024 with our next Audit Monitoring Report due to be published in quarter two 2025.

We continued to advance our audit risk management by expanding our proactive monitoring approach. Read our explainer article on page 18 for more information.

Our [2023-2024 Anti-Money Laundering Supervision Report](#) found that 80% of firms visited were assessed as compliant or generally compliant. A total of 215 firms were required to undertake follow-up action to improve their processes.

Thirty-nine firms were sanctioned and one member was excluded.

In 2024, we carried out 1,489 Practice Assurance reviews. At 82% of firms we either raised no matters requiring action or the firm addressed matters requiring action with no need for follow up. At 13% of firms some follow-up action was required. We reported 5% of firms to the Practice Assurance Committee for more significant issues, including non-compliance with Money Laundering and Clients' Money regulations. Our next Practice Assurance Monitoring Report will be published on our [website](#) in quarter two 2025.

Regulatory outcomes

Where concerns were identified during quality assurance reviews in

2024 with either the quality of work being carried out or non-compliance with relevant regulations, copies of the visit reports were submitted for consideration by the relevant regulatory committee or the Practice Assurance Committee. Those committees determined whether any regulatory action was required including the imposing of conditions or restrictions on licences or registrations, or to withdraw licences completely. Where decisions taken by the committees were contested by the individuals or firms, matters were referred to the Review Committee. The table below shows the actions taken by the regulatory committees during the year.

	Audit Registration Committee	Insolvency Licensing Committee	Practice Assurance Committee	Investment Business Committee	Legal Services Committee
Number of meetings held	12	7	6	3	3
Licences withdrawn	4	2	n/a	2	0
Licences restricted	26	5	n/a	0	0
Conditions imposed	56	4	n/a	0	0
Financial penalties	30	14	26	4	13

"With the continued rise in private equity investment in accountancy firms, my team has been playing a crucial role in assessing new structures to ensure they meet regulatory requirements. We have provided oversight and guidance on mergers and acquisitions to support firms in maintaining compliance while adapting to industry changes."

Elaine Griffiths
Director, Regulatory Practice

Promoting high standards through effective regulation continued

"We are continuing to see complaints about professional behaviour, highlighting the need for firms to familiarise themselves with the Code of Ethics and understand their duties to report misconduct. ICAEW provides essential guidance to help members and member firms understand their responsibilities to maintain high professional standards."

Sarah Brook
Director, Investigations

Upholding standards through robust enforcement

Throughout 2024, we continued to hold ICAEW members, firms, affiliates and students to high professional standards by investigating and taking enforcement actions where behaviours or standards of work fell below those standards.

The Conduct Department continued to investigate complaints referred to it 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 to determine whether there was a case to answer and, if so, whether a consent order should be offered. The most serious cases were referred to the Disciplinary Committee.

During 2024, 1,132 new complaints were received and 1,171 cases were completed.

Work of the disciplinary committees

Of the 199 disciplinary matters considered by the Conduct Committee during 2024, 108 resulted in consent orders being offered. 28 of the 199 cases were challenges to the investigation officers' conclusions that there was no potential liability to disciplinary action with the committee upholding all those decisions. In addition, 38 tribunals and two appeal panels were held in 2024.

Disciplinary outcomes

Reports submitted to the Conduct Committee and Tribunals Committee led to the following outcomes during 2024:

- 9 members were excluded from ICAEW membership.
- 86 members and firms received severe reprimands.
- 47 members and firms received reprimands.
- 4 cautions were given.

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

2024 also saw the continued use of processes introduced in recent years to improve efficiency in the disposal of complaints with:

- 23 fixed penalty notices issued in respect of relatively minor breaches or misconduct; and
- 11 settlement orders being approved in respect of cases which had been referred to the Tribunals Committee.

1,132
new complaints
received

Explainer: Finger on the pulse – proactive monitoring in practice

Our monitoring reviews have been traditionally (and inevitably) retrospective in nature but capturing and analysing data is allowing us to expand into proactive monitoring.

Rebecca Carr, Audit Risk Officer, and Dean Neaves, Senior Manager in the Quality Assurance Department (QAD), explain what proactive monitoring looks like, and how it contributes to strengthening public trust and raising professional standards.

Q: What is proactive monitoring?

A: Dean:

Proactive monitoring is about continually advancing how we manage risk. And better risk management means we're improving compliance, encouraging higher standards and feeding into our main agenda, which is to build public trust in the profession.

A: Rebecca:

To me it's about analysing data efficiently in real time so we can take evidence-based targeted actions in riskier areas. From an audit-risk perspective, a lot can happen between visits, and cyclical monitoring won't necessarily capture everything. But if we're proactively monitoring the work firms are taking on, and changes in risk appetite in the types of clients they're working with in between those visits, we can spot where there are changes that warrant discussion or intervention.

Q: Why is it important?

A: Dean:

We visit all our firms on a cyclical basis to monitor compliance. But proactive monitoring is more than just that. To prevent problems arising, we need to engage with firms at

the right time, so we have several "touch points" that sit outside our regular monitoring.

As an improvement regulator, monitoring is not intended to catch firms out. Our touch points are designed to help firms address issues before things go wrong further down the line, and we can offer advice and support to get them back on track.

A: Rebecca:

That's right. If we've spotted a risk, we shouldn't be waiting until the next visit to talk about it. We see our role more and more as making sure that firms are managing their risk, and where we have concerns, contacting them early on when there's still time to support firms in amending their approach. This makes sense from a regulatory perspective, but also for our firms and the wider public.

Q: What do the touch points involve?

A: Dean:

Our first touch point is when firms register with ICAEW. As soon as they submit their first annual return, QAD will conduct a desktop review to identify anything unusual. If we have any questions, we'll contact the firm straightaway and have a discussion.

Other touch points may be where we identify significant changes, for example if a firm is growing quickly, offering new services, or moving into a higher risk area. We also keep an eye on what's happening externally. Consolidation is currently a big issue, so if we become aware of that, we'll talk to

the firm involved to check they've considered all the compliance aspects.

We also conduct reviews of the firms with the highest anti-money laundering (AML) risk score, which is based on the risk profile of the firm's clients, the services provided, and whether the firm handles client's money.

A: Rebecca:

We use a similar risk-based approach in audit. Using all the available data, we can profile firms by analysing outliers, growth correlations, portfolio changes, or even tracking a particular new client.

Rebecca Carr
Audit Risk Officer,
Quality Assurance



Explainer: Finger on the pulse – proactive monitoring in practice continued

Those at the higher end of the risk scale receive a touch point. This might be a simple request for clarification, or it might be a targeted review of a file to focus on a potential risk. We can then talk with the firm to see whether they've considered the right areas and are doing enough to mitigate the risk, as well as prompt improvements if necessary.

Based on available intelligence, we might also accelerate our regular monitoring activity by bringing forward the next visit.

Q: How do you use data to make evidence-led decisions?

A: Rebecca:

On the audit side, we use a mix of data sources. Our internally gathered data comes from specific audit-related questions on

the annual return or from within other notifications firms have to make to us. We also tap into reliable public sources including government and market data, as well as other available intelligence. We will also soon get better visibility on the movement of audits with the new reporting requirement being introduced into Audit Regulations in 2025. This will allow us to see in real-time where firms are taking on much larger audits than had previously been the case and allow us the opportunity to make enquiries to satisfy ourselves that the firm has sufficient expertise and resources to cope with that additional work.

While my role focuses on audit, I work alongside colleagues who analyse similar data across other regulated areas, including insolvency and AML. We use a variety of data analysis techniques, merging data from all of these diverse sources so we can look at risks from a firm, market or sector perspective. With proactive monitoring, the key is to keep an open mind. You're looking for what the data is telling you in terms of insights, and you need to follow what the data is saying so that your decision-making is objective.

Q: Do you have any examples of where proactive monitoring is making a difference?

A: Dean:

Proactive monitoring can help us act as a disruptor. A good example is AML monitoring which has two aspects to it: making sure firms don't fall foul of the regulations, but

also a wider responsibility to ensure firms aren't facilitating wider economic crime.

Our focused AML touch points are effective at preventing firms from providing services to clients who want to abuse those services to launder money. We have had cases where we've identified very high-risk clients, yet the firm has not properly assessed the risk. Our review has subsequently resulted in the firm disengaging from those clients, potentially disrupting economic crime.

Another simple but important example is how our early review of the annual return helps firms ensure they're structured correctly from the outset. Too often, firms going through the disciplinary process have fallen foul of structural requirements. But with this early intervention, we've headed off many potential problems.

A: Rebecca:

We've completed some reviews recently looking at targeted sectors, for example crypto trading and where companies have crypto assets. The auditing of that is quite complex. But, by initiating discussions and challenging firms on their thought processes, we've opened their eyes, and hence they've made their auditing process more robust.

Q: What's ahead for proactive monitoring?

A: Dean:

We will be further embedding this risk-based approach. Like all organisations we're exploring how we can use AI to its best advantage and we've already started to use data visualisation tools. Given the volume of firms we regulate, AI has the potential to support us with data analysis, and help us ensure our monitoring activities are evidence-based, targeted and effective.

Dean Neaves
Senior Manager,
Quality Assurance

Protecting the public interest through a programme of continuous improvement

Throughout 2024, the IRB has continued to identify areas where a change of policy, an enhancement of a process or more investment would enhance the efficiency and/or effectiveness of our regulatory and disciplinary work.

Driving ongoing improvement initiatives

The following areas were the focus of the continuous improvement programme in 2024.

Enhancements to the Audit Regulations

The IRB approved a first set of changes to the Audit Regulations coming into effect on 1 October 2024 following agreement with the Institute of Chartered Accountants of Scotland and Chartered Accountants Ireland with whom we jointly own the Audit Regulations. This included changes to the eligibility criteria, clarification on compliance with CPD regulations, changes to committee definitions and amendments to refer to a firm's obligations under the International Standard of Quality Management (ISQM1).

During 2024, the IRB also approved in principle proposed changes to the Audit Regulations to require firms to report to ICAEW if they take on new audits falling into specified categories, with final approval expected in early

2025. The need for proactive notification was considered to be important in order to give increased real-time visibility to PSD's Audit Risk Officer regarding the movement of audits. This will provide greater scope to obtain assurances as to whether firms have the requisite expertise and resource prior to work starting on those new audits. The IRB has reviewed the consultation responses to the proposed changes and has refined the requirement with a view to this being introduced during 2025.

Professional Indemnity Insurance (PII) Regulations

Following the 2023 consultation on proposed changes to ICAEW's PII Regulations, after considering the feedback from the consultation, the IRB agreed which amendments to approve with a revised set of regulations coming into effect in

September 2024. The changes were considered necessary to reflect the changing way in which firms are structured and to ensure that the PII Regulations were updated to provide greater protection to the public.

Guidance on Sanctions

The IRB instigated a review of the current Guidance on Sanctions in 2024 following the introduction of the new disciplinary framework in June 2023. The IRB made a number of overarching framework decisions regarding the content and format of the revised guidance and formed sub-groups to work with PSD senior management and representatives of the committees to identify areas where the guidance to those committees could be improved and where changes may be needed to reflect changes in the nature of matters coming before the committees. The IRB will be going out to consultation on the changes it proposes to make during 2025.

18

No. of improvement projects supported by our dedicated project office

"Continuous improvement is essential to effective regulation, and we are committed to continually improving our processes to meet evolving challenges. Through proactive oversight and ongoing enhancements, we ensure our regulatory and disciplinary approach remains effective and efficient to uphold high professional standards."

Parjinder Basra

Acting Chair,
ICAEW Regulatory Board

Driving ongoing improvement initiatives continued

Professional behaviour in the Code of Ethics

The IRB supported a change to the explanation of the fundamental principle of professional behaviour in the ICAEW Code of Ethics, after considering the responses to the public consultation. The revised wording seeks to make more explicit the types of behaviour that will not be acceptable and could lead to breaches of the Code of Ethics. The IRB recommended the approval of new wording to ICAEW Council which accepted the IRB's recommendation with the change coming into effect in 2025.

Tax advice market consultation

The IRB considered the proposals put forward by HMRC in its consultation on creating a tax regulatory framework in 2024

and approved the approach taken in relation to the regulatory aspects in ICAEW's response. The IRB supported HMRC's preferred option of professional bodies acting as tax regulators, but raised concerns regarding practical aspects of that option and the ambit of professionals proposed to be covered by the new regulatory framework.

Delegated Powers' Reviews

In 2024, the IRB instigated a review of the format and content of reports created by the committees following their annual Delegated Powers' Reviews of the work of PSD staff. The IRB considered that there should be greater consistency between the committees in terms of their approach to the reviews and how the reports were created.

This involved the creation of a working group including members of the PSD senior management team and representatives from the committees. The new process and report template is now being trialled with the IRB ready to review the refreshed process during 2025.

Refresh of strategic objectives

Towards the end of 2024, following changes approved to the IRB's Terms of Reference, the IRB launched a review of its strategic objectives to consider if they need to be updated in line with changes to the Terms of Reference and the external regulatory landscape. Revised objectives will be published in 2025.

"The ICAEW Regulatory Board has provided strong oversight, support and encouragement for my committee's projects, ensuring they align with the wider strategic objectives. Their guidance has helped us maintain an approach that delivers the intended protection for users of accountancy services."

James Roberts

Chair, Professional Indemnity Insurance (PII) Committee

Protecting the public interest by investing in our people

We are committed to developing and enhancing the skills and expertise of Professional Standards Department (PSD) staff and all members of our committees. We are also committed to providing support through wellbeing initiatives and to ensuring that PSD staff and our committee members reflect, as far as possible, the diversity of those we regulate.

Empowering our people to protect the public

With the retirements during 2024 of two longstanding members of the PSD senior management team, the opportunity arose to restructure the Conduct Department and to consider changes to the senior management team within the Quality Assurance Department.

This allowed us the opportunity to promote talented PSD staff into all of the new senior positions that were created in those departments. This was only possible due to the increased focus in recent years on developing and enhancing the skills of our people. Attracting, retaining and investing in high-calibre professionals remains a priority to help to continue to uphold high regulatory standards.

By fostering career progression and maintaining a skilled workforce and governance structure, we enhance both our operational effectiveness and our ability to serve the public interest with integrity and expertise.

Engaged workforce

We were pleased to see that PSD staff recorded the highest 'engagement score' in the 2024 ICAEW staff survey in response to questions regarding their commitment, desire to remain and willingness to recommend ICAEW as an employer. The engagement score also exceeded the industry benchmark engagement score by a good margin. Cumulative anonymous responses to other questions have provided us with an understanding of how we can strengthen our workplace culture even more and how we can continue to foster a working environment where our staff feel valued, supported and motivated.

Investing in training and professional development

Encouraging continuous professional development among our staff is central to sustaining our high standards. We are committed to equipping our people with the skills and knowledge they need to adapt to an evolving regulatory landscape, ensuring they remain confident and effective in their roles. By investing in ongoing learning opportunities, we not only support career progression but also strengthen the overall capability and resilience of our workforce and committee members.

During 2024, we held two residential conferences for all members of our Quality Assurance Department who are necessarily located in all parts of the country to provide us with nationwide coverage. All three days of the conferences were filled with training and development sessions. In addition to going on technical

86%

I feel proud to work for ICAEW*

*Professional Standards Department result in ICAEW Staff Engagement Survey 2024

"I recognise the vital role that high-quality staff play in delivering effective regulation. The latest staff engagement survey results reflect the strength of our team, highlighting their dedication, expertise and commitment to upholding high professional standards."

Claire McManus

Member, ICAEW Regulatory Board

Empowering our people to protect the public continued

courses relevant to their expertise, investigation officers in the Conduct Department attended specialist investigation training provided by the College of Policing during the year.

Enhancing the skills and expertise in our committees

We remain focused on recruiting experienced and knowledgeable individuals to our committees who can bring a diverse range of perspectives, including those with sector expertise and members with experience of working within other regulatory frameworks.

We continued to support the committees during the year with appropriate training on new developments both at committee meetings and in our annual committee training days. The training days in November 2024 featured legal updates, a session on the incoming changes on professional

behaviour and how they will impact the committees, and skills-based training in the discipline of decision-making. 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

Diversity and inclusion within our regulatory activities

Strengthening diversity and inclusion is a priority for both the IRB and the PSD senior management team. Within our regulatory and conduct activities, we are committed to promoting equality, diversity and inclusion (EDI) across the profession, our regulated community, our committees and staff teams. The IRB's Terms of Reference require the board to take account of inclusion and diversity in relation to its responsibilities.

We actively encourage applicants from diverse backgrounds to apply for committee vacancies by advertising on job boards such as Race Equality Matters and Women on Boards UK. We have started a project to collect diversity data for those involved in the ICAEW complaints process, both complainants and those who are the subject of a complaint, to see whether we are able to capture sufficient data to be able to determine whether our processes ensure fair outcomes for all.

All ICAEW-accredited probate firms are mandated by the Legal Services Board to monitor diversity in their workplace, and we facilitate that process and report the outcome. We also offer free access to the diversity tool used by our probate firms to all ICAEW firms, encouraging all of our regulated community to monitor diversity across their workplaces.

"ICAEW can provide a great balance of independence and encouragement, fostering a culture where employees can develop in a supportive environment. With a focus on wellbeing and professional development, it's rewarding to work in a role that serves the public interest."

Carrie Langridge

Head of General, Compliance and Tax Investigation Team

Protecting the public interest by maintaining a self-financing model for our regulatory work

We operate a self-financing model to ensure regulatory activities are funded by direct levies on regulated firms and individuals and are not subsidised through member subscriptions. Through careful financial planning, cost management, and targeted fee structures, we maintain a sustainable framework that supports effective regulation while adapting to market and oversight requirements.

Achieving our self-financing target

In 2024, the IRB continued to ensure that we raised sufficient revenue from our regulatory levies to fund all of our regulatory work without any subsidy from membership income. The cost of disciplinary work for matters outside of regulated work is the only element of our work which is part-funded by a contribution from membership subscriptions.

We operate with a very strong sense of, and commitment to, financial stewardship and in 2024, yet again, we met 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.

We also now generate significant income from our increasing number of assurance outsourcing contracts for other professional bodies, public bodies, government departments and regulators in the UK and around the world, and from royalties generated by an AML product created by PSD staff and from the licensing of our educational film dramas. In addition, during 2024, the Conduct Department took over the responsibility for investigating complaints against Chartered Institute of Public Finance Accountants (CIPFA) members under an outsourcing contract. The additional income from all of these activities reduces the subsidy required from membership income to support our disciplinary scheme responsibilities. In 2024, sufficient income was raised so that no subsidy was required at all and PSD's work was completely self-financing.

How our budget is structured

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; and
- contracts and products.

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.

1,195

regulatory applications received

"Our self-financing model ensures that regulatory activities are funded independently of member fees, safeguarding our impartiality. Independent funding allows the regulation and conduct function to commit to uphold high professional standards and make decisions that serve the public interest with both transparency and accountability."

Matthew Downton

Director, Finance, Operations and Business Support

Achieving our self-financing target continued

We also receive income from fines and the associated recovery of costs incurred.

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

2024 financial summary

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

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

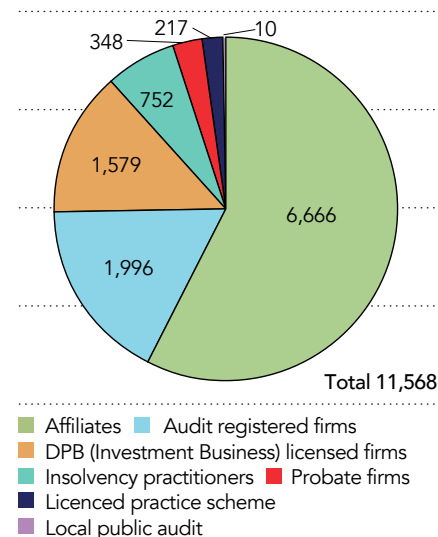
New registrations in some areas were slightly higher than we expected,

including related to audit responsible individuals. These elements played a part in exceeding our self-financing target.

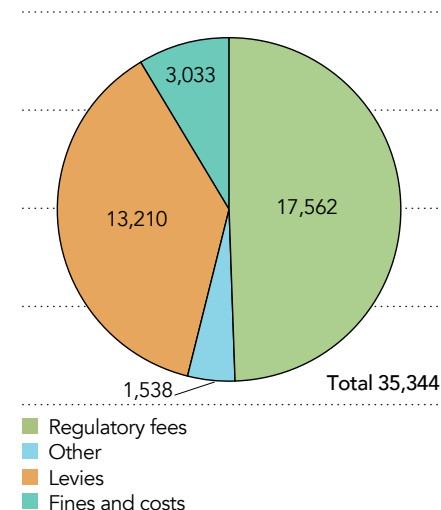
Our longer-term financial strategy and operating model take these market changes and pressures into account.

Our cost base is well managed. Operating costs are largely made up of staff who are actively responding and meeting statutory and regulatory requirements.

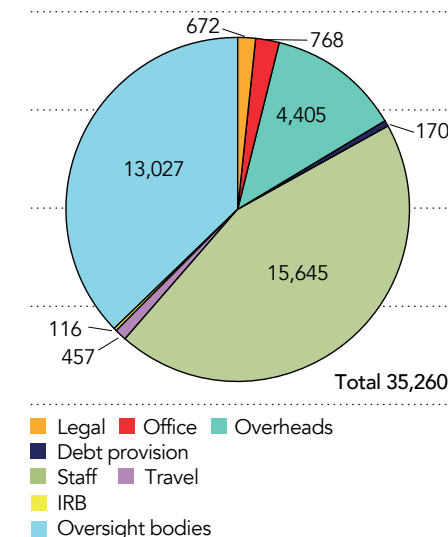
Number of registrations
full year 2024



Income Analysis (£,000)
full year 2024



Cost Analysis (£,000)
full year 2024



Achieving our self-financing target continued

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 members and firms remain a small minority, the number of new annual complaint matters continues to increase. A number of these cases can be highly complex, long running and therefore costly.

Planning for 2025-2026

Our financial planning and forecasting work reflects a busy, successful and ambitious department. Inevitably, there are risks to the accuracy of the forecast, such as those related to the future of the regulatory environment and registration volumes, securing and retaining skills and staff, and the cost of conduct investigations. We have also identified further potential opportunities for income generation

including 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.

In 2024, regulatory fee increases recognised 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.

We consider our 2025 budget and income and cost projections for 2025 and 2026 to be realistic, particularly considering the economic environment, registration volume estimates, guidance and requirements set out by our oversight bodies, including those related to consumer protection.

We have put mitigating actions in place, in relation to risks to achieving our financial strategy, to secure appropriate future income in order to discharge our regulatory duties. We will monitor progress, change and risks regularly.

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

We will present 2026 budget and fee and levy proposals for review and approval in mid-2025.

"While we have navigated successfully through a number of challenges during 2024...there are further challenges ahead."

Duncan Wiggetts
Chief Officer, Professional Standards



Outlook for 2025

Outlook for our external regulatory environment

While we have navigated successfully through a number of challenges during 2024 and an increasingly uncertain external regulatory environment, I think there are further challenges ahead during 2025.

Audit and accountancy

We are still expecting to see a draft Bill during 2025 to create the new Audit, Reporting & Governance Authority (ARGA) and we hope that this draft legislation will ensure greater fairness in the regulatory landscape. In particular, we would like to see ARGA having the power to take action against all directors in relation to issues in companies' financial statements rather than being limited to taking action against chartered accountant directors only.

We are still concerned with various aspects of what the Feedback Statement in May 2022 suggested might be in the Bill, including the creation of a further layer of oversight over the work of chartered accountants so we will continue to make the case about the robustness of our existing regulatory processes. We will also continue to highlight the increasingly uneven playing field between accountants who are

regulated by professional bodies and those who are not regulated at all, and the lack of public protection this brings.

Insolvency

We understand that the ARGA Bill may contain legislation making radical changes to the insolvency regulatory framework including a switch to firm regulation which is something we have been suggesting for a long time. We will clearly need to review the detail of any proposed legislation to ensure that it will not create any practical problems in our regulation of insolvency.

Anti-money laundering

We are still awaiting the outcome of the consultation carried out by His Majesty's Treasury (HMT) into the future of AML supervision although we were expecting a delay due to the change in government. We hope that we will be given reassurance during 2025 that the government has recognised that there is no better alternative to the current framework and that significant improvements have been made collectively by all of the professional body supervisors. The current impasse is restricting the investment which we, and other bodies, would like to make to improve our regulatory work in this area.

Local audit

We responded positively to the consultation issued in December 2024 by the Ministry of Housing, Communities and Local Government (MHCLG) and the proposal to create the Local Audit Office to oversee all of the different aspects of local audit work. We hope to participate in discussions with MHCLG officials to maintain our important registration, monitoring and enforcement roles.

Tax

We are still awaiting a detailed outcome to the consultation launched by His Majesty's Revenue & Customs (HMRC) exploring options for creating a tax regulatory framework. While we supported the option of basing the new framework around the existing professional bodies, we raised concerns about the ambit of the framework (ie, only based on accountants) and on the nature and degree of monitoring which would be envisaged. We hope to continue our discussions with the HMRC team dealing with this matter to ensure that any framework which is introduced is one which is in the public interest and does not provide practical issues for those expected to lead on regulatory activities.

Outlook for 2025 continued

Outlook for Professional Standards Department initiatives in 2025

Guidance on Sanctions

During 2025, we will be finalising proposed changes to the Guidance on Sanctions, running one or more public consultations, considering with the IRB responses we receive and publishing new guidance before the end of 2025.

Implementing changes resulting from consultations on the Audit Regulations

We will be introducing changes to the Audit Regulations in 2025 which will include the following:

- notification of movements of certain audits; and
- introducing a requirement for sole practitioner firms with audit registrations to appoint an alternate who can act for them in the event of their incapacity or death.

CPD monitoring

We will be commencing in 2025 our first reviews of compliance by our member firms with their new responsibilities in the revised CPD Regulations. We will also be transitioning the review of individual members' CPD compliance from ICAEW's Education and Training Department. At the end of this CPD year (31 October) we will review with the IRB

the lessons to be learned and identify improvements which can be made for future CPD monitoring.

The process is expected to evolve over 2025-2027 with the intended development of more automated systems and techniques. Our Quality Assurance Department (QAD) will also explore ways to use findings from CPD monitoring to provide insights to ICAEW members and other regulated persons on good practice and common misconceptions or evident weaknesses in understanding the CPD Regulations through articles and other communications.

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.

2025 projects

Our managed change and continuous systems improvement programme for 2025 will include:

- our VisualFiles case and application management system – assessment and investigation workflows to be updated and enhanced;
- firms' Annual Return, registration record and compliance – questionnaire template improvements;
- UK Joint Audit Register website – statistical counters and trading names search facilities enhanced;
- risk management – assimilate IRB strategic risks and mitigating actions into new ICAEW risk framework;
- UK regulatory registers – support initiatives to establish or enhance centralised registers and provide greater transparency in support of consumer choice and information; and
- artificial intelligence – improve efficiency through new technology and developments related to data checking and report writing.

Audit webinars

During 2025, we are hoping to emulate the great success of our AML, probate, practice assurance and insolvency webinars by expanding this into providing helpful guidance on specific audit challenges for ICAEW-registered audit firms. This is with a view to helping to ensure that firms improve their audit work, resulting in fewer cases being referred to the Audit Registration Committee.

New educational drama film

And, finally, we will be launching our 4th educational film drama, *Crossing the Line*, in May 2025 in London, followed by launch events in UK regional hubs and at various locations around the world. We are hoping that the new film will be used even more widely than the previous films and that it will make a lasting contribution to improving the work of auditors, both improving their technical understanding of the requirements of the auditing standards but also the important soft skills necessary to lead a successful audit.

While a challenging agenda, and an uncertain external backdrop, I know that my senior management team and staff are determined to make 2025 another impressive year of achievements.

Duncan Wiggetts

Chief Officer, Professional Standards

Appendices

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



Appendices continued

APPENDIX 1: OVERSIGHT OF ICAEW'S REGULATORY AND CONDUCT ROLES continued

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 1,996 ICAEW-registered audit 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 2024, ICAEW had licensed 752 insolvency practitioners out of a total population of 1,502. 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 348 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 9,802 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 1,579 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 DISCIPLINARY 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 ICAEW's Council and Board, and consist of a parity of lay and chartered accountants with a lay chair who has a casting vote, with the exception of the Tribunals Committee and Appeals Committee where disciplinary tribunals and appeal panels have a majority of lay members with lay chairs. This maintains an important balance of technical insight from the chartered accountant members and public interest insight from the lay members.

Where regulatory action may be appropriate, following a Quality Assurance Department (QAD) monitoring visit, the 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; and/or

- 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. Subcommittee members review Regulatory Practice (RP) files to check that licensing decisions taken by PSD staff on new applications for regulatory areas of work are within the criteria set by the relevant committee and to check whether RP 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 is considered by the responsible committee and then submitted to the IRB for oversight review.

The Conduct Committee considers investigation reports prepared by the Conduct Department in respect of disciplinary matters. Its membership comprises of a parity of lay and chartered accountant members with a lay chair. 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 and investigation stages. 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. The review also considers those cases which have been dealt with by way of fixed penalties under powers delegated to the Conduct Committee.

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, including the chair and deputy chair, 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

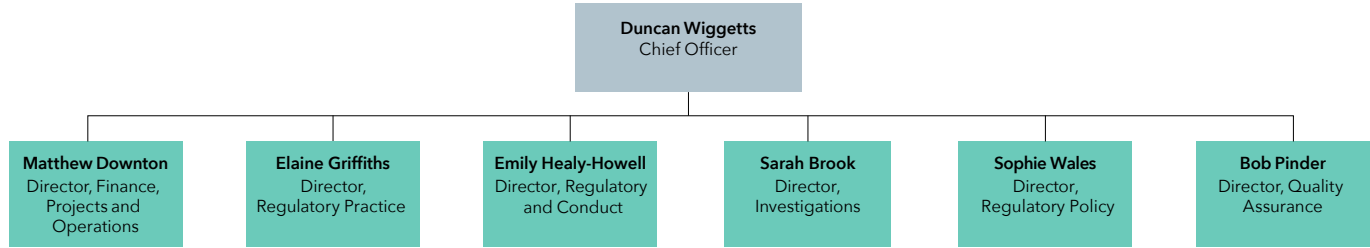
The Regulatory and Conduct Appointments Committee (RACAC) reports to the IRB which, in turn, oversees the work of ICAEW's Professional Standards Department. The RACAC is responsible, under powers delegated to it by the IRB, for dealing with all matters relating to the appointment, performance evaluations and remuneration of chairs and members of the IRB and the ICAEW regulatory and disciplinary committees and case file reviewers. The RACAC has a majority of lay members with a lay chair who is not a member of the IRB or any of the committees.

Appendices continued

APPENDIX 3: ICAEW REGULATORY BOARD (IRB) MEMBERS AND MEETING DATES IN 2024

Name	Status	Number of meetings attended during 2024	IRB Meeting dates 2024
Angela Foyle	Non-lay	4/5	25 January
Ann Wright (term ended June 2024)	Lay	3/3	21 March
Annette Lovell	Lay	4/5	29 May
Anthony Pygram	Lay	5/5	19 September
Asif Patel	Non-lay	5/5	28 November
Caroline Turnbull-Hall (resigned July 2024)	Non-lay	2/2	
Catherine Boyd (member from 1 July 2024)	Lay	2/2	
Claire McManus	Lay	5/5	
Jonathan Williams (term ended March 2024)	Non-lay	2/2	
Kaysen Pyndiah (member from 1 August 2024)	Non-lay	2/2	
Parjinder Basra (Acting Chair until 1 August 2024, then Deputy Chair)	Lay	5/5	
Paul Brooks (member from 1 July 2024, Chair from 1 August 2024)	Lay	2/2	
Richard Thorpe	Non-lay	4/5	
Thomas Palm	Non-lay	5/5	

APPENDIX 4: 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 regulation and conduct roles are separated from ICAEW's other activities through internal governance so that we can monitor, support and take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department and overseen by the ICAEW Regulatory Board 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 the required 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.

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 working towards becoming net zero, demonstrating our commitment to tackle climate change and supporting the 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.

www.charteredaccountantsworldwide.com
www.globalaccountingalliance.com

ICAEW

Professional Standards Department
Metropolitan House
321 Avebury Boulevard
Milton Keynes
MK9 2FZ, UK

T +44 (0)1908 248 250

E contactus@icaew.com

icaew.com/regulation



* includes parent companies. Source: ICAEW member data March 2025, Interbrand, Best Global Brands 2024