

THE INSTITUTE OF CHARTERED ACCOUNTANTS
IN ENGLAND AND WALES (ICAEW)
ANNUAL REVIEW AND FINANCIAL STATEMENTS



ANNUAL REVIEW

ANNUAL REVIEW AND FINANCIAL STATEMENTS 2020

The Institute of Chartered Accountants in England and Wales (ICAEW)

Annual review and financial statements

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Who we are and what we do

The Institute of Chartered Accountants in England and Wales (ICAEW) [RC000246] is a chartered professional body and operates in the public interest under the terms of our Royal Charter, awarded to us in 1880, and the 1948 Supplemental Charter.

We ensure our members and member firms maintain the highest standards of professional and ethical conduct.

We operate examinations that attract students to a globally-recognised premium qualification.

We invest in business development to ensure our examinations and training meet the needs of employers and the wider profession and to attract quality students.

We support our members throughout their careers and professional activities.

We have a regulatory role in the UK for our members and member firms.

We are a voice for the profession with governments, regulators, decision-makers and other key stakeholders.

Our vision

ICAEW Chartered Accountants enable a world of sustainable economies

Underpinning the Vision is the conviction that ICAEW and its global community of chartered accountants can and should be a force for good. It consists of two ideas:

The first is an aspiration that sustainability will increasingly – and ultimately, overwhelmingly – characterise economic activities and relationships around the world, across sectors and markets, within nations and between them. This means the achievement of prosperity in ways which are both responsible and resilient, not just in the financial sense, but socially and environmentally as well.

The second describes the role which ICAEW will work to secure for its members in delivering that aspiration. ICAEW Chartered Accountants and member firms are key agents of trust: they measure, advise and assure. Through the expertise and integrity with which they perform these core functions, they make possible the conduct of business on a fair, transparent and accountable basis.

Our strategic foundations



BELONGING AND SUPPORTING

We support our members in all facets of their professional lives, to enable them to act in the public interest and to add value to economies around the world.



EDUCATION AND TRAINING

We are committed to educating the chartered accountants of tomorrow, with a focus on future business and developing sustainable cohorts of professional leaders.



REPUTATION AND INFLUENCE

We seek to influence globally across business and professional activity in areas where our voice can make a substantive contribution.

Key performance indicators

MEMBERS

During the year, we welcomed **3,926 new members** into ICAEW, with admissions of newly-qualified students to membership, together with reciprocal and similar arrangements with members of other institutes. This marks a significant increase of 42% on last year's member intake.

877 of these were from outside the UK.

At the end of 2020, our global membership stood at **157,801** (UK: 132,853 and international: 24,948).

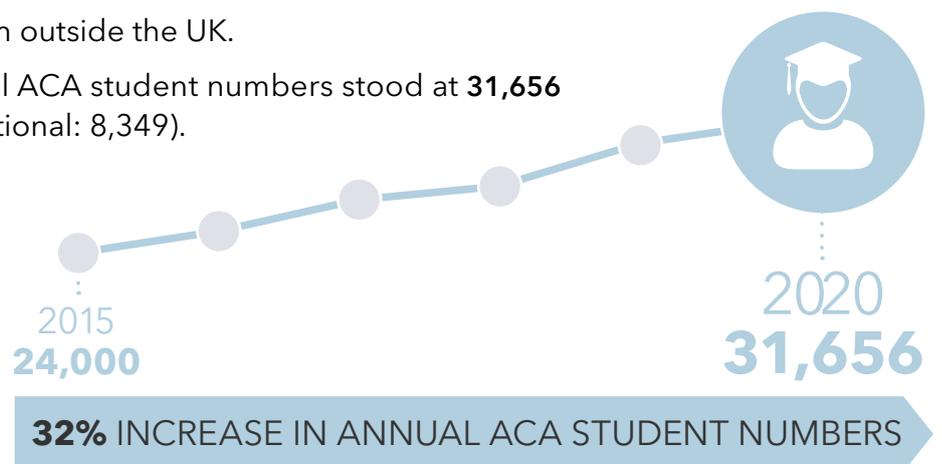


STUDENTS

Despite the highly challenging environment, we continued to achieve high levels of student intake, with **9,349 new students** beginning to study for the ACA.

2,859 of these were from outside the UK.

At the end of 2020, total ACA student numbers stood at **31,656** (UK: 23,307 and international: 8,349).



In addition, 8,676 students signed up for our foundation-level Certificate in Finance, Accounting and Business (CFAB) and University Scholarship Schemes - an increase of 6% over the 2019 figure.

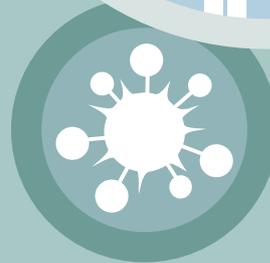
Highlights

IN 2020 WE...

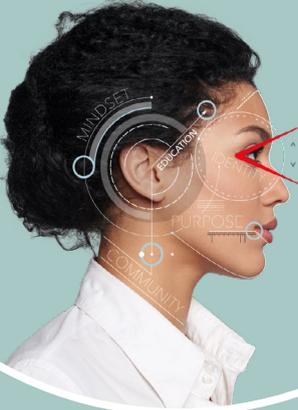
Became the first major professional body in the world to go **CARBON NEUTRAL**

An illustration of a green city skyline with various buildings and solar panels, positioned on top of a blue and green globe representing Earth.

SUPPORTED
our members
and their businesses
through
COVID-19 AND BREXIT

A white icon of a group of six stylized human figures standing in a line, representing members or a community.

Published our **AUDIT MANIFESTO**

A profile illustration of a woman's head with digital overlays. The overlays include the words 'MINDSET', 'PROXIMITY', 'PURPOSE', and 'COMMUNITY' in a futuristic, glowing font.

Finances



For further information turn to page 26 of the financial review at the back of this document.

Chief Executive's foreword

2020 was a truly extraordinary year - for our profession, for the economy and for society.

As the COVID-19 health crisis quickly became an economic crisis, the threat to jobs and livelihoods beyond the virus itself became very apparent. This placed an immense responsibility on our members and our institute to help support and steer the economy through the volatility.



Our members initially provided an 'emergency service' for businesses, helping them to stabilise. This quickly moved on to translating government support programmes into what it meant for their business, and ultimately to building their resilience and resources for the longer-term. In many cases, our members made the difference and ensured that businesses they advise or work within, survived. You can read all about our response to COVID-19 on page 11.

In the autumn, the continued disruption - coupled with the uncertainty around whether an EU-UK 'Brexit trade deal' would be agreed before year's end - brought a reporting season unlike any our members have faced.

The focus has now turned to recovery, and ICAEW members are playing a critical role - not least ensuring that we build back better and more sustainably than before.

Against this turbulent backdrop, we also continued to drive the audit reform agenda, hosting events, making submissions to government and publishing our Audit Manifesto - all of which is outlined on page 20.

The sudden lockdown imposed in March resulted in a significant contrast between the nature of our activities in Q1 and the rest of the year. However, the tireless

efforts and commitment of our staff in adapting to new ways of working meant that we were able to continue with many of our usual events, programmes and initiatives.

Despite the unprecedented challenges, both our member and student growth remained strong. We welcomed 3,926 new members into ICAEW, marking a significant increase on last year, as well as 9,349 students who began studying for the ACA.

Once again, this successful growth boosted our year-on-year operational income, to £118.7m. Our net surplus after tax was £27.4m.

At the beginning of 2021, we implemented a bold new strategy to define our ambitions and guide our operations through the decade of transformation that lies ahead. This represents a new framework for ICAEW activity heading forward and is summarised on page 32. Our strategy will place ICAEW Chartered Accountants in a position of leadership to drive the transition to net zero for businesses around the world, and in so doing enable a world of sustainable economies.

I wish all of our members, students and staff well during what remains a challenging time for many of us. Thank you for the roles you are playing in supporting a sustainable global recovery.

A handwritten signature in black ink that reads "Michael Izza". The signature is written in a cursive, flowing style.

Michael Izza, Chief Executive

Message from the President

When I was elected ICAEW Vice-President in 2018, many of us already foresaw that my year as President in 2020-21 would come at a time of significant upheaval and transformation in the profession. But nobody could have predicted the truly extraordinary circumstances in which the world would be operating.

We have all been tested, professionally and personally, and been forced to adapt in ways that for many have felt unfamiliar and often uncomfortable. Our institute adapted quickly and efficiently; perhaps one of the most notable aspects of 2020 is how many of our usual activities continued and thrived, despite the challenges. Our performance as set out in this Annual Review is testament to that.

Traditionally, the ICAEW President embarks on a year of extensive travel, meeting members and students all over the world, as well as senior business, political and academic figures. My engagements have of course been conducted virtually, but with the same sense of purpose and no less energy or enthusiasm from all those involved.

I may not have travelled the world or met people face-to-face, but serving as President during this unprecedented year has afforded me a truly unique privilege - witnessing first-hand the resilience, spirit and sense of public duty of the global chartered accountancy community at a time of historic hardship.

Our move to virtual also opened up more opportunities than ever before, often to far larger audiences than would have otherwise been possible and reducing our

carbon footprint. I was able to speak at a conference in South East Asia in the morning, and in the afternoon award certificates to ACA students in a UK district society. We were able to sign MoUs with other institutes around the world and hold member events at traditionally quieter times of year.

None of this would have been possible without the support of our members but also the commitment and positivity of our staff - from junior assistants providing invaluable support to their teams, right up to our executive team who have led by example, waiving their rights to deferred pay while effectively managing our organisation through the crisis.

I look forward with realism and optimism; the challenges ahead are considerable, but our refreshed strategy for the next decade - summarised on page 32 - means we are well-placed to address them and enable a world of sustainable economies.

I want to offer my sincerest thanks to all ICAEW staff for their hard work, not least those who have supported me in performing my duties as President, and to all of our members and students around the world for your inspiration and for the fundamental role you continue to play in the global recovery.



David Matthews

David Matthews, President

Our response to COVID-19

Our most immediate priority during 2020 was supporting our members across the world through the unprecedented challenges posed to them and their businesses by the COVID-19 pandemic.

We used our local, national and international networks to ensure members could share their insights and experiences and ask questions of ICAEW, technical experts and each other.



CORONAVIRUS HUB

We established our **Coronavirus Hub** - the heart of our COVID-19 support resources. The hub offers emergency support, predominantly for the UK, providing practical business advice, analysis of government schemes, and guidance for employers, directors and businesses of all sizes and sectors.

At the height of the pandemic, our Coronavirus Hub was one of the most widely accessed sources of information on these areas in the UK as people looked for timely, authoritative and accessible guidance on often complicated subjects. In March, our guidance on the Coronavirus Job Retention Scheme (CJRS) resulted in record traffic to our website; our content was offered to more than three million Google searchers, often featuring in the top three results. We were one of the most popular non-governmental sources of information on this topic.

GLOBAL RECOVERY HUB

We also established our **Global Recovery Hub**, which focuses on helping businesses around the world to build back better in the longer term. We know that while national schemes will provide immediate support, international action will help to shape the recovery more widely. This hub offers news and insights from a variety of markets, examines in depth our profession's role in the recovery, and contains international case studies.

These hubs serve as an amalgamation of ideas and viewpoints from people who can deliver expertise, and from whose knowledge and experiences we can all continue to shape our response. We recognise that only through collaboration and the sharing of ideas will we be able to fully rise to the challenges of COVID-19, as a global profession.





CEO'S UPDATES

As the economic crisis unfolded, we provided our members with regular comprehensive **updates** from our CEO - containing information, analysis, links to resources, wider professional and personal support and invitations for members to provide us with their insights and feedback.



WEBINARS AND ROUNDTABLES

We held webinars throughout the year featuring experts on key topics - the most popular of which focused on the Coronavirus Job Retention Scheme and the subject of returning safely to the office.

We also held regional roundtable events to discuss the recovery from COVID-19 within both national and local contexts, which were attended by local Members of Parliament and other local business representatives.



MEMBER COMMUNICATIONS

Throughout the year, our 'ICAEW Daily' emails, together with the weekly and monthly editions, continued to provide members with updates - including policy announcements, technical analysis of government support schemes and

ongoing advice and support for members in practice and business.

Recognising the exceptional challenges of the 2020/21 reporting season, we ran an extensive **campaign** of articles, interviews, help sheets and other publications - including on topics such as going concern, impairment and materiality.

We heavily used our social media channels across various platforms, sharing our own materials and working with government to promote and communicate their economic support schemes.

PERSONAL SUPPORT

Noting the considerable impact of the pandemic upon both the mental and physical health of members, their families and our staff, we ramped up our communications and support in this area too. The extensive resources of the **Chartered Accountants' Benevolent Association** (CABA) were widely promoted, we ran mental health workshops with partners, and we refreshed and enhanced our **Support Members Scheme**.

Further details on how we have adapted specific activities can be found throughout this document.



Belonging and supporting

The extraordinary circumstances of 2020 meant taking our member support functions to a whole new level. Long-term challenges such as supporting members through technological and regulatory changes remained, but were disrupted and in some cases exacerbated by the COVID-19 pandemic.



In our UK and EU markets, this extreme volatility was compounded by the year-long uncertainty over Brexit and whether a trade deal would be agreed. This too required substantial member support.

We responded quickly to member questions - particularly on accounting, reporting, tax, financial management, financing, legal obligations and government schemes - and adapted our operations to continue providing a high level of service.



BREXIT

In addition to the economic distress caused by COVID-19, many businesses continued to experience Brexit-related uncertainty and volatility throughout 2020. Although the EU-UK Trade and Cooperation Agreement was finally announced on Christmas Eve, our members needed support to equip them for a number of eventual outcomes, including the very real possibility of 'no deal'.

We continued to update and expand our publicly-available resources through our online **Brexit Hub**, including news, analysis and guidance on a huge range of practical topics. Specifically, the hub was redesigned and restructured to reflect the progression of the negotiations and provide an easier user journey. Our **Brexit checklist** was our most popular item, continually modified to remain relevant to the latest developments. Other popular pages included our **VAT and Brexit** guidance and our series of items on **customs processes**.

More widely, our **Insights** platform offered opinion and analysis. We interviewed businesses around the world on their

Brexit preparations and experiences, which created a wide range of case studies.

We invited members to provide us with their feedback, to identify key areas of concern and where help was most needed. We fed this back to policymakers and used it to shape our own resources.

We held national and regional events to both hear on the ground what Brexit meant for our members, and to share the guidance and support to help them prepare. Our webinars also provided insight directly from experts.

In October, when prospects of a deal appeared to be fading, we joined with 70 other professional institutes and trade bodies to **emphasise** the importance to jobs and livelihoods of securing a deal.

When the deal was received in December, we analysed the 1,200 pages and shared what this meant for our members and the more than three million businesses they advise, in areas such as movement of goods, mobility of people, recognition of qualifications, and tax and data implications.



TECHNOLOGY AND THE PROFESSION

In 2020, we increased our investment in the open-source data platform **Engine B** and took a seat on its board, to ensure that the needs of the profession – particularly smaller firms – are represented. Engine B is comprised of professional services firms, academic institutions and a technology house, and provides a standard-access methodology to client data. It is working to make a set of common data models available to all.

Our **Finance in a Digital World** online learning experience, launched in 2018 to help finance professionals navigate digital change, continued to attract significant interest, with further new registrations and 2,650 CPD courses being completed.

Following the overwhelming take-up of our Data Analytics Community in 2019, in December 2020 we launched our **Data Analytics Certificate Programme**. Developed in collaboration with Kaplan International and designed specifically for finance professionals, the programme operates entirely online and explores data analytics as a process for answering business problems or questions. It upskills participants with the practical skills and understanding of analytics to improve decision-making.



THOUGHT LEADERSHIP

Our insight helps to equip our members with the knowledge and information to understand and address today's challenges. We drive the re-thinking of existing issues and

explore those that are still emerging.

Although much of our technical expertise in 2020 was directed towards providing regular support and updates on the challenges of COVID-19 and Brexit, we also continued to publish stand-alone thought leadership pieces.

As part of our 'Future of Audit' series, we published **Audit quality: the role of standard-setting**, reflecting on the importance of auditing standards to achieving high audit quality and making recommendations to improve the standard-setting process.

In **Risks and assurance of emerging technologies**, we examined how new tech is helping to solve business problems, the new strategic risks it introduces and how organisations can work internally and externally to mitigate those risks.

Our position paper, **Non-financial reporting: ensuring a sustainable global recovery**, provided a comprehensive contribution to the debate on a global framework for non-financial reporting, with a specific focus on activities in the EU.

Our first collaboration with ICAI, **Automation in finance functions: lessons from India and the UK**, looked at how finance functions can harness automation to deliver greater value to business and the skills needed by accountants in the future.

We further developed our **Business Finance Guide**, in partnership with the British Business Bank, to help companies meet financial challenges resulting from the COVID-19 economic crisis.



ICAEW COMMUNITIES

Our **communities** served – and continue to serve – as a key resource of support and guidance for thousands of members at a time of significant uncertainty. COVID-19 meant that our communities had to adapt to virtual models quickly and at short notice. The webinars and virtual conferences that took place throughout the year were well-received by attendees and proved to be cost-effective and highly interactive, attracting a larger audience from a wider geographical area.

During 2020 we welcomed **48,008** new members into our communities – a **72% increase from 2019**. At the end of 2020, the total membership of our communities stood at **115,043**.

In November, we launched two new communities; our **Sustainability and Climate Change Community** seeks to provide inspiration, insights and collective ambition for professionals delivering on sustainability and acting on climate change; our **Small Practitioners Community** provides sole practitioners and small firms with bespoke content, webinars and networking opportunities.

By the end of 2020, more than 3,000 and 1,500 members respectively had already joined these new communities.



CONTINUING PROFESSIONAL DEVELOPMENT

Following the first lockdown in March, our CPD programme, **Essentials**, was converted to a fully virtual format.

The programme is designed to keep our members updated with the latest knowledge and skills, improving their technical proficiency and adaptability, and is delivered locally through district societies.

At very short notice, we redesigned, rewrote and rescheduled all sessions across our membership, while extending significant discounts to individuals and member firms. This meant that the integrity of our courses was sustained, while becoming more accessible and at reduced cost to participants.

From March to December, the courses attracted over 7,800 delegates, and the virtual delivery received very positive feedback.

UK EVENTS

Our UK Regions' team worked together with ICAEW district societies to hold a total of 989 events during 2020, engaging with over 21,000 delegates.



From March onwards, many events originally planned in physical venues were adapted to take place virtually. This brought opportunities to both enhance the quality of some of our member interactions and to reach a wider geography. Throughout the year, we saw some members engaging directly with our event offerings for the first time as a result of the transition to virtual.

District society governance and committee meetings were also conducted virtually, again providing opportunities for wider and more diverse member engagement. Higher numbers of younger members in particular attended these events.

Across the UK, we launched our **Pandemic Perspectives** series – informal chats with senior finance leaders of organisations that have been affected by COVID-19 in different ways. The events touched on key topical issues with businesses, such as vaccine development with AstraZeneca, innovation in food takeaway services with Deliveroo, and the impact on the leisure industry with Chester Zoo, the Eden Project and the V&A.

Supporting members around the world

GREECE

We worked with firms and students to launch the **Greece Chartered Accountants Student Society**, offering technical and career support and networking to our growing student population.

WORLDWIDE

Then-ICAEW President Fiona Wilkinson continued to host special lunch events around the world as part of our **female centenary celebrations**. This included events in Australia, Canada, Dubai, New York and Singapore. Our lunch in Cyprus in January was attended by 70 senior female ICAEW members and included vibrant stories and discussions of their experiences in the profession.

UAE

We signed an agreement with the Accountants and Auditors Association of the UAE (AAA) to grant AAA membership and use of the UAE Chartered Accountant designation to ICAEW members in the country.

MIDDLE EAST, CHINA, SOUTH EAST ASIA

In September, we held the **ICAEW International Economic Forum** – the first jointly-organised event between our regional offices in the Middle East, Greater China and South East Asia. The virtual forum brought together thought leaders and economists to analyse the post-COVID-19 recovery and how macro policies, international trade, and shifting investments have impacted our economies.

CHINA, SOUTH EAST ASIA

In July, we held a **webinar for younger members** across China and South East Asia, to discuss how they can help achieve a sustainable future for the profession.

INDONESIA

In Indonesia, we began a **joint webinar series** with IAI and AFA, featuring panels of experts from professional bodies, large accountancy firms and regulators. Topics included the implications of COVID-19 for financial reporting, and the implementation of IFRS 17.

Education and training

We continually seek to grow our sustainable pipelines of students and enhance our qualifications. However, the COVID-19 pandemic necessitated a shift to ensure students were still able to take up and study our qualifications, and our membership routes remained open and accessible.



STUDENT RECRUITMENT

The pandemic resulted in a more than 50% reduction in student work placement opportunities. To help address this shortfall, during the summer we ran **two pilot schemes** with potential students from the UK, China, South East Asia and the Middle East, providing them with vital work experience they would not otherwise have had. The success of these schemes has opened up new opportunities for us to reach greater numbers of potential students in the future.

Our UK University Outreach activities were severely impacted by the pandemic, leaving us unable to engage face-to-face with students on university campuses. We therefore ramped up our recruitment of new **Campus Ambassadors**, who help us extend our reach through local representation on the ground, promoting our brand, serving as a point of contact for students and providing insight on the student market. In 2020, we recruited 87 new ambassadors, nearly double the usual number.

As part of our commitment to boosting financial education across the UK, in January we partnered with Nebula Learning (founded by one of our members) to offer an **online learning resource on personal finance** to schools across the UK. By year end, 265 schools had enrolled on the course.

In September, we held the **ICAEW Virtual Global Skills Conference** - the first global initiative of its kind specifically designed to support students. From concept to implementation, the project was delivered in just two months by a global team of 20 colleagues. 33 speakers from around the world - including members, ACA students, ICAEW employers and tuition providers and the British Council - came together to deliver practical and inspirational sessions on a variety of topics.

Across the three days, the conference was attended by over 3,400 delegates. More than 5,000 students from over 60 countries attended the sessions on-demand.



ACA

Our world-leading **ACA qualification** continued to develop and adapt in 2020.

Despite disruption to our exam schedule, we were able to offer all students who had been due to sit their exams in 2020, the opportunity to do so before the end of the year.

We offered students the choice of sitting their exams in socially-distanced exam centres or via **remote invigilation**.

Postponements from the summer meant that our September Professional Level sittings were our largest-ever exam session, with over 15,650 exams sat. Our global remote invigilation system was developed and implemented at speed to accommodate the increased volume of students who were unable to attend test centres and to provide up-to-date test centre availability.

Following our comprehensive review of the ACA, including 'Future ACA' consultations, in 2019, we further **integrated technology into the ACA** during 2020 by:

- developing a new exam platform, designed with the input of ACA students, to improve exam functionality and delivery (including incorporating remote invigilation), and facilitating the use of different software packages in exams;

- introducing data analytics software into exams (for delivery in March 2021), strengthening skills of professional scepticism and judgement;
- designing learning materials for digital delivery; and
- continuing to embed ethics and technology content into the syllabus and exams, including the launch of our redeveloped Ethics Learning Programme, and exam questions on ethical dilemmas driven by technology.

PATHWAYS TO MEMBERSHIP

In 2020, we welcomed 338 new members into ICAEW via our **Pathways** route, from 28 different countries. This was a 17% increase from 2019 and followed a 35% increase in overall Pathways submissions. In the MEASA region, participation in our Pathways scheme grew by 80% from 2019.

We signed a membership pathways agreement with the Malaysian Institute of Certified Public Accountants (MICPA) - allowing MICPA members to join ICAEW via Pathways and ICAEW members to apply for membership with MICPA as well.

Members join ICAEW via Pathways from a wide range of sectors, including audit, banking, manufacturing and the public sector, and at many levels of seniority, including as CEOs and CFOs.



Education and training around the world



UAE

Our **ICAEW GO Scholarship** was completed with eight universities across the UAE, with 150 students participating and registering as either ACA or USS students. Scholarships have been awarded to 36 winners, who will receive free tuition for either accounting or audit and assurance.

CHINA

In January, we launched the **International High-End Accounting Talent Training Program** with the Chinese Ministry of Finance.

SINGAPORE

We held **two ground-breaking virtual events** to celebrate the achievements of our students and graduates, and to welcome new members into ICAEW. Attendees were represented by interactive on-screen avatars, operating in a virtual venue. Highlights from the ceremony were broadcast at the Asia TV Forum (ATF Online+).

SRI LANKA

We implemented our first **joint student and membership scheme** with the Institute of Chartered Accountants of Sri Lanka (CASL), enabling Sri Lankan students to achieve ICAEW and CASL membership simultaneously.

MAURITIUS

We launched a **student society**, working more closely with universities to develop a stronger pipeline of graduates choosing the ACA and helping independent students to find training agreements.

INDONESIA

Hundreds of undergraduates and young professionals from across Indonesia joined the **ICAEW Virtual Classroom** in July, supported by the Young Indonesian Professionals Association (YIPA). Young ICAEW members and students shared career tips and the benefits of studying for the ACA.

Reputation and influence

We knew that trust in the profession would continue to feature highly on the agenda in 2020.

As the economic damage of COVID-19 unfolded, it became clear that the knowledge and expertise of our members was needed more than ever. The role they play supporting businesses and building sustainable economies is fundamental to protecting businesses at a time of such hardship, and ultimately to the global recovery.

We wanted to show that chartered accountants are on the economic front line of the pandemic and use our influence to help the world build back better.



AUDIT REFORM

After significant progress during 2018 and 2019, the UK Government's audit reform agenda stalled during 2020, as attention turned towards supporting the economy and society through COVID-19.

ICAEW continued to press ahead, shape the agenda and make the case that reform was long overdue.

In February, **Sir Donald Brydon** delivered a keynote speech at Chartered Accountants' Hall, discussing the findings of his review into the quality and effectiveness of the UK audit market. He was clear that the profession did not need to wait for government action to move forward with reform.

We launched our '**five goals for audit reform**' - looking forward to what the net effect of forthcoming reforms should be, and outlining a framework of desirable end states against which we can assess any proposed measures.

In August, we submitted our **response** to the Business, Energy and Industrial Strategy (BEIS) Select Committee's call for evidence, *Delivering Audit Reform*.

In November, our research and insight on modernising the audit profession came together when we published the **ICAEW Audit Manifesto**. This document demonstrates positive thinking about what lies ahead for audit and its wider role as a force for good in the economy and society, distilling our findings into five core principles.

In March 2021, the UK Government published its White Paper for consultation, **Restoring trust in audit and corporate governance**. This brings together the policy recommendations made by Sir John Kingman's review of the FRC, the Competition and Markets Authority's market study into statutory audit, and Sir Donald Brydon's review into the quality and effectiveness of audit. The consultation runs until July and at the time of writing we are compiling our submission.



QUALITY ASSURANCE FOR NON-PIE AUDIT NETWORK (QAN)

Our QAN was established five years ago with the aim of enhancing non-PIE (Public Interest Entity) audit quality. It

does this through fostering cooperation and exchange of best practice among its members, to strengthen their audit monitoring practices.

The QAN held two keynote virtual meetings in 2020, attended by professional bodies from 14 European countries, the Chair of the European audit regulatory group responsible for quality assurance and regulators from Germany and Cyprus.

A key element of this initiative is to engage with European regulators and it will continue into 2021 as part of our strategy to retain influence in Europe post-Brexit.



SUSTAINABILITY

We want to strengthen economies and build prosperity in ways that will last long into the future.

Sustainability has traditionally been synonymous with the environment, but in recent years its remit has evolved to also encompass a range of social themes. We recognise that business success is interdependent with both environmental and social responsibility. In that vein, we want to play our part in changing behaviour across the economy to live within its means.

Having continued to embed sustainability deeper into our operations, we have

now made helping to achieve the **UN Sustainable Development Goals** (SDGs) one of the key Strategic Themes in our Strategy 2030. You can read more about this on page 32.

In January 2020, the Natural Capital Coalition (NCC) united with the Social & Human Capital Coalition to form the **Capitals Coalition**. This new global collaboration of 300 organisations promotes the importance of natural capital and aims to transform the way decisions are made, by including the value provided by nature, people and society. We are proud to have played a fundamental role in the evolution of the NCC before this merger, from its inception through to becoming a successful and self-sustaining organisation. We now hold a seat on the Supervisory Board of the Capitals Coalition.

In July, we joined with other financial professional bodies to launch the **Green Finance Education Charter**. The Charter is designed to boost awareness and training in green finance and sustainability, committing bodies representing millions of finance professionals to integrate these topics into their qualifications and continued professional development of their members.

In June, we joined with other organisations to write a **letter** to the UK Prime Minister, calling for a green and socially-just recovery from COVID-19. We also emphasised that a framework for such action already exists in the form of the SDGs.

Our **climate change learning programme**, launched in 2019 in partnership with Deloitte, continued to make an impact. The programme consists of a series of video learning modules to help business and finance professionals learn more about the effects of climate change and how they can help tackle it.

Following its launch in 2019, we continued to expand our **Climate Hub**. The hub gathers together resources, information and inspiration to help members and the wider profession respond to the challenges of climate change.



CARBON NEUTRAL

In September, ICAEW became the first major professional body in the world to become carbon neutral.

Our carbon neutrality strategy involves a combination of supporting external carbon reduction projects and investment in and implementation of a set of our own internal carbon-reducing projects - which in themselves will reduce our emissions by 20% by 2025, and 40% by 2030.

The external carbon reduction projects or offsets we purchased are currently against our entire annual greenhouse gas emissions, including the emissions generated by our employee commuting patterns. Our offset selection focused on transparency of outcome, veracity of certification and quality of reporting.

You can read more about our carbon neutral commitment [here](#).

SOCIAL MOBILITY, DIVERSITY AND INCLUSION

In what was a difficult and life-changing year for many of us, we recognised the importance of remaining inclusive and striving for diversity that represents society within our institute and the wider profession.



In improving our institute-wide approach to diversity and inclusion, we now require our individual departmental boards to consolidate and maintain oversight of their own strategies in this area. This includes embedding diversity and inclusion into their committees' activities, considering diversity when making recommendations for internal committee appointments and actively considering new initiatives.

During the year, we also began collecting **wider diversity data** from our UK membership. The voluntary questions used in the survey derive from those we already use to monitor our student diversity and will help us better understand the profile of our members relating to ethnic origin, socio-economic background and disability.

In October, we became Chair and Secretariat of **Access Accountancy**. This initiative, which we co-founded with a collaboration of employers and professional bodies in 2014, seeks to improve access to the accountancy profession in the UK, welcoming talented and ambitious young people from all backgrounds and ultimately improving the profession's diversity. Between 2014

and 2020, over 4000 Access Accountancy placements have been offered to students across signatory firms. Skills gained by those who go through a work experience programme include networking, communication and business skills.

We launched a new online **Diversity & Inclusion Hub**, bringing together external resources on regulation and equality, with our own support, features and insights into diversity in the profession. The hub contains an overview of the law concerning diversity and discrimination in the UK, with recent case summaries and useful guidance. It also contains information on protected characteristics and articles on issues such as the lack of ethnic diversity in boardrooms and tackling racism in business through data analysis.

In 2020, our partnership with the Milton Keynes branch of the **Community Foundation** continued to create positive change. The £100,000 fund supports projects which improve social mobility in Black communities, providing support and inspiration to those with aspiration and ability but who are disadvantaged. The fund improves access to, and attainment in, formal education, with specific initiatives including life skills development, particularly in relation to finance and business, and peer group learning.

We have supported a range of projects and worked with several charitable organisations, and during 2020 our funding helped over 300 young people.

During National Apprenticeships Week in February, we joined with the charity, Economy, and Grant Thornton to design and run a **careers field trip event** for over 70 students from schools in socially deprived areas of London. The students took part in networking panels and heard from recently-qualified ACAs about their inspirations for becoming chartered accountants. The event promoted the accessibility of our profession, highlighted the routes to study and gave insights into the type of careers available.

In December, we became the first professional body to sign up to the new **Charter for Black Talent in Finance and the Professions**. The Charter aims to boost recruitment, career progression, retention and promotion of Black talent in the finance and professional services sectors - with publicly-reported data to assess progress. Under the Charter, we have six months to create a five-year plan and establish targets to improve equality of opportunity for Black ICAEW employees.

We once again marked LGBT+ History Month in February and Black History Month in October, running a number of features on social media.



PUBLIC POLICY

2020 was a very busy year for our public policy engagement work in the UK. This included most notably our engagement with government, as we supported responses to the coronavirus pandemic and prepared our members for changes in the UK's trading relationship with the EU.

Throughout the year, we attended regular **meetings with ministers**, feeding back our members' experiences. On separate occasions, our CEO met virtually with the Prime Minister, the Chancellor of the Exchequer and the Business Secretary.

ICAEW was represented in fortnightly meetings with the Minister for Business and Industry, and our Tax Faculty met with the Financial Secretary to the Treasury to discuss business and taxpayer support in light of COVID-19.

Our CEO met business ministers to discuss the National Security and Investment Bill and joined a virtual event with the Minister for Investment on retaining the UK's place as a globally attractive destination for foreign investment.

Several of our events were also attended by government ministers, including our two-day *Virtually Live* conference in August, which was attended by the Financial Secretary to the Treasury.

Other political engagements included meetings with the Shadow Chancellor, the Chair of the Business, Energy and Industrial Strategy Select

Committee and other backbench MPs. We continued to update key political stakeholders on our work to support our members through the challenges of the pandemic and Brexit.

We also held several regional ICAEW member roundtables with cross-party local MPs, to discuss the COVID-19 recovery and other local issues.

We attended the Conservative, Labour and Liberal Democrat **political party conferences** - which were conducted virtually - and reported back with political analysis for members. As ever, these events were a valuable opportunity to promote views on behalf of our members and engage with key decision-makers.

We once again used our insight and expertise to feed into the important work of **parliamentary committees**. This included our **written submission** to the Business, Energy and Industrial Strategy Committee's super-inquiry into 'Post-Pandemic Economic Growth', which featured input from several teams across ICAEW and reflected the views of our members working in both business and practice.

ICAEW representatives also gave oral evidence to the Treasury Select Committee regarding the future of the tax system after coronavirus, to the Finance Bill Sub-Committee on tackling promoters of tax avoidance schemes, and to the National Security and Investment Bill Committee on the scope and resourcing of the Investment Security Unit.



PUBLIC SECTOR

Many of our members work in the public sector to deliver public priorities and strong public finances. ICAEW acts in the public interest to support strong financial leadership and better financial management across the public sector - including in the areas of transparency, accountability, governance and ethics - to ensure that public money is spent wisely and that public finances are sustainable.

Throughout 2020, we hosted a series of webinars examining the role of good governance in the public sector, focussing on ICAEW members who serve as NEDs.

In January, we examined the fragility of the local audit market at a meeting involving Sir Tony Redmond, following the publication of his recommendations, and other senior stakeholders. We also chaired two webinars on the subject of local authority audit, including an interview with Sir Tony.

Throughout the year, we input into Treasury consideration of the exceptional challenges for public sector financial reporting, including through representation on the Treasury User Preparer Advisory Group (UPAG).

We also continued to engage with the International Public Sector Accounting Standards Board (IPSASB), providing technical support to the UK representative and hosting a podcast featuring the Board's Technical Director.

ICAEW FOUNDATION

Our members' charity, **ICAEW Foundation**, continued to change lives in 2020, despite the challenges of COVID-19.

The Foundation supports the next generation of professional accountants by providing bursaries to talented young people from financially-challenged backgrounds.

Our universities-focused programme, **Changing Futures**, helps ambitious students on their way towards a degree in accountancy and finance. We have partnered with universities across the UK and in Hong Kong and Cyprus, and so far have supported 52 students.

Our future professionals programme, **Building Futures**, works closely with local professional accountancy bodies in developing and emerging economies, to provide bursaries to local students to improve their pass rates and realise their ambitions of becoming chartered accountants. To date, Building Futures has funded 120 bursaries in Cambodia, Ghana, Lesotho and Malawi.

Following the 2019 launch of Mentoring Matters - a study, career and wellbeing mentoring programme for our bursary recipients, run in conjunction with Deloitte - we took on an additional 14 volunteer mentors in 2020 and extended the programme to students who were originally unsuccessful in their bursary applications.

To make a donation to ICAEW Foundation, or to find out how you can support the Foundation's work, please click [here](#).





CAPACITY BUILDING

Our **international capacity building** work continues to sit at the heart of our vision, helping national accountancy professions – and thus national economies – to become sustainable in their own right.

Despite the challenges presented by COVID-19, during 2020 we worked on 11 projects across 13 countries. These included:

- completing a programme of IPSAS and IFRS training to staff at NATO headquarters in Belgium;
- strengthening audit quality monitoring for the Astana Financial Services Authority in Kazakhstan;
- piloting an audit quality assurance system for professional accountancy organisations in Cambodia, Georgia, Nepal and Samoa;
- improving professional qualification pass rates in Botswana and Malawi; and
- continuing to strengthen audit regulation in Abu Dhabi.

We won 'Accountancy Capacity Building Champion of the Year' at the Digital Accountancy Awards, for the second consecutive year, in recognition of our work to strengthen accountancy education in Cambodia and to help to address the capacity gap by introducing a national accountancy qualification.

In total, we have now worked on more than 65 projects in over 30 countries across Africa, Asia, Europe and the Middle East.

MORE THAN A NUMBER

Following its launch in 2019, our podcast series, **More Than a Number**, continued to provide listeners with thought-provoking debate and analysis.

The series examines key numbers which raise important questions about some of the most pressing economic, social and environmental issues in our lives. Panels of leading experts provide insight and opinion on their areas of expertise.

In July, a special episode, 'COVID-19: Crisis with a legacy' examined businesses adapting to survive and how the crisis could be an opportunity to rebuild a new, more sustainable economy.

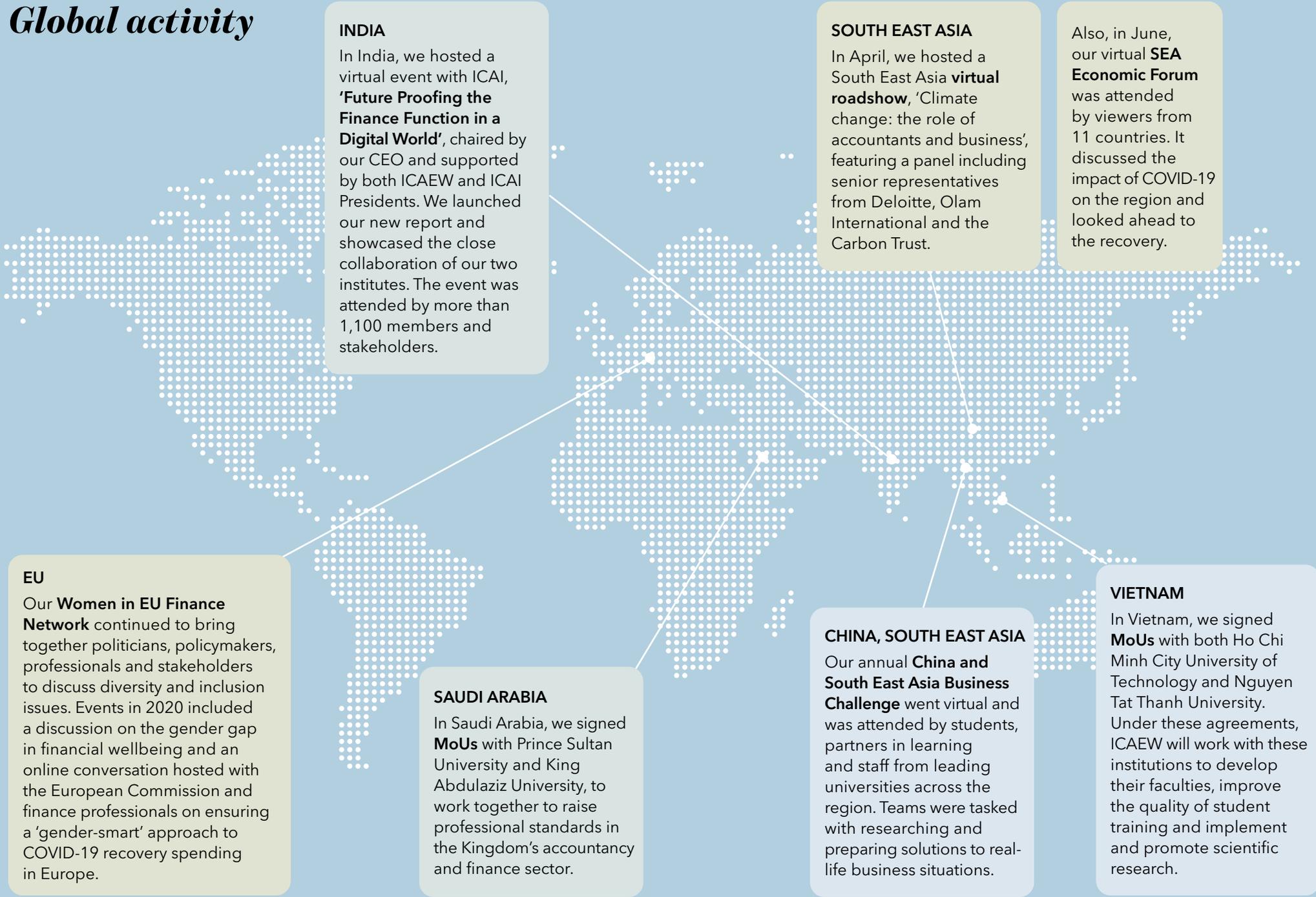
Off the back of the original series, we launched '**More Than a Number - in conversation**', to continue discussion around some of the key themes raised and bring them into the present context, from the perspective of our members. These virtual events involved informal panel discussions with members and students and were chaired by our own in-house experts.

By the end of the year, the series had received over 32,000 listens.

The series is available on Apple Podcasts, Google Podcasts, Soundcloud and Spotify.



Global activity



INDIA

In India, we hosted a virtual event with ICAI, '**Future Proofing the Finance Function in a Digital World**', chaired by our CEO and supported by both ICAEW and ICAI Presidents. We launched our new report and showcased the close collaboration of our two institutes. The event was attended by more than 1,100 members and stakeholders.

SOUTH EAST ASIA

In April, we hosted a South East Asia **virtual roadshow**, 'Climate change: the role of accountants and business', featuring a panel including senior representatives from Deloitte, Olam International and the Carbon Trust.

Also, in June, our virtual **SEA Economic Forum** was attended by viewers from 11 countries. It discussed the impact of COVID-19 on the region and looked ahead to the recovery.

EU

Our **Women in EU Finance Network** continued to bring together politicians, policymakers, professionals and stakeholders to discuss diversity and inclusion issues. Events in 2020 included a discussion on the gender gap in financial wellbeing and an online conversation hosted with the European Commission and finance professionals on ensuring a 'gender-smart' approach to COVID-19 recovery spending in Europe.

SAUDI ARABIA

In Saudi Arabia, we signed **MoUs** with Prince Sultan University and King Abdulaziz University, to work together to raise professional standards in the Kingdom's accountancy and finance sector.

CHINA, SOUTH EAST ASIA

Our annual **China and South East Asia Business Challenge** went virtual and was attended by students, partners in learning and staff from leading universities across the region. Teams were tasked with researching and preparing solutions to real-life business situations.

VIETNAM

In Vietnam, we signed **MoUs** with both Ho Chi Minh City University of Technology and Nguyen Tat Thanh University. Under these agreements, ICAEW will work with these institutions to develop their faculties, improve the quality of student training and implement and promote scientific research.

ICAEW as a regulator

We protect the public interest by making sure ICAEW firms, members, students and affiliates maintain the highest standards of professional competency and conduct.



ICAEW's regulatory and disciplinary roles are separated from our other activities 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 independent ICAEW Regulatory Board (IRB).

Our role is to:

- **authorise** ICAEW firms, members and affiliates to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** the highest professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** ICAEW firms and insolvency practitioners to ensure they operate correctly and to the highest standards;
- **investigate** complaints and hold ICAEW firms and members 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 stakeholders comply with laws, regulations and professional standards.

The PSD's regulatory and Practice Assurance functions are self-financing. ICAEW membership and practising certificate fees provide a financial contribution towards non-regulatory member disciplinary work. PSD's income is mainly derived from the fees paid by the firms or individuals regulated and supervised by ICAEW. These fees are set by the IRB. Fees are also generated from outsourcing contracts carried out by the Quality Assurance team and from our award-winning **corporate training films**.

ICAEW is:

- the largest **recognised supervisory body (RSB)** and **recognised qualifying body (RQB)** for statutory audit in the UK. There are 2,561 firms and 7,295 responsible individuals registered with us under the Companies Act 2006;
- the only **recognised supervisory body (RSB)** for local audit in England. We have eight firms and 101 key audit partners registered under the Local Audit and Accountability Act 2014;
- the largest **insolvency regulator** in the UK. We license over 840 insolvency practitioners (out of a total UK population of 1,550) as a recognised professional body (RPB) under the Insolvency Act 1986;

- a **designated professional body (DPB)** under the Financial Services and Markets Act 2000 (and previously a recognised professional body under the Financial Services Act 1986). We license over 1,900 firms to undertake exempt regulated activities under this Act;
- the **largest accountancy body AML supervisor** authorised by HM Treasury for the purposes of the Money Laundering Regulations 2017, supervising compliance of over 12,000 firms; and
- an approved **regulator and licensing authority for probate** under the Legal Services Act 2007. Over 340 firms are accredited by ICAEW to carry out this reserved legal activity.

In addition:

- More than 330 firms are accredited to perform ATOL returns work under the ICAEW Licensed Practice scheme for ATOL Reporting Accountant work. This was set up in 2016 after the Civil Aviation Authority (CAA) gave approval for ICAEW to license, register and monitor firms which perform ATOL returns work.

- Our Practice Assurance scheme provides ICAEW members working in practice with a framework of principles-based quality assurance standards. We monitor over 12,000 firms to ensure they comply with the Practice Assurance standards.

In 2020, we conducted 2,635 monitoring visits. Our swift adaptation in the wake of the pandemic meant that we were able to conduct 75% of these reviews virtually. These remote review mechanisms proved highly successful and will continue to be used in the future.

Following the outbreak of COVID-19, we also successfully held nearly all disciplinary, appeal, fitness and review hearings on a virtual platform.

We developed new ways of delivering key messages to regulated firms, including the launch of our new **regulatory news hub**. We also expanded the insight publicly available from our Professional Standards Department through a new content and publishing group.

Principal risks

The council, through the board, audit committee, chief executive and executive directors, has an established and continuous process for identifying, evaluating and managing the principal risks faced by ICAEW. This process has been in place for the whole of 2020 and has continued up to the date on which this document was approved.

Each department identifies and reviews the risks faced by ICAEW, assessing both the controls in place and key actions required to manage the significant risks. These assessments are reported regularly to the audit committee, board and council.

The assessment of risk is linked with our strategy in compliance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014, supplemented April 2016).

Annually in March, council considers:

- the application of the risk management processes;

- reports on risk and internal control from the board;
- reports on internal control from the audit committee; and
- how the risks have changed over the period under review and any significant issues.

The board formally reviews risk twice a year, including a consideration of risk appetite. Management puts in place the appropriate mitigation strategies. In reviewing the risks, the board considers whether management has appropriately assessed the risk by challenging the risk rating, whether the action taken to address and mitigate the risk is effective, and whether the timescales are appropriate.

Principal risks are owned by executive directors and delivery of mitigating actions is built into our strategy and operational plan. They are reviewed by the board at every board meeting. We confirm that there have been no significant failings or weaknesses in our internal controls in 2020.

Description	Gross Risk	Net Risk	Planned risk management activity
Our relevance to firms and demand for future skills	High	Medium	<p>Further development of qualifications, syllabus and designations and assessment methodology to meet market demand.</p> <p>Continue to build strategic partnerships and monitor the external environment.</p> <p>Enhanced regular contact with firms via the Strategic Relationship Programme.</p> <p>Continue to position ICAEW as the partner of choice across growing networks.</p> <p>Follow up on consultation with employers - 'this is what you told us, this is what we are doing'.</p>
The changing nature of the global competitive environment	High	Medium	<p>Our strategy includes mastering technology. Cyber and data analytics will be included both within CFAB and the ACA.</p> <p>Further development of our Data Analytics Community, enhanced data analytics theme running through our Academy proposition and integration of data analytics applications into ACA examinations.</p> <p>We have commissioned consultancy through Chartered Accountants Worldwide (CAW) to make more of the CAW brand. Taking CAW forward is a key part of any competitive response to future market changes.</p>
The loss of public trust	High	High	<p>Support an effective transition to the new Audit, Reporting and Governance Authority (ARGA). However, this transition might take longer to be implemented than previously thought (i.e. 2023).</p> <p>Continue to engage (pending further government consultation on audit reform) with the FRC and BEIS on key issues on the audit profession, competition and resilience.</p> <p>Consider, with key players in the profession, voluntary action to sustain trust.</p>
The impact of Brexit (NB This risk moved down to a corporate risk level in January 2021)	High	High	<p>Work for recognition of the ACA in Europe post-Brexit and for audit rights (with FRC) in key markets.</p> <p>Maintain dialogue with UK ministers, senior civil servants and regulators.</p> <p>Maintain dialogue with EU officials through the ICAEW Europe office.</p> <p>Work as a member of Accountancy Europe to achieve key strategic objectives in a post-Brexit environment.</p>
Cyber and data security	High	Medium	<p>ICAEW's Data Privacy and Cyber Security Steering Group meets regularly to review controls and mitigate developing risks.</p> <p>The Executive Director Privacy Group reviews risks and mitigating activity for data protection.</p>
Replacement of key Business Systems	High	High	<p>The programme governance board continues to meet regularly to review project progress.</p> <p>External review reports on plan progress and budget.</p> <p>Monthly update report to ICAEW board.</p> <p>Tracking of business benefits.</p>
The impact of COVID-19 (coronavirus)	High	High	<p>Continue to follow government advice to ensure staff safety.</p> <p>Continue social distancing and other COVID-19 safety measures in our offices.</p> <p>Continue business operations with a high majority of staff working from home.</p> <p>Make COVID-19 tests available to essential staff working in offices.</p>

ICAEW Strategy 2030

Looking ahead, we know that the next 10 years will be critical - for economies, societies and our planet. The 2020s will truly be a decade of transformation.

How we respond to the risks, trends and other powerful factors will largely decide the shape and role of ICAEW in 2030.

Towards the end of 2020 and into 2021, we devised a new strategy - to define our ambitions for the coming decade. At the heart of this strategy are our three Strategic Foundations and a new set of five high-level Strategic Themes.

STRATEGIC FOUNDATIONS

Our Strategic Foundations are the three core pillars into which we can condense our operations in our approach to our strategy.

Belonging and supporting

Education and training

Reputation and influence

STRATEGIC THEMES

Our Strategic Themes group together major new activities that we will undertake to achieve our key strategic outcomes during the next decade.

From 2021 onwards, our operations will be undertaken and our activities and progress reported within the broad framework of these five Strategic Themes.

THEME 1

Strengthen trust in ICAEW Chartered Accountants and the wider profession



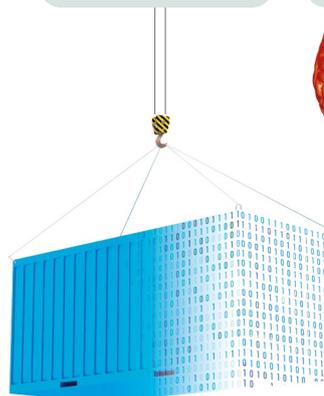
THEME 2

Help to achieve the Sustainable Development Goals



THEME 3

Support the transformation of trade and the economy



THEME 4

Master technology and data



THEME 5

Strengthen the profession by attracting talent and building diversity



*Financial
statements*



Key performance indicators

MEMBERS

During the year, we welcomed 3,926 (2019: 2,770) new members into ICAEW, with admissions of newly qualified students to membership, together with reciprocal and similar arrangements with members of other institutes.

At the end of 2020, our global membership stood at 157,801 (2019: 154,531).

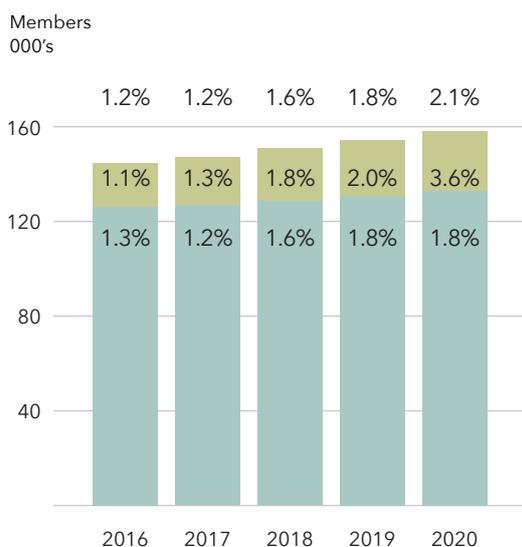
STUDENTS

We achieved an ACA student intake of 9,349 (2019: 9,605) new students, only marginally below the record intake of 2019; of this intake 31% (2019: 24%) was from outside the UK.

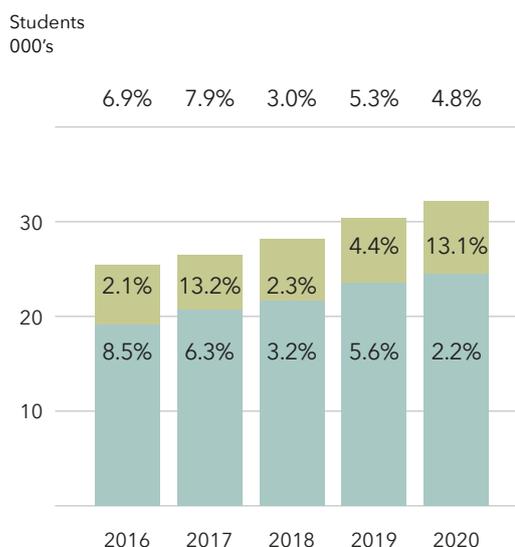
At the end of 2020, total ACA student numbers stood at 31,656 (2019: 30,241).

In addition, 8,676 (2019: 8,201) students signed up for our foundation level Certificate in Finance, Accounting and Business (CFAB) and University Students Schemes - an increase of 475 over the 2019 figure.

MEMBERSHIP GROWTH



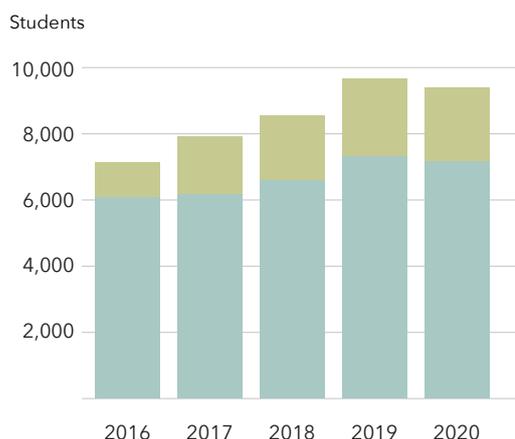
TOTAL STUDENT GROWTH



KEY

- International
- UK

STUDENT INTAKE



Financial review

The Institute of Chartered Accountants in England and Wales, incorporated by Royal Charter RC000246 with registered office at Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA (hereinafter referred to as 'ICAEW') is a chartered body and operates in the public interest under the terms of our Royal Charter, awarded to us in 1880, and the 1948 Supplemental Charter.

ICAEW is headed by a Chief Executive and has five operating departments:

- **Learning & Professional Development** develops and delivers ICAEW qualifications and overseas employers training our students;
- **Professional Standards** is responsible for ICAEW's regulatory and disciplinary roles and acts to protect the public interest by making sure ICAEW firms, members, students and affiliates maintain the highest standards of professional competency and conduct and to monitor, support or take steps to ensure change if standards are not met;
- **Technical Strategy** researches and influences policy and develops best practice guidance in the activities which our members typically undertake;
- **Members, Commercial and Shared Services** supports our members at all stages of their careers, develops our commercial operations and provides expertise to drive competitive advantages;
- **Finance & Operations** delivers the core functions and activities that support the day-to-day operations of ICAEW.

ICAEW Group's financial statements represent the results of ICAEW and its subsidiaries and associated undertakings.

ICAEW as a single entity relates primarily to the operational activities of ICAEW. Except

where stated, the commentary below relates to ICAEW as a single entity.

RESULTS

ICAEW's operational income was £118.7m (2019: £111.1m), an increase of £7.6m compared to 2019. Our results before taxation were £27.4m (2019: £18.3m).

Subscriptions and fees increased by £2.8m (2019: £2.4m) due to a 5.3% increase in the full-rate membership subscription and growth in student numbers.

ICAEW received £15.7m (2019: £18.3m) in fines and £6.8m (2019: £3.5m) of cost recoveries from FRC disciplinary cases, reflecting the culmination of investigations conducted over a number of years which have been funded by ICAEW and our member firms.

Including these fines and cost recoveries, total income was £136.2m (2019: £132.3m), £3.9m higher than in 2019 and the retained surplus after tax for the year was £27.4m (2019: £18.2m).

FRC case cost recoveries received and accrued in the year, and received in the prior year are now shown in the operating result. Previously these were shown below the net operating result after taxation for the year. The value received and accrued in 2020 was £12.8m (2019: £3.5m received and £nil accrued). ICAEW changed the presentation to give a clearer understanding of the FRC conduct committee costs and recoveries as a whole (Note 21).

ICAEW invested £1.5m (2019: £2.4m) in a range of strategic projects. These projects are intended to address public interest matters, support member development and enhance professional interests.

Operational costs decreased by £4.3m (2019: increased by £2.8m) to £107.2m (2019: £111.5m). Cost increases in central activities

were largely offset by reduced expenses across the business due to COVID-19, as well as the impact of recognising FRC case cost recoveries.

Operating costs include £4.1m impairments and asset write-offs, including £1m in relation to our IT systems as a result of the impact of COVID-19 on our Business Systems Transformation project.

ICAEW total net assets at 31 December 2020 were £116.9m (2019: £92.1m), an increase of £24.8m over 2019.

Total cash and investments stood at £124.7m (2019: £88.7m) at the end of the year, an increase of £36.0m on 2019.

Cash and cash equivalents ended the year at £58.3m (2019: £34.5m), reflecting a net cash inflow of £23.8m (2019: £1.6m outflow) in the year. This includes the inflow of £22.5m (2019: £21.8m) from FRC disciplinary cases. Cash outflows include £0.3m (2019: £1.6m) agreed pension scheme deficit funding and £8.8m (2019: £7.0m) contributions to FRC case costs.

The consolidated Group retained result after taxation for the year was £29.2m (2019: £18.6m) and consolidated Group total net assets were £136.0m (2019: £109.7m).

INCOME

Revenue from members' fees and subscriptions rose by 5.5% (2019: 5.0%) to £53.3m (2019: £50.5m), reflecting the continued growth in membership and a 5.3% (2019: 2.7%) increase in membership fees. Income from our qualifications (learning and professional development income) fell by £0.8m (2019: £1.4m increase), reflecting the impact of COVID-19 through the cancellation of the June 2020 examinations and subsequent

interrupted study patterns.

Our regulatory (professional standards) income rose by £2.6m (2019: £1.2m), in the main as a result of an exceptional fine, and cost recoveries, related to a long-running investigation. While regulatory fees were increased this was in part offset by a falling volume, including new affiliates, and a change in the mix of registrations and a deferral of affiliate application fees under IFRS 15.

Our commercial income fell by £4.7m to £8.9m due to the closure of our London building as a result of COVID-19 restrictions and associated cancellation of events (2019: increased by £1.0m to £13.6m).

EXPENDITURE

Operating expenditure decreased to £107.2m (2019: £111.5m), excluding fines from concluded FRC cases and expenditure on our strategic projects.

Operating expenditure across our core departments increased by £1.1m to £105.1m (2019: £104.0m).

Included in the core department costs are £4.1m of impairments and asset write-offs, including £1m in relation to our IT systems as a result of the impact of COVID-19 on our Business Systems Transformation project and £2.7m losses on disposal of assets.

Irrecoverable VAT resulting from the volume and mix of revenue increased in year by £1.3m and there was a £0.9m provision for holiday pay created in the year.

Cost increases across central activities were largely offset by reduced expenditure across the business as a direct result of COVID-19 such as travel and accommodation costs.

FRC CONDUCT COMMITTEE CASE COSTS

The FRC conduct committee carries out independent investigations of the work and conduct of member firms and chartered accountants, both in public practice and elsewhere, where this has given rise to public concern or where required under the Accountancy Scheme (for pre-June 2016 events) and thereafter under Audit Enforcement Procedure.

As a recognised supervisory body ICAEW is liable for costs of investigation but any fines levied will be remitted by the FRC to ICAEW under the Accountancy Scheme and to HM Treasury under the Audit Enforcement Procedure; and ICAEW would receive any cost recoveries imposed. Over two thirds of open cases are investigated under the Audit Enforcement Procedure, established in June 2016.

In the year FRC charged ICAEW £11.8m for work carried out on cases. These costs include ongoing cases open at the end of the preceding year and costs of new cases brought in the year. In order to finance the commitment to pay the FRC costs, member firms were charged a levy which, in the current year, amounted to £11.7m.

We received the proceeds from fines of £15.7m (2019: £18.3m) and cost recoveries of £6.8m (2019: £3.5m). We also accrued for £6.0m (split with £2.5m being set against FRC conduct committee provision and £3.5m in deferred income) of expected case cost recoveries imposed by FRC tribunals in a number of cases. These cases have been conducted over many years with costs incurred by ICAEW and proceeds returned to ICAEW. ICAEW bills on 90% of FRC forecast gross case costs to member firms (Note 21).

Cumulative charges to the income statement over a 16-year period in respect of case costs to the end of 2020 are £72.6m, funded in part by levies on member firms; fines and cost recoveries total £102.6m.

PENSIONS

The IAS 19 valuation at 31 December 2020 was a surplus of £22.5m (2019: £24.0m). As noted in key judgements and estimates the pension asset continues to be recognised as ICAEW considers that any surplus arising would be recoverable, assuming the gradual settlement of scheme liabilities over time.

The movement is a result of investment returns being lower than the obligations as recalculated on revised assumptions. Further information and disclosures around life expectancy and other assumptions are included in note 23. Although the fall in discount rate resulted in an increase in liabilities to £21.7m (2019: £17.3m), investment returns generated a smaller increase in the fair value of plan assets of £14.2m (2019: £22.5m).

The surplus on pension fund has reduced overall by £1.5m to £22.5m (2019: £24.0m).

ICAEW's defined benefits pension scheme was closed to further member benefit accrual in 2010. The latest triennial actuarial valuation showed a deficit of £0.2m at 31 March 2019. The trustee and ICAEW agreed a recovery plan that required ICAEW to continue making contributions of £0.3m per year until 2024, unless certain triggers based on the scheme's funding levels are attained in which case the contributions will stop. As at 31 December 2020 the scheme had a surplus of £11.8m on the Technical Provisions basis and contributions will cease from 1 March 2021. With our support, the trustee has developed an investment strategy intended to make the scheme entirely self-sufficient by around 2026. The next triennial valuation will take place as at 31 March 2022.

A charge is held over Chartered Accountants' Hall in favour of the scheme.

Further details are given in note 23 to the financial statements, including details of the

different bases for the actuarial valuation and IAS 19 valuation. Additionally, judgements and estimates are detailed in Note 3 (a) (ii) and note 3 (b) (ii) respectively.

TAX

The net corporation tax charge for ICAEW for the year was £nil (2019: £0.1m). As a mutual membership organisation, the significant majority of our income is exempt from corporation tax.

FINANCIAL POSITION

ICAEW total net assets at 31 December 2020 were £116.9m (2019: £92.1m) – an increase of £24.8m on the 2019 position.

During 2020, the market value of our long-term investments rose to £66.4m from £54.2m in 2019. The increase of £12.2m is partly due to the transfer of £10m from our cash and cash equivalents, with the balance due to investment returns.

Trade and other payables were £74.5m (2019: £60.9m).

Trade and other receivables were £35.1m (2019: £30.1m).

Deferred income obligations relating to the benefit obtained from admission fees over expected membership durations of 35 years was £31.9m (2019: £30.9m), and affiliate applications fees of £1.4m (2019: £nil) over the expected life of eight years of the affiliate.

We have provided £10.3m of costs relating to FRC conduct committee cases at 31 December 2020 reflecting the current case load, which has been reduced by £2.5m for projected case cost recoveries leaving a year-end provision of £7.8m (2019: £11.8m) (Note 21).

Case costs are forecast on the basis of the available information on cases and their current stage of progress. The accuracy of

this forecast depends on assumptions made about the progress of individual cases and is subject to a significant degree of judgement and estimation (Note 3(b)(ii)). We do not take account of any potential future income from fines for FRC conduct committee cases.

The most recent professional valuation of Chartered Accountants' Hall was completed as at 31 December 2020 and resulted in a downward valuation of £2.1m following the change in economic conditions due to COVID-19 during the year. The next valuation will take place as at 31 December 2021. Additionally, as the building is Grade II listed, the land value in this valuation is deemed to be nil; as a consequence, the entire value has been classified as buildings resulting in increased depreciation charge going forward.

CASH FLOW

Cash balances at 31 December 2020 were £58.3m (2019: £34.5m). Net cash inflow was £23.8m (2019: £1.6m outflow). The key elements related to our result for the year, together with the movement in our investments. Our current cash profile fluctuates on an annual cycle, this year peaking at £74.9m in January and a minimum of £40.8m in November.

Funding of the FRC conduct committee case costs resulted in a cash outflow of £8.8m (2019: £7.0m).

ICAEW paid £0.3m (2019: £1.6m) of deficit funding to the Staff Pensions Fund, in line with the current agreement.

Capital expenditure was £11.6m (2019: £11.7m) reflecting the expansion of our business systems review and additional works in Chartered Accountants' Hall. We expect to incur £8.7m of capital expenditure in 2021, reflecting the continued investment in our business systems.

RESERVES POLICIES

Our reserves policies ensure that ICAEW reserves including FRC fine balances are set at a level sufficient to cover both short-term requirements and longer-term investment needs:

- reserves should be set at a level equivalent to between three and six months of expenditure through the income statement; and
- cash and investment balances should be at least sufficient to cover between three and six months of annual budgeted/forecast gross cash expenditure.

Reserves exceeded this range at the end of the year.

We are managing our capital investment programme, our pension commitments and our financial position in order to maintain these reserve needs. A substantial proportion of liabilities relate to non-refundable admission fees where the income is recognised over a significant period of time in accordance with IFRS 15.

CHARITABLE TRUSTS

The difference between the result and financial position of ICAEW and that of the Group is mainly a result of donations received by ICAEW Foundation in the year, investment income received by the trusts during the year and international operations.

During the year we made donations under gift aid to our charitable trusts amounting to £0.7m (2019: £0.5m). ICAEW's charitable trusts continued to run the Library and Information Service and also approved grants in the year of £0.4m (2019: £0.2m).

The main element of the difference in net assets included in the consolidated position relates to the investments held by the charitable trusts amounting to £15.2m (2019: £15.4m).

POLITICAL EXPENDITURE

During the year, as part of its policy engagement, ICAEW supported a number of activities with political and politically affiliated organisations. This included a small number of events for political parties and a number of business and party conference events including hosting roundtables. Costs associated with these activities totalled £1,660 (2019: £11,639), the majority of which related to party conference activities.

OUR SUSTAINABILITY COMMITMENT

As a professional membership organisation, we represent a common voice for our members and the profession. We believe that the successful business of the future will be a sustainable business. As a profession we support economic development and growth, and as an organisation our vision is to have a net positive impact on the economy, society and environment.

There are three main ways in which we implement this.

- Economy - the provision of accurate, trusted information is central to the success of an economic system and this is what the profession does. We bring people together to share their views, are involved in research, and produce guidance for the wider business community to deliver long-term sustainable economic value. Sustainability has traditionally been synonymous with the environment, but in recent years its remit has evolved to also encompass a range of social themes. We recognise that business success is interdependent with both environmental and social responsibility. In that vein, we want to play our part in changing behaviour across the economy to live within its means.
- Society - we recognise the impact we make on society. We believe that financial capability, social mobility and fundraising

are essential to long-term economic success and we engage in various activities and programmes which support this aim. In what was a difficult and life-changing year for many of us, we recognised the importance of remaining inclusive and striving for greater diversity within our institute and the wider profession. We launched a new online Diversity & Inclusion Hub, bringing together external resources on regulation and equality, with our own support, features and insights into diversity in the profession.

- Environment - we recognise that business has a significant impact on the environment, and although ICAEW does not operate in a business sector which causes significant pollution, we aim to promote and follow good environmental practices and reduce the negative impacts of our activities. On an international scale, we convene the debate on natural capital policy in government forums and financial institutions. This includes hosting the Capitals Coalition (Note 24). In September, we marked a historic milestone, as we became the first professional body in the world to declare ourselves carbon neutral. We set out our long-term roadmap for maintaining carbon neutrality, including implementing internal carbon-reducing projects which in themselves will reduce our emissions by 20% by 2025, and 40% by 2030.
- ICAEW believes that taking account of environmental social and governance (ESG) issues is an intrinsic part of being a good investor. We hold this belief for both ethical and financial reasons. Ethically, we think that investors who take account of ESG issues will be better aligned with the broader objectives of society and better corporate citizens. Financially, our experience is that when ESG issues are well managed they can also have a good impact on the performance

of investments, particularly over the longer term. ICAEW itself moved to a carbon neutral position in 2020 with the purchase of offsets and carbon reduction measures.

- ICAEW expects its appointed investment managers, when making investment decisions, to consider ESG behaviour. ICAEW's carbon neutral policy does not imply that producers of high impact fossil fuels (thermal coal, oil sands, shale oil and shale gas) are excluded investments but we would expect any producer of high impact fossil fuels to be seeking to reduce the carbon impact of their business or to substantially mitigate it over the medium-term in order to invest. All appointed investment managers should be signed up to the UN Principles of Responsible Investment or the Stewardship Code.

GOING CONCERN AND LONG-TERM VIABILITY

The financial statements have been prepared on a going concern basis.

In addition to the shorter-term going concern review, council has assessed the viability of ICAEW over a three-year period. Council receives and approves a three-year operational plan each year, which comprises forecast income statements, cash flow summaries, statements of financial position and key non-financial indicators; taking into account our latest risk assessment, key sensitivities and strategic priorities. This plan forms the basis of the monthly management accounts and the forecasts which are reviewed by the board and council.

Income visibility is relatively strong as a result of the long-term nature of membership and the time taken for students to qualify and enter membership. Cash and investment reserves are held to provide protection against unexpected significant changes in the operating

environment. ICAEW retains strong reserves as well as a long-term membership relationship and a secure pipeline of students.

ICAEW's business activities, together with the factors likely to affect its future development, performance and position are set out above, as well as in our annual review. The financial position of ICAEW, its cash flows and liquidity position are described in the financial review above. In addition, ICAEW has policies and processes for managing its reserves, its financial risk management objectives, details of its hedging activities and its exposure to liquidity risk.

Council believes that ICAEW has adequate financial resources and is well placed to manage its business risks successfully given the current economic outlook and market conditions and possible short-term funding needs, such as FRC conduct committee case costs. As a result, the going concern basis is considered appropriate. Council also has a reasonable expectation that ICAEW has adequate resources to be able to continue in operation and meet its liabilities as they fall due for the two years to 31 December 2022.

BREXIT

The board and council have considered the response required as a result of the UK's exit from the EU. While there will be an impact on financial and operational matters, the effects are not considered to be material in the short to medium-term. ICAEW is not required to obtain additional registrations in EU member states and business development activities within Europe can continue to operate on their current basis. The Group is continuing to closely monitor the legal and political developments following the UK's exit from the EU ('Brexit') and the implications of EU-UK Trade and Cooperation Agreement (TCA) as Brexit still remains a principal risk for the Group.

FRC

The Government has accepted the 2018 recommendation of Sir John Kingman that the Financial Reporting Council (FRC) be superseded by the Audit, Reporting and Governance Authority (ARGA). The FRC is currently in a transition period with an assumption that ARGA will be fully operational in 2023. Legislation is anticipated during 2021-23 which will set out the revised powers and responsibilities of ARGA, including placing the funding of ARGA on a statutory basis. ICAEW is currently a significant source of the FRC's funding and we await confirmation of the future funding intentions for ARGA. The FRC is the oversight regulator with respect to ICAEW's role as a recognised supervisory body (RSB) and a recognised qualifying body (RQB) for statutory audit in the UK. We anticipate that ARGA's role with respect to ICAEW's RSB and RQB status will be clarified during 2021-23 once ARGA has been established.

COVID-19

2020 has been a challenging year for ICAEW and we have endeavoured to provide member support and engagement throughout the COVID-19 pandemic. The health and wellbeing of our staff has been a key focus throughout this period.

COVID-19 impact on operations led to an early intervention cost saving through cessation of activities and management of costs. While ICAEW did not take part in any UK Government COVID-19 support we did indirectly receive support in the form of reduced recharge cost from our service provider Searcy's of £557k. In terms of international COVID-19 support we received in Singapore £87k from the Jobs Support Scheme (JSS), and in China £11k in form of reductions to pension and social insurance costs.

Our Technical Strategy Department dedicated its expertise to understanding where members were facing COVID-19 related issues and responded quickly by providing answers to their urgent questions, particularly on accounting, reporting, tax, financing, legal obligations and government schemes, and enabling them to access finance. At the same time, the department made sure it remained the 'go to' source of practical advice for both thought leadership and policy matters.

From late March 2020, these activities were performed from home, aided by embedded content collaboration tools and digital delivery platforms giving the ability to connect the department's network of technical experts, active members and members without the need for either travel or in-person activities.

Our professional standards department was well prepared to take on a lot of the challenges posed by the pandemic. A lot of work had already been done in the summer of 2019 to help set up our teams to work remotely. Our move to an entirely electronic quality assurance review, case management and digital filing system meant that we could operate well throughout 2020. We were able to perform 87% of our QAD reviews virtually. This meant we continued to provide guidance, fulfil requests for key documentation and advise on how to carry out monitoring reviews in a secure and safe manner. Disciplinary tribunals initially appeared too complex to migrate online. We made the difficult decision to postpone all disciplinary tribunals and appeals from March. In August, following the courts' example, we opened up discussions with the disciplinary

committee to ensure that members would be able to attend online tribunals and be heard in adherence with the ICAEW disciplinary bye-laws.

As a result of these discussions, we held our first case management hearing to explore how these could be carried out virtually. This was highly successful and continues to be so.

Our examinations logistics have been made more complex, posing significant challenges for our Learning & Professional and IT departments.

ACA student intake numbers have been negatively impacted by COVID-19 against forecast 2020 student intake and Authorised Training Employers (ATE) targets, as employers have prioritised keeping their business running over recruitment and training. We anticipate this continuing into 2021, and our priority is maintaining quality throughout the qualification and thus the membership.

Revenue and profitability across most areas of Members, Commercial and Shared Services (MCSS) was significantly impacted by the COVID-19 pandemic, our commercial revenue in 2020 was £9.6m, compared to £14.4m in 2019.

The pandemic may result in a long-term change in how ICAEW and our members undertake our business. We will continue to adapt and react to the challenges caused by COVID-19 during 2021, based on the combined effort and commitment of ICAEW active volunteers and ICAEW staff.

Further details can be found under the principal risks section and throughout the annual review.

Corporate governance statement

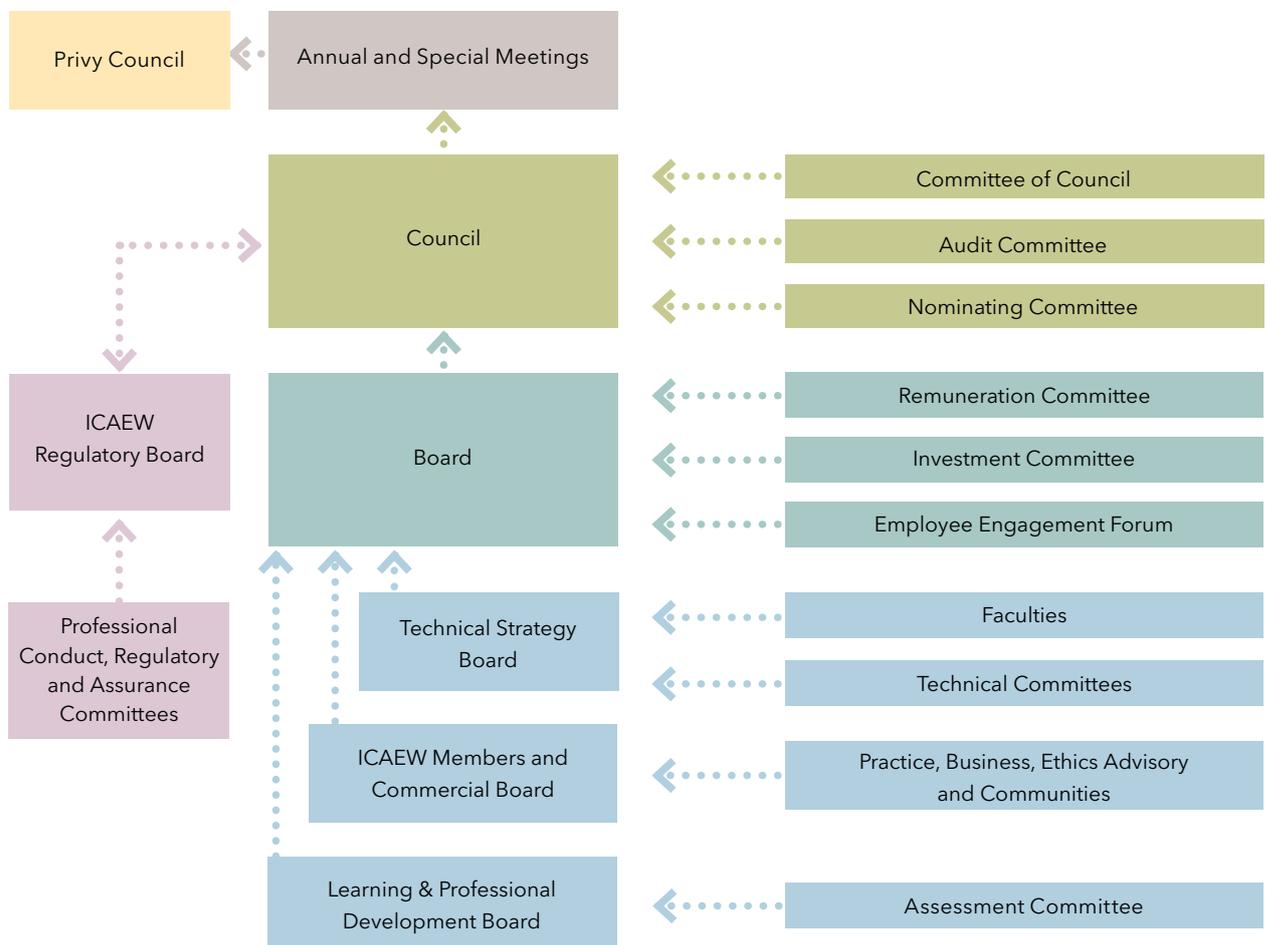
INTERNAL CONTROL

Council is responsible for ICAEW's system of internal control and for reviewing its effectiveness. The audit committee reviews information and regular reports provided by management, internal audit and the external auditors on behalf of council; a summary of their work is noted in the report of the audit committee in the corporate governance statement. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable, but not absolute, assurance against material misstatement

or loss. It includes financial, operational, compliance and risk management controls (refer to Audit Committee section in Corporate Governance Statement).

FRC	Financial Reporting Council
IAASA	Irish Auditing and Accounting Supervisory Authority
IS	Insolvency Service
FCA	Financial Conduct Authority
OPBAS	Office for Professional Body Anti-Money Laundering Supervision
LSB	Legal Services Board

ICAEW GOVERNANCE STRUCTURE



OUR APPROACH TO GOVERNANCE

The Institute of Chartered Accountants in England and Wales (ICAEW) is a chartered body incorporated by Royal Charter RC000246 and operates under the terms of its Royal Charter, bye-laws and regulations from its registered office at Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA. We are committed to the highest standards of corporate governance as set out in the UK Corporate Governance Code.

ICAEW complies with the UK Corporate Governance Code on a 'comply or explain' basis, recognising that parts of the Code do not relate exactly to the governance of a professional body. We operate within regulatory oversight of the FRC, as a recognised supervisory body, a recognised qualifying body, a designated professional body, and as a licensor of insolvency practitioners. We are also regulated for reserved legal activities by the Legal Services Board. Further information on our governance structure can be found at [icaew.com/governance](https://www.icaew.com/governance)

ANNUAL MEETING

The Charter and bye-laws reserve certain matters for members. This includes consideration of the annual review and the financial statements with the report of the auditor. The 2021 Annual Meeting will be held on Wednesday 2 June at 11.00 BST.

OUR STRUCTURE

Our governance structure is designed to safeguard our future, enhance ICAEW's prosperity and ensure its integrity. Council delegates to the board and committees through a series of delegated authorities and assurance mechanisms, while ensuring that

the views of the profession are heard. Many committees have specialist knowledge and skills to ensure operational activity and policy development is managed effectively, in a timely fashion with appropriate depth of scrutiny of key decisions.

COUNCIL

The powers of council are set by the Charter and bye-laws. Council is ultimately responsible for ensuring that ICAEW meets the objects set out in the Charter. In 2020, council discussed matters such as ICAEW's response to the pandemic and the support for members such as the 2021 Fees and Subscriptions freeze. Council also agreed a new 10-year strategy, considered initiatives to support Trust in the Profession, ICAEW's future governance structure and a review of the District Society structure.

Council members have three distinct roles:

The representative role

Ensuring the views across our profession are heard in the setting of the ICAEW strategy.

The holding to account role

Upholding the public interest and holding the board to account for the delivery of our operational priorities.

The approvals role

Approving annually the operational plan and budget and satisfying itself that our principal risks are being monitored by the board.

In 2020, council met six times. The majority of council members are directly elected by ICAEW members, with the remainder co-opted or ex-officio. Council elects its chair annually from among its members. As at 31 December 2020, council comprised 93 members.

THE OFFICE-HOLDERS

Position	To 3 June 2020	From 3 June 2020
President	Fiona Wilkinson	David Matthews
Deputy-President	David Matthews	William Brooks
Vice-President	William Brooks	Julia Penny

The powers of the office-holders are primarily in relation to procedural matters specified in the principal bye-laws. They have an ambassadorial role, meeting members and stakeholders and promoting ICAEW. They represent the views of council and the wider accountancy profession and ensure that these are taken into account in the development of ICAEW strategy and policies. They counsel and advise the chief executive. The President chairs the Annual and Special meetings of members and the ICAEW board. All office-holders (and council members) act in a non-executive capacity.

COUNCIL, BOARD AND COMMITTEE INDUCTION

All new council and board members attend an induction which informs them about the structure and strategy of ICAEW, their role as council or board members and the key issues affecting the profession. Separate training and induction sessions are held by committees for their members on key areas within the remit of their committee.

COUNCIL MEMBER INTERESTS

Council members, including office-holders, do not receive remuneration. They are reimbursed for travel and subsistence costs incurred in undertaking ICAEW business. Council members are required to declare any potential conflicts of interest that arise. Members of council, board and committees are also invited to identify and declare any potential conflicts of interest at each meeting.

ICAEW BOARD

Our board acts under delegated authority from council and is responsible for all matters relating to the development and implementation of ICAEW strategy (including review of risk), policy, operational plans and all matters relating to ICAEW resources.

The board has four distinct roles:

Develop, supervise and implement strategy

Responsible for supervising the delivery of the strategy and all matters relating to its implementation.

Holding to account

Holding the executive to account in the performance of their duties, taking into account the views of council.

Monitoring risk at a strategic level

Overseeing a risk framework designed to provide adequate assurance as to the protection of ICAEW's assets including the maintenance of the reputation of ICAEW, taking into account the recommendations and advice of the audit committee.

The approvals role

Recommending the operational plan for approval by council and taking responsibility for all matters (other than those reserved for the ICAEW regulatory board) relating to policy in support of ICAEW's strategy.

The board reports on its activities at each council meeting. The chief executive and executive team report monthly to the board on principal risks and on the implementation of the operational plan. The duties of the board and of each of its committees are set out in their respective terms of reference.

Stakeholder	Their Interests	How we engage
The public	Accountancy regulation Find a Chartered Accountant Impartial advice Legal Technical know-how Trust in the Profession	Annual Review and Financial Statements Council, board and committees Direct marketing and communications District societies Faculties and communities Find a Chartered Accountant Helpline ICAEW website Industry events Professional standards and complaints Public events Technical know-how
Regulatory bodies	Compliance with regulations Corporate Governance Code Disciplinary bye-laws Gender pay Governance Reputation Waste and environment Worker pay and conditions	Annual Review and Financial Statements Council, board and committees Governance changes website Meetings and input into consultations Professional Standards
Members and firms	Communities District Societies Faculties International Qualifications Reputation and influence Support and advice Technical know-how	Annual and special meetings Annual Review and Financial Statements Communities Council, board and committees Direct marketing and communication District societies Evolution of the qualification to meet their future needs Faculties Industry events and conferences Input into government consultations The Office-Holders Website
Our employees	Diversity and inclusion Fair pay, benefits Health and safety and working conditions Human rights and modern slavery Training and development	Board monthly reports on HR matters Council, board and committees Employee Engagement Forum Intranet; Connect (staff newsletter) Meet the CEO Staff inductions Staff quarterly briefings The Office-Holders Whistleblowing services
Suppliers	Anti-bribery and corruption Collaboration Ethical behaviour Fair trading Long-term partnerships Modern slavery statement Payment terms Success of the business Terms and conditions	Board and/or Committee of Council approval of significant contracts Engagement with senior executives of suppliers KPIs and feedback Modern slavery statement Policy review by the board Tender and Contracts Policy

S.172 STATEMENT (THE COMPANIES (MISCELLANEOUS REPORTING) REGULATIONS 2018)

As one of the leading professional bodies for accountancy in the world, ICAEW seeks to earn trust by always acting with integrity and a deep sense of responsibility. We look to build relationships with all our stakeholders based on openness and continuing dialogue. Our culture is shaped by our clearly defined purpose - ICAEW Chartered Accountants enable a world of sustainable economies.

The duty to promote the success of ICAEW under section 172 was complied with by members of council and the board through their approval of the 10-year strategy and three-year operational plan. This duty was also executed through council and the board's discussions in promoting Trust in the Profession, its review of the Legal Services board's Internal Governance Rules, ICAEW's governance structure and ICAEW's district societies. Each member used their individual judgment and considerable experience of business decisions to decide upon the course of action they considered most likely to support ICAEW in the longer term. We also regularly refresh and review the strategy, with considerations taking place up to 2030, the 150th anniversary of ICAEW. To support these discussions the public, members, firms, employees, and other relevant stakeholder groups are considered. Furthermore, matters such as risk, remuneration outcomes and any reputational impact were either addressed in the papers or were within the reflections and considerations of the council, board and management.

BOARD ACTIVITIES RELATING TO CULTURE

We recognise that our success is partly attributed to our culture and the work of our staff. To support best practice and demonstrate leadership in corporate governance, ICAEW has an Employee Engagement Forum. The forum supports the objectives set out in the Corporate Governance Code to provide the 'employee voice at the boardroom' and reports annually to the board. In 2020, the forum fed into the development of the staff survey, reviewed staff feedback from the all-staff meetings and provided input into the development of departmental actions to support the strategy.

BOARD PRIORITIES FOR 2020 AND INTO 2021

The board has 16 members (17 until July 2020), comprising ex-officio council members, two independent non-executive directors (non-chartered accountants) and the chief executive and executive directors. Council also elects three of its members directly to the board for a two-year term. Board members receive an induction and training to support them in their role.

In 2020, Rob Tindle was elected to the council elected board position and Duncan Wiggetts, the executive director, professional standards resigned from the board, following changes to the Legal Services Board Internal Governance Rules.

The board also reviewed the executive management structure. The changes will lead to a reduction in the size of the board, to 14 members in 2021.

Despite the pandemic, the board made considerable progress during 2020 towards achieving the objectives set at the beginning of the year, both supporting the membership and upholding the public interest. For example:

- Amidst the backdrop of uncertainty surrounding COVID-19, ICAEW continued to deliver the examinations, showing agility in moving to remote invigilation.
- ICAEW became the first carbon neutral professional body.
- ICAEW implemented changes to support and enhance Trust in the Profession.
- The implementation of our Business Systems Transformation programme continues. This project will support a strengthening of ICAEW's back-office and CRM functionality.

During 2021, the board's agenda will continue to focus on our Business Systems Transformation programme but will also focus on the BEIS consultation into the future of audit, changes to ICAEW's governance structure, the regulatory landscape and the development of our CPD programme.

BOARD EVALUATION

The effectiveness of the board is vital to the success of ICAEW. The board undertakes a rigorous evaluation process each year to assess how it, and individual directors, are performing. The usual process is for an evaluation to be undertaken by way of an internal questionnaire, supported by individual discussions with the chair, with an external evaluation conducted periodically as determined by the board. The last external evaluation was in 2015. During the year the non-executive directors, led by the chair, met to discuss the executives' performance. The non-executive directors also provided feedback on the chair's performance.

The board in general scored itself positively indicating that it views itself as effective albeit with some deterioration in the scores relative to last year. The evaluation also highlighted several priority areas for the board to focus on in 2021 as highlighted above.

The board met 12 times in 2020.

The members of the board during 2020 are outlined below. The board gender split at 31 December 2020 is 75% male 25% female.

Name	Position	Appointed	Retired	Attendance
William Brooks*	Deputy-President (from 3 June) Vice-President (to 3 June)			12/12
Mark Coles*	Council member elected to the Board			12/12
Sharron Gunn	Executive Director, Members, Commercial and Shared Services			12/12
Mary Hockaday	Independent non-executive member of the Board			12/12
Robert Hodgkinson	Executive Director, Technical Strategy			12/12
Michael Izza	Chief Executive			11/12
Kate Mathers*	Chair, Learning and Professional Development Board			11/12
David Matthews*	President and Chair (from 3 June) Deputy-President (to 3 June)			12/12
Julia Penny*	Vice-President (from 3 June)			12/12
Mark Protherough	Executive Director, Learning and Professional Development			12/12
Mark Rhys*	Chair, Technical Strategy Board			12/12
Vernon Soare	Chief Operating Officer			12/12
Clive Stevens*	Chair, Members and Commercial Board			11/12
Nathan Steinberg*	Council member elected to the Board			11/12
Rob Tindle*	Council member elected to the Board	2 June		6/6
Duncan Wiggetts	Executive Director, Professional Standards		21 July	7/7
Fiona Wilkinson*	President and Chair (to 3 June)		3 June	5/5
Malcolm Wood	Independent non-executive member of the Board			12/12

* Council member

THE CHIEF EXECUTIVE

The Chief Executive, Michael Izza, operates within the framework of delegations approved by council. Reporting to the president, he is responsible for the overall management of ICAEW, for the development and implementation of strategy, and for ensuring that ICAEW operates economically, efficiently and effectively. He also has a representational role, building effective relationships with members and with governments, regulators, other public bodies and the media.

DEPARTMENTAL BOARDS

Three departmental boards report into the board and steer the development of policy for ICAEW's key activities, in the areas of learning and professional development; members, commercial and shared services; and technical strategy. They are represented on the ICAEW board through their chair's ex-officio membership.

AUDIT COMMITTEE

The audit committee acts under delegated authority from council, and is responsible for ensuring effective oversight, assessment and review of external audit, financial reporting, internal controls and risk management, and internal audit. Key areas of focus in 2020 include:

- in order to assure council as to the adequacy of ICAEW internal controls of risk management, the audit committee received appropriate evidence from internal audit, external audit, management and relevant external sources of assurance;
- consideration of significant areas of judgement pertaining to the financial statements and how these were addressed - the FRC provision, revenue recognition, judgements and estimates, fixed assets,

impairments, recognition of pension assets and relevant disclosures; and

- the committee's assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor.

The audit committee met four times in 2020. Both the internal and external auditors attend its meetings and have direct access to its chair. The external auditors attend all meetings. During part of a meeting each year, the external auditors and the committee meet without ICAEW management present. The board receives the minutes of the audit committee on a quarterly basis and council receives an annual report on its activities.

The members of the audit committee during 2020 were:

Name	Position	Appointed	Retired	Attendance
William Brooks*	Deputy-President (from 3 June) Vice President (to 3 June), non-executive committee member and Board representative			4/4
David Canning-Jones*	Chair (to 2 June), non-executive committee member		2 June	1/1
Nigel Jones	Non-executive committee member			4/4
Alison Smith	Non-executive committee member			4/4
Piers Clinton-Tarestad	Non-executive committee member			3/4
Henry Wallis	Non-executive committee member			4/4
Dr Sarah Walsh	Non-executive committee member			3/4
Carol Warburton*	Chair (from 2 June), non-executive committee member			3/4

* Council member

During the year, the audit committee has:

- reviewed the financial statements, having received a report from the external auditors on their review and audit;
- considered the external auditor's Audit Findings Report including their observations in respect of any deficiencies or potential improvements in the operation of ICAEW's systems and internal controls arising during the course of their audit work;
- agreed the fees and terms of appointment of the external auditors; and reviewed their quality and effectiveness;
- agreed the work plan of internal audit and reviewed the resulting output from that plan;
- considered an annual report on our whistleblowing arrangements and complied with the Whistleblowing Commission's Code of Practice;
- reviewed principal and operational risks;
- reviewed the significant estimates and judgements used in the preparation of the accounts; and
- continued to focus on cyber-security, BST and data protection risks.

The committee has received reports on the work carried out by internal audit and the results of their investigations including management responses, their adequacy and timeliness. The committee undertakes a rigorous review of its effectiveness annually.

Significant areas of review by the audit committee in the year included 'deep dives' into principal risks and mission-critical projects such as Business Systems Transformation, GDPR, ICAEW's international offices, risk management. The committee also reviewed the implications of COVID-19, on the external audit process and on the operation of the finance function.

AUDITORS

Haysmacintyre LLP was re-appointed (were first appointed as external auditor at the AGM on 7 June 2016) as ICAEW's external auditor in respect of the year ended 31 December 2020. Current policy is to tender the external audit at least every 10 years.

The audit committee annually reviews and considers the quality, effectiveness and independence of the external auditors. This includes a review of safeguards in place in relation to non-audit services, and a review of the partners and directors of the audit firm who sit on our committees. To ensure appropriate levels of independence, a firm cannot be our auditor if any partner or employee of the firm is a member of council during the period of tenure. We also have a policy regarding non-audit work by the audit firm. The general principle is that the audit firm should not be asked to carry out non-audit services where it may, in the future, be required to give an audit opinion. Audit committee approval is required for such services.

To assess the effectiveness of the auditor the committee reviewed the external auditor's:

- fulfilment of the agreed audit plan and variations from it;
- report of major issues arising during the course of the audit; and
- most recent transparency report and AQR report.

MONITORING OF FINANCIAL CONTROLS

Over the course of the year the audit committee considered many components of business performance to ensure it has a full understanding of the operations of ICAEW, recognising that not all of its members are also on the council or board. Examples of processes it uses include:

- review of the processes undertaken in determining the position adopted in key judgement areas including FRC costs, impairments and recognition of pension surplus;
- 'deep dives' into risk areas;
- receipt of regular strategy reports from the chief executive; and
- requesting members of management attend audit committee meetings to provide updates on strategic and key operational matters and specific or significant risks.

Through these processes and its monitoring of the effectiveness of controls, internal audit and risk management, the audit committee is able to maintain a good understanding of business performance, key areas of judgement and decision-making processes within the organisation, and the consequences for financial reporting.

REVIEW OF FINANCIAL STATEMENTS

Through discussion with management and the external auditor, the audit committee determined that the key judgements with risk of misstatement in our financial statements related to management override of controls, provisions for FRC disciplinary case costs, risk of fraud and error in revenue recognition and the key assumptions adopted in respect of the actuary's valuation of ICAEW's defined benefits pension scheme.

These issues were discussed with management during the year and with the auditor when reviewing and agreeing the audit plan, and also at the conclusion of the audit of the financial statements.

The committee has reviewed the basis for monitoring and forecasting FRC case costs, assessed the sources of information available to management (including historic data and

forecasts from the FRC) and considered the review processes performed by management and the external auditor. While recognising the confidential nature of such information, the committee was able to obtain the necessary understanding and assurance.

The committee also reviewed key judgements made in the previous financial year relating to pension scheme assumptions and confirmed that those judgements remain valid for the 2020 financial year.

After reviewing the presentations and reports from management and consulting with the auditors, the audit committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both for the amounts reported and the disclosures. The committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

As a result of its work during the year, the committee has concluded that it has acted in accordance with its terms of reference and has ensured (as far as it can) the independence of the external auditors.

NOMINATING COMMITTEE

The nominating committee, under delegated authority from ICAEW council, deals with all matters relating to committee and other appointments to ensure the composition of ICAEW governance bodies is representative of our membership and reflects the diversity, knowledge and skillset of the profession.

Nominating committee also discusses and makes recommendations to co-opt members to council to address gaps in representation of significant and strategically important groups or regions.

Membership of the nominating committee includes the office-holders, immediate past president, past president, chief executive and three members elected from council. The immediate past president is chair of the committee and retires annually by rotation.

Nominating committee has delegated the annual review of committee memberships to the committee review working party, which is chaired by the deputy-president. The committee review working party is a subset of nominating committee and ensures that a smaller group of members is able to meet and review committee membership in greater detail.

The committee review process is designed to support committee chairs in identifying vacancies, gaps in skills and representation and managing succession planning for their committees. Vacancies identified are advertised across available communication channels to invite interest from a wide and diverse field of candidates. Nominating committee receives recommendations for approval from the working party at their meeting in April for appointments to take effect in June following the AGM. The nominating committee reports to council on appointments approved to committees and also on the committee review process.

The key priorities for the review are:

- Diversity, in its broadest sense.
- Relevance of skills/experience.
- Casting a wide net and being inclusive.
- Clear and timely succession planning.
- Maximum terms and renewals.
- Increasing international representation.

During the year, a vetting sub-committee set up to vet candidates for election to ICAEW council convened for the first time to vet candidates for 2021 ICAEW council elections. The vetting sub-committee consists of the office-holders and the returning officer.

The nominating committee's work during 2020 included the following:

- Recommending appointments to ICAEW committees, faculties, and boards.
- Considering co-options to ICAEW council.
- Recommending a transition to terms of office of three years, renewable once, for principal committees.
- Considering various aspects of the 2021 council elections process, including the ballots, managing conflicts of interest and vetting candidates.

There were seven meetings during the year.

The members of the nominating committee during 2020 were:

Name	Position	Appointed	Retired	Attendance
Fiona Wilkinson (Chair)	President (to 3 June) Immediate Past President (from 3 June)			7/7
Paul Aplin	Immediate Past President (to 3 June) Past President (from 3 June)			6/7
David Matthews	President (from 3 June) Deputy-President (to 3 June)			7/7
William Brooks	Deputy President (from 3 June) Vice-President (to 3 June)			7/7
Julia Penny	Vice President (from 3 June)	3 June		4/4
Susan Smith	Council member elected to the Committee			6/7
David Crackett	Council member elected to the Committee	2 June		6/7
Andy Batty	Council member elected to the Committee	2 June		4/4
Michael Izza	ICAEW Chief Executive (ex-officio)			7/7
Derek Blair	Council member elected to the Committee		2 June	3/3
Nick Parker	Past President (to 3 June)		3 June	3/3

REMUNERATION COMMITTEE

The remuneration committee keeps under review, on behalf of the board, the elements of the remuneration package provided for ICAEW staff, including the chief executive and executive directors. Staff are remunerated with reference to their annual performance rating and benchmark market salaries. The committee also monitors office-holder expenses. The

chair of the remuneration committee or their nominee reports at least annually to the board.

The remuneration committee met six times in 2020. The chair regularly consults with the non-executive members of the board, being our members, during the pay review process to support the judgements made and ensure the objectives set are consistent with the operational plan, as agreed with council.

The members of the remuneration committee during 2020 were:

Name	Position	Appointed	Retired	Attendance
Sophie Symons	Chair			5/6
Noel Clehane*	Member, Council			6/6
David Matthews*	President (from 3 June) Deputy-President (to 3 June)		3 June	1/2
Julia Penny*	Vice-President (from 3 June)	3 June		4/4
Marcus Peaker	Independent non-executive committee member			5/6
Mark Freebairn	Independent non-executive committee member			6/6

* Council member

PAY POLICY

The key element of ICAEW's pay policy is to reward those staff who have achieved their core agreement and who are living our values, determined with reference to market value. All our positions are benchmarked against market salaries. Under its terms of reference the remuneration committee is responsible for agreeing, on the recommendation of the office-holders and chairman of the board any changes to the remuneration package of the chief executive including any deferred element. It is also responsible for agreeing, on the recommendation of the chief executive, the remuneration packages of the executive directors.

We believe that staff should be appropriately rewarded in relation to:

- the wider economic and commercial environment;
- the value placed on comparable jobs in other organisations;
- the value placed on comparable jobs within ICAEW;

- the contribution they make towards achieving ICAEW's objectives and to the long-term success of the organisation; and
- the results they achieve and the degree to which they meet our behaviours.

A key element of the pay policy is to recognise those staff who make a significant and/or consistent contribution to the achievements of ICAEW's operational plan while at the same time living the ICAEW values and working in a collaborative, agile and innovative manner. This can be recognised by a non-consolidated lump sum 'added value' bonus award. However, in 2020 it was decided that due to the pandemic ICAEW would not be paying any discretionary bonuses.

Independent non-executive members of the board (those who are not ICAEW members) receive a fee of £15,500 per annum. No other non-executive member of council, board or other member committees are remunerated. In relation to professional standards, the chair of the ICAEW regulatory board is paid £30,000 per annum and the lay members of the IRB are paid a day rate of £350.

REMUNERATION FRAMEWORK

Employee remuneration is composed principally of fixed and variable elements of reward as follows:

(a) Fixed reward:

- fixed remuneration: base salary
- benefits (including pension)

(b) Variable reward:

- discretionary or contractual bonus for eligible employees.

OPERATION OF REMUNERATION

BASE SALARY

To provide a core reward for undertaking the role, positioned at a level needed to recruit and retain the talent required to develop and deliver the operational plan.

Base salaries are set taking into account a range of factors including:

- the individual's skills, performance and experience;
- wider workforce salary levels;
- external benchmark data;
- the size and responsibility of the role;
- the complexity of the business and geographical scope; and
- economic indicators.

BENEFITS (INCLUDING RETIREMENT BENEFIT AS APPROPRIATE)

To provide market-competitive monetary and non-monetary benefits, in a cost-effective manner, to assist employees in carrying out their duties efficiently.

Benefits provided may be made up of core benefits and extra voluntary benefits (as appropriate).

DISCRETIONARY OR CONTRACTUAL BONUS

To reward the achievement of performance targets in a range of key performance areas.

PAY REVIEW AND STAKEHOLDER CONSULTATION

The outcome of the staff pay review and how salaries and recognition awards are spread across the organisation are published to all staff. This supports transparency and aligns with our values and culture. The staff pay policy is also published on the staff intranet. Listening to and consulting with our employees is very important and includes the staff feedback survey, all staff breakfasts, two members of staff appointed to the executive committee and the employee engagement forum. These initiatives support our culture and talent management initiatives. We do not consult directly with employees on the executive remuneration policy. However, when determining the policy for executive directors, we have been mindful of the pay and employment conditions of employees in ICAEW, with particular reference to the market in which the executive is based.

DISCRETION

The remuneration committee also has discretion to award one-off payments to staff, where it is recognised that they have gone over and above their objectives. However, as explained above no discretionary awards are being made for 2020.

CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

The chief executive and executive directors are appointed by a senior staff appointments committee comprising senior council members and advisers. They are not subject to regular election by members. Nonetheless, their performance is reviewed annually by the remuneration committee, which reports to the board accordingly.

The chief executive notice period is 12 months, and the executive director notice period is 6 months. They receive a basic package, and in addition to the basic package there is a deferred pay element opportunity of up to 35% of base salary for the chief executive and 30% for the executive directors (this is a non-consolidated payment). Their performance is judged on the basis of the deferred pay scorecard. However, in 2020 the chief executive and executive directors waived their deferred pay due to the COVID-19 pandemic.

EXECUTIVE PAY GAP REPORTING REGULATIONS

To demonstrate governance best practice, ICAEW is voluntarily applying the Companies (Miscellaneous Reporting) Regulations 2018. The tables below set out the equivalent ratio of pay of the chief executive officer and UK employee population as a whole at median, lower quartile and upper quartile using the Option B methodology and the gender pay data on the snapshot date of 5 April of each year. For the purposes of these accounts, this snapshot was taken as at 5 April 2020 (and therefore reflects Deferred Pay and bonuses in respect of the year ended 31 December 2019).

For 2020, the 25th and 75th percentile figures are the same as in 2019. The 50th percentile has increased slightly due to a rounding calculation of the figures.

A key principle underlying our approach to the executive remuneration policies is that reward should be aligned to the performance outcomes of ICAEW and the competencies, behaviours and values exhibited. In reviewing the employee pay data, ICAEW is comfortable

that the P25, P50 and P75 individuals identified appropriately reflect the employee pay profile at those quartiles. Also, ICAEW is mindful of remuneration policy developments in the wider corporate environment and how these can be incorporated into ICAEW's policy to promote good corporate governance and prevent reward for failure. The weightings are reviewed annually, and the deferred pay calculation brings together the performance from the following elements.

DEFERRED PAY

Business area	Weighting
ICAEW operational plan	50%
Business area objectives	50%
Total	100%
% salary	Total of 30% (EDs) Total of 35% (CE)

As noted above, in 2020 the chief executive and executive directors waived their deferred pay due to the COVID-19 pandemic.

BASIC SALARY

An increase of 2.5% to the base pay for Executive Directors in 2020 was consistent with the budget applied for average increases in the annual pay review for other ICAEW employees in the UK. This increase is in line with expectations around market movements and inflation in the UK and is consistent with overall increases being applied across our UK-based employees. The remuneration policy operated as intended in 2020.

Percentile and Total Remuneration	Method:	2019		2020	
		Ratio	Hourly rate	Ratio	Hourly rate
25th percentile	Option B	20:1	£15.91	20:1	£16.17
50th percentile	Option B	14:1	£23.10	15:1	£22.81
75th percentile	Option B	9:1	£36.83	9:1	£36.49

ICAEW REGULATORY BOARD (IRB)

The IRB is responsible for overseeing much of the professional standards activities and statutory regulatory role of ICAEW. The role of the IRB is to initiate and develop strategic priorities pertaining to professional standards regulation such as keeping changes to regulations and bye-laws under review and setting regulatory fees. It does not become directly involved with individual disciplinary or regulatory matters.

The IRB has regard to the objectives of the profession, as set out in ICAEW's Royal Charter. It is expected to have the interests of the public at the forefront of everything it does. To support this, IRB members are expected to act with independence and avoid conflicts of interest. The IRB ensures the ICAEW Professional Standards Department runs the processes that underpin licensing and disciplinary work effectively and efficiently.

The IRB has 12 members including the chair and is formed of an equal number of lay members (someone who is not and never

has been a member, affiliate or employee of ICAEW or any other accountancy body) and non-lay members (ICAEW Chartered Accountants). The current IRB chair is a lay member, Michael Caplan QC. The chair and IRB members are all appointed using an independent selection process. In 2020, the IRB met six times.

During 2020, the IRB considered, among other things, ICAEW's compliance with the Legal Services Board's Internal Governance Rules including the appointment of an alternate IRB chair for legal services matters and the creation of a new committee to deal with recruitment to the IRB, the policy development for a public database for disciplinary findings, and professional standards' response to COVID-19. There is more information about the matters considered at the IRB's meetings at [icaew.com/irb](https://www.icaew.com/irb)

DIVERSITY AND INCLUSION

ICAEW is an international professional body with multiple routes to entry. Diversity is embedded in our thinking and our aim is that we represent the profession as a whole and that our governance bodies are as diverse as our membership. We have a wide range of diversity initiatives including the digitalisation of BASE, ICAEW 100, Access Accountancy and signatories to the Women in Finance Charter.

All members are eligible to stand for election to council or get involved with an advisory committee, faculty or community committed to the principles of equality and diversity with the aim of representing the profession as a whole.

The nominating committee ensures that council, board and committees have an appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties effectively, while ensuring engagement of the best person for the role.

Name	Position	Attendance
Ann Wright	Lay	6/6
Andrew Goldsworthy	Non-Lay	5/6
Asif Patel	Non-Lay	6/6
Chris Fraser	Lay	5/6
David Chitty	Non-Lay	6/6
Ian Leigh	Lay	6/6
Jane Titley	Non-Lay	6/6
Michael Caplan (Chair)	Lay	6/6
Michael Sufrin	Non-Lay	6/6
Philip Nicol Gent (Vice chair)	Lay	5/6
Steve Barrow (Alternate chair)	Lay	6/6
Thomas Palm	Non-Lay	6/6

In 2020, recognising the maturing of diversity awareness across ICAEW, the diversity advisory group was dissolved, and responsibility for its activity subsumed into the operational management of ICAEW, with oversight from the board. This change will enhance the support we provide the membership and ensure best practice and global trends are embedded in everything we do. In December 2020, we became the first professional body to sign up to the new Charter for Black Talent in Finance and the Professions. The Charter aims to boost, recruitment, career progression, retention and promotion of Black talent in the finance and professional services sectors - with publicly-reported data to assess progress. Under the Charter, ICAEW has six months (June 2021) to create a five-year plan and establish targets to improve equality of opportunity for Black ICAEW employees.

ICAEW's mean gender pay gap increased from 25.8% in 2019 to 26.6% in 2020. While gaps at role levels are generally low, the overall gap represents an historic higher proportion of long-serving male senior management positions.

MODERN SLAVERY

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. This reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls which address the risks of modern slavery and human trafficking.

Further information on how this is addressed can be found in our Modern Slavery Statement available at [icaew.com/modernslavery](https://www.icaew.com/modernslavery)

EMPLOYEES

ICAEW aims to create a working environment that is based on a number of key principles including fairness, equality of opportunity, respect and dignity, flexibility, transparency and work-life balance. We believe that these key principles enable staff to enjoy work, develop as individuals and provide the best possible service to members, clients and the public, which contributes to the continued success of the organisation.

ICAEW is committed to the values of initiative, insight and integrity. It is our policy to treat all staff fairly and equally regardless of age, race, sex or sexual orientation, gender (including transgender), disability, marital status (including civil partnership), pregnancy and maternity, social or educational backgrounds or family or carer responsibility. Should existing staff suffer a disability, we will do all we can to accommodate this and to help the member of staff to continue their career in their existing role where possible, or in an alternative position in the organisation.

ICAEW regularly carries out a staff survey to ensure staff are engaged with our strategy, and it has a well-established performance management process and training and development policy. Staff can discuss their development needs at 'one-to-ones' with their manager or as part of the annual performance management process. We hold regular strategy updates for all staff and have dedicated communications channels, including an intranet and weekly email updates, and an Employee Engagement Forum to support the 'employee voice' at the boardroom.

GENERAL DATA PROTECTION REGULATION (GDPR)

ICAEW has in place policies, privacy statements and procedures and provides training to all staff as appropriate on data protection. ICAEW's Data Protection Officer also oversees our privacy compliance programme and data governance.

FINANCIAL RESPONSIBILITIES OF COUNCIL

Bye-law 12(a) requires audit committee and board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of ICAEW and of the result for ICAEW for that year.

Council has delegated these responsibilities to the audit committee and board. In preparing these financial statements on behalf of council, the audit committee and board has:

- prepared the financial statements in accordance with applicable law and IFRSs as adopted for use in the EU;
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on a going concern basis.

Council is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of ICAEW. It is also responsible for safeguarding the assets of ICAEW and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

DIRECTORS' CONFIRMATION

As far as each of the members of the board is aware:

- there is no relevant audit information of which ICAEW's auditors are unaware; and
- they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that ICAEW's auditors are aware of that information.

For the purposes of this declaration, all members of the board are deemed to be directors by council.

List of council members (both retired and ongoing) and their attendance during 2020: (see next page)

Corporate governance statement continued

Council member name	Appointment type and dates	Attendance in 2020
George Acquah	Co-opted	5/6
Victoria Andrew	Elected (UK - London)	6/6
Paul Aplin	Past-President	4/6
Lee Aston	Elected (UK- West of England)	6/6
Fiyza Awan	Ex-officio (Chair of ICAEW Student Council)	6/6
Mohammad Faiz Azmi	Co-opted	5/6
Malcolm Bacchus	Elected (UK - London)	6/6
Catherine Bateman	Co-opted	6/6
Andy Batty	Elected (UK- London)	5/6
Clive Bawden	Elected (UK - Birmingham & West Midlands)	6/6
Carl Bayley	Elected (UK - Scotland)	6/6
Thomas Bell	Elected (UK - West Yorkshire)	6/6
Rebecca Benneyworth	Elected (UK - West of England)	6/6
Clare Bewsher	Elected (Oceania)	6/6
David Blair	Elected (UK - East Anglia)	6/6
Derek Blair	Chair of Council (from 3 June 2020) Elected (UK - Beds, Bucks & Herts)	6/6
Helen Brennan	Elected (UK - London)	6/6
Kathryn Britten	Elected (UK - London)	6/6
William Brooks	Deputy-President (from 3 June 2020)	6/6
Angela Caldara	Elected (UK - London)	6/6
David Canning-Jones	Co-opted	5/6
David Carr	Ex-officio (Chair of the Business & Management Faculty)	6/6
Richard Cartwright	Elected (UK - Southern)	6/6
Jagdeep Chaggar	Elected (UK - London)	4/6
Heather Cheesman	Elected (UK - South Eastern)	5/6

Council member name	Appointment type and dates	Attendance in 2020
Ian Cherry	Chair of Council (to 3 June 2020) Elected (UK - North West)	5/6
Noel Clehane	Co-opted	6/6
Simon Cobbin	Elected (UK - South Essex)	6/6
Mark Coles	Elected (USA)	6/6
Andrew Coulson	Elected (UK - Birmingham & West Midlands)	6/6
Christabel Cowling	Co-opted	5/6
David Crackett	Elected (Europe & Eurasia)	6/6
Ede Dafinone	Co-opted	6/6
Ian Davies	Elected (UK - Southern)	6/6
Andrew Dawson	Elected (UK - East Anglian)	6/6
Jonathan Downer	Co-opted	6/6
Peter Duffield	Elected (UK - Humberside & District)	6/6
Graham Durgan	Elected (UK - Thames Valley)	6/6
Laura Dymott	Elected (UK - London)	6/6
Dato' Ah Tee Gan	Co-opted	5/6
Nicola Granger	Ex-officio (Chair of the Tech Faculty)	6/6
Simon Gray	Ex-officio (Chair of the ICAEW Business Committee)	5/6
Howard Gross	Elected (UK - London)	6/6
David Grunberg	Elected (UK - London)	6/6
San Gunapala	Co-opted	6/6
Stephanie Henshaw	Ex-officio (Chair of Financial Reporting Faculty)	6/6
Jake Holdroyd	Co-opted	4/6
Peter Hollis	Elected (UK - Sheffield)	6/6
Alan Hyams	Elected (UK - Manchester)	6/6
Constantine Ioannou	Elected (UK - London)	5/6
Gemma Jones	Elected (UK - London)	5/6

Corporate governance statement continued

Council member name	Appointment type and dates	Attendance in 2020
George Kourris	Elected (Cyprus)	6/6
Vincenzo Leporiere	Co-opted	6/6
Esther Leung	Co-opted	6/6
Gilly Lord	Ex-officio (Chair of Audit & Assurance Faculty)	6/6
Kate Mathers	Co-opted	4/6
David Matthews	President (from 3 June 2020)	6/6
David McBride	Elected (UK - London)	6/6
Carol McLachlan	Elected (UK - Liverpool)	6/6
Andrew Mead	Elected (UK - Beds, Bucks & Herts)	6/6
Mo Merali	Ex-officio (Chair of Corporate Finance Faculty)	6/6
Roger Merchant	Elected (UK - Leicester & Northants)	6/6
Mary Monfries	Ex-officio (Chair of Tax Faculty) (to 3 June 2020)	1/1
Mike Morgan	Ex-officio (Chair of Financial Services Faculty)	5/6
Martin Muirhead	Co-opted	6/6
Jeremy Mumby	Elected (UK - Nottingham, Derby & Lincoln)	6/6
Jeannie Okikiolu	Elected (UK - London)	5/6
Alison Ollier	Elected (UK - Staffs, Salop & Wolverhampton)	4/6
Harry Pampiglione	Co-opted	4/6
Nick Parker	Past-President (to 3 June 2020)	1/1
Julia Penny	Vice-President (from 3 June 2020)	6/6
Michael Quinlan	Elected (UK - Croydon)	6/6
Rohit Rajvanshi	Co-opted	6/6

Council member name	Appointment type and dates	Attendance in 2020
Martin Rees	Co-opted	6/6
Mark Rhys	Co-opted	6/6
Brian Ricketts	Elected (UK - Liverpool)	5/6
Samantha Russell	Elected (UK - London)	6/6
Jessica Rutland	Co-opted	4/6
Julia Seppä	Elected (Europe & Eurasia)	6/6
Raj Shah	Ex-officio (Chair, Tax Faculty) (from 1 July 2020)	3/3
John Sheehan	Elected (UK - Beds, Bucks & Herts)	6/6
Caroline Smale	Elected (UK - South West)	6/6
Jeffrey Smith	Elected (UK - Thames Valley)	6/6
Susan Smith	Elected (UK - South Eastern)	6/6
Nathan Steinberg	Elected (UK - London)	6/6
Clive Stevens	Elected (UK - South Eastern)	5/6
John Stout	Elected (UK - Thames Valley)	6/6
Matthew Stroh	Elected (UK - West Yorkshire)	6/6
Rob Tindle	Elected (UK - Northern)	6/6
Phillip Tsai	Co-opted	6/6
Jeffrey Unerman	Co-opted (Deceased)	4/5
Carol Warburton	Elected (UK - South Wales)	6/6
Rhodri Whitlock	Elected (UK - London) (Resigned 11 March 2020)	0
Fiona Wilkinson	Immediate Past President	6/6
Martin Williams	Co-opted	6/6
Jeremy Willmont	Elected (UK - London)	5/6
Anthony Woodings	Elected (UK - Manchester)	6/6

ICAEW FIVE-YEAR SUMMARY

The summary below represents the results of ICAEW and not those of the entire Group.

	2020	2019 ¹	2018	2017	2016
	£m	£m	£m	£m	£m
Income statement					
Operating income	118.7	111.1	105.4	102.6	98.6
FRC fines ³	15.7	18.3	16.3	14.6	6.7
Investment income	1.7	2.9	2.2	2.3	1.4
ICAEW services ²	(105.1)	(104.1)	(101.5)	(95.9)	(89.6)
Funding of regulatory and other professional associations ⁴	(1.4)	(7.0)	(6.6)	(6.6)	(4.8)
Gift aid, library funding and taxation	(0.7)	(0.6)	(0.6)	(0.6)	(1.0)
Strategic projects	(1.5)	(2.4)	(2.1)	-	-
Net result after taxation	27.4	18.2	13.1	16.4	11.3
Statement of financial position					
Non-current assets excluding Staff Pensions Fund	122.9	112.6	103.2	93.2	76.9
Non-current assets - Staff Pensions Fund asset	22.5	24.0	12.4	5.7	1.5
Current assets	94.1	65.5	62.0	41.4	34.8
Current liabilities	(79.1)	(67.0)	(75.3)	(54.3)	(57.1)
Non-current liabilities	(43.5)	(43.0)	(40.6)	(40.2)	(37.0)
Total net assets	116.9	92.1	61.7	45.8	19.1
Member and student numbers					
Members	157,801	154,531	151,761	149,298	147,538
ACA students	31,656	30,241	28,700	27,866	25,822
	189,457	184,772	180,461	177,164	173,360

¹ ICAEW initially applied IFRS 16 on 1 January 2019, using the modified retrospective approach. Under this approach, comparative information presented for prior years (2016 to 2018) is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

² ICAEW Services is the total overhead cost for supporting business excluding FRC.

³ Excludes FRC cost recoveries which are now included in "Funding of regulatory and other professional associations".

⁴ Includes FRC cost recoveries which were previously included in "FRC fines".

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES ("ICAEW") FOR THE YEAR ENDED 31 DECEMBER 2020

OUR OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. OPINION

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of ICAEW's affairs as at 31 December 2020 and of the group's and ICAEW's result for the year then ended; and
- the group and ICAEW financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

WHAT WE HAVE AUDITED

We have audited the financial statements of ICAEW for the year ended 31 December 2020, which comprise:

- the group and ICAEW income statements;
- the group and ICAEW statements of comprehensive income;
- the group and ICAEW statements of changes to reserves;
- the group and ICAEW statements of financial position;
- the group and ICAEW statements of cash flows;
- the basis of preparation and accounting policies; and
- the notes to the financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the EU.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law.

Our responsibilities under ISAs (UK) are further described in section 10 of our report. We are independent of ICAEW and the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to enable us to express an audit opinion on the financial statements of ICAEW and the group for the year ended 31 December 2020.

3. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the council's assessment of ICAEW's ability to continue to adopt the going concern basis of accounting included review of management's forecasts of future performance and ability to meet its liabilities as they fall due.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on ICAEW's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of council with respect to going concern are described in the relevant sections of this report.

4. OUR APPROACH TO PLANNING OUR AUDIT

UNDERSTANDING ICAEW

We continued to develop our understanding of ICAEW as an organisation and of its wider group, including the key elements of its strategy and operating model as well as the environment in which it operates. This understanding was obtained through our discussions with senior management and those charged with governance and review, enquiry, analytical procedures, observation and inspection.

IDENTIFYING AND ASSESSING THE RISK OF MATERIAL MISSTATEMENT

We perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement, including those identified as significant risks.

DETERMINING MATERIALITY AND PERFORMANCE MATERIALITY

When establishing our overall audit strategy, we determine materiality for the financial statements as a whole. We have detailed in section 6 of this report the basis of the judgements we have made about the size of misstatements that will be considered material.

DETERMINE THE SCOPE OF OUR AUDIT

Our scope is tailored to the particular circumstances of our audit of ICAEW and the group and is influenced by our assessed risks of material misstatement and determination of materiality.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the

greatest effect on our overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

FRC CONDUCT COMMITTEE PROVISION

The risk: ICAEW is obliged to fund the costs incurred by the Financial Reporting Council (FRC) conduct committee in undertaking investigations for disciplinary cases. The provision recognised in the financial statements is based on an estimate of costs initially supplied by the FRC and then subject to scrutiny and challenge by ICAEW. Due to the magnitude and degree of estimation and judgement required there is a significant risk of material misstatement in the financial statements.

Our response: We followed the progress of each case and FRC's and ICAEW's estimate of the costs to complete each stage, and obtained a breakdown of the provision by case.

We reviewed the key elements of the methodology employed by management and challenged the reasonableness of the cost estimates recognised. We agreed the reasonableness of these estimates by comparing the accuracy of previous cost estimates recognised to the final costs incurred on similar investigation cases. We also considered the key facts relating to cases on a line by line basis. We considered the impact on future case costs from changes arising in the disciplinary environment. We challenged a number of the provision estimates based on a comparison of past costs, the estimates of the FRC and ICAEW and the case notes provided by the FRC and validated the FRC case notes as being an accurate account of the progress made on each individual case. Management also considered there to be sufficient reliable historical information on which to provide

for cost recoveries which is netted off the provision. We validated the historical data and the judgements made by management in arriving at the estimate of costs recoveries on open cases at the year end date.

WHAT WE REPORTED TO THE AUDIT COMMITTEE:

We have reviewed and confirmed our agreement to the methodology employed in calculating the appropriate provision and verified these to supporting evidence and details of current ongoing cases on a case-by-case basis. We confirmed the calculation of past cost recoveries and were satisfied with judgement made in discounting the historical average for uncertainties in future potential cost recoveries. We have reviewed the disclosures included in the financial statements in respect of the uncertainties faced by management in estimating an appropriate provision net of cost recoveries and the contingent liabilities arising from ongoing cases. We have considered the latest discussions with the FRC up to the date that this report.

From the audit work undertaken we have concluded that the provision carried at the balance sheet date is not materially misstated.

REVENUE RECOGNITION

The risk: While the majority of ICAEW's income relates to fees directly collected from members for services which are centrally managed and verifiable, ICAEW also collects material amounts from member firms which are not recognised in the ICAEW or group income statement where it considers such amounts to be collected on behalf of other organisations such as the FRC. Such arrangements have developed over a period of time as custom or practice rather than by way of legal agreement or obligation and therefore we continued to identify revenue recognition as a significant risk.

Our response: We undertook a number of audit procedures to verify the appropriateness of revenue recognition in the financial statements. This included, among others:

- detailed review and documentation of the processes and controls in place for each of ICAEW's key income streams;
- sampling substantive procedures in order to ensure income has been appropriately recorded;
- non-sampling substantive procedures in relation to membership fee income including comparisons to budget and trends analysis;
- we reviewed and tested the key estimates regarding historic admission fees and membership applied by management to appropriate data sources for reasonableness to deferred admission fees.
- reviewed the accounting treatment applied by ICAEW in respect of new and existing income streams, to ensure that management's conclusions as to whether ICAEW acts as an agent or principal were appropriate and in accordance with applicable IFRSs.

What we reported to the audit committee:

From the audit work undertaken we have concluded that the financial statements are not materially misstated due to errors or improper revenue recognition.

DEFINED BENEFIT PENSION SCHEME

The risk: The amounts reported and the impact on the financial statements for defined benefit pension schemes are significant and highly sensitive to the assumptions applied by the actuaries. We identified that this presented a significant risk of material misstatement due to the use of inappropriate actuarial assumptions or inappropriate accounting treatment in recognising any pension surplus as an asset in the financial statements.

Our response: We undertook audit procedures on the valuation of the pension scheme prepared by the scheme's actuaries in accordance with IAS 19 which form the basis of the accounting and disclosures included in the financial statements. These procedures included assessment of the actuary's competence, qualifications, expertise, experience, resources and objectivity and critical review of the key assumptions applied in preparing the valuation. We also considered whether there had been any changes to the legal basis underpinning the recognition of the pension surplus as an asset in the financial statements. We obtained and review the actuary's report on the estimated impact of GMP equalisation on the pension scheme's liabilities and agreed this to the valuation report used to prepare the financial statements.

What we reported to the audit committee:

We have previously obtained and reviewed advice from ICAEW's solicitors confirming that, in their opinion, there had been no material change to the governing documents of the ICAEW Staff Pension Fund that would (or could) affect the advice in relation to the scheme's rules which led to the full pension surplus being recognised as an asset to the accounts in accordance with IAS 19 and IFRIC 14. There have been no changes to legislation that have come into force in the period since the previous year that would affect the advice. On this basis we are satisfied that the recognition of the pension surplus remains appropriate.

We have reviewed the key assumptions applied by the actuary in preparing the valuation. We are satisfied that the impact on the financial statements and disclosures are in accordance with IFRS and consistent with our expectations, having considered all relevant factors as at 31 December 2020.

6. OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We use materiality both in planning our audit and in evaluating the results of our work. It is not possible for auditors to examine every transaction of the audited entity nor every balance in the financial statements. Therefore, in planning our audit work, we will give particular attention to those areas of the financial statements that we consider to be the most important in terms of materiality as defined above.

We determined materiality for ICAEW and group financial statements to be approximately 2% of operating revenue, equivalent to £2.4m. We considered this appropriate as it represents a broad measure of activity at ICAEW. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. Our evaluation of materiality required professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

Our judgement was that performance materiality (i.e., our tolerance for misstatement in an individual account or balance) should be 75% of planning materiality, namely £1.8m. Our objective in setting this was to ensure that total uncorrected or undetected audit differences did not exceed our materiality level of £2.4m.

We agreed with the audit committee that we would report all audit differences in excess of £50,000, as well as differences below that

threshold that, in our view, warranted reporting on qualitative grounds. We also report through the audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF THE AUDIT AND APPLICATION OF MATERIALITY

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the group financial statements as a whole, taking into account the legal and geographic structure of the group, the accounting processes and controls in operation and the mix of size and risk profile of its components.

Group entities and associates whose operations are based largely in the UK were audited directly by Haysmacintyre LLP alongside the audit of ICAEW. We determined materiality for each group entity based on the key drivers most appropriate and subject to a cap of the materiality levels determined for ICAEW as a whole.

ICAEW's international operations are not considered to be individually material to the group financial statements. For ICAEW's international operations, we carried out analytical review procedures and limited testing on key balances and transactions in order to form our opinion on the group financial statements.

8. REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to communicate whether we have identified any inconsistencies between our knowledge acquired during the audit and the council's statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee that we consider should have been disclosed.

In relation to those disclosures made by ICAEW in respect of its voluntary compliance with the Corporate Governance code we confirm that we do not have anything material to add or to draw attention to in relation to:

- the council's confirmation in the annual report that they have carried out an assessment of the principal risks facing the group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;

- the council's statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the council's explanation in the annual report on how it has assessed the prospects of the group, over what period it has done so and why it considers that period to be appropriate, and its statement as to whether it has a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

9. RESPONSIBILITIES OF COUNCIL FOR THE FINANCIAL STATEMENTS

As explained more fully in the financial responsibilities of the council statement set out on page 60, the council is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of ICAEW and its group and the environment that it operates in, we identified that the principal risks of non-compliance with laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates and in making critical accounting judgements. Audit procedures performed by the engagement team included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;

- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. The description forms part of our auditor's report.

11. USE OF OUR REPORT

This report is made solely to ICAEW's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to ICAEW's members those matters that we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ICAEW or its members as a body, for our audit work, for this report, or for the opinions we have formed.



Haysmacintyre LLP

Statutory Auditor
10 Queen Street Place
London
EC4R 1AG

Date: 13 April 2021

GROUP INCOME STATEMENT

For the year ended 31 December 2020

	31 December 2020			31 December 2019			
		Income	Expenditure	Net	Income	Expenditure	Net
	Note	£m	£m	£m	£m	£m	£m
Subscriptions and fees		53.3	-	53.3	50.5	-	50.5
Learning and professional development		14.3	(23.0)	(8.7)	14.9	(24.1)	(9.2)
Professional standards		23.3	(20.4)	2.9	20.8	(20.2)	0.6
Commercial and shared services		8.9	(15.7)	(6.8)	13.6	(18.6)	(5.0)
Members		0.7	(18.6)	(17.9)	0.8	(18.0)	(17.2)
Technical strategy		4.7	(8.9)	(4.2)	4.7	(9.9)	(5.2)
Central activities		-	(16.7)	(16.7)	-	(13.1)	(13.1)
Charitable trusts		-	(1.1)	(1.1)	0.1	(0.7)	(0.6)
		105.2	(104.4)	0.8	105.4	(104.6)	0.8
FRC conduct committee and cost recoveries	21	11.6	2.5	14.1	4.4	(3.4)	1.0
Other regulatory and professional associations		2.3	(3.9)	(1.6)	1.7	(3.6)	(1.9)
		13.9	(1.4)	12.5	6.1	(7.0)	(0.9)
Operating result	5	119.1	(105.8)	13.3	111.5	(111.6)	(0.1)
FRC fines		15.7	-	15.7	18.3	-	18.3
Strategic projects		0.1	(1.6)	(1.5)	-	(2.4)	(2.4)
Investment income	6	1.8	-	1.8	3.1	-	3.1
Interest expense		-	-	-	-	(0.1)	(0.1)
Result before taxation		136.7	(107.4)	29.3	132.9	(114.1)	18.8
Taxation	10	-	(0.1)	(0.1)	-	(0.2)	(0.2)
Net result after taxation for the year		136.7	(107.5)	29.2	132.9	(114.3)	18.6

FRC case cost recoveries received and accrued in the year, and received in the prior year are now shown in Operating result. Previously these were shown after Operating result and before Net result after taxation for the year. This is a presentational change and has no impact on result for year.

FRC fines are now shown before taxation and were disclosed after taxation in previous years.

ICAEW INCOME STATEMENT

for the year ended 31 December 2020

	Note	31 December 2020			31 December 2019		
		Income	Expenditure	Net	Income	Expenditure	Net
		£m	£m	£m	£m	£m	£m
Subscriptions and fees		53.3	-	53.3	50.5	-	50.5
Learning and professional development		14.2	(23.0)	(8.8)	15.0	(24.1)	(9.1)
Professional standards		23.0	(20.5)	2.5	20.4	(20.2)	0.2
Commercial and shared services		8.9	(15.7)	(6.8)	13.6	(18.6)	(5.0)
Members		0.7	(20.3)	(19.6)	0.8	(18.4)	(17.6)
Technical strategy		4.7	(8.9)	(4.2)	4.7	(9.9)	(5.2)
Central activities		-	(16.7)	(16.7)	-	(12.8)	(12.8)
		104.8	(105.1)	(0.3)	105.0	(104.0)	1.0
FRC conduct committee and cost recoveries	21	11.6	2.5	14.1	4.4	(3.4)	1.0
Other regulatory and professional associations		2.3	(3.9)	(1.6)	1.7	(3.6)	(1.9)
		13.9	(1.4)	12.5	6.1	(7.0)	(1.1)
Gift aid and library funding	15	-	(0.7)	(0.7)	-	(0.5)	(0.5)
Operating result	5	118.7	(107.2)	11.5	111.1	(111.5)	(0.4)
FRC fines		15.7	-	15.7	18.3	-	18.3
Strategic projects		0.1	(1.6)	(1.5)	-	(2.4)	(2.4)
Investment income	6	1.7	-	1.7	2.9	-	2.9
Interest expense		-	-	-	-	(0.1)	(0.1)
Result before taxation		136.2	(108.8)	27.4	132.3	(114.0)	18.3
Taxation	10	-	-	-	-	(0.1)	(0.1)
Net result after taxation for the year		136.2	(108.8)	27.4	132.3	(114.1)	18.2

FRC case cost recoveries received and accrued in the year, and received in the prior year are now shown in Operating result. Previously these were shown after Operating result and before Net result after taxation for the year. This is a presentational change and has no impact on result for year.

FRC fines are now shown before taxation and were disclosed after taxation in previous years.

GROUP AND ICAEW STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Note	Group		ICAEW	
		2020 £m	2019 £m	2020 £m	2019 £m
Net result after taxation recognised in the income statement in the year		29.2	18.6	27.4	18.2
Items that will not be reclassified to profit or loss :-					
Fair value gain/(loss) on investments in equity investments designated as at FVTOCI ¹	16	0.8	4.8	1.1	3.6
Realised gain on disposal of equity investments		0.2	-	0.2	-
(Losses)/gains on revaluation of property, plant and equipment	12	(1.2)	-	(1.2)	-
Actuarial (losses)/gains recognised in the year	23	(2.3)	9.6	(2.3)	9.6
Deferred tax	11	(0.4)	(0.7)	(0.4)	(0.7)
Other comprehensive income in the year		(2.9)	13.7	(2.6)	12.5
Total comprehensive income in the year		26.3	32.3	24.8	30.7

¹ FVTOCI - Fair Value Through Other Comprehensive Income

GROUP AND ICAEW STATEMENTS OF CHANGES TO RESERVES for the year ended 31 December 2020:

GROUP

	Revaluation reserve	Investment revaluation reserve	Accumulated fund	Other reserves	Charitable trusts	Total
	£m	£m	£m	£m	£m	£m
Reserves at 1 January 2019	16.5	4.4	36.9	5.4	14.2	77.4
Net result after taxation	-	-	18.4	0.2	-	18.6
Items that will not be reclassified to profit or loss :-						
Fair value gain/(loss) on investments in equity investments designated as at FVTOCI ¹	-	3.6	-	-	1.2	4.8
Actuarial gains recognised in year on defined benefit pension scheme	-	-	9.6	-	-	9.6
Deferred tax attributable to above	-	(0.5)	(0.2)	-	-	(0.7)
Total other comprehensive income in the year	-	3.1	9.4	-	1.2	13.7
Total comprehensive income in the year	-	3.1	27.8	0.2	1.2	32.3
Reserves at 31 December 2019	16.5	7.5	64.7	5.6	15.4	109.7
Reserves at 1 January 2020	16.5	7.5	64.7	5.6	15.4	109.7
Net result after taxation	-	-	29.2	-	-	29.2
Items that will not be reclassified to profit or loss :-						
Fair value gain/(loss) on investments in equity investments designated as at FVTOCI ¹	-	1.1	-	(0.1)	(0.2)	0.8
Realised gain on disposal of equity investments	-	-	0.2	-	-	0.2
Decrease in valuation of tangible fixed assets	(1.2)	-	-	-	-	(1.2)
Actuarial gains recognised in year on defined benefit pension scheme	-	-	(2.3)	-	-	(2.3)
Deferred tax attributable to above	-	(0.4)	-	-	-	(0.4)
Total other comprehensive income in the year	(1.2)	0.7	(2.1)	(0.1)	(0.2)	(2.9)
Total comprehensive income in the year	(1.2)	0.7	27.1	(0.1)	(0.2)	26.3
Reserves at 31 December 2020	15.3	8.2	91.8	5.5	15.2	136.0

¹ FVTOCI - Fair Value Through Other Comprehensive Income

GROUP AND ICAEW STATEMENTS OF CHANGES TO RESERVES for the year ended 31 December 2020: ICAEW

	Revaluation reserve	Investment revaluation reserve	Accumulated fund	Other reserves	Total
	£m	£m	£m	£m	£m
Reserves at 1 January 2019	16.5	4.4	35.1	5.4	61.4
Net result after taxation	-	-	18.0	0.2	18.2
Items that will not be reclassified to profit or loss :-					
Fair value gain/(loss) on investments in equity investments designated as at FVTOCI ¹	-	3.6	-	-	3.6
Actuarial gains recognised in year on defined benefit pension scheme	-	-	9.6	-	9.6
Deferred tax attributable to above	-	(0.5)	(0.2)	-	(0.7)
Total other comprehensive income in the year	-	3.1	9.4	-	12.5
Total comprehensive income in the year	-	3.1	27.4	0.2	30.7
Reserves at 31 December 2019	16.5	7.5	62.5	5.6	92.1
Reserves at 1 January 2020	16.5	7.5	62.5	5.6	92.1
Net result after taxation	-	-	27.4	-	27.4
Items that will not be reclassified to profit or loss :-					
Fair value gain/(loss) on investments in equity investments designated as at FVTOCI ¹	-	1.1	-	-	1.1
Realised gain on disposal of equity investments	-	-	0.2	-	0.2
Decrease in valuation of tangible fixed assets	(1.2)	-	-	-	(1.2)
Actuarial gains recognised in year on defined benefit pension scheme	-	-	(2.3)	-	(2.3)
Deferred tax attributable to above	-	(0.4)	-	-	(0.4)
Total other comprehensive income in the year	(1.2)	0.7	(2.1)	-	(2.6)
Total comprehensive income in the year	(1.2)	0.7	25.3	-	24.8
Reserves at 31 December 2020	15.3	8.2	87.8	5.6	116.9

¹ FVTOCI - Fair Value Through Other Comprehensive Income

GROUP AND ICAEW STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

	Note	Group		ICAEW	
		2020	2019	2020	2019
		£m	£m	£m	£m
Assets					
Non-current assets					
Property, plant and equipment	12	39.2	41.4	39.2	41.4
Right-of-use assets	13	0.5	1.4	0.5	1.4
Intangible assets	14	16.8	15.6	16.8	15.6
Investments in subsidiaries and associates	15	0.1	0.1	-	-
Financial assets: Available for sale investments	16	81.7	69.7	66.4	54.2
Pension asset	23	22.5	24.0	22.5	24.0
		160.8	152.2	145.4	136.6
Current assets					
Inventories	17	0.7	0.9	0.7	0.9
Trade and other receivables	18	38.9	31.0	35.1	30.1
Cash and cash equivalents	19	58.9	35.3	58.3	34.5
		98.5	67.2	94.1	65.5
Total assets		259.3	219.4	239.5	202.1
Liabilities					
Current liabilities					
Trade and other payables	20	(75.1)	(60.5)	(74.5)	(60.9)
Current tax liabilities		-	(0.1)	-	(0.1)
FRC conduct committee provision	21	(4.6)	(6.0)	(4.6)	(6.0)
		(79.7)	(66.6)	(79.1)	(67.0)
Non-current liabilities					
Grants payables more than one year		(0.6)	(0.5)	(0.5)	(0.5)
Other payables after more than one year	20	(34.5)	(33.4)	(34.5)	(33.3)
FRC conduct committee provision	21	(3.2)	(5.8)	(3.2)	(5.8)
Provisions	22	(2.5)	(1.0)	(2.5)	(1.0)
Deferred tax liability	11	(2.8)	(2.4)	(2.8)	(2.4)
		(43.6)	(43.1)	(43.5)	(43.0)
Total liabilities		(123.3)	(109.7)	(122.6)	(110.0)
Total net assets		136.0	109.7	116.9	92.1
Reserves					
Revaluation reserve	25	15.3	16.5	15.3	16.5
Investment revaluation reserve	25	8.2	7.5	8.2	7.5
Accumulated fund	25	91.8	64.7	87.8	62.5
Other reserves	25	5.5	5.6	5.6	5.6
Charitable trust funds	25	15.2	15.4	-	-
		136.0	109.7	116.9	92.1

Approved on behalf of council and authorised for issue

David Matthews

David Matthews,
President
Date: 7 April 2021

Michael Izza

Michael Izza,
Chief Executive
Date: 7 April 2021

GROUP AND ICAEW STATEMENTS OF CASH FLOWS

for the year ended 31 December 2020

	Note	Group		ICAEW	
		2020 £m	2019 £m	2020 £m	2019 £m
Cash flows from operating activities					
Result after taxation		29.2	18.6	27.4	18.2
Adjustments for:					
Depreciation and amortisation	12,13,14	7.6	6.6	7.6	6.6
Impairments	12,13,14	1.4	-	1.4	-
Loss on disposal of tangible and intangible assets	12,13,14	3.3	0.5	3.3	0.5
FRC cost recoveries	21	(12.8)	(3.5)	(12.8)	(3.5)
Investment income	6	(1.8)	(3.1)	(1.7)	(2.9)
Interest on lease liabilities	13	0.1	0.1	0.1	0.1
Non-cash movement in provisions		5.8	6.5	5.8	6.6
Cash flows from operating activities before movements in working capital and provisions		32.8	25.7	31.1	25.6
Movements in working capital					
Decrease/(Increase) in inventories		0.2	-	0.2	-
Decrease/(Increase) in trade and other receivables		(7.9)	(5.5)	(5.0)	(4.9)
(Decrease)/increase in trade and other payables		21.3	(8.0)	20.8	(8.5)
Increase in long-term payables		1.1	2.9	0.5	2.9
FRC cost recoveries	21	6.8	3.5	6.8	3.5
Cash generated from operating activities after movements in working capital and provisions		54.3	18.6	54.4	18.6
Cash flows on provisions					
Tax paid		-	(0.1)	(0.1)	(0.1)
Cash outflow on pension liabilities	23	(0.3)	(1.6)	(0.3)	(1.6)
Cash outflow on FRC conduct committee provision	21	(8.8)	(7.0)	(8.8)	(7.0)
Net cash generated from operating activities		45.2	9.9	45.2	9.9
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(3.9)	(5.4)	(3.9)	(5.3)
Purchase of intangible assets	14	(7.7)	(6.4)	(7.7)	(6.4)
Purchase of investments	16	(36.1)	(15.8)	(29.7)	(11.7)
Disposal of investments	16	25.2	15.1	18.9	10.8
Investment income received		1.7	2.1	1.7	2.0
Net cash outflow from investing activities		(20.8)	(10.4)	(20.7)	(10.6)
Repayment of lease liabilities	13	(0.8)	(0.8)	(0.7)	(0.8)
Interest on lease liabilities paid	13	-	(0.1)	-	(0.1)
Net cash outflow from financing activities		(0.8)	(0.9)	(0.7)	(0.9)
Net increase/(decrease) in cash and cash equivalents in the year		23.6	(1.4)	23.8	(1.6)
Net cash and cash equivalents at 1 January		35.3	36.7	34.5	36.1
Net cash and cash equivalents at 31 December	19	58.9	35.3	58.3	34.5

GROUP AND ICAEW NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. BASIS OF PREPARATION

ICAEW is a body incorporated by Royal Charter and its principal place of business is Chartered Accountants' Hall, 1 Moorgate Place, London EC2R 6EA. The financial statements have been prepared in accordance with IFRS as adopted by the EU and under the historical cost convention, as modified by the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies that follow.

Transactions included in the results of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling, which is the functional currency of the parent company, ICAEW, and the presentation currency of the Group.

BASIS OF CONSOLIDATION

Consolidated financial statements have been prepared which comprise ICAEW and all its subsidiary undertakings.

GOING CONCERN

The financial statements have been prepared on a going concern basis; the conclusions of the audit committee's going concern review are set out in the financial review section.

SUBSIDIARIES

Subsidiaries are all entities over which ICAEW is exposed to, or has rights to, variable returns from its involvement, and has the ability to affect those returns through its power over the subsidiary in accordance with IFRS 10 - Consolidated Financial Statements. All subsidiaries have a reporting date of 31 December. All transactions and balances between group entities are eliminated on consolidation.

ASSOCIATES

Investments in associates are accounted for using the equity method. ICAEW's interest in the net assets of associates is included in investment in associates in the consolidated statement of financial position, and its interest in their results, in the income statement below the operating result. Associates are those entities over which ICAEW has significant influence to participate in, not control over, the financial and operating policies of the companies.

ADOPTION OF NEW AND REVISED STANDARDS

NEW AND AMENDED IFRS THAT IS EFFECTIVE FOR THE CURRENT YEAR

There are no new or amended IFRS effective for the current year that apply to ICAEW.

NEW AND REVISED IFRS IN ISSUE BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, there are no new standards or interpretations that have been issued which ICAEW has not applied.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. ACCOUNTING POLICIES

a) Revenue

Revenue represents the value of goods and services provided, excluding Value Added Tax. Revenue is attributable to the principal activities of the Group and is derived primarily in the UK.

b) Revenue Recognition

- i) Income as presented in the income statements is revenue as defined under IFRS 15 - Revenue from Contracts with Customers. The following accounting policies relate to our key income streams to which IFRS 15 applies.
- ii) Income from subscriptions and fees, including subscriptions from membership, communities and faculties, fees from practice regulation and assurance and authorisation of investment business, is recognised in the accounting period to which the services covered by those subscriptions relate, and is stated net of VAT where applicable.
- iii) Non-refundable admission fees charged to new members grant the members the option to obtain and renew professional membership services over the period during which they will remain a member. These are recognised as a material right arising on commencement of membership and income is recognised over the expected membership period of 35 years. While other services are provided to new members, including limited faculty membership, the renewal option has been assessed as being the main performance obligation for the purposes of allocating the admission fee.

2. Accounting policies continued

- iv) Income from levies on member firms is recognised in the same period as the regulatory fee to which it relates.
- v) Income from qualifications represents predominantly exam income and is recognised in the period in which the exam was sat.
- vi) Affiliate application fees are non-refundable upfront fees that provide a right for affiliates to register on an annual basis, and consequently these are recognised over the estimated affiliate registration period (this averages approximately eight years).
- vii) Income from affiliates' annual registration fees are recognised over the period the annual fee covers.
- viii) Film licence and software accreditation income is currently spread over the term of the contract.
- ix) Income associated with professional conduct (disciplinary fines) is recognised when receivable i.e., when the decision has been made and is final after any appeal.
- x) Other income, including commercial income and income from consulting services, is recognised in the period in which the services are provided. For long-term capacity building contracts, income is recognised by reference to stage of completion of the individual contract.
- xi) ICAEW, where it is considered to be acting as agent, does not recognise as income the charges raised on behalf of the FRC operating the Audit Quality Review team. The amounts invoiced in relation to these costs amounted to £11.6m (2019: £8.6m).
- xii) IFRS 15 does not apply to the revenue streams described below: -
- xiii) FRC billing to member firms at 90% of case costs is a funding arrangement and therefore there is no performance obligation; in lieu of IFRS 15 income is accounted for so as to match the costs incurred by the FRC as they are accrued;
- xiv) receipt of FRC fines are recognised when received and case cost recoveries are recognised in the year costs are incurred based on an estimated percentage recovery rate; and
- xv) government grants. In accordance with IAS 20 – Government Grants, ICAEW recognises government grants only when there is reasonable assurance that ICAEW will comply with any conditions attached to the grant and the grant will be received. The grant income is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis in relation to the performance of agreed objectives under the terms of the grant.

c) Foreign currencies

Financial assets, including the financial statements of non-UK subsidiary undertakings, are translated at the rate of exchange at the reporting date. Income and expenses are translated at the average exchange rate for the period.

d) Taxation

As a mutual membership organisation, the significant majority of our income is exempt from corporation tax.

Income tax expense represents the sum of current tax and deferred tax. Income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible.

The group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

e) Deferred tax

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

Deferred tax assets are recognised for deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Where taxable profit is not available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, these are not recognised in the financial statements.

2. Accounting policies continued

In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable or increased to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current tax assets and liabilities on a net basis or to realise the assets and settle the liabilities simultaneously. Where tax treatments are uncertain, if it is considered probable that a taxation authority will accept the group's proposed tax treatment, income taxes are recognised consistent with the group's income tax filings. If it is not considered probable, the uncertainty is reflected within the carrying amount of the applicable tax asset or liability by not recognising the tax asset and recognising any tax liability on any exposure using a judgement by management based on the best information available at the current time.

f) Property, plant and equipment

- i) Freehold properties
 - Freehold properties comprise our offices and are considered to be level 2 assets as defined by IFRS 13 (Fair Value Measurement) and are recognised initially at cost and revalued periodically. Values are reviewed annually and, should circumstances dictate, an open market value by independent professionally qualified valuers is conducted. ICAEW policy is to include these in the statements of financial position at their revalued amounts derived from observable market data of comparable buildings in a similar location. Surpluses on revaluations are transferred to the revaluation reserve. Deficits on revaluations are charged against the
- revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.
- Estimation of the market value is undertaken through obtaining valuations carried out using a market approach which reflect observed prices for recent market transactions. Because of changing market and economic conditions, the estimated value of our freehold property in the future may differ materially from the estimates made on the basis of these external valuations.
- Depreciation is provided on the plant and equipment elements within the freehold property. Certain major items of fixed plant and equipment that are considered to be significant by management are identified separately and are depreciated over their individual estimated useful economic lives. Depreciation is not charged on freehold land. Depreciation is charged on the revalued amount of freehold buildings at 2% per year.
- ii) Silver collection and antiques
 - Under ICAEW accounting policy, silver collection and antiques are recognised at cost and subsequently revalued at fair value. The historical cost of ICAEW's silver collection and antiques represents only the cost of items bought by ICAEW. The valuations of these collections also include substantial donations and bequests. The collections have been reviewed by management and are still considered to be level 2 assets as defined by IFRS 13 - Fair Value Measurement and are revalued regularly, at least every five years, by independent, professionally-qualified valuers. They are stated at estimated open market values that are derived from observed prices for recent market transactions. Because of changing market and economic conditions, the estimated value of these collections in the future may differ materially from the estimates made on the basis of these external valuations.
 - Surpluses on revaluation, including surpluses arising from donations of items to the collections, are transferred to the revaluation reserve. Deficits on revaluation are charged against the revaluation reserve to the extent that there are available surpluses relating to the same asset and are otherwise charged to the income statement.
 - In view of the nature of these assets, the estimated residual value is equal to the carrying amount and no depreciation is provided.

iii) Short leasehold property

- Improvements to leasehold properties are capitalised at cost and are depreciated on a straight-line basis over the shorter of their estimated useful economic lives and the remaining lease term.
- In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, provision is made for an estimate of dilapidations costs on the leasehold property in relation to both repairs and reinstatement relating to conditions in place at the reporting date. The reinstatement provision is matched by an asset which is depreciated over the remaining lease term.

iv) Furniture, computer hardware and equipment

- Other plant and equipment are stated at cost less accumulated depreciation and impairments. Depreciation is charged on a straight-line basis over the estimated useful economic lives of the assets ranging from 2 to 10 years.
- The impairment of property, plant and equipment is considered annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions are made where necessary.

g) Right-of-use assets and lease liabilities

- i) The group implemented a single accounting model, requiring lessees to recognise assets and liabilities for all leases excluding exceptions listed in the standard. The group elected to apply exemptions for short-term leases in relation to leases of cars or for leases for which the underlying asset is of low value as management does not estimate the impact of these leases to be significant.
- ii) Based on the accounting policy applied the group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time.
- iii) The lease term determined by the group generally comprises a non-cancellable period of lease contracts, periods covered by an option to extend the lease if the group is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the group is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.
- iv) At lease commencement date i.e. the date on which the underlying asset becomes available for use, the group

recognises a right-of-use asset and a lease liability (reflecting its obligation to make lease payments) on the balance sheet. In accordance with IFRS 16, the right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

- v) After the commencement date of the lease, the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

- vi) The lease payments included in the measurement of the lease liability comprise payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. In subsequent years the lease liability is increased by the unwinding of the discount and reduced by lease payments. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in payments.

- vii) In accordance with IFRS 16, the net present value of the rental payments due on these leases has been disclosed as lease liability under current and non-current liabilities in the balance sheet.

- viii) Under IFRS 16 exemptions the costs of leases that are short-term i.e. those expiring in less than one year or low value leases are charged straight to the income statement.

h) Intangible assets

- i) Intangible assets comprise software and trademarks and are stated at cost. Amortisation is charged on a straight-line basis over the estimated useful economic life of the asset (from 2 to 10 years). The impairment of intangible assets is considered whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and provisions are made where necessary.
- ii) An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2. Accounting policies continued

i) Financial assets - Investments

- i) Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.
- ii) Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.
- iii) Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.
- iv) ICAEW holds investments in equity instruments which are publicly traded in the UK or on other major capital markets and the substantial majority are denominated in sterling. It also holds investments in unlisted equities including subsidiary and associated undertakings. They are held for the purposes of generating long-term investment income and are considered to be level 1 assets as defined by IFRS 13 - Fair Value Measurement and are treated as IFRS 9 business model type "hold to collect and sell" investments. They are included at fair value at the year-end date.
- v) On initial recognition, ICAEW may make an irrevocable election to designate investments in equity instruments as at FVTOCI (Fair Value Through Other Comprehensive Income). Designation at FVTOCI is not permitted if the equity investment is held for trading.
- vi) Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to the accumulated fund.
- vii) Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL (Fair Value Through Profit and Loss). Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'Investment income' line within the Income Statement.
- viii) It is ICAEW's current policy that its investments in equity instruments are held for the purposes of generating long-term investment income and not held for trading. Accordingly, the directors of ICAEW have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with ICAEW's strategy of holding these investments for long-term purposes.
- ix) Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.
- x) Interest bearing investments, equities and unit trusts held for the purposes of generating long-term investment income are treated as non-current investments and are included at bid price at the year-end date. Equity investments have been classified as being at Fair Value through Other Comprehensive Income (FVTOCI) under IFRS 9. All fair value gains in respect of those assets are recognised in other comprehensive income and accumulated in the equity investment reserve, and these are not reclassified to profit or loss.

At each year-end date, an assessment is made as to whether there are indicators that an available for sale equity instrument is impaired and a loss allowance is required. Judgement is used to determine whether a significant or prolonged decline in the fair value of the security below its cost could represent impairment and also consider any risk of default. Impairment charges are recognised in the income statement.

j) Inventories

Inventories are stated at the lower of cost and net realisable value and consist of physical and E-learning materials. Using information available at the year-end date, ICAEW makes judgements based on experience on the level of provision required to account for potential unsaleable inventories.

2. Accounting policies continued

k) Trade and other receivables

- i) Trade receivables and other receivables are categorised as loans and receivables as required by IFRS 9. The principal component of trade and other receivables is amounts due from ICAEW's members and member firms, and in the case of disciplinary fines and costs, certain former members, and are short-term.
- ii) The carrying value of trade receivables is considered a reasonable approximation of fair value. Trade and other receivables are stated at cost less allowances made for doubtful receivables after initial recognition, which approximates fair value. It is considered that all the above financial assets which are not impaired or past due are of good credit quality.
- iii) Trade receivables are grouped based on shared credit risk characteristics. Impairment of receivables is based on expected credit losses for each group based on historic credit losses and any other indicators that ICAEW will not be able to collect all amounts due to it. The loss allowance is recognised in the income statement.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with banks and investments in money market instruments representing short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and are categorised as loans and receivables as required by IFRS 9.

m) Trade and other payables

- i) Trade and other payables are categorised as current financial liabilities measured at amortised cost as required by IFRS 9. All the above trade and other payables are short-term and are payable within one month. Subscriptions, admission fees and other income in advance relate to income received during 2020 but relating to 2021 annual subscriptions and fees. The carrying values are considered to be a reasonable approximation of fair value.
- ii) Life membership income and income from other long-term licence agreements is deferred over future years and reported within other income in advance.
- iii) Admission fees are treated as a material right under IFRS 15 and income recognised over the expected duration of membership with income deferred accordingly.
- iv) Affiliate application fees are treated as a material right under IFRS 15 and income recognised over the expected

duration of affiliate membership with income deferred accordingly.

- v) Grant income received is held within other income and advance and long-term grant liabilities and will be taken to the income statement to match the expenditure.

n) FRC conduct committee provision (Note 21)

- i) ICAEW is responsible under a written agreement to indemnify the FRC for the costs incurred in relation to an investigation or disciplinary action against an ICAEW member or member firm registered by ICAEW to conduct audit work. ICAEW therefore recognises a provision for the estimated costs of conduct committee investigations or disciplinary cases based on the extent to which present obligations arising from past events up to 31 December 2020 can be reliably estimated. The estimated costs of completing the current stage of each current investigation or disciplinary case at 31 December 2020 has been recognised as a provision.
- ii) Due to the complexities involved in determining the FRC conduct committee provision, ICAEW conducts quarterly reviews carefully considering and exercising judgement while assessing the adequacy of the provision. Reviews will typically involve an evaluation of historic completed case costs and a discussion of current cases with the relevant individuals at the FRC. However, the accuracy of both the provision estimation and the forecast of the period over which it will be used will depend on assumptions made about the progress of individual cases and judgements on information provided by the FRC, and is subject to a significant degree of judgement and a range of potential outcomes. In setting the provision, account is taken of costs already incurred and costs estimated to be required to reach the end of the current stage of each case that would be due to ICAEW as a result of sanctions imposed by the conduct committee on the current cases. This remains an area of key judgement and estimation.
- iii) ICAEW is entitled to receive case cost recoveries from the FRC under the Accountancy Scheme and Audit Enforcement Procedure. ICAEW estimates probable case cost recoveries using historic data and considers the likelihood of this level of cost recovery continuing into the future. The historic cost recovery percentage is discounted accordingly where future expectations of costs recoveries are deemed to be lower than the historical average. The recovery is offset against the conduct committee provision. This remains an area of key judgement and estimation.

2. Accounting policies continued

- iv) ICAEW exercises some judgement based on the levels of activity anticipated by the FRC in order to determine how much of the FRC conduct committee provision is expected to be used within one year and that which is expected to be used after more than one year.
- v) FRC case cost recoveries received and accrued in the year, and received in the prior year, are now shown in operating result. Previously these were shown after operating result and before net result after taxation for the year. The value received and accrued in 2020 was £12.8m comprising amounts received of £6.8m and accrued of £6.0m (2019: received £3.5m). ICAEW changed the presentation to give a clearer understanding of the FRC conduct committee costs and recoveries as a whole.
- o) Provision for future liabilities**
- i) In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, provision is made for an estimate of dilapidations costs on the leasehold property in relation to both repairs and reinstatement relating to conditions in place at the reporting date. The reinstatement provision is matched by an asset which is being depreciated over the remaining lease term.
- p) Pension Benefits – Defined benefit scheme**
- i) Retirement benefits are accounted for under IAS 19 – Employee Benefits (revised). The net asset/liability on the defined benefit scheme is the fair value of the scheme assets less the present value of the defined benefit liabilities at the end of the reporting period.
- ii) Scheme liabilities are measured by qualified actuaries on an actuarial basis using the projected unit credit method, and are discounted at appropriate high-quality corporate bond rates that have terms to maturity which approximate to the terms of the related liability.
- iii) Scheme assets which are held in a separate trustee-administered fund are measured at fair value. Scheme assets may include equities, securities and cash together with qualifying insurance policies.
- iv) Net interest is determined by applying the discount rate to both the liability and asset calculations. In addition, scheme administration costs, which are paid directly by ICAEW, are included in the defined benefit obligation, offset by a corresponding non-cash increase in contributions by the employer.
- v) The discount rate is determined with reference to high quality corporate bonds that have terms to maturity approximating the terms of the related pension obligation.
- vi) The assumption for long-term inflation is based on market expectation of long-term future inflation at the year end, as measured by the difference between yields on fixed interest and index-linked government bonds.
- vii) The assumptions relating to the mortality of current and future pensioners are based on bespoke data using up-to-date pooled experience from occupational pension schemes and taking into account the characteristics of each individual member that are known to affect life expectancy. Allowance is made for future mortality improvements in line with the projection model issued by the Institute and Faculty of Actuaries. Improvements are assumed to have peaked and decline at older ages. This is consistent with the assumption used in the most recent actuarial valuation.
- viii) Actuarial gains and losses are recognised in full in other comprehensive income as they arise.
- q) Pension Benefits – Defined contribution scheme**
- i) Retirement benefits are accounted for under IAS 19 – Employee Benefits (revised). The net asset/liability on the defined benefit scheme is the fair value of the scheme assets less the present value of the defined benefit liabilities at the end of the reporting period.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

To be able to prepare financial statements according to generally accepted accounting principles, the board must make judgements, estimates and assumptions that affect the recorded asset and liability items as well as other information, such as that provided on FRC conduct committee provisions and pensions as well as the valuation bases of our freehold property and historic collections and operational matters. These estimates are based on historical experience and various other assumptions that the board believes are reasonable under the circumstances. The results of these form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

a) Critical judgement in applying the group's accounting policies

The following are critical judgements, apart from those involving estimations (which are dealt with separately below, in section 3b), that the board have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group Accounts.

3. Critical accounting judgements and key sources of estimation uncertainty continued

- i) **Deferral of member admission fees.**
Admission fees are collected from members when they first qualify, and from members who take up life membership later in their life. ICAEW estimates the life of membership based on past member data which estimates 35 years as a full member and 20 years as a life member.
- ii) **FRC conduct committee provision and FRC case cost recoveries (note 21) (See accounting policy 2(n)).**
ICAEW recognises a provision at 31 December 2020 for FRC case costs based on past completed case costs which in our judgement are of a similar size and complexity. FRC case costs might be more if the complexity or scope of the case increases or maybe less if a settlement is reached before the current stage of a case is completed.
The outcome of FRC cases is highly uncertain, but ICAEW makes a judgement that a percentage of the open case costs incurred and provided to complete the current stage will be reimbursed to ICAEW, on the conclusion of a case. The judgement is based on the percentage recovery rate that has been achieved on all completed cases dating back to 2004 and is discounted to a level which in our judgement reflects the level of uncertainty. Refer also to next section 'key sources of estimation uncertainty' item 3(b)(ii) for the estimation of recoveries.
- iii) **Impairment of tangible and intangible assets.**
Our annual review for impairments identified £4.1m of assets which were either impaired or which needed to be written off. These included £1m in relation to our IT systems as a result of the impact of COVID-19 on our Business Systems Transformation project and £0.4m impairment of a right of use property which has been under-used as a result of COVID-19.
- iv) **Financial assets.**
For financial assets ICAEW has made an irrevocable election to classify investments at fair value through other comprehensive income rather than through the income statement as ICAEW has made a judgement that this measurement best represents the business model for these assets.
- v) **Retirement benefits, GMP equalisation and IAS 19 and IFRIC 14 (note 23).**
The Group operates a defined benefit pension scheme. All post-employment benefits associated with the scheme have been accounted for in accordance with IAS 19 - Employee Benefits. As detailed within the accounting policies, in accordance with IAS 19, all actuarial gains and losses have been recognised immediately through the Consolidated Statement of Comprehensive Income.

The determination of pension net interest income and the defined benefit obligation of ICAEW's defined benefit pension schemes depends on certain assumptions which include the discount rate, inflation rate, pensionable salary growth, mortality and expected return on scheme assets. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. The fair value of unquoted investments within total plan assets is estimated with consideration of fair value estimates provided by the manager of the investment or fund. Any surplus arising on valuation is recognised as a scheme asset.

The fund is currently showing as an asset in the ICAEW balance sheet of £22.5m (2019: £24.0m). The pension scheme is closed to new members and remains open to service the commitments to existing beneficiaries.

In 2014, ICAEW sought legal advice regarding the conditionality and circumstances under which surplus funds could be distributed and the advice confirmed that the scheme's trustees only have the right to unilaterally wind-up the scheme if ICAEW becomes insolvent, is dissolved, or fails to make the necessary payments. All of which are within the control of ICAEW.

The pension scheme rules were reviewed to understand if any discretion exists on behalf of the trustees in the event of all beneficiaries' liabilities being settled. The review of pension scheme rules determined that discretion does exist limited to rule 2.6 of the scheme (limiting pay-outs to two-thirds of salary) and subject to restrictions under the 2004 Finance Act.

If the schemes satisfied all liabilities to members and were subsequently wound-up including settlement of any further discretionary liabilities, it seems reasonable to say that the pension scheme could be gradually settled with little additional payments being necessary on the final wind-up of the scheme, however, it is also reasonable to say that there is some conditionality on the receipt of surplus funds which could preclude their recognition as assets in the accounts.

The proposed amendments to IAS 19 and IFRIC 14, state that it would be the proportion of the surplus that could be used for enhanced benefits that should be recognised. In the case of the ICAEW pension scheme, although there is some discretion, in the scheme closing after gradual settlement of its liabilities, it is unlikely that there would be any beneficiaries left to pay enhanced benefits. Therefore, the impact of any discretion will not be significant.

On the basis of a review process, senior management have concluded that continued recognition of surplus in ICAEW financial statements can currently be justified.

3. Critical accounting judgements and key sources of estimation uncertainty continued

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year, are discussed below.

b) Key sources of estimation uncertainty**i) Valuations of property plant and equipment (note 12).**

Freehold buildings – ICAEW policy is to include these in the statements of financial position at their revalued amounts derived from observable market data of comparable buildings in a similar location. Surpluses and deficits on revaluations are transferred to the revaluation reserve to the extent that there are available surpluses relating to the same asset. Estimation of the market value is undertaken through obtaining valuations carried out using a market approach which reflect observed prices for recent market transactions.

A professional valuation of Chartered Accountants' Hall was carried out in line with the accounting policy at 31 December 2020. This has resulted in a downward revaluation of £1.2m primarily driven by the fact that the building has been designated Grade II listed. Additional impact of the Grade II designation is that the land has been deemed to be valued at nil and the entire valuation relates to buildings, a further consequence of reclassification of land element to buildings will be an increased depreciation charge in future years.

Silver, collection and antiques – ICAEW policy, is to recognise silver collection and antiques at cost and subsequently revalue at fair value. They are stated at estimated open market values that are derived from observed prices for recent market transactions through valuations conducted by independent, professionally-qualified valuers. Where the held value of these collections differs materially from the estimates made on the basis of these external valuations, the surpluses and deficits on revaluation are transferred to the revaluation reserve to the extent that there are available surpluses relating to the same asset.

ii) FRC conduct committee provision and FRC case cost recoveries (note 21) (See accounting policy 2(n)).

ICAEW recognises a provision at 31 December 2020 for FRC case costs based on estimates provided by the relevant individuals at the FRC at the year end date. ICAEW estimates how much of the provision is expected to be used within one year and after more than one year based on estimates provided by the relevant individuals at the FRC.

The outcome of FRC cases is highly uncertain, but ICAEW makes an estimate of the open case costs incurred and

provided to complete the current stage that will be reimbursed to ICAEW, on the conclusion of a case. The estimate of open case costs incurred and provided to complete the current stage that will be reimbursed to ICAEW is based on the percentage recovery rate that has been achieved on all completed cases dating back to 2004 and is then discounted to a level that we estimate reflects the level of uncertainty. Expected case cost recoveries are recognised as accrued income where case costs have been previously paid to the FRC, or netted off against the provision for estimated future case costs payable.

4. FINANCIAL RISK MANAGEMENT**a) Financial risk factors**

Senior management directly controls day-to-day policies and operations. Financial risk management issues are covered by ICAEW's risk management process as set out in the financial review section. Board and council members are regularly updated on any significant issues relating to financial risk management. Financial risks to which ICAEW is exposed are summarised below.

b) Currency risk

The majority of ICAEW's transactions are carried out in sterling. To the extent possible, ICAEW uses the income received from services provided in other currencies to hedge any exposures on payments made. ICAEW operates international regional offices and is exposed to foreign currency exchange risk on the transfer of foreign currency to its international offices. Where appropriate, forward purchases are used to hedge against currency movements on known foreign exchange requirements. In addition, ICAEW holds accounts in US dollars, Hong Kong dollars and euros.

c) Credit risk

Working capital and longer-term funds are held in interest-bearing investments and in listed equity securities for investment purposes through independent custodians.

The credit risk for cash and cash equivalents is monitored regularly. In the current economic climate, extra attention has been given to the agreed limited list of counterparties, which are all reputable banks with a high-quality external credit rating of at least AA- or which have been judged to have systemic importance.

IFRS 9 established an approach for the impairment of loans and trade receivables, an expected loss model, which focuses on the risk that a debt will default rather than when a loss has been incurred. Under the "expected credit loss" model, an entity calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and

4. Financial risk management continued

multiplying the shortfalls by the probability of each scenario occurring. ICAEW has opted to use the simplified approach measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. For trade and other receivables, ICAEW is not exposed to any significant credit risk to any single counterparty or group of counterparties. The majority of ICAEW's counterparties are members or member firms which are not considered to be a credit risk to ICAEW. ICAEW continuously monitors defaults of counterparties and incorporates this information into its credit risk controls relating to non-member customers.

The maximum exposure to credit risk at the year-end date is represented by the carrying value of financial instruments and management considers that all the financial assets not impaired or have exceeded given credit terms are still

considered to be of good credit quality and recoverable.

d) Liquidity and interest rate risk

ICAEW policy is to maintain a strong statement of financial position with cash or cash equivalent balances and therefore it does not have significant exposure to liquidity risk. ICAEW manages its liquidity risk by monitoring its net cash and cash equivalent flows. Liquidity needs are monitored on a day-to-day and monthly basis for short-term needs. Excess funds are invested as appropriate, depending on the forecast working capital cash flow needs, on short-term interest-bearing accounts or certificates of deposit. As a result of its holding of certificates of deposit with financial institutions, ICAEW does have exposure to interest rate fluctuations. These investments are invested by our agents in high-quality, liquid deposits, with a range of counterparties in such a way as to avoid an excessive concentration of our investment with any specific counterparty and are monitored on a regular basis.

5. OPERATING RESULT

The group and ICAEW operating result is stated after charging:

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Staff costs (note 8)	47.5	48.1	41.7	44.5
Government Grants	0.7	-	0.6	-
Depreciation on owned property, plant and equipment (note 12) ¹	3.7	2.9	3.7	2.9
Depreciation on right-of-use assets (note 13) ¹	0.5	0.8	0.5	0.8
Amortisation of intangible assets (note 14) ¹	3.4	3.0	3.4	3.0
Cost of inventories recognised as an expense	0.9	1.3	0.9	1.3
Amounts payable under operating leases under IFRS 16:				
Operating lease rental charge	0.2	0.1	0.1	0.1
Interest on lease liabilities	0.1	0.1	0.1	0.1
Fees payable to ICAEW's auditor for the audit of the financial statements	0.1	0.1	0.1	0.1
Foreign exchange differences	-	0.1	-	0.1

¹ Depreciation of property, plant and equipment and amortisation of intangible assets includes £2.7m of asset disposals, £0.4m of right of use impairment and £1m of intangible impairment on the Business Systems Transformation project.

No non-audit services have been provided by ICAEW's auditor, Haysmacintyre LLP (2019: nil).

6. INVESTMENT INCOME

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Interest receivable from investment deposits	0.4	0.6	0.4	0.6
Returns on multi-asset portfolio	1.4	1.6	1.0	1.1
Dividends receivable from subsidiary undertakings	-	-	0.3	0.3
Net realised gains from equities	-	0.9	-	0.9
	1.8	3.1	1.7	2.9

7. OPERATING LEASING COMMITMENTS

At 31 December the group and ICAEW had the following total future minimum lease payments under non-cancellable operating leases which meet the criteria of being short-term leases or leases for which the underlying asset is of low value:

LAND AND BUILDINGS

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Minimum lease payments due:				
Within one year	0.2	0.2	0.1	0.1
	0.2	0.2	0.1	0.1

PLANT AND MACHINERY

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Minimum lease payments due:				
In two to five years inclusive	-	0.1	-	0.1

8. STAFF COSTS

AVERAGE NUMBER OF STAFF EMPLOYED DURING THE YEAR

	Group		ICAEW	
	2020	2019	2020	2019
Total employees	799	777	742	727
Full-time equivalents	767	741	707	692

8. Staff costs continued

EMPLOYMENT COSTS	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Wages and salaries	40.8	41.3	35.1	37.8
Employer's social security costs	3.9	3.9	3.9	3.9
Employer's pension costs	2.8	2.9	2.7	2.8
	<u>47.5</u>	<u>48.1</u>	<u>41.7</u>	<u>44.5</u>

The figures above do not include two members of staff whose employment costs are borne by the Fraud Advisory Panel (2019: two). The charitable trust employees' employment costs are borne by Chartered Accountants' Trust for Education and Research (CATER) although they have contracts of employment with ICAEW.

9. KEY MANAGEMENT COMPENSATION: EXECUTIVE DIRECTORS

	Group and ICAEW			Group and ICAEW		
	Salary	Deferred variable pay	Total	Salary	Deferred variable pay	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sharron Gunn	265	-	265	256	66	322
Robert Hodgkinson	287	-	287	283	75	358
Michael Izza	467	-	467	456	148	604
Mark Protherough	262	-	262	249	73	322
Vernon Soare	299	-	299	291	78	369
Duncan Wiggetts	264	-	264	251	73	324
	<u>1,844</u>	<u>-</u>	<u>1,844</u>	<u>1,786</u>	<u>513</u>	<u>2,299</u>

The executive directors are remunerated on a total package basis. This means that they may elect to take all of their remuneration in the form of salary or they may opt to commute a portion of their salary towards ICAEW benefits such as pension scheme membership, health insurance or a car. Deferred variable pay is payable to executive directors on the basis of performance and is agreed by the remuneration committee. The Executive Directors waived their right to deferred variable pay in respect of 2020 as a result of COVID-19. In addition to the above salaries, employer's national insurance contributions totalled £314,000 (2019: £300,000).

Independent non-executive directors (those who are not ICAEW members) receive a director's fee of £15,500 (2019: £15,500) per annum. No other non-executive directors are remunerated.

10. TAX

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Current tax	(0.1)	(0.2)	-	(0.1)

ICAEW is chargeable to corporation tax on investment income and gains and on net surpluses arising from certain services to the extent that they relate to transactions with non-members. The liability has been reduced by payments made under gift aid to CATER. The charitable trusts fall outside the scope of corporation tax and accordingly there is no tax liability in relation to their activities. The subsidiary companies pay local tax based on their country of operation and this has been included in the current tax calculations.

FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Net result from operations	29.3	18.8	27.4	18.3
Add back: result on transactions with members	(27.7)	(15.0)	(26.4)	(15.3)
Net result before taxation on transactions with non-members	1.6	3.8	1.0	3.0
Net result above at the standard rate of corporation tax of 19%	(0.3)	(0.7)	(0.2)	(0.6)
Effects of:				
Items not chargeable/deductible for tax purposes	0.3	0.5	0.3	0.5
Unutilised losses	(0.1)	-	(0.1)	-
	(0.1)	(0.2)	-	(0.1)

ICAEW anticipates that tax charges in future years may be affected by continued donations under gift aid to CATER.

11. DEFERRED TAX

	Group and ICAEW			
	Revaluation of available for sale investments	Revaluation of properties and historical collections	Defined benefit pension scheme deficit	Net
	£m	£m	£m	£m
Liability at 1 January 2019	(1.0)	(0.4)	(0.3)	(1.7)
Movement in year				
Recognised in OCI	(0.5)	-	(0.2)	(0.7)
Liability at 1 January 2020	(1.5)	(0.4)	(0.5)	(2.4)
Movement in year				
Recognised in OCI	(0.4)	-	-	(0.4)
Liability at 31 December 2020	(1.9)	(0.4)	(0.5)	(2.8)

12. PROPERTY, PLANT AND EQUIPMENT

GROUP AND ICAEW FIXED ASSETS

	Freehold Property	Short Leasehold Property	Silver Collection and Antiques	Furniture Computers and Equipment	Total
	£m	£m	£m	£m	£m
Cost or valuation					
At 1 January 2019	36.3	0.2	4.5	13.9	54.9
Additions	1.0	-	0.1	1.3	2.4
Reclassification from ROU assets ¹	-	3.1	-	-	3.1
Disposals at cost or valuation	-	(0.2)	-	(0.1)	(0.3)
At 1 January 2020	37.3	3.1	4.6	15.1	60.1
Additions	2.4	0.1	-	1.4	3.9
Disposals at cost or valuation	(1.2)	-	-	(0.4)	(1.6)
Deficit on revaluation	(1.2)	-	-	-	(1.2)
31 December 2020	37.3	3.2	4.6	16.1	61.2
Accumulated depreciation					
At 1 January 2019	6.1	-	-	7.6	13.7
Depreciation for the year	1.5	-	-	1.4	2.9
Reclassification from ROU assets ¹	-	2.2	-	-	2.2
Adjustment to cost	-	-	-	(0.1)	(0.1)
At 1 January 2020	7.6	2.2	-	8.9	18.7
Depreciation for the year	1.9	0.3	-	1.5	3.7
Depreciation on disposals	(0.2)	-	-	(0.2)	(0.4)
31 December 2020	9.3	2.5	-	10.2	22.0
Carrying amount					
31 December 2020	28.0	0.7	4.6	5.9	39.2
31 December 2019	29.7	0.9	4.6	6.2	41.4
On an historical cost basis the comparable amounts for property, plant and equipment are:					
Cost	31.1	3.4	0.2	16.2	50.9
Accumulated depreciation	(14.4)	(2.8)	-	(10.4)	(27.6)
Net historical cost at 31 December 2020	16.7	0.6	0.2	5.8	23.3
Net historical cost at 31 December 2019	15.5	2.0	0.2	6.3	24.1

¹Short-term leasehold property improvements with a brought forward cost of £3.1m and accumulated depreciation brought forward of £2.2m have been reclassified from ROU assets in the year (Note 13).

12. Property, plant and equipment continued

At 31 December 2020 there were no contracts for capital expenditure not provided for in these financial statements (2019: £nil). There is a charge over Chartered Accountants' Hall in favour of the trustee of ICAEW's defined benefit pension scheme (see note 23).

A professional valuation of Chartered Accountants' Hall was carried out by CBRE (Commercial Real Estate Services Group) in line with the accounting policy at 31 December 2020.

ICAEW's historic collections were revalued at open market value at 31 December 2017 by William Walter Antiques Limited (the Benney silver collection and other silver), John Drury Rare Books (rare books) and Ritchie Associates (period furniture, pictures and sculptures).

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**GROUP AND ICAEW RIGHT-OF-USE ASSETS**

	Right of Use Assets	Total
	£m	£m
Cost or valuation		
At 1 January 2019 and 1 January 2020	10.0	10.0
Impairment	(0.4)	(0.4)
Reclassification to short leasehold assets ¹	(3.1)	(3.1)
31 December 2020	6.5	6.5
Accumulated depreciation		
At 1 January 2019	6.9	6.9
Depreciation for the year	0.8	0.8
At 1 January 2020	7.7	7.7
Depreciation for the year	0.5	0.5
Reclassification to short leasehold assets ¹	(2.2)	(2.2)
31 December 2020	6.0	6.0
Carrying amount		
31 December 2020	0.5	0.5
31 December 2019	1.4	1.4

¹ Short-term leasehold property improvements with a brought forward cost of £3.1m and accumulated depreciation brought forward of £2.2m have been reclassified from ROU assets in the year to short leasehold (Note 12). During the period, these assets were depreciated by £0.5m (2019: £0.8m).

13. right-of-use assets and lease liabilities continued

GROUP AND ICAEW LEASE LIABILITIES

Lease payments and interest costs expensed in the year were £0.8m (2019: £0.9m) and £0.1m (2019: £0.1m) respectively. The table below shows the movement in lease liability during the year.

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
As at 1 January	2.1	2.8	1.9	2.7
New leases	0.1	0.1	-	-
Lease payments	(0.8)	(0.9)	(0.7)	(0.9)
Interest	0.1	0.1	0.1	0.1
As at 31 December	1.5	2.1	1.3	1.9

As ICAEW does not have any borrowings, an indicative borrowing rate has been obtained to represent the amount of rentals payable for the duration of leases. This rate of 2.75% (2019: 2.75%) has been determined using the LIBOR rate and then applying a risk factor in basis points. As international offices and therefore leases are funded centrally by the UK, the indicative borrowing rates used are based on the funding source based in the UK and denominated in GBP.

The table below shows the split of lease liabilities recognised between current and non-current.

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Current	0.8	0.7	0.7	0.7
Non-current	0.7	1.4	0.6	1.4
	1.5	2.1	1.3	2.1

LEASE MATURITY ANALYSIS

The table below provides a further maturity analysis of the lease liabilities.

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
1 year	0.8	0.7	0.7	0.7
2 years	0.7	0.7	0.6	0.7
More than 3 years	-	0.7	-	0.7
	1.5	2.1	1.3	2.1

14. INTANGIBLE ASSETS

	Group and ICAEW	
	2020	2019
	£m	£m
Cost		
At 1 January	28.6	22.2
Additions	7.7	6.5
Impairment	(1.0)	-
Disposals	(2.3)	(0.1)
At 31 December	33.0	28.6
Accumulated amortisation		
At 1 January	13.0	10.0
Amortisation for the year	3.4	3.0
Disposals	(0.2)	-
At 31 December	16.2	13.0
Carrying amount at 31 December	16.8	15.6

Intangible assets comprised principally software for ICAEW's internal systems and external digital resources. The main additions in the year related to the development of ICAEW's business systems transformation programme as well as supporting digital infrastructure. Amortisation charges are allocated to departments on the basis of use of ICAEW's systems through the overhead allocation. At 31 December 2020 there were £0.1m (2019: £0.9m) of contracts for capital expenditure not provided for in these financial statements.

A review was undertaken considering the impact of COVID-19 on the BST (Business Systems Transformation) project, and this resulted in an impairment of £1.0m. This was due to 10 weeks of unproductive activity during the initial 6 months of lockdown, when there was a need to transfer staff to work in other areas of IT such as implementing home working, and making changes to and supporting of examinations. Total capitalised costs for BST to date are £15.1m, and the current carrying value after amortisation and impairments is £11.5m with an average remaining amortisation period of 6 years and anticipated costs to completion of £4.8m.

15. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The following entities, all registered in England and Wales, have been treated as subsidiaries on the basis that ICAEW has control as it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns:

Trust	Activity
ICAEW Foundation	Makes charitable donations of particular interest to ICAEW
PD Leake Trust	Provides grants for accountancy research, conferences and publications
Chartered Accountants' Permanent Education Trust	Provides exam prizes
Chartered Accountants' Trust for Education and Research	Owens and operates the ICAEW library. Provides grants for accounting research, conferences and publications
Chartered Accountants' Library Limited	Dormant subsidiary of Chartered Accountants' Trust for Education and Research
Chartered Accountants' Charitable Investment Pool	Common investment fund managing the investments of the other charitable trusts

The trusts, although separately administered, are accounted for as a single charity under the authority of a uniting direction from the Charity Commission. There is an agreement between the above trusts and ICAEW to provide administrative services to the trusts. The total value of the transactions amounted to £0.3m (2019: £0.2m). At the year-end, the trusts owed ICAEW £nil (2019: £nil).

ICAEW made payments of £0.7m (2019: £0.5m) in the year under gift aid to the Chartered Accountants' Trust for Education and Research (CATER), a charitable trust aggregated within ICAEW's subsidiary ICAEW Foundation, which funds the ICAEW library and education in the field of accountancy and related subjects.

ICAEW holds 100% interest in the share capital of the following subsidiary undertakings, all incorporated in England and Wales, through its direct wholly owned subsidiary ICAEW Ltd. The international companies provide marketing services for ICAEW and the ICAEW Legal Services Compensation Scheme Ltd activity is set out below. The value of these services during 2020 was £5.9m (2019: £6.3m). At the year-end £1.0m (2019: £1.7m) was owed by ICAEW and £0.1 (2019: £nil) was owed to ICAEW.

Activity and cost of investment		2020 dividends paid £m	2019 dividends paid £m
ICAEW Malaysia Limited	Representative office for ICAEW in Malaysia, Indonesia and Vietnam. Cost £1	0.1	0.1
ICAEW China Limited	Representative office for ICAEW in China. Cost £2	-	-
ICAEW Middle East Limited	Representative office for ICAEW in the Middle East. Cost £1	0.1	0.1
ICAEW SEA Limited	Representative office for ICAEW in South East Asia. Cost £1	-	-
ICAEW Europe Limited	Representative office for ICAEW in Europe. Cost £1	-	0.1
ICAEW Legal Services Compensation Scheme Ltd - a company limited by guarantee	Evaluates and administers claims for compensation arising from the obligations in relation to member firms authorised or licensed under ICAEW's Legal Services Regulations.	-	-

15. Investments in subsidiaries and associates continued

The following related companies, all with their principal place of business in the UK, have been treated as associates. In each case, and notwithstanding the majority ownership of CCAB Limited and the Chartered Accountants' Compensation Scheme Limited, ICAEW exercises significant influence through its power to participate in the financial and operating policy decisions through its representation on the board of directors; participation in the policy-making process; and through the existence of material transactions between the company and ICAEW, but ICAEW does not control the companies.

Trust	Activity
The Joint Insolvency Examination Board (JIEB) - a company limited by guarantee	Conducts exams in insolvency practice to meet the education requirements of the Insolvency Act 1986. ICAEW is one of seven subscribers, each of whom has guaranteed £1 in the event of the company being wound up. ICAEW provides exam services. JIEB has a year-end date of 30 June.
Fraud Advisory Panel (FAP) - a company limited by guarantee	Registered charity which carries out research into, and education in, all aspects of fraud prevention, detection, prosecution and deterrence. ICAEW has the right to appoint up to one third of the directors of the company. ICAEW provides grant funding together with administration services.
CCAB Limited (CCAB)	Undertakes activities of mutual interest to five major accountancy bodies in the British Isles. ICAEW is the majority shareholder but does not have the majority of voting shares on the board. ICAEW provides administration and secretarial services. ICAEW shareholding 60.5%.
Chartered Accountants' Compensation Scheme Limited (CACS)	Evaluates and administers claims for compensation arising from the obligations of ICAEW, the Institute of Chartered Accountants of Scotland and Chartered Accountants Ireland as recognised professional bodies under the Financial Services Act 1986 and as designated professional bodies under the Financial Services and Markets Act 2000. ICAEW is the majority shareholder but does not have the majority of voting shares on the board. ICAEW provides administration and secretarial services. ICAEW shareholding 80.0%.
Chartered Accountants Worldwide Limited (CAW) - a company limited by guarantee	Supports, develops and promotes the vital role that chartered accountants play throughout the global economy. ICAEW is one of five founder members each of whom has guaranteed £1 in the event of the company being wound up. ICAEW provides administration and secretarial services.

The companies all operate on a not-for-profit basis. There is a full list of subsidiaries and associates at icaew.com/review

15. Investments in subsidiaries and associates continued

Financial information relating to the associates is summarised below:

	JIEB	FAP	CCAB	CACS	CAW	Total	Total
	2020	2020	2020	2020	2020	2020	2019
	£m	£m	£m	£m	£m	£m	£m
Assets	0.2	0.3	1.0	0.1	0.5	2.1	2.1
Liabilities	-	(0.1)	(1.0)	(0.1)	(0.5)	(1.7)	(1.7)
Net assets	0.2	0.2	-	-	-	0.4	0.4
Revenue	0.2	0.1	5.8	0.1	0.4	6.6	6.3
Result from continuing operations and total comprehensive income	0.1	-	-	-	-	0.1	0.1
Services provided by ICAEW during the year, including grant funding	0.1	0.2	0.1	-	0.1	0.5	0.4
Balances due from associates at 31 December	-	0.1	-	0.2	-	0.3	0.3
Group share of net assets at 31 December	-	0.1	-	-	-	0.1	0.1

Share of profit or loss of the associates is accounted for using the equity method.

None of the above companies had any discontinued operations in the year or previous year.

16. FINANCIAL ASSETS

With the exception of Engine B, ICAEW does not hold direct investments in businesses. We invest ICAEW reserves through fund managers in short and medium-term investments to derive income that supports ICAEW activity. On a similar basis, the staff pension fund is invested through fund managers.

	Interest-bearing investments		Equities and unit trusts	Total	Interest-bearing investments		Equities and unit trusts	Total
	2020		2020		2019		2019	
	£m		£m		£m		£m	
Fair value								
At 1 January	5.9	63.8	69.7	5.9	57.4	63.3		
Additions	1.0	35.1	36.1	1.0	14.8	15.8		
Disposals	(0.9)	(24.3)	(25.2)	(1.0)	(14.2)	(15.2)		
Gains on disposal	-	0.3	0.3	-	1.0	1.0		
Change in market value of investments:								
Recognised in other comprehensive income	-	0.8	0.8	-	4.8	4.8		
At 31 December	6.0	75.7	81.7	5.9	63.8	69.7		

On an historical cost basis the comparable amounts of investments are:

At 31 December	6.0	52.7	64.3	5.9	52.7	58.6
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	Interest-bearing investments		Equities and unit trusts	Total	Interest-bearing investments		Equities and unit trusts	Total
	2020		2020		2019		2019	
	£m		£m		£m		£m	
Fair value								
At 1 January	5.0	49.2	54.2	5.0	43.9	48.9		
Additions	-	29.7	29.7	-	11.7	11.7		
Disposals	-	(18.9)	(18.9)	-	(10.9)	(10.9)		
Gains on disposal	-	0.3	0.3	-	0.9	0.9		
Change in market value of investments:								
Recognised in other comprehensive income	-	1.1	1.1	-	3.6	3.6		
At 31 December	5.0	61.4	66.4	5.0	49.2	54.2		

On an historical cost basis the comparable amounts of investments are:

At 31 December	5.0	51.2	56.2	5.0	40.2	45.2
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The methods and valuation techniques used to measure fair value are unchanged compared to the previous year.

Within group investments are charitable funds of £15.3m (2019: £15.5m) which are maintained independently of ICAEW, and for which the trustee sets investment policies and monitors performance. ICAEW investments include cash balances of £1.7m (2019: £3.7m).

During the year, an investment of £10m was made by a transfer from cash and cash equivalents to financial assets.

16. Financial assets continued

UNLISTED EQUITIES

	Group and ICAEW	
	2020	2019
	£m	£m
Cost		
At 1 January	-	-
Additions	0.6	-
Write down	(0.6)	-
At 31 December	-	-

Engine B is an Intelligent Data Access Platform intended to help organisations manage their corporate data as it is used by third parties, initially targeting Audit Firms as users having an immediate requirement to improve the quality and ease of Corporate Data Access.

The longer-term benefit for users of the platform will be access to different types of client data systems without the need for multiple complex extraction systems and integration programs.

The exceptional direct investment in Engine B was made by ICAEW in recognition of the potential public interest benefit which could arise from making a data access platform more widely available without the burden falling on a single organisation. Given the early stage of development and the uncertain nature of future economic returns, the investment has been fully written down in the year.

17. INVENTORIES

	Group and ICAEW	
	2020	2019
	£m	£m
Learning materials ¹	0.7	0.9

¹ From 2020 learning materials include costs associated with development of E-learning documents.

There was no provision against learning materials at the year end (2019: £nil).

18. TRADE AND OTHER RECEIVABLES - CURRENT

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Trade receivables and other receivables	27.3	24.0	23.2	23.2
Amounts owed by subsidiaries	-	-	0.3	-
Amounts owed by associates	0.2	0.2	0.3	0.2
Prepayments	3.1	4.5	3.1	4.4
Accrued income	9.0	3.1	8.9	3.1
	39.6	31.8	35.8	30.9
Less: provision for impairment of trade and other receivables	(0.7)	(0.8)	(0.7)	(0.8)
	38.9	31.0	35.1	30.1

All receivables have been reviewed for indicators of impairment. Certain trade receivables, principally in relation to disciplinary fines and costs from members, member firms and former members, were found to be impaired, resulting in a provision at year end of £0.7m (2019: £0.8m). The movement in the provision for trade and other receivables can be reconciled as follows:

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Balance at 1 January	0.8	0.8	0.8	0.8
Impairment losses recognised during the year	0.4	0.4	0.4	0.4
Previous impairment losses reversed	(0.5)	(0.4)	(0.5)	(0.4)
	0.7	0.8	0.7	0.8

Some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
More than one month but not more than three months	1.0	1.0	1.0	1.0
More than three months	-	0.2	-	0.2
	1.0	1.2	1.0	1.2

19. CASH AND CASH EQUIVALENTS

Forward contracts are used to cover known foreign currency exposures. Forward contracts for the purchase of foreign currency totalling £5.7m (2019: £6.9m) were in place at the year-end and there were no material fair value differences at the end of either period. US dollar and euro bank accounts stood at £0.1m (2019: £0.3m) equating to <1% (2019: <1%) of cash and cash equivalent balances.

The income statement effect of a 0.25% change in the average market interest rate on current cash and equivalents, and cash balances within the available for sale portfolio, held at the reporting date that are sensitive to changes in interest rates would be £150,000 (2019: £96,000). All other variables are held constant.

20. TRADE AND OTHER PAYABLES

CURRENT	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Subscriptions fees in advance	29.4	28.7	29.4	28.7
Admission fee and affiliate application fee deferred income obligations	1.9	1.6	1.9	1.6
Amounts owed to subsidiaries	-	-	2.7	1.7
Other income in advance	10.8	0.7	10.8	0.7
Trade payables	4.2	3.7	4.2	3.4
Other payables	17.8	14.1	14.6	13.6
Lease liabilities	0.8	0.8	0.7	0.7
Income tax and social security payables	1.3	1.0	1.3	1.0
Accruals	8.9	9.9	8.9	9.5
	75.1	60.5	74.5	60.9

NON-CURRENT	Group		ICAEW	
	2020	2019	2020	2019
	£m	£m	£m	£m
Admission fee and affiliate application fee deferred income obligations	31.4	29.3	31.4	29.3
Lease liabilities	0.7	1.4	0.6	1.4
Subscriptions and other income in advance	2.4	2.1	2.4	2.1
Other payables	-	0.6	0.1	0.5
	34.5	33.4	34.5	33.3

21. FRC CONDUCT COMMITTEE PROVISION

The FRC conduct committee is part of the FRC and is responsible for operating and administering two independent disciplinary schemes: the Audit Enforcement Procedure (AEP) and the Accountancy Scheme. These disciplinary schemes cover ICAEW and the following participating institutes: the Association of Chartered Certified Accountants, the Chartered Institute of Management Accountants, the Chartered Institute of Public Finance and Accountancy, Chartered Accountants Ireland and the Institute of Chartered Accountants of Scotland. The FRC conduct committee also operates and administers a separate independent disciplinary scheme (the Actuarial Scheme) covering members of the Institute and Faculty of Actuaries.

At the year end, the provision covers a total of 32 (2019: 29) current cases involving ICAEW members and member firms and is expected to be used over the next two to three years.

The provision is based on the present obligations of ICAEW which can be reasonably estimated at 31 December 2020. However, the ICAEW indemnity extends to any case costs incurred by the FRC, which may exceed the extent of the FRC's work which could be reasonably estimated at 31 December 2020, for example if the FRC decides to escalate a case to the next stage. This additional potential obligation is accounted for as a contingent liability (see note 26).

The FRC case cost provision range had a range of £6.8m to £7.8m at 31 December 2020 which has been derived using three methods, a case-by-case assessment based on discussions on case progress with the FRC, a broad projection based on a total value for a case, less future stages not yet authorised, determined by categorising cases by size and a projection based on a more detailed averaging basis of closed case costs which takes into account additional detail of cost per stage.

The FRC case cost provision range at 31 December 2020 reflects the continuing escalation of costs for very large complex cases, and the current uncertainty in relation to the average costs for each stage under AEP when compared to the Accountancy Scheme.

In making this provision there is uncertainty on the potential costs arising on all cases, but as yet there have only been 12 (2019: 6) cases investigated under the AEP which have reached a conclusion. Consequently, we cannot yet say with great certainty whether case costs under AEP will be on average higher or lower than under the Accountancy Scheme, although the nature of the scheme was designed to reduce costs and increase the number of cases being brought. In addition, the costs of the two very large complex cases are continuing to escalate, this uncertainty is reflected in the provision. At the year-end, 22 (2019: 17) of the 32 (2019: 29) cases were AEP matters with a further 5 (2019: 6) being investigated under the Accountancy Scheme and 5 (2019: 6) under both AEP and the Accountancy Scheme.

ICAEW meets the provision, together with any obligations arising from new investigations as they occur, through additional charges to the income statement and a levy on member firms conducting audit work. The levy is raised to help ICAEW manage the settlement of costs incurred by the FRC which are invoiced quarterly in arrears; future charges will be levied to recover these costs as they are invoiced by the FRC but are not accounted for at the balance sheet date.

21. FRC conduct committee provision continued

	Group and ICAEW			
	Income statement	Provision	Income statement	Provision
	2020	2020	2019	2019
	£m	£m	£m	£m
Provision held at 1 January		11.8		11.9
FRC conduct committee provision charged to P&L	10.3	10.3	6.9	6.9
FRC conduct committee case cost recoveries credited to P&L				
Received in year	(6.8)		(3.5)	
Accrued case costs netted to provision ¹	(2.5)	(2.5)	-	-
Accrued case costs shown in accrued income ²	(3.5)		-	
FRC conduct committee recoveries	(12.8)		(3.5)	
Net (credit)/charge to income statement	(2.5)		3.4	
Transfer to accruals		(3.0)		-
Payments to FRC to fund case costs		(8.8)		(7.0)
Provision held at 31 December		7.8		11.8
The provision is expected to be utilised as follows:				
Provision expected to be used within one year		4.6		6.0
Provision expected to be used after more than one year		3.2		5.8
Provision held at 31 December		7.8		11.8

¹ Case cost recoveries accrued of £2.5m relate directly to the provision for future case costs and are netted off against the provision in accordance with the case cost agreement.

² Case cost recoveries accrued of £3.5m relate to case costs previously paid where no recoveries have yet been received.

FRC accounting policies detailed in Note 2(n).

Included within the credit to the income statement of £2.5m (2019: Charge £3.4m) are recoveries as detailed above which were previously shown in the income statement after operating result.

22. PROVISIONS FOR FUTURE LIABILITIES

	Group and ICAEW	
	2020	2019
	£m	£m
Rent free period	0.3	0.3
Dilapidations	0.8	0.7
Holiday pay	0.9	-
Restructuring	0.5	-
Balance at 31 December	2.5	1.0

The provisions for dilapidations and rent-free period are expected to be used by the termination of the lease in 2023; the actual outflows will vary dependent upon agreement with the landlord at that time.

Provision has been made in 2020 for holiday pay accrued by employees at the end of the year that is yet to be taken.

Provision has also been made in 2020 for restructuring costs likely to be incurred in relation to a business re-organisation.

23. PENSION BENEFITS

Defined benefit scheme

Until 30 June 2010, ICAEW operated a defined benefit pension scheme (the scheme) which provided participating members of staff with retirement benefits based on their pensionable service and final pensionable salary. The assets of the scheme are held under separate trust.

ICAEW's defined benefits pension scheme was closed to further member benefit accrual in 2010. The latest triennial actuarial valuation showed a deficit of £0.2m at 31 March 2019. The Trustee and ICAEW agreed a recovery plan that required ICAEW to continue making contributions of £0.3m per year until 2024, unless certain triggers based on the scheme's funding levels are breached in which case the contributions will stop. As at 31 December 2020 the scheme had a surplus of £11.8m on the Technical Provisions basis and contributions will cease from 1 March 2021. With our support, the trustee has developed an investment strategy intended to make the scheme entirely self-sufficient by around 2026.

The most recent completed valuation of the scheme was carried out by Hymans Robertson LLP as at 31 March 2019 using the projected unit credit method, taking into account the closure of the scheme to future accrual from 30 June 2010. At the valuation date, the market value of the assets of the scheme was £210.1m, which represented 100% of the value of the benefits that had accrued to members, after allowing for expected future increases in inflation.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the scheme in the future may differ materially from the estimates made on the basis of the actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement.

In conjunction with the 2019 valuation of the scheme, ICAEW agreed to the continuation of a charge over Chartered Accountants' Hall, but the Trustee's interest in up to £10.0m of ICAEW's investment portfolio was removed.

Desktop actuarial valuation

The actuary has provided a desktop actuarial update on the scheme's financial position as at 31 December 2020. This review estimated that the surplus, based on assumptions consistent with the 2019 triennial valuation, was £11.8m, reflecting a funding level of 105.4%. This included the impact of GMP equalisation of 0.3% of the liabilities.

The desktop actuarial valuation is prepared using the following key assumptions:

- Pre-retirement discount rate - Bank of England gilt curve plus 1.25% (2019: 1.25%) pa (varies by term)
- Inflation - Bank of England gilt inflation curve (varies by term)
- Life expectancy - bespoke mortality base tables with future improvements based on the 2019 CMI projection model and a long-term rate of 1.5% pa (improvements are assumed to have peaked and decline at older ages).

The main reason for the difference between this desktop actuarial valuation and the IAS 19 valuation relates to the discount rates applied.

The following table highlights the sensitivities of the funding level in the above desktop actuarial valuation to changes in each of these assumptions individually; the effect of changing more than one assumption would not necessarily be equal to the sum of the two individual changes. As a result of the buy-in annuities held, the change in assumptions affects both the liabilities and assets of the scheme.

	Change in assumption	Effect on scheme liabilities %	Net effect on Surplus £m
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 7%	15.6
Rate of inflation	Increase/(decrease) by 0.5% pa	(Increase)/decrease by 5%	11.3
Longevity	Increase by 1 year	Increase by 3%	6.6

23. Pension benefits continued

IAS 19 VALUATION

The scheme's actuary provides a separate report for IAS 19 purposes at each year-end. The assumptions made at 31 December 2020 by the board on the advice of the scheme's actuary were:

	2020	2019
Discount rate	2.80%	2.00%
Rate of inflation	3.20%	2.95%
Pension 5% LPI increase rate (% pa)	3.10%	2.90%
Mortality rates (years) used to calculate the pension liabilities imply an expected future life expectancy of : -	Years	Years
Pensioners men - Age 65	23.4	23.2
Pensioners women - Age 65	24.7	24.3
Non-pensioners men	24.7	24.6
Non-pensioners women	26.7	26.3

IAS 19 states that the discount rate used should have regard to returns on high quality corporate bonds of a term consistent with the term of the post-employment benefit obligations. A yield curve of iBoxx AA bonds has been used to estimate an appropriate discount rate for the scheme's liabilities, which are estimated to have a weighted average term of 16 years (2019: 17 years).

The table below summarises the split of defined benefit obligation between deferred members and pensioners. There are no active members.

	Number of members	Liability split	Duration (Years)
Deferred members	269	42.7%	20.1
Pensioners	428	57.3%	12.4
Total/weighted average	697	100.0%	15.7

The scheme actuary has confirmed that the assumptions adopted by management are within their acceptable range for the purposes of the IAS 19 valuation.

23. Pension benefits continued

The following table highlights the sensitivities of the funding level in the IAS 19 valuation, as calculated by the actuary, to changes in each of the assumptions individually; the effect of changing more than one assumption would not necessarily be equal to the sum of the two individual changes. As a result of the buy-in annuities held, the change in assumptions affects both the liabilities and assets of the scheme.

	Change in assumption	Effect on scheme liabilities %	Net effect on deficit £m
Discount rate	Increase/(decrease) by 0.5% pa	(Decrease)/increase by 9%	17.8
Rate of inflation	Increase/(decrease) by 0.5% pa	Increase/(decrease) by 7%	14.5
Longevity	Increase by 1 year	Increase by 4%	8.3

In accordance with IFRIC 14, the defined benefit pension scheme rules and funding arrangements were reviewed and, with supporting legal advice, ICAEW considers that it has an unconditional right to a refund assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme. The directors have made the judgement that these amounts meet the requirements of recoverability and a surplus of £22.5m (2019: £24.0m) has been recognised as a scheme asset.

The following table summarises the results of the IAS 19 valuation of the fund:

Reconciliation of whole scheme

	2020 £m	2019 £m
Defined benefit obligations		
Opening defined benefit obligation	190.7	179.8
Interest on obligation	3.7	5.0
Actuarial gains arising from changes in financial assumptions		
Changes in demographic assumptions	1.7	(1.6)
Changes in financial assumptions	21.7	17.3
Experience	(3.7)	(3.8)
Benefits paid, including expenses	(7.7)	(6.0)
Closing defined benefit obligation	206.4	190.7
Fair value of plan assets - whole scheme		
Opening fair value of plan assets	214.7	192.2
Interest income of fund assets	4.2	5.3
Employer contributions	0.3	1.6
Return on assets excluding amounts included in net interest	17.4	21.6
Benefits paid, including expenses	(7.7)	(6.0)
Closing fair value of plan assets	228.9	214.7
Scheme surplus	22.5	24.0

23. Pension benefits continued

The administration costs of the scheme are paid directly by ICAEW. Contributions by the employer include deficit funding payments, together with contributions in kind of £0.6m (2019: £0.4m) in relation to administration costs of the scheme paid directly by ICAEW. Actual returns on assets were £21.1m (2019: £26.9m).

The major categories of plan assets as a percentage of total plan assets are as follows:

	2020	2019
Equities	16%	32%
Debt securities - Government bonds	16%	12%
Debt securities - Corporate bonds	9%	11%
Insurance contracts	23%	23%
Absolute return bond	20%	21%
Cash and cash equivalents	16%	1%
	100%	100%

The scheme trustee intends to reduce investment risk over a period of time, with the aim of ultimately creating a mainly bond portfolio where the value of the assets moves in a similar way to the liabilities when there is a change in inflation or interest rates.

In terms of setting long-term objectives for the scheme, the key elements agreed between the trustee and ICAEW are as follows.

- To be self-sufficient, based on the scheme's current funding position and the agreed recovery plan, in around nine years.
- To move investments into low risk assets.
- The interim target is to be fully funded on the technical provisions basis by 2024.

The stochastic modelling carried out as part of the 2016 valuation helped the trustee identify funding and investment strategies that would provide a reasonable probability of meeting their long-term target while taking an acceptable level of risk that ICAEW could tolerate. Given the agreed contribution payments and the strength of ICAEW's covenant, the current asset allocation was identified as appropriate, although it will be regularly reviewed in light of emerging changes to the scheme, the wider economy and general market conditions.

The trustee had previously agreed to implement a plan to reduce the risks in the scheme as it moves progressively closer towards the objective of self-sufficiency. The process aims to give the trustee the ability to capture good investment performance as and when the right opportunities arise. The default option is to disinvest from equities in order to invest in bonds and other lower risk assets but sufficient flexibility has been built into the process to allow investment in alternative assets if market conditions do not support the default option.

As part of the continued process to manage scheme volatility, the trustee has purchased two buy-in annuities to provide funding for the liabilities of a portion of the largest pension liabilities. The annuities are in the name of the trustee and are an asset of the fund and the corresponding pensioner obligations also remain as liabilities of the fund. The policies have been valued by the scheme actuary on a basis to value the underlying liabilities secured by the policy. It assumes that the fair value of the asset is equal to this liability value which is determined and is consistent with the scheme's ongoing funding basis. The asset is included as insurance contracts elsewhere in this note.

23. Pension benefits continued

The fair values of the main asset categories can be summarised as follows:

	2020	2019
	£m	£m
Quoted investments		
Equities	37.0	68.2
Debt securities	57.4	48.7
Absolute return bond	45.7	45.2
Cash and cash equivalents	36.3	3.0
	176.4	165.1
Unquoted investments		
Insurance contracts	52.4	49.6
	52.4	49.6
	228.8	214.7

AMOUNTS RECOGNISED IN THE INCOME STATEMENT WITHIN STAFF COSTS ARE AS FOLLOWS:

	2020	2019
	£m	£m
Net interest income on plan assets	4.2	5.3
Interest on obligation	(3.7)	(5.0)
	0.5	0.3

AMOUNTS RECOGNISED AS OTHER COMPREHENSIVE INCOME:

	2020	2019
	£m	£m
Return on plan assets (excluding amounts included in net interest)	17.4	21.6
Actuarial (loss) on changes in demographic assumptions	(1.7)	1.5
Actuarial (loss) on changes in financial assumptions	(21.7)	(17.3)
Experience re-measurements	3.7	3.8
Actuarial (loss)/gain	(2.3)	9.6

DEFINED CONTRIBUTION SCHEME

The defined contribution scheme provides benefits based upon contributions made and investment returns achieved. The assets of the scheme are held in a separate trustee fund. ICAEW contributes 9% of pensionable earnings for participating employees. Employees contribute a minimum of 4%. Employees not in the scheme are offered auto-enrolment at statutory minimum contributions. The amount charged to the income statement during the year for these schemes was £2.8m (2019: £2.8m). There were no contributions payable to the scheme at the year-end date (2019: £nil).

24. RELATED PARTIES

The group and ICAEW operating results include reimbursement of members' expenses on ICAEW activities and payments on a normal commercial basis to members and member firms for services, particularly in connection with lecturing and writing papers. In 2020 these payments in aggregate amounted to £1.4m (2019: £2.0m). Of this, £331,000 (2019: £352,000) was paid for services to member firms which have a partner or employee who is a member of council. The amounts paid to individual council members for services was £34,500 (2019: £nil) in total.

Transactions and balances between ICAEW and its subsidiaries and associates is set out in note 15 above.

ICAEW provides accounting and operational support to the Capitals Coalition (CC), an unincorporated multi-stakeholder collaboration bringing together initiatives and organisations to harmonise approaches to natural capital. ICAEW hosts the secretariat and Michael Izza is a member of the CC's board of Directors. The amount held by ICAEW as agent of the CC at the year-end date was £0.2m (2019: £1.1m); amounts owed to ICAEW were £nil (2019: £0.7m). Over 2020, CC transitioned towards the setup of a separate legal entity, not part of the ICAEW Group and based in The Netherlands. While CC was set up as a separate legal entity in January 2020, no immediate changes in operations were necessary as work continued as it had been previously however, a formal service agreement was entered between ICAEW and the new entity, Stichting Capitals Coalition, in March for the delivery of bookkeeping services and IT support on a pro bono basis.

25. RESERVES

ICAEW reserves policies ensure that reserves including FRC fines and costs balances are set at a level equivalent to between three and six months of expenditure through the income statement and for cash and investment balances to be at least sufficient to cover between three and six months of annual budgeted/forecast gross cash expenditure. The balance at the end of 2020 exceeded this range but this is expected to be a short-term matter as ICAEW completes its investment in business development and systems.

Reserves comprise the following:

Revaluation reserve

Represents the excess of the open market valuation over the depreciated historical cost of ICAEW's historic collections and properties, net of deferred tax.

Investment revaluation reserve

Represents unrealised gains and losses arising from the revaluation of available for sale investments over their historical cost net of deferred tax.

Accumulated fund and other reserves

Represents the retained result of the group and ICAEW and group activities and comprises the accumulated fund, faculties, Chartered Accountants' Compensation Scheme and charitable trust reserve funds. In calculating the result to be taken to these reserves, account has been taken of a share of central activities costs and other indirect costs and an allocation of investment income where appropriate.

Included within reserves is £3.2m (2019: £3.2m) relating to the Chartered Accountants' Compensation Scheme. In accordance with investment business regulations ICAEW is required to maintain a compensation scheme, funded by levies on member firms authorised for investment business. This compensation scheme exists to deal with claims received about work carried out by authorised member firms under both the recognised professional body (RPB pre-2001) and designated professional body (DPB post-2001) regimes. ICAEW maintains a reserve to meet anticipated future claims. A levy was made in 2017 on licensed member firms under the DPB regime. ICAEW has reserved the right to make further levies on member firms authorised under the RPB regime before 1 December 2001 should additional funds be required.

26. CONTINGENT LIABILITIES AND GUARANTEES

ICAEW has undertakings to Chartered Accountants' Compensation Scheme Limited for its agreed proportion of claims for compensation and administration costs, of amounts up to but not exceeding £10.0m in any one year. Payments for individual claims are limited to a maximum of £50,000. ICAEW's share of the costs of the scheme is recovered from those member firms licensed by ICAEW under the Financial Services and Markets Act 2000 and those member firms previously authorised by ICAEW under the Financial Services Act 1986 as appropriate.

26. Contingent liabilities and guarantees continued

As a recognised supervisory body (RSB) ICAEW is required to indemnify the FRC for the costs incurred in relation to investigations and disciplinary action against an ICAEW member, or member firm registered by ICAEW to conduct audit work under the Audit Enforcement Procedure and the Accountancy Scheme. This indemnity continues to the end of a case but the decision to progress a case to the next stage is made by the FRC on completion of the current stage of an investigation. The estimated cost of completing the current stage of each case has been recognised in the FRC case cost provision - see note 21. However, it is possible that a number of the current cases could progress to subsequent stages which cannot be reasonably foreseen. The contingent liability, over and above the year-end FRC case cost provision of £7.8m (2019: £11.8m), based on the average costs to progress the current cases at 31 December 2020, amounts to a contingent liability in the range £20.0m to £25.0m. This contingent liability range reflects the continuing escalation of costs for very large complex cases, and the current uncertainty in relation to the average costs of cases under AEP when compared to the Accountancy Scheme. ICAEW will meet these potential costs through additional charges to member firms as explained in the accounting policies; to cover 90% of the costs of cases invoiced by the FRC as they fall due.

Chartered accountants are talented, ethical and committed professionals. There are more than 1.8m chartered accountants and students in the world, and more than 187,800 of them are members and students of ICAEW. All of the top 100 global brands employ 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 over 12,000 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.

We are proud to be a founding member of Chartered Accountants Worldwide, a network of 750,000 members across 190 countries which promotes the expertise and skills of chartered accountants around the world.

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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* Source: CAW, 2020 - Interbrand, Best Global Brands 2019