

# TRUST THROUGH ACCOUNTABILITY

REGULATION AND CONDUCT  
ANNUAL REPORT 2025

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PROFESSIONAL  
STANDARDS  
DEPARTMENT

## ICAEW - REGULATION AND CONDUCT

## Who we are and what we do

As a world-leading improvement regulator, our role is to help ICAEW members and firms to maintain high professional standards and hold them to those standards. We act in the public interest to strengthen trust in ICAEW members and firms by raising standards through a programme of continuous improvement.

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## Our role

ICAEW's regulation and conduct roles are separated from ICAEW's other activities through internal governance arrangements so as to ensure the independence of all regulatory and disciplinary decisions. These roles are carried out by the Professional Standards Department and overseen by the ICAEW Regulatory Board and oversight regulators including the Financial Reporting Council, the Insolvency Service, the Office for Professional Body Anti-Money Laundering Supervision, the Financial Conduct Authority and the Legal Services Board.

## Our commitment

We:

- authorise only those firms and individuals with the appropriate expertise and experience to undertake accountancy services regulated by law such as statutory audit, local audit, insolvency, investment business advice and legal services such as probate;
- support professional standards in general accountancy practice through our Practice Assurance scheme;
- provide robust anti-money laundering supervision and monitoring;
- monitor registered firms and individuals to ensure they operate in accordance with laws, regulations and expected professional standards;
- investigate complaints and hold ICAEW Chartered Accountants and students, ICAEW-supervised firms and regulated and affiliated individuals to account where they fall short of the required standards;
- respond and comment on proposed changes to the law and regulation; and
- provide educational resources and materials to help ICAEW members and firms comply with laws and regulations and maintain high professional standards.

## Regulation and Conduct in numbers

Key statistics relating to ICAEW's regulatory and disciplinary work in 2025.

**1,835**

firms registered for statutory audit\*

**761**

licensed insolvency practitioners\*

**321**

firms accredited for probate services\*

**1,507**

firms authorised to provide investment business advice\*

**€10,000**

firms supervised for compliance with AML regulations\*

**2,978**

monitoring reviews carried out

**96%**

satisfaction with the management of our monitoring process

**1,235**

new complaint files opened

**1,314**

investigations completed

**1,247**

regulatory applications received

**7.46m**

sponsored and organic social media impressions

**328,170**

unique website visits

\* as at 31 December 2025

# Chair's foreword

**"I am particularly proud of the way our committees and staff have continued to serve the public interest with professionalism, integrity and determination."**

**Parjinder Basra**  
Chair, ICAEW  
Regulatory Board



## I am delighted to present this year's report which sets out the breadth of progress and delivery across regulation and conduct at ICAEW.

I am particularly proud of the way our committees and staff have continued to serve the public interest with professionalism, integrity and determination. The range of activity reflected here demonstrates our continued commitment to upholding standards, building on firm foundations and striving for excellence in all aspects of our regulatory and disciplinary responsibilities.

In 2025, we refreshed our Regulation and Conduct Strategy to ensure our focus remains clear: helping members and firms to maintain high professional standards and holding them to those standards. We will direct our activities

and efforts towards fulfilling the commitments we have set out in this strategy.

We have seen substantial changes in the regulatory landscape during the year, with significant developments including announcements regarding audit reform and the future direction of anti-money laundering supervision. Responding to this changing environment has required great agility and we will continue to engage with the Government as the new frameworks evolve. Across audit, insolvency and legal services regulation, we have worked diligently to implement new requirements, respond to emerging risks and embed best practice.

This year has also provided valuable opportunities to deepen engagement with our oversight bodies and wider stakeholders, further reinforcing confidence in our approach. I am particularly encouraged by the positive feedback received from our oversight regulators regarding the quality of our work, as reflected in their formal inspection reports.

In the spirit of continuous improvement, I am pleased that we have continued to review and refine our processes this year, strengthening efficiency and consistency while maintaining fairness and due process.

I am grateful for the careful oversight provided by my colleagues on the ICAEW Regulatory Board and our

committee members, whose expertise and independence are vital to ensuring fair, objective and consistent decision-making. I would like to thank all members of the Professional Standards leadership team and our expert staff for their energy, professionalism and shared sense of purpose. Their dedication enables us not only to meet the challenges of today but to approach the future with confidence. Together, we remain committed to high standards, transparency and continuous improvement in support of the public good.

**Parjinder Basra**  
Chair, ICAEW Regulatory Board

# ICAEW Regulation and Conduct 2030 Strategy

Strategic initiative: **“Helping members and firms to maintain high professional standards and holding them to those standards.”**

This strategic initiative directly supports [ICAEW's Direction 2030](#) by ensuring that our regulatory and disciplinary work enhances the relevance, reputation, and resilience of the profession while also contributing to ICAEW's other strategic initiatives; leading conversation on business and the profession, securing international recognition through targeted presence and engagement, equipping members with insights and skills for the future, and building an organisation with world-class capabilities.

## Our five strategic pillars

**1**

### Regulating well

Continually strengthening our regulatory and disciplinary approach through improvements to our governance and oversight arrangements, appointing quality people to our committees, carrying out assurance reviews and enhancing the regulations governing regulated areas of accountancy work.

**2**

### Improvement regulation

Focusing on helping ICAEW members and firms improve the quality of their work through our review work, our monitoring of their professional development activities and our educational initiatives.

**3**

### Public interest

Authorising only individuals and firms with the appropriate expertise to carry out regulated work and taking prompt and effective action to uphold professional standards.

**4**

### Our people

Attracting, developing and retaining high-quality people to strengthen our regulatory and disciplinary capabilities.

**5**

### Continuous improvement

Enhancing efficiency, embracing innovation in our work and proactively identifying improvements to the delivery of our regulatory and disciplinary related activities.



## SECTION ONE

## Regulating well

Under this pillar of our Regulation and Conduct Strategy, we focus on continually strengthening our regulatory and disciplinary approach through improvements to our governance and oversight arrangements, appointing quality people to our committees, carrying out assurance reviews and enhancing the regulations governing regulated areas of accountancy work.

### Strengthening governance and transparency

The ICAEW Regulatory Board (IRB) remained pivotal in overseeing the effectiveness and integrity of ICAEW's regulatory and disciplinary work. With a balanced membership of lay and chartered accountant members, each providing valuable insight and challenge, the Board continued to oversee the regulatory and disciplinary committees, gaining assurance that their activities are conducted with fairness, transparency and consistency. The IRB operates independently of ICAEW's representative functions, and its oversight ensures that committee decisions are made objectively and in the public interest.

This year saw important changes to the IRB composition. At the start of the year, Parjinder Basra was appointed Chair upon the departure of Paul Brooks, who stepped down due to personal reasons. With a background in public sector leadership, Parjinder brings a wealth of board-level experience to the role, having held senior governance positions throughout his career. Having led the IRB previously as Acting Chair for 14 months, he is already a familiar and respected presence to our oversight regulators, and has a strong understanding of the governance requirements underpinning ICAEW's regulatory and disciplinary responsibilities.

Sandra Mundy also joined the IRB as a non-lay member, strengthening our skill base across restructuring and insolvency.

Transparency continues to be a core principle. Building on this, we have published more papers from IRB meetings and invited stakeholders to attend board meetings where relevant, aligning with wider expectations from oversight bodies.

The Regulatory and Conduct Appointments Committee (RACAC) continued its essential work overseeing appointments, performance evaluations and remuneration for IRB and regulatory

**12**  
Committees

**116**  
Members on committees

## 1

SECTION ONE  
**Regulating well** continued

and disciplinary committee members. Its independence ensures that appointments remain merit-based, further reinforcing the robustness of our governance and oversight structure.

Our regulatory and disciplinary committees continue to play a crucial role in delivering independent and robust decision-making. Our committees, made up of lay and professional members, dealt with all significant issues arising out of our licensing, monitoring and conduct work during the year.

The Delegated Powers Reviews carried out by the committees on the work carried out by Professional Standards Department staff remain a key quality assurance mechanism. Each year, the Conduct Committee and each of the regulatory committees review a selection of work undertaken by staff under delegated authority, such as licensing and registration activities, the work carried out during monitoring visits, post visit monitoring and follow-up actions, or the closure of complaints. These reviews provide independent scrutiny of

activity and ensure that regulatory and disciplinary powers are handled appropriately and in accordance with statute and established procedures. They provide independent oversight and assurance to the various committees and the IRB, but also the opportunity for continuous improvement.

**Enhancing our regulations**

Significant amendments to the Audit Regulations were introduced in 2025. From 1 April, updated eligibility requirements came into force. Subsequently, on 1 June, two further changes were implemented: firstly, firms are now required to notify us when taking on audits that are deemed high-risk or complex or unusually large for the size of the audit firm; secondly, sole practitioners must appoint an alternate to ensure continuity of service. These measures are intended to strengthen risk monitoring and facilitate early engagement, thereby enhancing audit quality and resilience. Please see the case study on page 10 for more information.

To support firms with the updated

eligibility requirements, we rolled out new digital tools enabling firms to check compliance with amended audit firm control rules ahead of the 1 April deadline. This resource supports early identification of risks and enhances firms' understanding of their regulatory obligations.

As part of ongoing development within legal services regulation, we submitted and received approval for updates to the Legal Services Regulations relating to the administration of oaths and first tier complaints. These amendments enhance regulatory clarity and enable authorised practitioners to undertake reserved legal activities more effectively, while also ensuring complaint handling arrangements remain compliant with the Legal Services Board's expectations.

**“The updates we have implemented to the Audit Regulations this year are a direct reflection of the constructive responses received during our consultation process. It is a clear example of how stakeholder insights are vital in shaping a regulatory framework that is both practically grounded and aligned with the public interest.”**

**Elaine Griffiths**

Director, Regulatory Practice,  
Professional Standards, ICAEW

## 1

SECTION ONE  
**Regulating well** continued**Strengthening relationships with our oversight regulators**

We have increased the frequency of our engagement with our oversight regulators, with senior representatives of the Financial Reporting Council and the Insolvency Service observing board and relevant committee meetings where they are invited to contribute their views on policy ideas under development. Meetings also take place on a regular basis on specific issues or developments. Regular engagement helps ensure accountability, alignment with regulatory expectations and continuous improvement in all areas we regulate. We review carefully all recommendations made for improvement coming out of inspections by our oversight regulators and make relevant process changes to ensure that we are regulating to a high standard.

**Shaping regulation through consultation and representation**

In 2025, we undertook regulatory consultations and submitted responses to government consultations to help shape policy and regulatory frameworks. Early in the year we consulted on proposed changes to the Legal Services Regulations, including expanded provisions for the administration of oaths and updated complaints handling requirements. Feedback was broadly supportive and informed amendments were approved by the ICAEW Regulatory Board, with implementation progressing in autumn 2025.

Beyond regulatory rule changes, we responded to a broad range of external consultations from government and standards bodies, including on anti-money laundering reform, audit requirements, sustainability reporting

and insolvency professional ethics, submitting representations based on our experience and expertise in those areas, advocating for proportionate, practicable outcomes.

We established a dedicated advisory group of probate firms, enabling us to capture their practical insights on policy initiatives and guidance from the outset. This approach ensures that our regulatory work in legal services is shaped by real-world operational experience and remains relevant to those directly affected.

**“Over the past year we have made strong progress across our legal services work, from updating the regulations and introducing new complaints reporting requirements, to launching a new banking protocol and enabling members to administer oaths. Alongside this, our research on digital exclusion and the establishment of a practitioner reference group are helping ensure our regulatory approach remains practical, informed and responsive to the realities faced by those we regulate in the public interest.”**

**Rachel Clements**  
Regulatory Policy Manager,  
Professional Standards, ICAEW

## CASE STUDY ONE:

# improve strengthen reinforce

## Improved visibility of higher-risk audit appointments

**On 1 June 2025 we introduced significant changes to the Audit Regulations to improve our visibility over the movement of audits and to allow us to take proactive steps to ensure that firms only take on significant new mandates where they have the right expertise and resource. These changes are designed to strengthen audit quality, improve risk monitoring and reinforce public trust.**

Among the changes introduced, firms are now required to notify us when taking on certain higher-risk or complex audit engagements, as well as engagements that are unusually large relative to the size of the audit firm. These

measures improve our visibility of audit appointments at an earlier stage.

Prior to this change, we would often only find out about the movement of an audit after the filing of the subsequent audited

accounts at Companies House. By requiring firms to notify us earlier in the process, we can use data analysis to identify potential risks at the start of the audit work and determine whether any regulatory engagement is needed.

Where we identify a heightened risk, we are then able to assess whether the firm has the capacity, experience and resources to undertake the work to the required standard.

Our response is tailored to every case. Our engagement with firms provides an opportunity to discuss the risks involved, ensure the appropriate safeguards are in place and encourage

improvements where necessary. We may also bring forward the timing of a firm's next monitoring visit.

Where concerns remain, matters can be referred to the Audit Registration Committee, which has the authority to impose conditions or restrictions on a firm's registration. This may include requiring additional safeguards, such as an external hot file review.

These reforms were introduced to protect the public by providing greater assurance around audit quality. By increasing transparency over higher-risk audit appointments, we are better able to identify emerging risks early, intervene where necessary and support firms in maintaining high audit standards, helping to sustain confidence in the profession.



## SECTION TWO

## Improvement regulation

Under this pillar of our Regulation and Conduct Strategy, we focus on helping ICAEW members and firms improve the quality of their work through our review work, our monitoring of their professional development activities and our educational initiatives.

### Driving high standards through effective monitoring

**Throughout 2025, our quality assurance reviewers continued to evaluate the quality of regulated work and assessed firms' compliance with a framework of principles-based quality assurance standards and the Practice Assurance Regulations.**

Our reviewers seek to help ICAEW members and firms improve the quality of their work by providing regular, constructive feedback and suggestions for improvement during our monitoring visits.

Before preparing reports for review by the regulatory committees and the Practice Assurance Committee, our reviewers hold closing meetings with the

individuals and firms at the end of visits. These conversations continue to provide an opportunity to share best practice and highlight areas where further improvements could be made. We believe these discussions are integral to our ambition to be a leading improvement regulator.

Feedback collected quarterly from firms subject to monitoring visits continues to

underscore the value placed on the process. Many participants described their interactions with reviewers as a positive experience, noting the practical guidance and insight offered helped them to enhance their work. Nearly 550 firms responded to the survey, and an impressive 97% reported being extremely happy with the way the reviewer explained the closing meeting notes and how they shared information regarding any issues found, representing the highest level of satisfaction recorded over the past five years. This reflects both the quality of engagement and our commitment to supporting continuous improvement.

Feedback received following a monitoring review

**"I found the reviewer to be incredibly helpful in a practical way for my size of practice. They were clear and honest and explained issues in a straightforward way, making it clear as to what I must do to make improvements going forward and also the reasons why improvements were necessary."**

## 2

## SECTION TWO

**Improvement regulation** continued**First full year of CPD monitoring**

In 2025, we completed our first full year of continuing professional development (CPD) monitoring following the introduction of revised regulations in November 2023. Our reviews assessed how firms had implemented the new requirements, including CPD policies, oversight arrangements, staff communications, and the quality of record-keeping and evidence. Early findings are positive: firms visited had updated their internal processes and most had adopted digital tools to support CPD planning and tracking. Monitoring also highlighted areas where further support is needed, including correct CPD category assessment, consistent completion of ethics training, and ensuring sufficient verifiable learning is recorded.

**Targeted communications driving compliance and improvement**

Over the past year, we have continued to innovate in our communications function, further enhancing the breadth, depth

and accessibility of information available to members and firms. Our focus remains on supporting compliance with standards, rules and regulations while driving continuous improvement in professional performance.

We published a comprehensive programme of guidance and insight, including thematic reviews, webinars, helpsheets, infographics and launched a new training film. Videos remained a highly effective and engaging format, with a new series on the [Regulation and Conduct Strategy](#) proving a particular highlight. Regulatory updates and key developments were distributed through multiple channels to maximise reach and engagement, ensuring that firms of all sizes could access timely and practical support.

Our flagship *Regulation and Conduct News* e-newsletter continued to be issued monthly to more than 16,000 recipients, including all compliance

principals across member firms. The newsletter remains a central vehicle for communicating regulatory developments, clarifying expectations and providing transparency about our role as an improvement regulator.

We published more than 169 articles and guidance pieces, hosted within our dedicated regulation area at [icaew.com/regulation](https://icaew.com/regulation) and amplified through our ICAEW Regulation and Conduct LinkedIn channel. Among the most widely read content were articles covering new provisions in the Economic Crime and Corporate Transparency Act regarding Authorised Corporate Service Providers and ID verification, updates to the Audit Regulations, and changes to the Professional Indemnity Insurance requirements.

**Innovative education through film and storytelling**

In 2025, we successfully launched our fourth educational drama, *Crossing the*

*Line*, designed to enhance audit quality both in the UK and globally. Released in the second quarter of the year and designed to provoke discussion and challenge perspectives, the film has been widely incorporated within firms' learning and development programmes. Please see the case study on page 14 for more information.

*Crossing the Line* builds on the continued success of our earlier audit training films, *False Assurance* and *Without Question*, and our economic crime film, *All Too Familiar*, which remain widely used to support technical excellence and professional judgement.

Our anti-money laundering communications continued with the publication of the *2024/25 AML Supervision Report*, alongside a *thematic review* which provided a comprehensive analysis of suspicious activity reports.

During the year we published a suite of substantive monitoring and supervisory

## 2

## SECTION TWO

**Improvement regulation** continued

reports to support firms' regulatory understanding and responsiveness, including the *Audit Monitoring Report 2025* and the *Practice Assurance Monitoring Report 2025*, each accompanied by dedicated analysis and live webinars to help firms reflect on common findings and sector-wide insights.

Across all of our regulated areas we integrated communications with 11 live and on-demand webinars, including a new audit webinar series unpacking key themes from our monitoring activity, helping our audit registered firms deepen their understanding of regulatory expectations and practical compliance considerations.

Following the continued success of our *AMLbites* video series, we launched

a new *Insolvencybites* series during the year, designed to reinforce key compliance themes for our insolvency practitioners in a concise and accessible format.

Our LinkedIn channel continued its steady growth, surpassing 12,000 followers by year end. Engagement remained consistently strong, with an annual engagement rate significantly above the industry benchmark, demonstrating that our content continues to resonate with, and add value, to our audience.

To raise consumer awareness of the availability of probate services provided by ICAEW-regulated firms as well as the additional service of the administration of oaths, we delivered targeted promotional activity during the year, including digital advertising campaigns designed to broaden reach and visibility.

We published a report to highlight the results and implications of our *Probate Diversity Survey* which gathered workforce diversity data from legal services-accredited firms to build a clear understanding of the diversity profile of our regulated community, benchmark progress and spotlight areas for improvement, and shared these findings through targeted communications and webinar briefings. We continue to collaborate and share good practice and data with other legal services bodies to encourage a diverse workforce.

In collaboration with other legal regulators, we published research on *digital exclusion in the legal sector*, emphasising the barriers that digitisation can create for some consumers and sharing guidance with firms to encourage inclusive access to legal services.


To address inconsistent approaches from banks and financial institutions when dealing with estates, we worked with UK Finance and other legal services regulators to support the introduction of a new unified banking protocol for probate. The protocol establishes a clear and consistent process for authorised probate practitioners, helping streamline estate administration and improve interactions between practitioners and financial institutions.

We also continued to share important third-party communications, sharing guidance from across ICAEW, oversight bodies and key public authorities, including HMRC, HM Courts and Tribunals Service, and the National Crime Agency.

All resources are available to members and firms at [icaew.com/regulation](https://www.icaew.com/regulation).

**11,000+**  
webinar registrations

## CASE STUDY TWO:



# Crossing the line - educating through film

**In 2025, we launched *Crossing the Line*, a groundbreaking educational drama designed to deepen understanding of audit quality, professional scepticism and ethical decision-making across the profession.**

The film is the fourth in ICAEW's series of high-impact training dramas and was developed to bring to life the complexities and pressures auditors face in real-world assignments.

Written by our Chief Officer, Professional Standards, Duncan Wiggetts, the film follows two audit teams engaged in contrasting assignments - at a high-growth listed software company and a

struggling football club - with their decisions intersecting as the storyline unfolds. The plot covers core audit themes including integrity, auditor independence, revenue recognition, contingent liabilities and engagement quality reviews, prompting reflection on professional conduct and judgement in challenging contexts.

Production involved the casting of several well-

known TV actors and a two-day hire of a Championship football ground to bring to life the football audit storyline. The film was designed with structured learning in mind. Supporting materials - including a facilitator's guide, discussion questions, character profiles and a football terms helpsheet - enable workshops and team sessions that elevate the

film beyond passive viewing to active learning.

The film premiered to a full house at Chartered Accountants' Hall in May 2025 and was made available free of charge to all ICAEW-registered audit firms in the UK. Global networks and firms not registered with ICAEW are also able to access the film via a licensing arrangement, supporting ICAEW's ambition to enhance audit quality globally.

Engagement has surpassed all expectations: the trailer attracted over

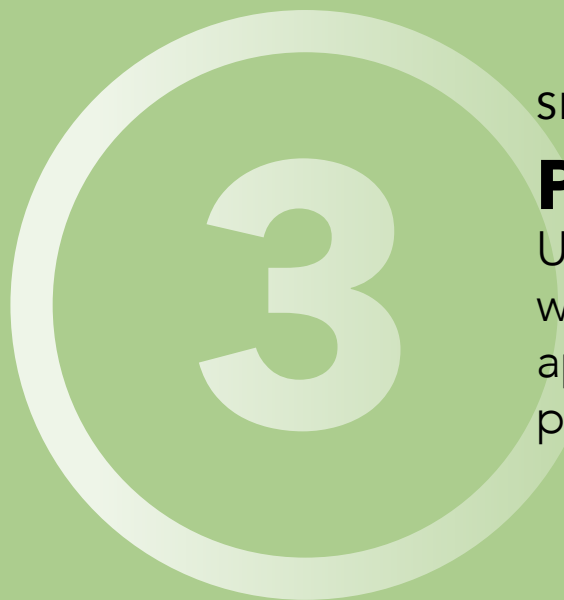
3,000 views prior to the premiere, and by year-end, more than 500 firms had already embedded the film within their training programmes. In a determined effort to bring the film to the widest possible audience, screenings have taken place around the world - from Cyprus to Abu Dhabi, Cardiff to Singapore, and the Cayman Islands to Kuala Lumpur.

With more than 700 feedback forms received by the end of the year, 98% of viewers rated the film 4 or 5 out of 5. One viewer

reported that its dramatic format creates a "safe space" to explore difficult decisions and reinforces key audit principles in ways traditional training often cannot.

By combining storytelling with technical and ethical insight, *Crossing the Line* has become a core resource in ICAEW's efforts to drive improvements in audit quality and protect public trust.

For more information, visit [icaew.com/films](https://www.icaew.com/films)



## SECTION THREE

**Public interest**

Under this pillar of our Regulation and Conduct Strategy, we focus on authorising only individuals and firms with the appropriate expertise to carry out regulated work and taking prompt and effective action to uphold professional standards.

**Careful vetting of regulatory applications**

Our Regulatory Practice team continues to protect the public by scrutinising applications from individuals and companies who wish to obtain regulatory licences or permits. The team continued to evaluate the evidence by applicant against the eligibility criteria established by regulatory committees to determine which applications could be approved by senior staff or the committees themselves. While many applications were approved in 2025, some were rejected, with those applicants receiving guidance on what more would be required to gain approval.

**Number of regulatory applications\* received (2025)**

Audit	87
Responsible Individuals	481
Affiliates**	506
Legal services firms	18
Insolvency practitioners	93
DPB (Investment Business)	62
<b>Total</b>	<b>1,247</b>

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

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

The number of firms restructuring to reflect new private equity investment escalated significantly in early 2025. Where a firm wished to continue offering regulated services, a full analysis was carried out of the proposed new structure to ensure continuing compliance with the relevant eligibility criteria. Merger and acquisition activity also continued among registered firms, particularly those backed by private equity investors, leading to a continued high volume of registration and licence applications.

We continued work to enhance the Joint Audit Register, improving usability, transparency, and access to audit registration information. This supports both public accountability and informed decision-making across the profession.

**Holding members and firms to account**

Throughout 2025, we continued to uphold high professional standards by investigating and, where necessary, taking enforcement action where behaviour or the standard of work fell below expected regulatory and ethical standards.

Where investigations identified a potential disciplinary liability, findings were reported to the Conduct Committee to determine whether there was a case to answer and, if appropriate, whether a consent order should be offered. The most serious matters were referred by the Conduct Committee for formal consideration by a panel of the Tribunals Committee.

## 3

SECTION THREE  
**Public interest** continued

The Conduct Department received 1,235 new complaints from multiple sources including members of the public, clients and former clients, media, other regulators and from the regulatory committees. The Department also completed work on 1,314 cases.

**Work of the Disciplinary Committees**

Of the 191 cases referred to the Conduct Committee during 2025, 23 were challenges by complainants to investigation officers' conclusions at the assessment stage that there was no potential liability to disciplinary action, with the Conduct Committee upholding 21 of these assessment decisions. 104 of the remaining 168 cases resulted in consent orders being offered and 55 matters were referred by the Conduct Committee to the

Tribunals Committee for a full hearing. In addition, two cases were considered by panels of the Appeal Committee.

**Alternative paths to resolution**

In addition to matters determined by the Disciplinary Committees, an increasing number of matters were dealt with consensually by fixed penalty consent orders (22) without being referred to the Conduct Committee. There was also a sharp rise in the number of matters which were the subject of settlement orders (17) before tribunal hearings took place. The continued use of these alternative resolution routes demonstrates our commitment to proportionate and effective regulation, reinforcing public trust and professional accountability.

**Disciplinary outcomes**

The following outcomes came through early admissions and Consent or Settlement Orders, or following findings made by the Tribunals Committee in 2025.

- 8 members were excluded from ICAEW membership.
- 67 members and firms received severe reprimands.
- 39 members and firms received reprimands.
- 7 cautions were issued.

Many of these non-financial sanctions were accompanied by additional financial penalties and costs orders, reflecting the seriousness of breaches where established.

**“The Conduct Committee’s role is to ensure that standards are upheld fairly, consistently and in the public interest. The continued refinement of our sanctions guidance strengthens clarity and proportionality in decision-making, helping to ensure that outcomes are robust, well-reasoned and command confidence from members, firms and the public alike.”**

Ian Comfort  
Chair, ICAEW  
Conduct Committee

## 3

## SECTION THREE

**Public interest** continued

During 2025, ICAEW's highest ever disciplinary financial penalty - £1.2m - was accepted by a firm, together with a Severe Reprimand, as part of a settlement order in relation to seriously defective audit work concerning independence issues. This brought to the end one of our largest audit investigations with the case requiring lengthy, careful scrutiny by the Conduct Committee.

#### **Revisions to the Disciplinary Guidance on Sanctions**

We consulted on revisions to our disciplinary sanctions guidance, receiving detailed input from firms, members and stakeholders which has been incorporated into new guidance which took effect in 2026. The case study on page 18 provides more information.

#### **Embedding stronger ethical standards**

During the year, ICAEW introduced an updated Code of Ethics, effective from 1 July 2025, to align with the latest International Ethics Standards Board for Accountants (IESBA) Code and reflect evolving professional expectations. The revisions strengthen core areas including professional behaviour, emphasising how members should conduct themselves in interactions with clients, colleagues and the public, and embed a clear role and mindset focus, reinforcing the duty to act in the public interest, exercise professional scepticism and be mindful of bias.

**“Effective regulation is built on trust, transparency and evidence-based conversations, and these shared values shape our engagement with ICAEW. Our strong working relationship enables us to anticipate emerging risks, sustain high professional standards and protect the public interest.”**

**Dhruve Shah, Director,**  
Professional Bodies Supervision,  
Financial Reporting Council

## CASE STUDY THREE:

# clear. proportionate fair

## Refreshing our disciplinary sanctions guidance to improve clarity and consistency

**In 2025, we undertook a comprehensive review of ICAEW's Sanctions Guidance to ensure it remained fair and aligned with the evolving needs of our disciplinary and regulatory committees.**

The existing guidance, last substantively updated in 2018, required re-evaluating to ensure it appropriately reflects the wider range of cases coming before committees, as well as the changing expectations of members, firms and the public. The review was also a natural next step following the introduction of ICAEW's revised disciplinary framework in 2023.

A key outcome of the review was the decision by the ICAEW Regulatory Board to split the guidance into two distinct documents: Disciplinary Sanctions Guidance and Regulatory Sanctions Guidance. While the previous single document served both disciplinary and regulatory committees, feedback from users highlighted that their roles, processes and decision-making criteria

differ in important ways. Separating the guidance ensures each committee receives tailored direction that better supports consistent, transparent and proportionate decision-making.

Developed following extensive engagement with key staff and disciplinary committee members and a public consultation, the new Disciplinary Sanctions Guidance came into effect

on 1 January 2026. The updated guidance introduces clearer aggravating and mitigating factors, increased financial penalties and contains more structured explanations of how seriousness is assessed. It also includes new sections addressing emerging themes such as bullying, harassment and sexual misconduct - areas where committees and respondents asked for greater clarity. These updates aim to support committees in reaching decisions that are robust,

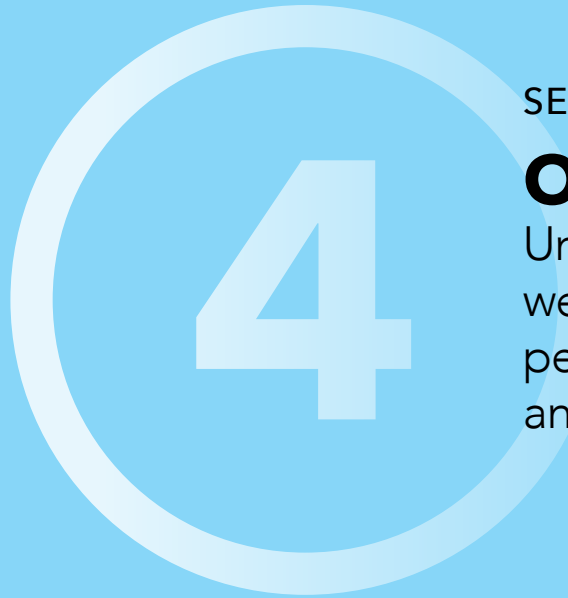
well-reasoned and aligned with the public interest, while improving understanding for members and firms subject to the process.

Work on the Regulatory Sanctions Guidance will continue in 2026, including further consultation. This second document will clarify expectations for regulatory committees whose focus is on ensuring compliance with ICAEW's regulatory frameworks. Their role, which often involves offering financial penalties as an early disposal to regulatory

matters, requires a different approach to that taken in conduct matters.

Completing this work will ensure that both sets of committees operate with frameworks that reflect their responsibilities, improving transparency and consistency across all sanctioning decisions.

Together, these changes strengthen ICAEW's commitment to clear, fair and proportionate regulation - ensuring our processes continue to command confidence and uphold high professional standards.



## SECTION FOUR

**Our people**

Under this pillar of our Regulation and Conduct Strategy, we focus on attracting, developing and retaining high-quality people to strengthen our regulatory and disciplinary capability and ensure we deliver effective, independent oversight.

**Our effectiveness as a regulator depends on our people. We take a values-based approach to attracting, developing and retaining talented colleagues, creating an inclusive environment where everyone feels respected, supported and able to contribute fully.**

By investing in learning, encouraging collaboration and recognising the contribution of all roles, we sustain a high-performing department grounded in integrity, professionalism and independence. This strong people foundation enhances our operational resilience and ensures we continue to uphold robust regulatory and disciplinary standards in the public interest.

**Building a skilled, engaged and purpose-driven workforce**

Our employees and committee members provide the expertise and judgement that underpin fair and proportionate outcomes. Recruiting and retaining the

right people is fundamental to delivering effective, independent regulation, so we prioritise career development, a positive and inclusive culture, and support for wellbeing. By fostering a strong sense of purpose and professional satisfaction, we enable our people to perform at their best while serving the public interest.

Continuous professional development for our staff remains a strategic priority. Throughout 2025 we delivered targeted technical training, leadership development and regulatory updates to ensure our teams remain confident and effective in an evolving regulatory landscape.

We convened two residential conferences for all of the home-based staff and head office team in the Quality Assurance Department, bringing together staff from across the UK for intensive technical training, collaboration exercises and knowledge-sharing. Specialists from the Conduct Department, and the Regulatory Policy and Practice teams who are based in Milton Keynes, also attend many of the conference sessions.

Investigation officers in the Conduct Department continued to undertake investigative skills training, reinforcing consistency, proportionality and procedural fairness in case handling.

Building on these sessions, we held our annual Professional Standards Department staff away day in 2025 in Towcester, bringing together all staff for

**“I joined ICAEW in September 2025 having worked in public practice for over a decade. I was keen to play a role in maintaining high professional standards and contributing to work that serves the public interest. Since arriving, I have received excellent support from colleagues, which has made it a rewarding environment in which to begin contributing.”**

**Daniel Soanes**  
Investigations Officer,  
Professional Standards, ICAEW

## 4

SECTION FOUR  
**Our people** continued

key strategic updates and team-building activities. Our staff away days help to ensure that everyone understands the key objectives for the following period.

**Enhancing the skills and expertise of our committees**

Through the hard work and dedication of the Regulation and Conduct Appointments Committee, we remain focused on recruiting experienced and diverse disciplinary and regulatory committee members who bring sector

**“Everything we achieve begins with our people. By attracting the right talent and equipping them with the support, development and opportunities they need, we enable them to thrive – empowering them to deliver work that makes a meaningful difference in the public interest.”**

**Diane Lester**

Head of HR Operations & Business Partnering, ICAEW

expertise and insight from other regulatory and professional frameworks. Committee members were supported throughout the year with structured training at meetings and dedicated annual training sessions. These included legal and regulatory updates, ethics developments and decision-making workshops designed to enhance consistency, fairness and transparency in disciplinary and regulatory outcomes.

**Diversity and inclusion within our regulatory activities**

We are committed to maintaining a respectful, inclusive culture, underpinned by strong ethical values. We value diverse perspectives and seek inclusive governance and decision-making that strengthens the quality and credibility of our judgements and we actively advertise committee vacancies through platforms that broaden reach and diversity of applicants.

Promoting equality, diversity and inclusion (EDI) remains a priority. The ICAEW Regulatory Board's Terms of Reference require consideration of diversity in the discharge of its responsibilities, and this continues to inform our recruitment, governance

and regulatory approach.

We also continue to facilitate diversity monitoring for ICAEW-accredited legal services firms in line with Legal Services Board requirements, which supports our regulatory objective to encourage an independent, strong, diverse and effective profession under the Legal Services Act. We also provide access to the associated diversity tool to all ICAEW firms, supporting wider transparency and inclusive practices across the regulated community.

**Supporting our local communities**

We are proud of our employees who volunteer in the Milton Keynes community, whether by raising funds, donating their time or money, or serving as charity trustees and school governors. This work is important and meaningful.

Every staff member is encouraged to spend one day volunteering locally each year. For instance, members of our Quality Assurance Department spent a day at the Animals in Need centre where they walked dogs, cleaned pens and assisted with grounds maintenance.

**“Effective governance is fundamental to our ability to serve the public interest. By bringing together diverse perspectives and deep expertise, our governance arrangements provide robust oversight and assurance that regulatory decisions are fair, independent and proportionate. By investing in the development of our committee members and employees, we maintain the capability and professionalism needed to protect the public and uphold high standards across our sector.”**

**Claire McManus**  
ICAEW Regulatory  
Board Member

## CASE STUDY FOUR:

# Nurturing talent and promoting from within



**At the heart of our organisation lies a strong commitment to nurturing and developing our own talent. Our approach centres on identifying talent, supporting continuous professional development, and actively promoting from within whenever possible. Several individuals have exemplified this ethos, demonstrating how our culture of internal growth supports both personal and organisational success.**

*Nick Reynolds* joined the Quality Assurance Department as a reviewer in 2007 and has since progressed through the department to become Head of Audit. His career reflects our commitment to developing talent internally and setting high standards of leadership across the organisation. *Suzy Patmore* is another shining example. Recognising her expertise

and commitment to her work, Suzy was promoted to Head of Regulatory Practice, Practice Assurance & Legal Services. Similarly, *Ross Anderson* joined Professional Standards as an Administrator in 2014 and, having demonstrated strong capability across a range of support and data roles, has been promoted to Senior Regulatory Support Advisor.

Our apprenticeship programme has also delivered really positive outcomes and provided new routes for development.

*Lucy Thorpe*, who progressed into a new data-oriented role after succeeding in her apprenticeship, has made significant contributions to audit risk analysis,

earning plaudits from the ICAEW Regulatory Board for her part in an audit risk presentation during 2025.

*Sophie Brooks* joined the institute as a marketing apprentice, and by demonstrating impressive skills and creativity, was promoted to Senior Marketing Executive after achieving a distinction in her apprenticeship.

*Kelsey Stewart*, another apprentice, is now a Project Manager, having worked on strategically important initiatives such as the production of training films.

*Olivia Blatcher's* potential was quickly recognised by the Committees and Tribunals Team, leading to her being offered the opportunity to undertake a data technician apprenticeship. The skills she developed during this apprenticeship made her an invaluable member of the team, enhancing its overall effectiveness.

*Lydia Wallace* began her career with us as a Paralegal. Through her dedication and commitment – paired with the support and training she received – she secured a training contract with

ICAEW through an apprenticeship route. ICAEW is funding the exams required for her to qualify and providing dedicated study time to enable her development. Her progression from Paralegal to Trainee Solicitor showcases our commitment to developing and nurturing talented professionals.

These stories reflect our ongoing commitment to developing talent from within, ensuring that staff are empowered to reach their full potential and drive the organisation forward.



## SECTION FIVE

## Continuous improvement

Under this pillar of our Regulation and Conduct Strategy, we focus on enhancing efficiency, embracing innovation in our work and proactively identifying improvements to strengthen and modernise the overarching regulatory frameworks within which we operate.

**The following areas were the focus of the continuous improvement programme in 2025.**

### Refresh of the Regulation and Conduct Strategy

During 2025, we refreshed the Regulation and Conduct Strategy to ensure it remained aligned with ICAEW's Direction 2030 strategy which was published in May 2025.

The updated strategy reinforces our focus on supporting high professional standards through effective supervision, proportionate enforcement and targeted education, while maintaining public confidence in the regulated community. It also strengthens our commitment to transparency, consistency and engagement with members, firms and

stakeholders, ensuring our regulatory approach continues to protect the public interest and promote continuous improvement. More information can be found at [icaew.com/upholdingstandards](https://www.icaew.com/upholdingstandards)

### Greater visibility over the movement of audits

The case study on page 10 focuses on the important changes which have been made to Audit Regulations in 2025. The changes were the output of a long project started by the ICAEW Regulatory Board (IRB) in 2022 to try to produce more real time, granular data regarding the movement of audits to allow more proactive enquiries to be made of firms taking on new audits before audit work is started. The IRB made various decisions along the way to creating the new requirement, and reflected carefully on the feedback received from the public

consultation before determining the criteria for reporting. The IRB intends to monitor carefully the level of information received and will review the criteria accordingly.

### Delegated Powers Reviews

We referenced the importance of these reviews in providing assurance regarding the work of Professional Standards Department staff in the Regulating Well section of this report. All of these annual reports are submitted for further review by the IRB. To improve the IRB's ability to compare and contrast the outcomes from these reviews and to identify priority actions more easily, the IRB has introduced a new standard approach to be taken in the conduct of these reviews and a template for the report-writing. This has already achieved far greater consistency and ease of reference.

**"We're genuinely excited about how Copilot can enhance what we do, helping us work smarter."**

**Nick Frost**  
Portfolio and Data Executive,  
Professional Standards, ICAEW

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SECTION FIVE  
**Continuous improvement** continued**Alternative sanctions for some audit failures**

After a deep dive conducted by the IRB into the enforcement options available to the investigation teams, it was agreed with PSD senior management that a project should be started to see whether it would be possible to incorporate a constructive engagement process as an alternative resolution for low level audit complaints, similar in concept to the process used by the Financial Reporting Council. Please see the case study on page 24. While the process will initially be introduced only as a resolution option for low level audit complaints, it is the IRB's hope that this process might be extended into other areas in time.

**Regular horizon scanning on regulatory updates**

As part of our commitment to continuous improvement, we continued to monitor parliamentary developments, statutory reform and policy initiatives in other regulated areas to see whether developments elsewhere might benefit our own regulatory and disciplinary work.

Horizon scanning enables us to anticipate change, assess potential impacts on the profession and engage early with policymakers and stakeholders. By responding to consultations, providing technical expertise and contributing evidence-based insights, we help shape proportionate and effective regulation. This proactive approach ensures we are well prepared for legislative developments and able to support a framework that maintains public trust, upholds high professional standards and promotes confidence in the profession.

**IT, technology and projects in 2025**

Our managed change and continuous systems improvement programme for 2025 included:

- enhancement of our VisualFiles case and application management system with updates to software as well as assessment and investigation workflows;
- improvements to the templates of firms' Annual Return and registration records;

- UK Joint Audit Register website
  - statistical counters and trading names search facilities enhancements;
- risk management - assimilating all strategic risks and mitigating actions into the new ICAEW risk framework;
- UK regulatory registers - supporting initiatives to establish or enhance centralised public registers and provide greater transparency in support of consumer choice and information; and
- improving efficiency through new technology as well as developments related to data checking and report writing:
  - Copilot roll-out and AI case studies
  - new data and reporting platform
  - analysing customer journeys and our current systems and processes, and developing business cases for future investment.

**“Effective project portfolio and change management ensure we stay aligned to what matters most - meeting statutory and regulatory obligations while delivering meaningful strategic value.”**

**Nicola Beard**

Senior Manager - Programmes and Projects, Professional Standards, ICAEW

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Improvement projects supported by our dedicated project office

## CASE STUDY FIVE:

# Looking forward evolution

## Introducing Constructive Engagement as an alternative means of resolution

**In 2025, a new project was launched to develop a new Constructive Engagement pathway for the resolution of lower-level audit conduct matters outside the formal disciplinary process.**

There were various drivers behind this project including the desire to align our regulatory approach for lower-level audit conduct matters with the approach taken by the Financial Reporting Council (FRC), a desire to ensure a better consistency of outcomes whether issues are identified during a monitoring review or through a complaint to

the Conduct Department, and a desire to bring about speedier resolutions and to turn the focus more on remediation than punishment.

Given that we are set up differently to the FRC, and the likelihood of a higher volume of matters suitable for Constructive Engagement, the same process could not be

implemented. During 2025, senior audit investigation managers designed a process which would work within our current structures, with key decisions being taken by the ICAEW Regulatory Board (IRB) at important stages. A particular focus of the IRB was to ensure that the new process would be robust and would continue to protect

the public interest if the matters were to be resolved outside of a formal disciplinary process. This led to a requirement that all Constructive Engagement remediation agreements be scrutinised and approved by the Audit Registration Committee.

The new Constructive Engagement process will place a strong emphasis on remediation, training and improved audit quality, and will require

firms and members to address root cause audit weaknesses without resorting to full disciplinary proceedings. By focusing on remediation, proportionality and regulatory alignment, Constructive Engagement will represent a forward-looking evolution in our handling of audit complaints - improving efficiency while maintaining high standards of professional conduct. It was identified at an early

stage that the introduction of this new process will require amendments to be made to ICAEW's Disciplinary Bye-laws in addition to amendments to the Investigation and Disciplinary Regulations. The process has now been initiated to obtain the approval of the ICAEW Board and ICAEW Council, followed by the Privy Council later in the year, in the hope that the new process can be introduced in October 2026.

# Financial performance

**We fund our regulatory activities entirely through fees paid by the firms and individuals we regulate, rather than through member subscriptions.**

By planning meticulously, managing costs responsibly, and setting fees that reflect the real cost of regulation, we ensure the financial model remains sustainable, effective, and able to adjust to changes in the market and in oversight expectations.

In 2025, the ICAEW Regulatory Board (IRB) continued to ensure that we raised sufficient revenue from our regulatory fees and levies to fund all of our regulatory work without any subsidy from membership income.

The cost of member-related disciplinary work is planned to be funded by membership-related subscriptions.

We take our responsibility for sound financial management seriously, and in 2025 we again met our regulatory self-financing and budget targets. We recognise that we operate in a competitive and fast-changing environment, and that regulatory fees form part of the day-to-day costs for the firms and individuals we regulate, and ultimately their customers.

We generate significant income from our assurance outsourcing contracts for other professional bodies, public bodies, government departments and regulators in the UK and around the world, and from royalties generated by an AML product

created by staff and from the licensing of our educational film dramas. The additional income from all of these activities reduces the funding required from membership income to support member-related disciplinary scheme responsibilities. In 2025, sufficient income was raised so that no such funding was required and our work was completely self-financing.

## How our budget is structured

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

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

There are four main income and cost areas:

1. income generated from regulatory registration and application fees and contract charges;

2. levies on firms and individuals to fund oversight organisations, their specific work requested of us and compensation scheme arrangements;
3. operating costs; and
4. overheads including property, utilities and shared central systems, processes and functions.

Income includes fines and the associated recovery of costs incurred.

We produce the following year's draft budget for the May IRB meeting. The draft budget sets out the financial strategy and the principles related to income generation, which underpin any fee and/or levy proposals for the IRB to review and any change in approach where applicable.

## 2025 financial summary

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

**"A robust self-financing strategy enables independent, future-focused regulation. By funding regulatory and conduct activity through those we regulate, we protect impartial decision-making, invest sustainably in regulatory capability and improvement, and maintain high professional standards in the public interest."**

### Matthew Downton

Director, Finance, Operations and Business Support, Professional Standards, ICAEW

## Financial performance continued

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

New registrations in some areas were slightly higher than we expected and played a part in the financial surplus.

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

Our cost base is well managed. Operating costs are largely made up of staff who are

actively responding and meeting statutory and regulatory requirements.

While poorly behaving ICAEW member and firm numbers remain a small minority, the number of new annual complaint matters continues to increase. A number of these cases can be highly complex, long running and therefore costly.

### Planning for 2026-2027

Our financial planning and forecasting reflect the work of a department that is busy, effective and aiming high. As with any forward-looking work, there are risks that could affect the accuracy of our

forecasts. These include, for example, uncertainties in the wider regulatory environment, changes in registration volumes, attracting and retaining skilled staff, and the costs associated with conduct investigations.

In line with our strategic goals of regulating well and continuous improvement, we are also exploring new ways to strengthen and diversify our income. This includes considering opportunities in new or expanding areas of regulation, developing contractual or collaborative work with other regulators and organisations, and

making greater use of our suite of educational training films.

In 2025, regulatory fee increases recognised the pressures of general cost and wage inflation, the challenges faced by smaller firms and the cost of regulation, and an ongoing commitment to cost reduction through continuous improvement, new systems and enhanced processes.

We consider our 2026 budget and income and cost projections for 2026 and 2027 to be realistic, particularly considering the economic environment, registration volume estimates, guidance and requirements set out by our oversight bodies.

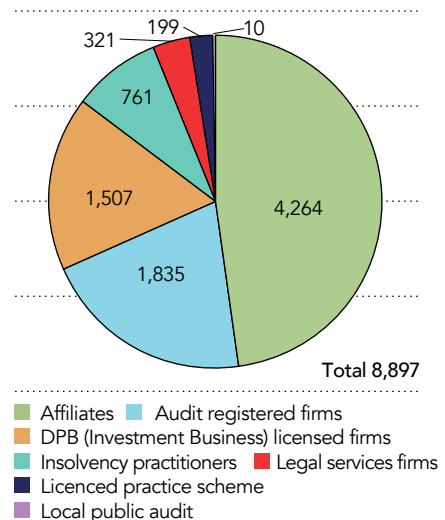
We have put mitigating actions in place, in relation to risks to achieving our financial strategy, to secure appropriate future income in order to discharge our regulatory duties. We will monitor progress, change and risks regularly.

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

We will present 2027 budget and fee and levy proposals for review and approval in mid-2026.

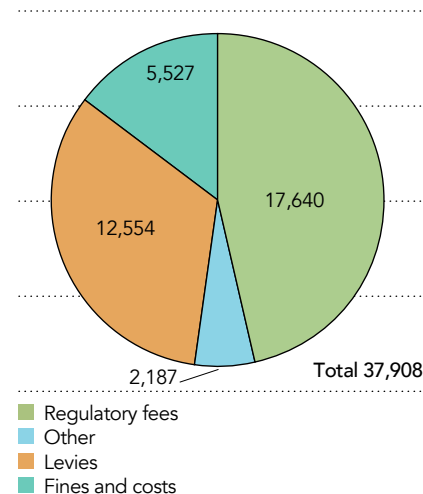
Number of registrations

full year 2025



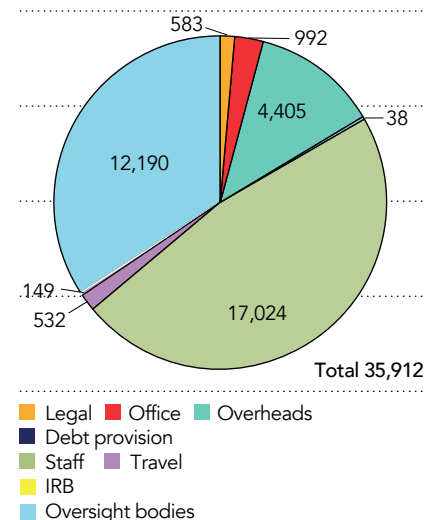
Income Analysis (£,000)

full year 2025



Cost Analysis (£,000)

full year 2025



# Chief Officer's outlook for 2026



**“Despite a demanding agenda and an uncertain external backdrop, I know that all Professional Standards staff are determined to make 2026 another strong year of delivery and progress.”**

**Duncan Wiggetts**  
Chief Officer,  
Professional Standards, ICAEW

## Outlook for our external regulatory environment

While we have continued to navigate successfully through an increasingly complex and uncertain external regulatory environment during 2025, we recognise that further challenges lie ahead as expectations of regulators and the profession continue to evolve.

### Statutory audit

In the light of the UK Government's decision not to proceed with the expected Audit and Corporate Governance Bill, we will continue to work closely with the Financial Reporting Council (FRC) and the other Recognised Supervisory Bodies with the aim to improve audit quality and our approaches to supervision. We will be working with the FRC to implement the outputs from the FRC's Future of Audit Supervision Strategy consultation and the proposed greater focus on evaluating firms' approaches to compliance with the requirements of ISQM1.

### Local audit

We will continue to engage with the Ministry for Housing, Communities and Local Government (MHCLG) to help shape the proposed new regime for local audit under the Local Audit Office (LAO), which will be introduced later in 2026 in the English Devolution and Community Empowerment Act. We have already indicated that we are willing to take on registration, monitoring and enforcement work for the local audit market should the LAO decide to delegate such activities to ICAEW as an External Registration Body.

### Insolvency

With there now being little prospect of much-needed insolvency reforms finding a new legislative vehicle during 2026, we will continue to work with the Insolvency Service policy team and with the other Recognised Professional Bodies to see what non-legislative changes can be made to improve the current regulatory framework and will continue to press the need for legislative changes in our

interaction with UK Government departments and Ministers.

### Anti-money laundering

Following the UK Government's decision to remove responsibility for anti-money laundering supervision from the professional bodies, we will engage with the Financial Conduct Authority to ensure a smooth transition of responsibilities. However, we are aware that the speed of transition will depend on the speed at which primary legislation will be approved by Parliament and that, even if the current projections for the passing of legislation are met, there is unlikely to be any transition of responsibility until early 2028. We will need to continue to uphold our high standard of work in this area during this difficult transitional period.

The government's decision will also allow us to take a fresh look at the Practice Assurance (PA) scheme and how it might further help and support firms. In recent years, a disproportionate amount of time has been spent by our reviewers on PA

visits looking at AML compliance, and we have the time now to re-plan our work and review how our visits in the future will look.

### Tax

While we are pleased that the UK Government decided not to create an independent statutory regulator for tax advisers, we will continue to discuss with HMRC some of the concerns which we have around new statutory requirements for tax agent registration and changes to conduct notices.

### Legal services

During 2026, the ICAEW Legal Services Committee will take on responsibility for governance oversight of all ICAEW's legal services regulatory activities, including policy work.

We will continue to prioritise the consumer empowerment agenda and identify further opportunities to support informed choice and access to clear information, particularly within the legal services market. This will include ensuring consumer outcomes are actively considered within our regulatory

## Chief Officer's outlook for 2026 continued

decision-making, expanding the guidance and resources available to help consumers build knowledge and confidence, and engaging in collaborative initiatives that strengthen transparency and information sharing across the sector. We will also evaluate the effectiveness of these activities to ensure they deliver meaningful impact and to support continuous improvement in our approach.

### Outlook for our 2026 activities as a regulator

#### Guidance on Sanctions

Following the publication of the new Disciplinary Sanctions Guidance on 1 January 2026, our focus will turn to considering what changes should be made to improve and update the Regulatory Sanctions Guidance, with those changes, once approved by the IRB, being subject to a public consultation.

#### Legal Services Compensation Scheme Regulations

During 2026, we will review the Legal Services Compensation Scheme Regulations to ensure that the scheme remains effective, proportionate and transparent. These regulations provide a consumer protection scheme which can make discretionary grants where clients suffer loss due to fraud or dishonesty and no other redress is available.

#### Taking a fresh look at eligibility

The emergence of more complex group structures in recent years, along with an increase in private equity investment, has meant that it is harder than ever for some firms to meet eligibility criteria across a wide range of regulatory areas. We intend during 2026 to review our eligibility criteria to ensure that they remain fit-for-purpose and review our internal processes to ensure that applications are dealt with efficiently. We will also reflect on how we deal with inadvertent non-compliance by firms that arises from the complexity of regulation and structures.

#### Responding to higher level of conduct complaints

We will continue to monitor closely the significant increases we have seen in the number of new conduct complaints and will continue to identify ways to cope with the increased volume through recruiting and training additional staff, the implementation and use of new technology (including AI solutions) and in identifying changes we can make to processes which will produce more efficient outcomes while continuing to protect the public interest. We are monitoring the factors which appear to be contributing to the increase in complaints.

#### 2026 projects

In 2026, our dedicated project management office will embark upon or continue managing a diverse portfolio of projects, with a particular emphasis on enhancing our regulatory systems. Key projects will encompass improvements to our Quality Assurance scheduling system, VisualFiles, and the Annual Return, as well as further strengthening of our operational effectiveness by harnessing Copilot. These efforts are designed to streamline our processes, bolster efficiency and reinforce our commitment to continuous improvement.

#### Fifth educational drama film

Following the success of our latest training film, *Crossing the Line*, launched in May, we will start work during 2026 on the development of a fifth film. The current intention is for the next film to follow the success of *All Too Familiar* launched in 2022 and focus on economic crime, alongside wider themes of professional behaviour and ethics. Our aim is for the film to make a lasting contribution to improving professional practice, awareness of ethical principles and reinforcing the judgement, confidence and interpersonal skills needed to act effectively in the public interest.

Despite a demanding agenda and an uncertain external backdrop, I know that all Professional Standards staff are determined to make 2026 another strong year of delivery and progress, reinforcing our position as a leading regulator.

**Duncan Wiggetts** Chief Officer,  
Professional Standards, ICAEW

**"2025 proved to be a pivotal year regarding government decisions on regulatory frameworks. We anticipate significant developments in regulatory frameworks including putting the Financial Reporting Council on a statutory footing and transitions in anti-money-laundering supervision and local audit frameworks. We will continue to work closely with government and our oversight regulators to uphold standards across the profession in the public interest."**

**Sophie Wales**  
Director, Regulatory Policy,  
Professional Standards, ICAEW

## CASE STUDY SIX:

# sharing. OUR experience TO ensure effectiveness

## Helping to develop a new framework for local audit

**During 2025, we worked closely with senior civil servants at the Ministry of Housing, Communities and Local Government (MHCLG) to provide input into key elements of the new local audit regulatory framework which has been introduced to Parliament as part of the English Devolution and Community Empowerment Bill, and which will create the new Local Audit Office.**

We have been able to draw upon and share our experience and expertise as a regulator of statutory and local audit, insolvency, investment business advice and legal services to suggest

improvements to the original proposals to ensure that the future local audit regulatory framework functions efficiently and effectively. We are also playing an important role in the

transition from the current to the new framework and have representatives on the Local Audit Transition Board which is led by MHCLG.

2026 will see the creation of the Local Audit Office as the new oversight regulator for local public audit, and we will continue to work closely with government in the inception of this new body.

Under the new regulatory framework for local audit, we expect ICAEW to be an External Registration Body, with responsibility for holding the register of all Registered Local Audit

Providers and monitoring the quality of the work conducted by local audit firms.

We are pleased that we will be able to play a critical part in the new local audit regulatory framework to help strengthen the resilience of the local audit market and encourage confidence in the financial reporting of local public bodies.

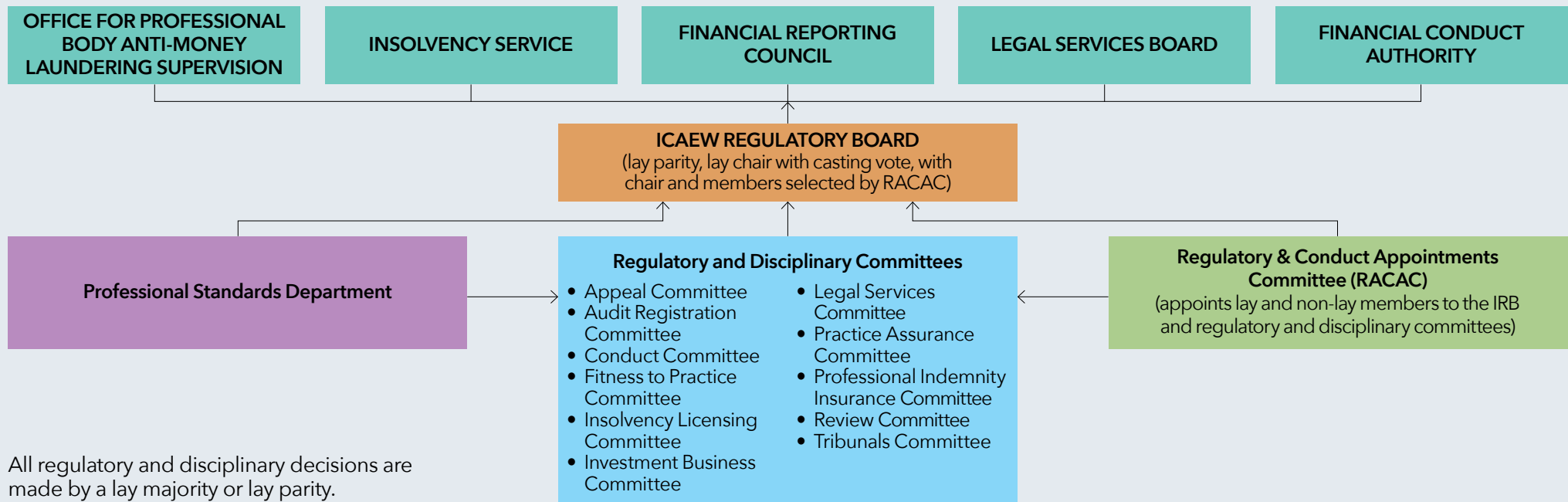
# Appendices

## APPENDIX 1: OVERSIGHT OF ICAEW'S REGULATION AND CONDUCT ROLES

ICAEW's regulatory and disciplinary work is monitored by oversight regulators including the Financial Reporting Council (FRC), the Office for Professional Body

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

### ICAEW regulation and conduct oversight structure



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

## Appendices

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

#### **Our role as an audit regulator**

We continue to be the largest single regulator of audit work in the UK. Under delegated responsibility from the Financial Reporting Council (FRC), we monitor the audits of companies which are not categorised as Public Interest Entities (PIEs) and that are carried out by the 1,835 ICAEW-registered audit firms. The FRC carries out an annual inspection of PSD's audit licensing, monitoring and enforcement work and publishes the results of its inspections. The FRC also undertakes reviews of complaints about PSD's handling of audit and accountancy complaints.

#### **Our role as an insolvency regulator**

ICAEW continues to be the largest insolvency regulator in the UK. By the end of 2025, ICAEW had licensed 761 insolvency practitioners out of a total population of 1,502. The Insolvency Service (IS) carries out regular thematic reviews of PSD's licensing, monitoring and enforcement work and publishes reports of its findings. The IS also carries out reviews of complaints about PSD's handling of insolvency complaints.

#### **Our role as a legal services regulator**

ICAEW is an approved regulator and licensing authority for legal services, with 321 firms registered for legal services. The oversight regulator for legal services in England and Wales is the Legal Services Board (LSB) and it publishes an annual performance assessment of all legal services regulators, including ICAEW.

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

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

#### **Our role as a designated professional body**

ICAEW is a designated professional body (DPB) under the Financial Services and Markets Act 2000, and licenses 1,507 firms to undertake investment business activity which is appropriate to professional practice. ICAEW's DPB status also permits us to provide oversight arrangements for firms wishing to provide credit-related regulated activities as part of a professional service. The Financial Conduct Authority (FCA) has the power to review ICAEW's work as a designated professional body (DPB).

## Appendices

### APPENDIX 2: ROLES OF ICAEW'S REGULATORY AND DISCIPLINARY COMMITTEES

All regulatory and conduct decisions are made by a lay majority or lay parity. All significant decisions on regulatory matters are made by the Audit Registration Committee, the Legal Services Committee, the Insolvency Licensing Committee, the Investment Business Committee and the Practice Assurance Committee. These committees are independent from staff and ICAEW's Council and Board, and comprise of a parity of lay and chartered accountants with a lay chair who has a casting vote, with the exception of the Tribunals Committee and Appeal Committee where disciplinary tribunals and appeal panels have a majority of lay members with lay chairs. This maintains an important balance of technical insight from the chartered accountant members and public interest insight from the lay members.

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

- **licence/registration withdrawal;**
- **impose conditions/restrictions;**
- **propose a regulatory penalty;**
- **order a quality assurance visit; and/or**

- **require a firm/member to undertake specific action to address any shortcomings eg, provide a record of their CPD plan for the following year.**

Every year a lay parity subcommittee of each of these committees carries out a Delegated Powers Review. Subcommittee members review Regulatory Practice (RP) files to check that licensing decisions taken by PSD staff on new applications for regulatory areas of work are within the criteria set by the relevant committee and to check whether RP staff follow up on remedial action recommended by QAD or required by the committee following a visit. They also review the grading of a sample of monitoring visits to gain assurance that remedial action is taken against all firms and insolvency practitioners whose work has fallen below standard. Each Delegated Powers Review report is considered by the responsible committee and then submitted to the IRB for oversight review.

The Conduct Committee considers investigation reports prepared by the Conduct Department in respect of disciplinary matters. Its membership comprises a parity of lay and chartered accountant members with a lay chair. In addition to considering reports following investigation to determine whether there is a liability to disciplinary action, the Conduct Committee also considers challenges by

complainants to the rejection of complaints by Conduct Department staff at the assessment and investigation stages. Like the regulatory committees, the Conduct Committee carries out an annual closed-case review which focuses, in particular, on complaints which were closed by staff without reference to the committee to ensure that the committee is satisfied with judgments made by Conduct Department staff under its delegated powers. The review also considers those cases which have been dealt with by way of fixed penalties under powers delegated to the Conduct Committee.

#### Oversight by the ICAEW Regulatory Board (IRB)

The IRB has overall responsibility for ensuring that:

- regulatory and disciplinary work is carried out in the public interest;
- the Professional Standards Department (PSD) discharges its duties; and
- the regulatory and disciplinary committees undertake their functions effectively, efficiently and fairly.

The IRB aims to promote continuous improvement of ICAEW's regulatory and disciplinary work by monitoring performance, risk and change. The IRB holds five to six meetings per year to review updates from the PSD Chief Officer on PSD's progress on discharging its duties

and delivery against its strategic objectives, and to review the impact of proposed regulatory changes. It oversees the work of the regulatory and disciplinary committees including monitoring performance and identifying how to make the committees more efficient and effective. The IRB receives and reviews all the Delegated Powers Review reports prepared by the regulatory committees and the Conduct Committee. It also reviews the final inspection reports prepared by each of ICAEW's external oversight regulators. Whilst the IRB is independent of the ICAEW Board and Council, it is accountable to the ICAEW Board. The IRB Terms of Reference can be viewed at [icaew.com/irb](https://www.icaew.com/irb)

#### Regulatory and Conduct Appointments Committee

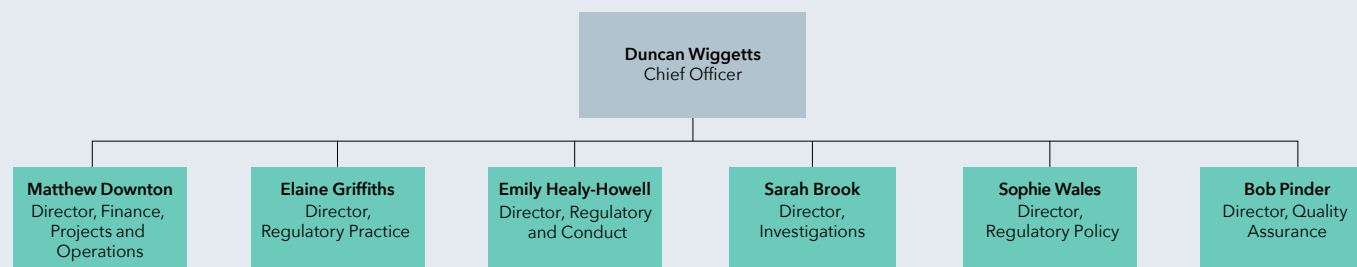
The Regulatory and Conduct Appointments Committee (RACAC) reports to the IRB which, in turn, oversees the work of ICAEW's Professional Standards Department. The RACAC is responsible, under powers delegated to it by the IRB, for dealing with all matters relating to the appointment, performance evaluations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

## Appendices

### APPENDIX 3: ICAEW REGULATORY BOARD (IRB) MEMBERS AND MEETING DATES IN 2025

Name	Status	Number of meetings attended during 2025	IRB Meeting dates 2025
Angela Foyle	Non-lay	5/6	22 January 2025
Anthony Pygram (resigned September 2025)	Lay	4/4	27 March 2025
Asif Patel	Non-lay	6/6	29 May 2025
Catherine Boyd	Lay	6/6	31 July 2025
Claire McManus	Lay	4/6	25 September 2025
Kaysen Pyndiah	Non-lay	6/6	27 November 2025
Parjinder Basra (Deputy Chair until February 2025, Acting Chair February 2025 - May 2025, Chair from May 2025)	Lay	6/6	
Paul Brooks (Chair until February 2025, resigned)	Lay	1/1	
Richard Thorpe	Non-lay	5/6	
Thomas Palm	Non-lay	6/6	
Sandra Mundy (appointed March 2025)	Non-lay	4/5	

### APPENDIX 4: PROFESSIONAL STANDARDS DEPARTMENT LEADERSHIP TEAM



## ICAEW's regulation and conduct role

Our role is to help ICAEW members and firms to maintain high professional standards and hold them to those standards. We act in the public interest to strengthen trust in ICAEW members and firms by raising standards through a programme of continuous improvement.

ICAEW's regulation and conduct roles are separated from ICAEW's other activities through internal governance so as to ensure the independence of all regulatory and disciplinary decisions. These roles are carried out by the Professional Standards Department and overseen by the ICAEW Regulatory Board and oversight regulators including the Financial Reporting Council, the Insolvency Service, the Office for Professional Body Anti-Money Laundering Supervision and the Legal Services Board.

We:

- **authorise** only those firms and individuals with the appropriate expertise and experience to undertake accountancy services regulated by law such as statutory audit, local audit, insolvency, investment business advice and legal services such as probate;
- **support** professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** registered firms and individuals to ensure they operate in accordance with laws, regulations and expected professional standards;
- **investigate** complaints and hold ICAEW Chartered Accountants and students, ICAEW-supervised firms and regulated and affiliated individuals to account where they fall short of the required standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **provide** educational resources and materials to help ICAEW members and firms comply with laws and regulations and maintain high professional standards.

\* includes parent companies. Source: ICAEW member data March 2026, Interbrand, Best Global Brands 2024

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 211,600 members and students around the world. 81 of the top 100 global brands employ ICAEW Chartered Accountants.\*

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

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

ICAEW is working towards becoming net zero, demonstrating our commitment to tackle climate change and supporting the UN Sustainable Development Goal 13.

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

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

[www.charteredaccountantsworldwide.com](http://www.charteredaccountantsworldwide.com)  
[www.globalaccountingalliance.com](http://www.globalaccountingalliance.com)

## ICAEW

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

T +44 (0)1908 248 250

E [contactus@icaew.com](mailto:contactus@icaew.com)

[icaew.com/regulation](http://icaew.com/regulation)



ICAEW is working  
towards becoming net  
zero