



# **CASS 5 Audits 2025**

# *Ask a question*



The screenshot shows a Q&A interface. At the top, it says 'Q&A'. Below that, it shows a question: 'You asked: What happens when I raise my hand?' with a timestamp of '18:03'. Below the question, it shows an answer: 'Molly Parker answered: I can take you off of mute.' with a timestamp of '18:04'. Below the answer, there is a large text input field with the placeholder text 'Please input your question'. At the bottom left of the input field, there is a checkbox labeled 'Send Anonymously'. At the bottom right of the input field, there is a blue button labeled 'Send'.

## To ask a question

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

Type your question and click send

NOTE: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration.



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ICAEW's revised Continuing Professional Development (CPD) Regulations brought in new CPD requirements, including a minimum number of hours and an ethics requirement.

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# Agenda

	Topic	Presenter
	Intro	Polly Tsang, ICAEW
	Regulatory landscape and CASS 5	Kirstie Russell, FCA
	Breach Trends and latest hot topics	Robin Malacrida, GT
	Insurer TOBAs	Naresh Jagru, RSM
	Breach remediation	Paul Goldwin, PKF
	Fundamentals of Controls and concluding on a CASS audit opinion	Bunmi Oluitan, Forvis Mazars
	Q&A	George Williams, Deloitte

# Speakers



Kirstie  
Russell, FCA



Robin  
Malacrida,  
Grant  
Thornton



Naresh Jagru,  
RSM



Paul Goldwin,  
PKF



Bunmi  
Oluitan,  
Forvis Mazars



George  
Williams,  
Deloitte

# ICAEW CASS 5 Webinar

## **FCA Update**

**Kirstie Russell**

Technical Specialist, FCA



# Breach Trends and Hot Topics

Robin Malacrida

Director, Financial Services Audit, Grant Thornton UK LLP

# Trend analysis – opinions



## Trends in assurance opinions:

- Unmodified opinions continue to be very rare and typically relate to firms with minimal business activity <sup>lo1</sup>
- Qualified opinions remain in the majority  
A trend of more 'firm identified' breaches was noted - potentially reflecting increasing focus from firms  
A reduction in recurring breaches – reflecting improved remediation
- Adverse opinions related to non-performance of reconciliations; client money flows not being adequately protected by an acknowledgement of trust, and inadequate CASS governance. <sup>lo2</sup>



## Slide 8

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**lo1** Where did we get the data from? One thing to possibly point out is that in first year audits we often see a much higher adverse rate e.g. when statutory trusts hit the £30k or when take on from smaller firms.

louise.t.patrick@pwc.com, 2025-09-23T12:14:32.139

**ro1 0** Based on Data from GT, Deloitte and PKF.

Thanks for the observation will mention high prevalence in first year audits in narrative when talking through

robin.malacrida@uk.gt.com, 2025-10-06T10:37:46.995

**lo2** Can we call it client money flows not being adequately protected in an account protected by an acknowledgement of trust? Reason being some times its the flow going outside of the well protected account which is the issue rather than the account letter not being got correctly.

louise.t.patrick@pwc.com, 2025-09-23T12:17:10.923

**ro2 0** Yes Updated

robin.malacrida@uk.gt.com, 2025-10-06T10:38:08.902

# CASS 5 Audits: Breach trends

- Areas of common breaches
  - **Client money calculations**
    - Failure to perform
    - Figures not taken from CoB on previous business day
    - Include incorrect amounts for monies held at 3<sup>rd</sup> parties
  - **Aged reconciliation breaks**
    - Resulting shortfall or excess not removed
    - Legacy balances being held in suspense accounts

# CASS 5 Audits: Breach trends

- Areas of common breaches (continued)
- **Acknowledgement of trust letters**
  - Missing the required wording
  - Letters not kept up-to-date
- **Commission drawdown or withdrawal of interest**
  - Processed from the wrong account
  - Processed late

## CASS 5 Audits: Breach trends

- Areas of common breaches (continued)
  - Delayed banking of client money cheques
  - Banked outside of the next working day
  - Incorrect discharge of fiduciary duty
  - Money sent from the client money account to the wrong insurer
  - Bank charges deducted from the client money account

# CASS 5 Audits: Breach trends

- Areas of common breaches (continued)

- **Governance**

- Conditions for using NST not met
- Lack of appropriate committees

lo1

- **Fee-only receipts**

- Amount due entirely to the firm sent to the client money account
- Money not being transferred to firm account within appropriate time frame

## Slide 12

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- lo1** Not sure this is a breach trend.  
louise.t.patrick@pwc.com, 2025-09-23T12:22:50.742
- ro1 0** Agreed, removed  
robin.malacrida@uk.gt.com, 2025-10-06T10:47:33.622

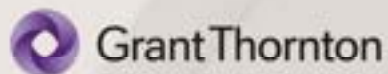
# CASS 5 Audits: Breach trends

- Areas of common breaches (continued)
- **TOBAs**
- To be covered in detail in following section

# CASS 5 Audits: Hot Topics

- Areas of increasing regulatory or industry focus
  - Third country branches – these should use risk transfer, rather than hold client money under CASS 5
  - Mandates – do card or bank account details taken over the phone to enable auto-renewal of future policies constitute a CASS 8 mandate? Or do firms also need to write to the client to permit them to continue to auto-renew?
  - Dormant Assets Scheme – Reclaim Fund Limited are not currently accepting balances from insurance brokers. However, waivers may be able to be obtained from the FCA to donate legacy funds to charity.





## CASS 5 Audits: Hot topics

- Areas of increasing regulatory or industry focus (continued)
  - Payment Service Providers (PSPs) – PSPs cannot be considered to be an Appointed Representative or an Agent (as per CASS 5.5.19R), since these would be carrying out regulated activity on behalf of a principal. PSPs are considered service providers to their client (the CASS firm) rather than agents.
  - Appointed Representatives (AR) Oversight – there should be a written agreement in place between the firm and the AR, e.g. detailing whether the AR can hold client money

## Slide 15

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**lo1**

Obviously if they believe it to be a books error then it could be a books and records breach rather than a fiduciary duty. Or if the client agrees to it no longer being held for them.

louise.t.patrick@pwc.com, 2025-09-23T12:29:41.924

**ro1 0**

Removed - consensus on call was that the FCA had not given a public position on this so we should not be first

robin.malacrida@uk.gt.com, 2025-10-06T10:49:49.140

# Terms of Business Agreement ("TOBA")

Naresh Jagru, RSM

## Slide 16

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**gw1**

Do we want this ask a question box in the middle of the slides? I think this will be covered in the ICAEW intro - suggest replacing with speakers name.

gwilliams@deloitte.co.uk, 2025-09-23T07:57:30.869

## Intermediary's Fiduciary Duty towards clients



- Firm has fiduciary duty towards client's money.
- Process needs to be in place to discharge the fiduciary duty in line CASS 5
- Overall compliance with CASS 5 need to be demonstrated.
- Risk for any losses arising from either the firm failing to transfer the money or from the misappropriation of the client money by the firm
- Client TOBA a key instrument

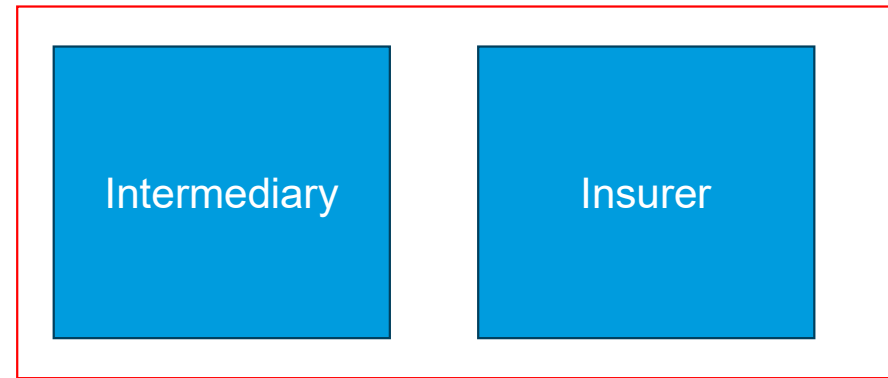
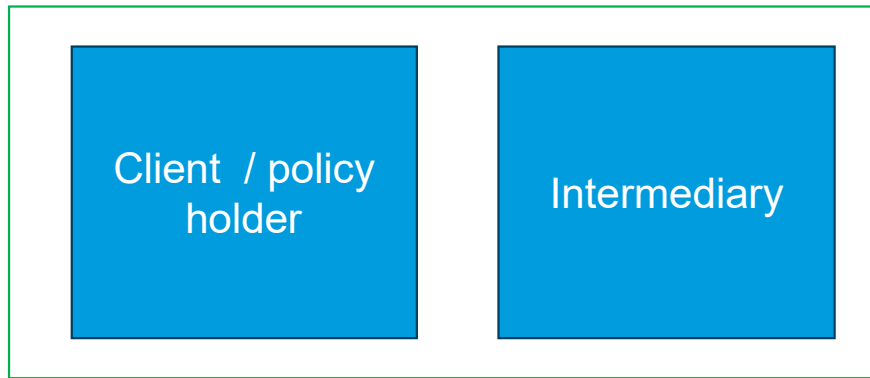
# Intermediary's Fiduciary Duty towards clients

## Client Terms of Business – Key disclosures / notifications

- Information in plain, intelligible language that the average client is likely to understand
- Explicit information surrounding CASS protection
- How client money is handled and when client money stops being Client Money
- CASS protection in the case of returned premium and commission reimbursement
- Retail customers - retention of interest earned
- Retail customers - retention of returns from investing the client's money.
- Can be disclosed in any other way (rather than TOBA) but need to be in writing and before transaction occurring.

# Intermediary as Agent of the Insurer

Agency arrangement



- Written agreement between Firm and the Insurer – to be put in place whether or not there is risk transfer
- Covers various compliance and operational matters applicable to both parties such as:
  - Regulatory status
  - Relevant compliance procedures
  - Scope of the services and relationship management
  - Fees / Commissions
- Details provided within the agreements vary

Risk of intermediary failure transferred from client to insurer, when risk transfer specified in the agreement



## Intermediary as Agent of the Insurer

### Insurer TOBA - Key contents / notifications

- Clear identification of the relevant parties
- Clear information about Agency arrangement / risk transfer element
- Specify when and how the firm would be acting in this capacity
- Comingling with client money and agreement that co-mingled money will be client money in line with the client money rules
- Sub-ordination of the interest in client money
- Statutory versus non-statutory CM Account
- Broker commission withdrawal



Best practice - non-statutory  
trust insurer money bank  
accounts



## Insurer TOBA / Cascading of Risk Transfer – Key reminders

A firm may have a risk transfer agreement with another insurance intermediary but only if the intermediary firm has the insurer's permission in its agreement to pass on risk transfer to another firm.

The terms on which a firm can do this may vary from insurer to insurer – insurers may need a firm to get their consent before passing on risk to a particular firm.

Checks in the case of Cascading of Risk Transfer:

- Check the Risk Transfer offering firm's copy of agreement with insurer.
- Check that Firm is named as agent
- Check for insurer's specific consent, if firm not named

A firm will not need a requirement on its permission allowing it to hold client money if the firm only holds money in this way

## Insurer TOBA / Risk Transfer / Comingling - Key reminders

The FCA reminded the firms:

- risk transfer money held in a client money account is subject to the client money rules.
- Funds will be subject to the client money rules, if:
  - No valid risk transfer agreement or agreement not executed properly
  - Terms of the agreement are ineffective or are not being complied with.

# Common findings

No clear risk transfer clause – TOBA silent or ambiguous

Assuming risk transfer without explicit wording

Misunderstanding claims/return premiums coverage

Incorrect / irrelevant entity noted on TOBA, particularly when dealing with large group

Lack of understanding or documentation about money flows: premiums, claims, refunds

Considered as standard paperwork resulting in inadequate focus towards client money objectives

# Common findings

TOBA not signed

Outdated or superseded TOBAs being relied upon

Lack of evidence to support appropriate governance / monitoring / four eye review

Lack of or unclear mapping between TOBAs to the money flows, process and reconciliation

Failure to maintain appropriate TOBA Register / lack of control over its accuracy and completeness of the contents

October 2025

# Process for breach remediation for insurance intermediaries (CASS 5)

Paul Goldwin, Partner



[pkf-l.com](https://pkf-l.com)

# Overview

## Firms with client money permission have:

1. Duty to ensure client money adequately protected
2. Duty to design effective client money controls to mitigate customer harm on an ongoing basis and in the event of failure

## Given nature of CASS 5 rules – CASS breaches will occur:

1. Firms need adequate governance and oversight over CASS breach management process
2. Firms should identify and self-breach, and have systems in place to monitor the breach to remediation

# Breach identification and assessment

- Firms must design preventative and detective controls to facilitate breach identification, where breaches occur
- **Preventative control** – prevents a breach before it happens – for example, broking application which does not permit a transaction to occur before a TOBA is uploaded to client profile
- **Detective control** – identifies a breach once occurred – for example, review of previous day's cheque log to ensure all banked
- **CASS risks and controls matrix** – mapping of controls per FCA's client money organisational arrangements, to each of client money rules
- No concept of materiality in CASS rules – all breaches therefore need to be identified and tracked
- Monitoring of CASS controls must be embedded in firm's governance process

# Recording of breaches

- Firms should record breaches in their breaches log

- Breach details to include:**

1. Breach description (what happened?)
2. Date occurred / date identified
3. Frequency of instances of breaches (if applicable)
4. Number of clients affected / amount of client money impacted
5. Client detriment?
6. Specific CASS rule breaches
7. Root cause of breach – human error / systemic control failure
8. Details of any escalation
9. Remedial action taken / target date for resolution

- Clearly documented breach log essential for firm to evidence breach management and remediation



## Slide 28

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lo1

should this be "breached" rather than breaches?

louise.t.patrick@pwc.com, 2025-09-23T13:09:13.764

# Breach reporting to FCA

- **Firm needs to evaluate if breach constitutes a ‘notifiable event’**
  - Failure of a bank, broker or settlement agent
  - Failure to perform client money calculations
  - Failure to make good a client money shortfall
- **Firms should consider if there are circumstances indirectly linking to the ‘notifiable event’ which require reporting to FCA (e.g. inaccurate or out-of-date internal records restricting ability to properly carry out a CMC)**
- **Other potential breaches requiring escalation:**
  - Breaches that are ‘systemic’ in nature
  - Breaches that individually / collectively significantly impact operation of client money rules
  - Notification is a matter of **judgement**
- **Firms should provide documented guidance on threshold at which notification required – both from quantitative / qualitative perspective**
- **Firms need to be mindful of responsibilities under PRIN 11, SUP 15.3, SYSC 13.4**

# Breach remediation

- **Firms need to develop systems and controls to:**
  - Investigate breaches – root cause analysis
  - Remediate breaches – to fix breach, to make good client detriment (if any)
  - Mitigate risk of further breach occurrence
- **Where breaches appear in FCA Reasonable Assurance Report – details of remediation in ‘Firm Comments’ to include:**
  - Timings related to breach remediation – date breach identified / date remediated
  - Context as to why breach occurred – human error / bank error
  - Action taken to remediate breach – new bank acknowledgement letter / system fixes
  - Action taken to prevent re-occurrence – staff training
- **Firms need to ensure that breaches identified by auditor during CASS assurance engagement are included in breach logs to ensure that embedded in remediation programme**

# Governance

- Firm's approach to breach management – include in CASS policy document
- All firms to maintain breaches log
- CASS policy document to detail who is responsible for breach management
- Breaches to be reviewed by relevant Governance Committee (usually CASS Committee)
- All CASS breaches (self-reported and auditor detected) included in CASS report

## For further guidance

- *ICAEW – Insurance Intermediaries Breach Remediation Help Sheet – October 2025*
- *FRC Standard November 2019: Providing Assurance on Client Assets to the Financial Conduct Authority*
- *CASS 5 – Chapter 5 – FCA Handbook*
- *Guide to Client Money for Insurance Intermediaries*
- *Dear CEO Letter – Maintaining adequate client money arrangements – general insurance intermediaries*

October 2025

# Thank you

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## ICAEW CASS 5 Webinar

### Fundamentals of Controls: Concluding on a CASS Audit Opinion

Bunmi Oluitan, Forvis Mazars

October 2025

**forvis**  
**mazars**



# Agenda

1. Definition and purposes of controls
2. Objective of controls in regulated firms
3. Key controls for CASS compliance
4. Evaluating control effectiveness
5. Considerations for a CASS 5 audit opinion

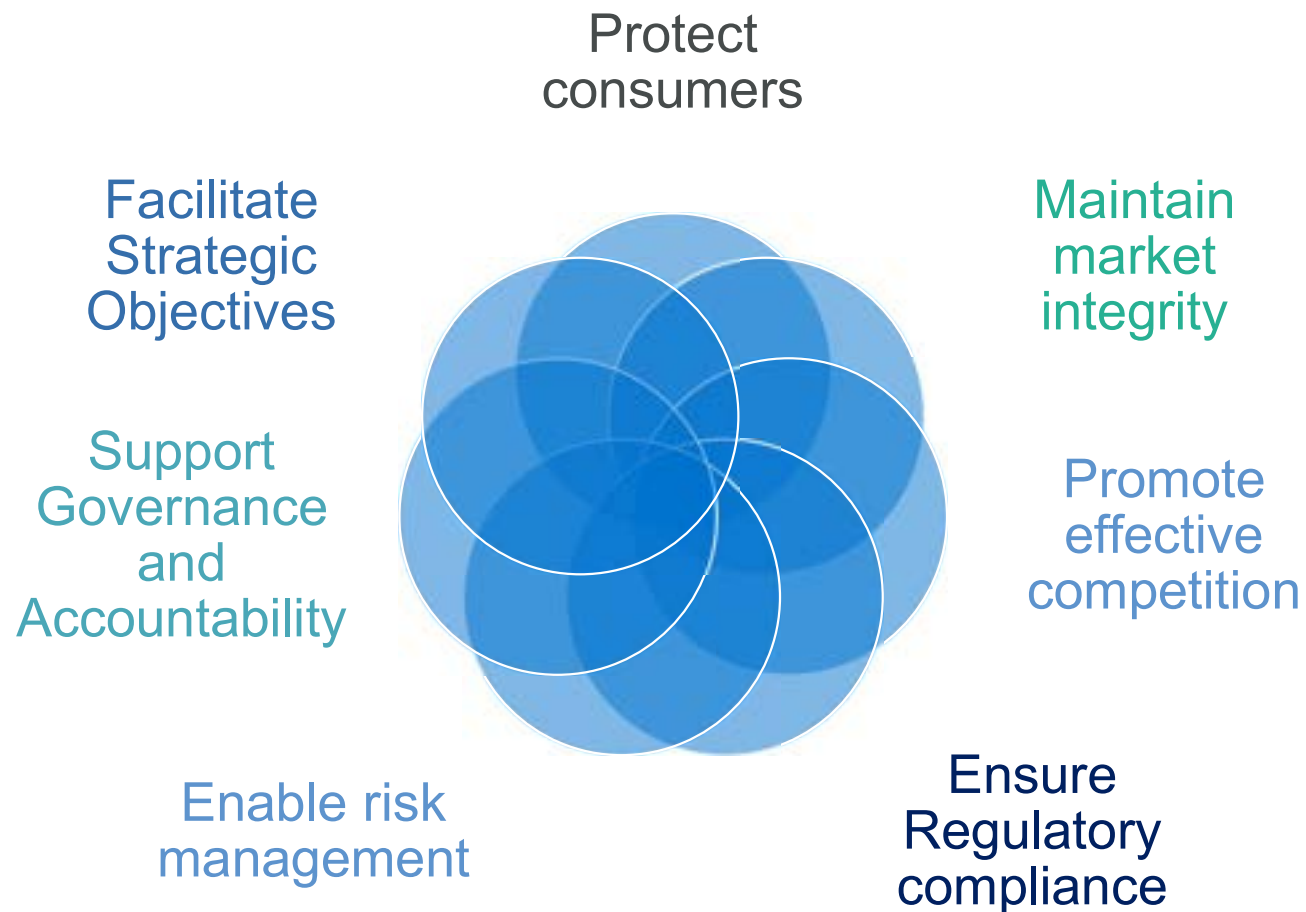


## 1. Definition and purposes of controls

- A process refers to a series of actions or steps taken to achieve a particular outcome, while a **control(s)** refers to the mechanisms or measures implemented to ensure that the process operates correctly and achieves its intended results..
- The **objective of a good control** is to maintain compliance, operational integrity (incl. accuracy of records across business functions) and risk mitigation.
- There are 2 major **types of controls**; Preventive controls and Detective controls.



## 2. Objectives of controls in regulated firms



### 3. Key controls for CASS compliance

lo2

Organisational  
arrangements for  
client money

IT controls

Governance and  
oversight (SM &CR  
links)

Review of policies  
and procedures

Review of risk and  
control matrix

Review of  
Management  
Information (MI) for  
compliance and  
reporting

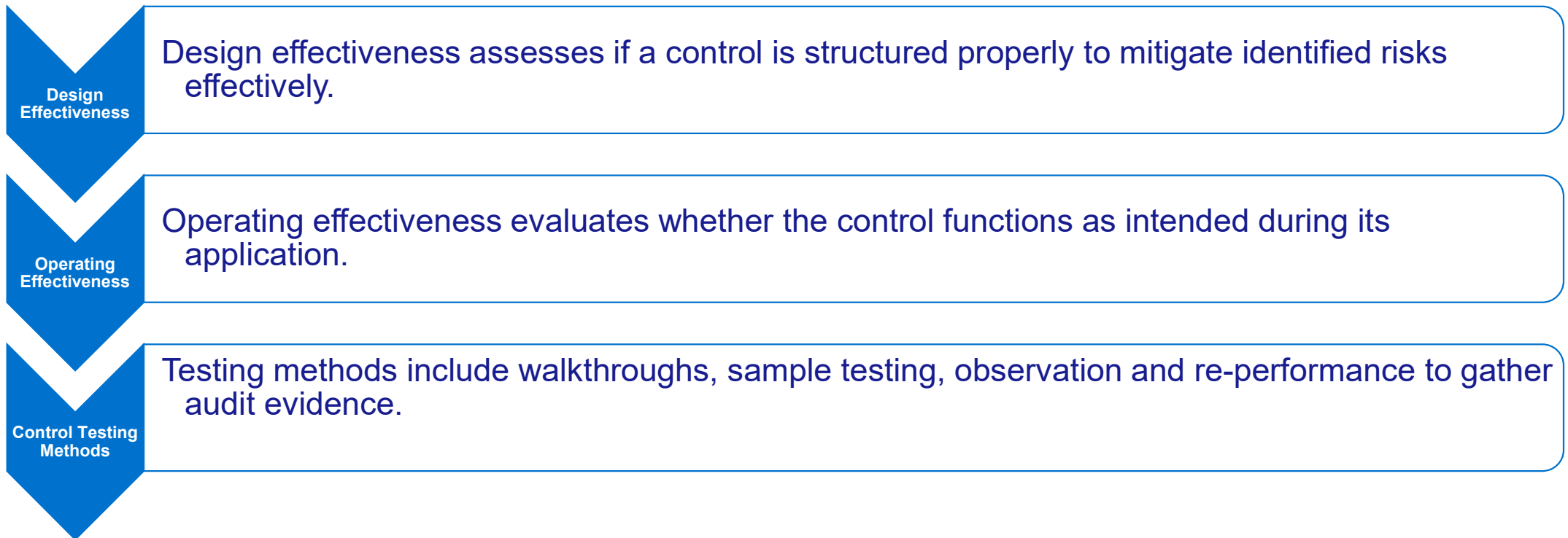
lo1

## Slide 37

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- lo1** we would say that policies and procedures are not themselves controls. The review of these either on a trigger event or annually would be a control. Can we carefully again bring in about the difference between process and control here. Similarly MI is not a control but the review of that MI would be, same with risk and control matrix. Maybe we also add Review of to the top of that and the risk and controls matrix box?  
louise.t.patrick@pwc.com, 2025-09-23T13:21:58.041
- bu1 0** i agree the review is the control. was going to speak to that on the day. i have updated the slides.  
bunmi.oluitan@mazars.co.uk, 2025-09-26T16:27:54.514
- lo2** Re auditor confirmations - do we mean we are control for the business? I'm not sure I agree or do we mean acknowledgement letters? What is the message here?  
louise.t.patrick@pwc.com, 2025-09-23T13:23:05.589
- bu2 0** updated  
bunmi.oluitan@mazars.co.uk, 2025-09-26T16:27:26.669

## 4. Evaluating control effectiveness



## 5. Considerations for a CASS 5 Audit Opinion

<b>Audit Approach / focus</b>	Audit opinion is based on an assessment of systems and controls ensuring compliance with CASS 5 rules.
<b>Controls Adequacy assessment criteria</b>	Are controls effectively designed and implemented and have they Operated effectively throughout the period?
<b>Impact of control weakness</b>	Ineffective controls may undermine client asset protection and can lead to breaches in segregation, Reconciliation and Recordkeeping. <b>This is irrespective of an actual incident</b>
<b>Materiality of deficiencies &amp; impact</b>	Material or systemic deficiencies usually indicate non- compliance with FCA rules. Could control deficiencies lead to client loss or regulatory action? Is a Qualified or Adverse opinion appropriate.

**Strong and effective controls and are essential for achieving an unqualified CASS audit opinion.**



# Questions?



# **Our next faculty webinar**

**Car loans: the issue, the Supreme Court  
decision and the FCA redress scheme**

**7 November 2025**



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