



# Promoting trust in the accountancy profession through excellence in regulation

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## Purpose

This document sets out ICAS' regulatory strategy as approved by the Regulation Board in 2023. It feeds into the wider strategy set by the ICAS Council.

Detailed information on regulatory structures, processes, and governance is available on the ICAS website.

# About ICAS

The Institute of Chartered Accountants of Scotland (ICAS) is the world's oldest professional body of accountants, with over 23,000 members working across the UK and internationally.

We exercise a range of regulatory functions, issuing more than 1,700 practising certificates to our members, and supervising more than 800 firms. We are authorised to supervise our firms across different statutory schemes, including audit, insolvency and anti-money laundering.



# Governance and the public interest

As ICAS' Royal Charter requires that we primarily act in the public interest, our regulatory functions – including licensing, monitoring and enforcement – are designed and exercised to place the public interest first, with appropriate oversight and independence throughout our regulatory framework.

The ICAS Regulation Board is the body appointed by Council to be responsible for regulatory policy at ICAS and for maintaining professional standards amongst members, student, affiliates, and firms.

The Board is also a strategic body, discussing developments in regulation and monitoring ICAS' relationships with its oversight regulators.

The Regulation Board – as well as the Regulatory Committees to which it delegates some of its functions – comprises a mix of Chartered Accountants and lay members. Lay members fulfil a non-executive function bringing an external perspective and challenge and encouraging a robust and transparent accountancy profession.

# Regulatory terms

This is an explanation of some of the regulatory terms used in this strategy document:

## Affiliate

An individual who is licensed by ICAS but is not an ICAS member.

## AML

Anti-money laundering.

## Authorisations

The granting of licences to members and firms which allow them to undertake certain work (e.g. audit, insolvency etc).

## Enforcement

Taking regulatory and/or disciplinary action where a member or firm has failed to meet the standards expected of them.

## Firm

A practice which is regulated by ICAS, including sole practitioners, partnerships, limited companies and LLPs.

## Member

An individual who is a member of ICAS, entitled to use the letters 'CA'.

## Monitoring

Various supervisory activities – including inspection visits – through which ICAS reviews quality of work and compliance processes in firms.



# ICAS vision for regulation

## Promoting trust in the accountancy profession through excellence in regulation

Our vision for regulation takes account of our Royal Charter requirement to act in the public interest. While ICAS as a professional body will also seek to represent its members' views and protect their interests, the public interest will always be paramount for the teams working in regulation. As robust regulatory processes benefit our members and firms as much as they benefit the public interest, we are confident that we can act in the best interests of all our stakeholders.

# Foreword from the Regulation Board

The Regulation Board is pleased to present ICAS' new regulatory strategy.

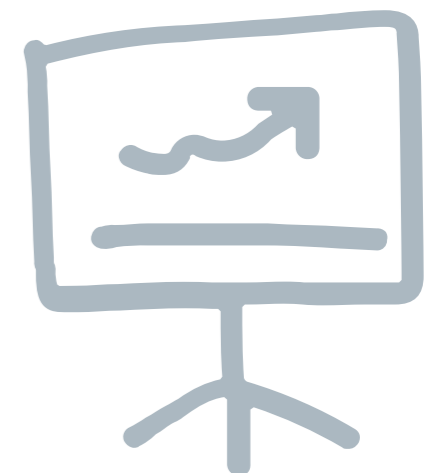
The regulatory landscape in the UK has been the subject of much discussion and change over recent years, with every indication that this trend will continue in 2023 and beyond. It is important that ICAS remains relevant and influential in these discussions, whether in Scotland, the wider UK, or beyond. This will require strong regulatory teams, staffed by individuals who can respond with agility and expertise to whatever regulation may look like in 2030.

Serving the public interest is the key foundation upon which the regulatory work of ICAS is based. High-quality regulation is essential if trust in the accountancy professional is to be protected and promoted. It is central to preserving the reputation of ICAS and the credibility of its members and firms, who continue to play an important role in civil society.

The regulatory strategy is one part of the wider ICAS strategy, approved by the ICAS Council. Setting this out separately, in more detail, emphasises the importance of regulation to ICAS, as well as demonstrating an ongoing commitment to transparency.

Understandably, the short and medium-term objectives in the strategy are set out with greater certainty, with the workplan for the second half of the decade being more flexible, and principles-based.

The implementation of the strategy will be overseen by the Regulation Board, to which Council has delegated responsibility for all regulatory matters.



# Regulation by the numbers (2022/23)



**23,000+**  
members



**140+**  
audit firms



**90**  
insolvency practitioners



**1,700+**  
PC-holders



**850+**  
supervised firms



**450+**  
audit RIs



**c.85**  
complaints each year



**15-20**  
employees in Regulation teams



**15-20**  
governance meetings each year





# Influences and trends

In setting our strategy, we know that ICAS will need to be flexible in responding to developments in regulation and society over the next seven years. Recent history shows that a lot can change within a relatively short space of time. It is crucial that our regulatory teams are agile and adaptable.



## Government

What policies will be pursued, including the possibility of more centralised regulatory functions?



## Scope

Will the amount of regulation continue to increase, with new areas for regulation in relation to assurance, climate change, and sustainability?



## Technology

Our regulatory processes will continue to evolve, becoming more streamlined, and making better use of new technology, including AI



## Demographics

The profile of ICAS' regulated community will change over time, with new expectations and ways of working



## Market

New and expanded regulations will place more pressure on firms and could lead to changes in the market, including consolidation



## Scotland

What would regulation look like for ICAS and our members and firms in an independent Scotland?



By ensuring that our regulatory teams are populated by experienced and respected professionals, we will be best-placed to exert a positive influence on the development of regulation.



# Strategic principles – how we will work

We know that achieving our vision won't always be easy. To give ICAS the best chance of success, we need to make sure that the ways in which we work are conducive to reaching our goals.



## Quality

in regulation must be prioritised



## Efficiency

allows us to keep pace with more regulatory demands



## Engagement

with firms, oversight bodies, and Government



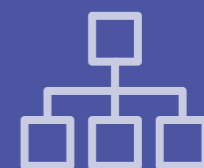
## Sustainability

of regulatory resource and finances



## Value for money

in the best interests of all stakeholders



## Strong regulatory teams

appropriately resourced and structured

# Operational

Achieving our vision will require us to undertake some projects to do some new things, and also change how we do some of the things we already do ('Operational projects'). Some of these projects are listed below, appropriately prioritised, but these will be added to in the years to come. At the same time, we cannot lose sight of the importance of discharging our regulatory functions in a robust matter ('Core functions').



## Short-term (2022/23)

- Build and maintain strong regulatory teams
- New vision for Practice Monitoring
- New digital processes for authorisations and monitoring
- Proactive engagement with members and firms
- Engage proactively with Government reform agendas
- Evolve our risk-based approach to monitoring and supervision
- Improve the efficiency of our AML supervision
- Review our regulatory fee models
- Review our regulation and sampling of CPD records
- Consider introducing a fitness to practise model



## Medium to long term (2025 >)

- Review of regulatory governance
- Digital portal for firms
- Consider collaboration models with other professional bodies
- Commercial opportunities in regulation
- New workstreams for regulation



# Core functions

ICAS' core regulatory functions are set out in its Rules, Regulations, and guidance and are summarised as follows:



<b>Regulatory schemes:</b> <ul style="list-style-type: none"> <li>• Audit</li> <li>• AML</li> <li>• ATOL</li> <li>• DPB</li> <li>• Insolvency</li> <li>• Practice</li> </ul>	Licensing members and firms	Issuing guidance
	Monitoring performance	Answering queries
	Influencing Government and policy	

Investigating complaints against members, firms, students and affiliates.

CPD – through monitoring and as part of the annual sampling cycle.

Oversight regulators – reports, visits, meetings, data requests etc.

# Performance review

ICAS' achievement of its regulatory aims and operational projects will be closely monitored by the Regulation Board, as well as other governance bodies, including the ICAS Council.

Performance is also subject to close scrutiny by our oversight regulators, including the FRC, OPBAS, and the Insolvency Service, who undertake inspection reviews of our regulatory functions on a regular basis.

With the regulatory landscape changing rapidly year-on-year, it is difficult to predict exactly what success will look like for ICAS in the future. However, the following measures are likely to continue to be important, and will be closely monitored.



Limited findings in oversight inspection reports



Staff retention rates



Various KPIs – visit numbers, investigation timescales etc



Monitoring visit grades



Member/firm feedback

# Policy positions

In 2022, the Regulation Board decided to publish a document on the ICAS website setting out its position on a number of important areas of regulatory policy.

- Regulation is a positive good
- Professional body regulation secures strong outcomes
- Prioritising regulation at ICAS

This document – which will be updated from time to time – can be accessed on the ICAS website [here](#).



## Governance

### The Regulation Board

The Regulation Board is an executive board established by Council, responsible for setting policy and procedures relating to the regulatory functions of ICAS (including the investigation of complaints but not discipline or appeal functions). The Board operates under the full delegated authority of Council, to which it reports annually.

The Board is appointed by Council and is comprised of CA members, the Chairs of the two Regulatory Committees, Public Interest Members of Council and other lay members. The Executive Director of Regulation is also a member. The Chair of the Board is a Public Interest Member of Council.

Further information on the Regulation Board is available [here](#) on the ICAS website, including published notes of its quarterly meetings.

### The Regulatory Committees

The key regulatory functions are delivered on behalf of the Regulation Board by the two Regulatory Committees, both of which report to the Board at each of its meetings, providing management information and KPI metrics.

The Authorisation Committee is responsible for granting, suspending and removing all regulatory licences issued by ICAS. It monitors the quality and controls within our firms through robust monitoring arrangements, applying conditions and restrictions wherever appropriate. It meets six times a year.

The Investigation Committee is responsible for the investigation of complaints against members, students, affiliates and firms. It meets four times a year, with investigation work and decision-making delegated to sub-committees and members of staff.

Its membership is evenly split between CAs and lay members, and is chaired by a lay member.

Where a complaint is upheld, the Committee has the power to agree a sanction by way of a 'consent order', which would be publicised. Where the member, student, affiliate or firm rejects a sanction, the case requires to be remitted to an independent Discipline Tribunal for hearing and determination.

### Lay representation

Recognition of the public interest is the primary object of ICAS' Royal Charter, requiring the maintenance of a high standard of efficiency, probity and professional conduct in the interests of the profession and of the public generally. To serve the public interest effectively requires that we retain the confidence of the public in the profession and that we deliver those services that society expects from ICAS' regulated community.

Our robust regulatory functions benefit from extensive and high-calibre lay representation. Public Interest Members and Lay Members on the Regulation Board and Regulatory Committees fulfil a non-executive function bringing an external perspective and challenge and encouraging a robust and transparent accountancy profession. They exercise oversight within the regulatory functions, helping to ensure that ICAS' processes are applied consistently and fairly.





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