

For the year ended 31 December 2024



Insolvency Monitoring Annual Report



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Key terms

Term	Meaning
FCA	Financial Conduct Authority
ICAEW	The Institute of Chartered Accountants in England & Wales
ICAS	Institute of Chartered Accountants of Scotland
IP	Insolvency Practitioner
IS	The Insolvency Service
RPB	Recognised Professional Body
RPS	Redundancy Payments Service
SAR	Suspicious Activity Report

Introduction

We present our insolvency monitoring annual report for 2024. The report aims to provide transparency over our work and includes:

- An overview of our insolvency monitoring activities during 2024; and
- key messages and findings arising from monitoring reviews.

We encourage all IPs to read the main findings of this report and consider whether there are any areas that require to be addressed. We hope that you find this report useful in considering how effectively you are complying with regulatory requirements.

If you have any comments or questions, please contact us at aapmonitoring@icas.com.

About ICAS

ICAS is the world's oldest professional body of accountants. We represent over 24,000 members working in the UK and around the world. Our members work in private practice and in a range of businesses, as well as in the public and not for profit sectors. They contribute significantly to society.

ICAS' Royal Charter requires that we act in the public interest. Our regulatory functions are designed and exercised to place the public interest first. Our Charter also requires ICAS to represent its members' views and protect their interests. On the rare occasion that these are at odds with the public interest, it is the public interest that must be paramount.

ICAS is an RPB, responsible for regulating ICAS licensed IPs in the UK. The RPBs are in turn regulated by IS.

As of 31 December 2024, ICAS regulated 77 IPs and is the largest regulator of IPs in Scotland.

The Regulation Board is the body appointed by ICAS' Council to be responsible for regulation and regulatory policy at ICAS, including our approach to insolvency regulation. In addition to overseeing how ICAS maintains professional standards amongst members, students, affiliates, and firms, the Regulation Board is also a strategic body, discussing developments in regulation and closely monitoring ICAS' engagement with its oversight regulators.

ICAS regulation strategy

Published in September 2023, the ICAS Regulation Strategy sets our goal as promoting trust in the accountancy profession through excellence in regulation. Achieving this requires vigilance to ensure that we are maintaining appropriate standards of compliance amongst our supervised IP population.

Regulation remains core to the work of ICAS and our Council, with a commitment to this included in the wider ICAS 2030 Strategy, which places ethical leadership at the heart of everything we do.

While regulatory and enforcement actions will always be an integral part of what we do, ICAS is also looking at what more we can to support our regulated IPs, in accordance with our regulatory objectives, to provide a high-quality service.

Sub-contracting monitoring function and single regulator consultation

In 2019, ICAS entered into a formal agreement to sub-contract the resourcing of onsite monitoring visits to ICAEW. Since that time visits have been conducted by ICAEW insolvency monitoring staff with reports prepared for the consideration of the ICAS Authorisation Committee. The processes and procedures undertaken are the same as would have been the case with ICAS insolvency monitoring staff, including the report review process. ICAS has retained full responsibility, including quality control of the work undertaken. ICAS' Authorisation Committee has full responsibility for deciding the outcomes of each insolvency monitoring visit and taking regulatory action where appropriate.

The sub-contracting arrangement has remained in place pending the outcome of the government's consultation on the future of insolvency regulation and, specifically, the possible introduction of a single regulator of IPs. The government's decision, published in September 2023, set out that it did not intend to proceed with plans for a single regulator.

In response to the published decision, ICAS took the decision in 2024 to build insolvency monitoring expertise within ICAS. As a first step in that process, in November 2024, ICAS recruited a permanent in-house monitor who is now working alongside ICAEW to discharge the insolvency monitoring function.

ICAS insolvency monitoring: overview

The regulatory framework

ICAS is an RPB, recognised in accordance with Section 391 of the Insolvency Act 1986, responsible for regulating ICAS licensed IPs in the UK. The RPBs are in turn regulated by IS.

IS has overall responsibility on behalf of the Secretary of State for Business and Trade for ensuring that the activities of the RPBs that authorise and license IPs are in line with the regulatory objectives. Those objectives are set out in Sections 391B and 391C of the Insolvency Act 1986 (as amended) and include:

- having a system of regulating insolvency practitioners that secures fair treatment for people affected by their acts, is transparent, accountable, proportionate, and ensures consistent outcomes.
- encouraging an independent and competitive insolvency practitioner profession whose members provide high quality services at a fair and reasonable cost, act transparently and with integrity, and consider the interests of all creditors in any particular case.
- promoting the maximisation of, and promptness of returns to, creditors.
- protecting and promoting the public interest.

Governance

The Regulation Board ('the Board') is the executive board established by Council for setting policy and procedures relating to the regulatory functions of ICAS, including insolvency monitoring. The Board receives reports and statistical information, allowing it to set and oversee ICAS' general insolvency strategy. It reports into Council and the Oversight Board, with the Chair of the Regulation Board (a Public Interest Member) sitting on both bodies.

Operational insolvency functions are delegated to two regulatory committees: the Authorisation Committee (which deals with licensing, regulatory monitoring, and CPD), and the Investigation Committee (which investigates and assesses alleged breaches of rules, regulations, etc). Where a case against a member, affiliate or firm is sufficiently serious as to require a disciplinary hearing, ICAS operates independent Discipline and Appeal Tribunals, which are overseen by the [Discipline Board](#).

All boards, committees, and panels are constituted under published Regulations and comprise of a mixture of Chartered Accountants and lay members (including legally qualified chairs for the tribunals).

ICAS Insolvency Regulations

ICAS' [Insolvency Regulations](#) set out the framework which ICAS follows when supervising firms, in line with relevant legislation. Importantly, the Regulations set out the authorisation process and the obligations of IPs.

Monitoring activities

The purpose of monitoring is to enable ICAS to gather enough relevant information on the conduct and performance of the IPs it authorises to make an informed and unbiased decision as to whether a practitioner is a fit and proper person to act as an IP.

In discharging these functions, we adhere to the '[principles for monitoring insolvency practitioners](#)' and work closely with IS and the other RPBs.

In addition to its monitoring activities, ICAS promotes best practice in insolvency via our insolvency committee and through articles, webinars, and our annual insolvency and restructuring conference.

Insolvency monitoring procedures

Introduction

Each appointment-taking IP is visited at least every six years, or more frequently on a risk basis. We monitor the IP's compliance with insolvency legislation, standards and other regulatory requirements.

Who we monitor

As of 31 December 2024, ICAS licensed 77 IPs (2023: 78) who operate within a variety of business structures from sole practitioners to international firms.

A number of IPs have retired over recent years, however this has been offset, in part, by some first-time insolvency licence applications being granted, and a small number of IPs previously regulated by other RPBs moving their insolvency license to ICAS.

Around 50% of appointment-taking IPs are ICAS members, with the others being Affiliates.

As of 31 December 2024, ICAS regulate seven IPs across three firms who meet [IS' definition of a volume provider](#) and are therefore subject to enhanced monitoring.

How we risk assess IPs

Risk indicators include:

- the type and size of the IP's portfolio
- changes within a practice
- previous visit history.

This risk-based approach determines the timing and frequency of visits, in accordance with the requirements of the 'principles for monitoring insolvency practitioners'. Under this regime, our monitoring resources are focused according to risk. We spend more time reviewing IPs who are higher on the risk scale.

Who conducts the monitoring

See earlier section '*Sub-contracting monitoring function and single regulator consultation*'.

All visit findings are subject to quality control review to ensure consistency, with any new monitoring reviewers subject to more detailed review. There is also consultation during monitoring visits on any more complex issues that arise.

How a visit is conducted

The monitoring reviewer will arrange a date for the visit around six weeks before its proposed start date.

Confirmation of the visit will then be issued along with a request for pre-visit information. Further contact will be made prior to the visit to answer any questions and discuss the practical arrangements for the visit.

Typical pre-review information we may request includes:

- a full caseload analysis
- details of cases with common risk areas such as covid support schemes or to the RPS
- CPD records
- details of fee income
- banking arrangements
- details of websites and trading names.
- SIP 11 review

Areas we discuss during the opening meeting include:

- staff and staff training
- sources of work
- pre-appointment procedures
- time recording, cashiering and diary systems
- quality control processes.

The opening meeting helps the monitoring reviewer understand the nature of the insolvency practice, how it is operated and the staff and resources available to assist with the insolvency work.

The monitoring reviewer will then review a sample of case files. Some reviews will cover entire cases; others may focus on certain risk areas or case progression.

As cases are reviewed, written queries are sent to the IP and their staff for consideration.

How the visit concludes

We record our findings in a closing record which is discussed in a closing meeting towards the end of the review.

We ask for a response to our findings in writing within 15 business days. When the response is received, we complete our review documentation. The IP will subsequently receive notification from us that the review has been completed satisfactorily, or the report may be presented to the Authorisation Committee for its further consideration.

All reports are subject to quality review, to ensure consistency, that the correct review methodology has been followed, and that the monitoring reviewer's conclusions are fair and balanced.

The role of the Authorisation Committee

Monitoring visits where some significant instances of non-compliance have been identified, are referred on to the Authorisation Committee ('the Committee').

If these instances are limited to one, or a small number, of areas, and are not indicative of systemic issues, then the report of the visit is considered by a nominated and suitably qualified member of the Committee.

Where more serious instances of non-compliance are identified, which are more pervasive, or across a larger number of areas, the report of the visit is considered by the full Committee in plenary session, to decide whether any further regulatory action is required.

The Committee meets approximately once every two months.

The Committee has the power to grant, suspend, and withdraw licences, as well as applying conditions.

Although the Committee's powers largely focus on licences, it also has the power to propose and apply financial penalties in certain circumstances.

Regulatory Penalties are only appropriate if the concerns identified are not sufficiently serious as to raise questions over the whether a member or firm should continue to be licensed or remain in membership.

Depending on the nature and significance of the issues, the committee may also consider a referral to Investigation Committee to consider whether there is a liability to disciplinary action.

Example of a regulatory penalty applied by the Authorisation Committee

A visit to a long-established IP in May 2024 identified a number of issues including:

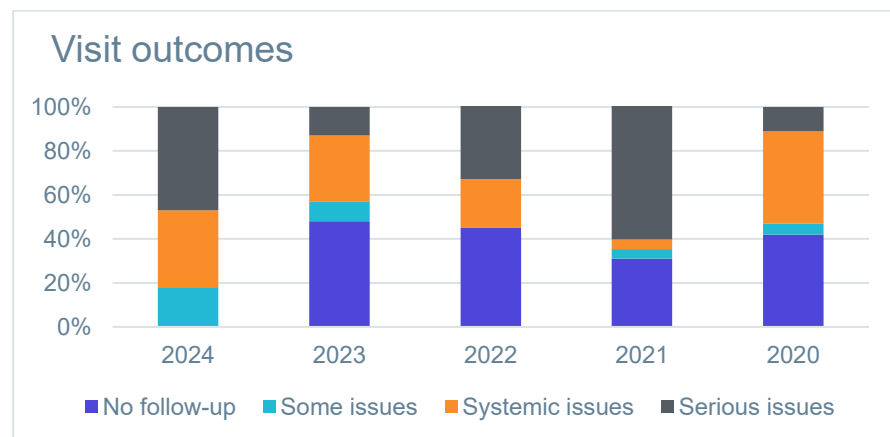
- Failure to maintain adequate, SIP 9-compliant time records, with the review identifying that the time records in two cases reviewed had not allocated time between the expected SIP 9 range of case specific task codes and few entries were supported by any narrative. Issues were also identified with the statutory fee approval processes in these cases.
- Failure to review or verify employee claims against payroll or other appropriate documentation, and to notify the RPS that claims were not verified.
- Failure to document investigation work to support the conclusions reached in two cases reviewed. This included a failure to explain how, in one case, the IP had concluded that the company's bounce-back loan application was valid and there had not been any misuse of the funds.

Conclusion

In terms of Regulation 5.33 of the ICAS Insolvency Regulations, the Authorisation Committee applied a regulatory penalty of £11,500 in respect of the issues identified. The IP will also be subject to a paid-for follow-up monitoring visit.

Insolvency monitoring: 2024 outcomes

During 2024, monitoring visits were undertaken in relation to 17 IPs (2023: 23). The outcomes*, compared to prior years, were (by % of visits):



As is a common caveat in ICAS insolvency monitoring reports, the size of the IP population and the consequently relatively small number of visits conducted in relation to a different selection of IPs each year makes any meaningful commentary or analysis of the visit outcomes very difficult. However, it is evident that the number of visits where serious or systemic issues have been identified has remained at an unsatisfactorily high level over recent years.

Some of the most common issues identified are covered in the 'key themes' section of this report. However, the significant issues that contribute to visits with more serious issues tend to be specific to that visit, rather than common matters, and largely result from systemic statutory compliance issues or serious issues in the management and control of insolvency cases.

ICAS has a focus on 'improvement regulation', in that we want to work with and support IPs to make improvements and will focus follow-up action on conditions designed to improve quality. However, as you would expect, continued poor quality will need to be addressed by the Regulatory Committees. Where IPs are unable to demonstrate the necessary improvements, more stringent enforcement measures may be applied, however in most cases this is not needed and most IPs make the necessary improvements, with support.

The Authorisation Committee can take a range of follow up and regulatory actions. IPs may have conditions or restrictions placed upon their licence; they may be required to submit information to the Committee; or they may require a follow-up visit. Other, more serious, regulatory interventions include referral to the Investigation Committee; regulatory penalties; or licence withdrawal. The more serious regulatory interventions remain exceptional.

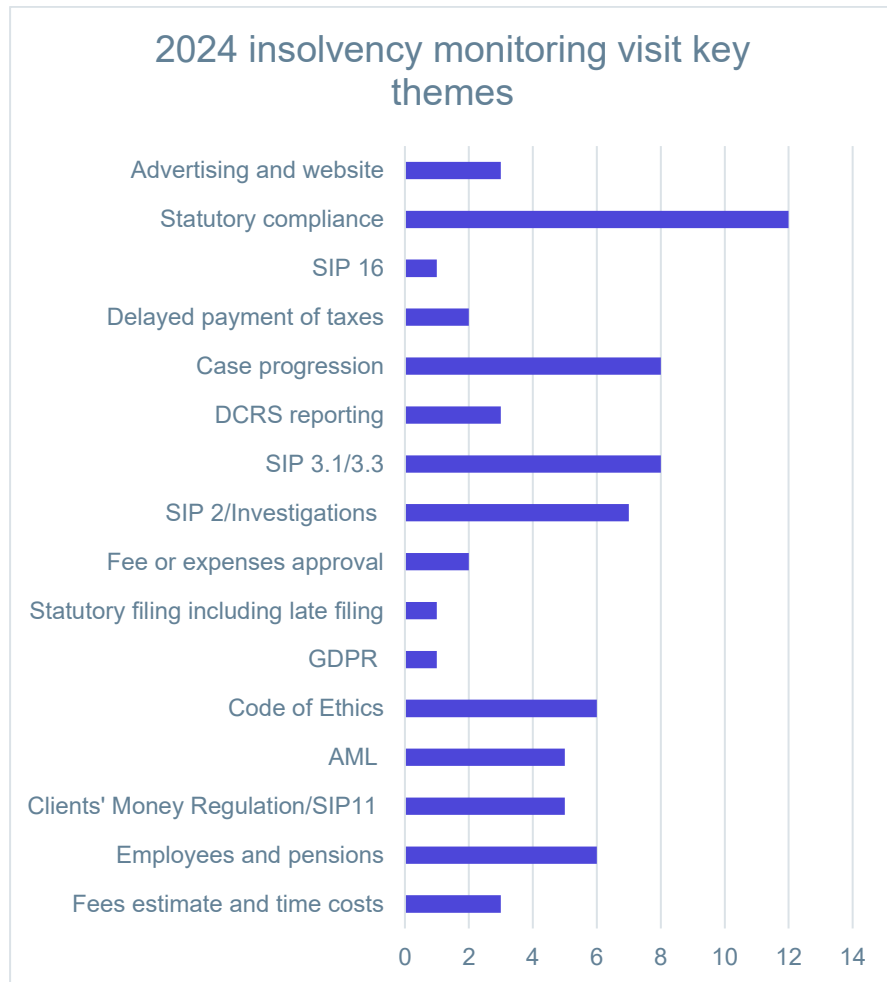
*Outcomes

The statistics provided in relation to visit outcomes relate directly to the monitoring inspector's evaluation of the visit. The ultimate outcome may not always be regulatory intervention due to mitigation provided to, and accepted by, the Authorisation Committee, or alternative follow-up action as appropriate (such as a paid-for follow-up visit).

It is also important to note that, while serious issues may have been identified, those issues may have been categorised as such automatically due to their nature (e.g. failure to hold funds appropriately in accordance with SIP 11). The serious issues identified on a visit may relate to just a single specific area and the grading may therefore not reflect that the overall quality of work by that IP, outside of that one area, was of a good standard.

Key themes

Key themes from monitoring visits conducted during 2024 are set out in the table below. Some of the most common issues are highlighted in more detail in the subsequent paragraphs.



Statutory compliance

Common issues seen include:

- Disclosure omissions in administration proposals.
- Non-payment of statutory interest in MVLs.
- Deficiencies in IVA proposal templates, chairman's reports and procedures around modifications.
- Templates not up to date with the requirements of new or updated legislation, particularly the 2018 Insolvency Rules.
- Generic reporting.
- Failings in income and expenditure reviews.
- Failure to adhere to statutory timescales, particularly around the requirement to provide 'clear' days.

Case progression

Common issues seen include:

- Distribution delays.
- Case closure delays.
- Lapsed IVAs without payment break, extension or variation.

SIP 3.1/3.3

Common issues seen include:

- Lack of formalised arrangements with referral sources.
- Shortcomings in relation to options discussions with the debtor and verification of income and expenditure.
- Inadequate due diligence on referrers in terms of advice provided and FCA authorisations.
- Lack of call retention.
- Failure to seek the debtor's consent in relation to IVA modifications.
- Failure to disclose the identity of the source of any referral of the debtor.

Common shortcomings in discussions with debtors

- The provision of misleading or poor advice.
- A lack of transparency concerning fees and charges.
- A lack of appreciation as regards the consumer's individual needs and their understanding of the potential trust deed or IVA as a solution to deal with their debts.
- An insufficient and ineffective discussion as regards the consumer's circumstances and alternative options.
- Insufficient consideration of the consumer's means and whether a trust deed or IVA is appropriate.
- The inadequate review of consumers income and expenditure.
- The appropriate consideration of factors which might impact the sustainability of a trust deed or IVA.

SIP 2/Investigations

Common issues seen include:

- Failure to document or failure to adequately document conclusions reached from investigation work.
- Failure to take adequate steps to collect books and records.
- Lack of investigation of Covid-related financial support.
- General lack of basic enquiry into assets including failure to obtain accounts or correspond with company accountants.
- Failure to adequately consider and to document decision not to submit a SAR.

Employees and pensions

Common issues seen include:

- Failure to carry out any verification work on forms RP14/14A submitted to the RPS.
- Inadequate attempts to obtain employee or payroll records.

- Failure to establish pension arrears, submit S120 notices or submit forms RP15/15.
- Reliance on a claims management company with inadequate oversight of their work.

What does good practice look like – employee claims

When completing the RP14A, IPs should be mindful of:

- The potential creation of fictitious employee details (possibly using identities stolen from genuine individuals).
- Cases where the company has been trading for less than two years and claims are for employees that, according to the company's records or directors, are owed the maximum amounts in respect of arrears of pay or holiday pay.
- Inflated rates of pay which are not supported by the wages records.
- Employees whose RP14A entry cannot be completed due to incomplete or missing records. Where there is insufficient evidence in the records, IPs should not use data provided by employees to complete the RP14A entry without contacting RPS first to discuss. In the absence of that discussion RPS will assume that there is evidence in the records to substantiate the RP14A; and
- Claims from foreign workers who are working illegally.

In submitting information to the RPS, particularly forms RP14/14A, IPs are providing details required by law, under sections 169 or 190 of the Employment Rights Act 1996.

The wording of the declaration on the RP14/14A requires an IP to provide the information correct to the best of their knowledge. Any false statement made knowingly or recklessly in providing details of employee claims, or the falsification of any document, may amount to a criminal offence.

IPs should make an assessment on a case-by-case basis to decide what reasonable checks are necessary to verify information or identities before submitting the RP14/14A to the RPS. Any changes in circumstances or information already provided to the RPS should be included in a new RP14/14A. Any general concerns, or relevant information not included in the RP14/14A, should be reported to the RPS.

ICAS support

Contact details

If you have any comments or questions regarding monitoring activities, please contact aapmonitoring@icas.com.

For queries in relation to your insolvency licence please contact regulatoryauthorisations@icas.com.

Webinars and events

ICAS regularly hosts webinars and events to support members and firms. These include insolvency-specific events such as the annual ICAS Insolvency and Restructuring conference, which has been run as a two-day online event since 2021.

Technical Support

The [ICAS technical helpdesk](#) provides advice and guidance on technical queries.

Money Laundering confidential helpline

If you have any potential money laundering issues, please contact our confidential helpline on 0131 347 0271.

ICAS General Practice Manual

The [General Practice Manual](#) (member log-in required) includes a collection of helpsheets, templates, and resources designed to assist members and firms. This includes insolvency-specific documents such as:

- Client insolvency
- Insolvency funds compliance review

All resources are regularly updated to reflect changes in legislation and guidance, as well as developments in best practice.

Practice Support

The ICAS Practice Support Team operates independently from the Regulatory Teams and provides support and offers a variety of services, which can be tailored to meet your needs.

The Practice Support team works closely with ICAS' Practice Board.

Further information on all the services available can be requested through practicesupport@icas.com.



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