

Funding the Future

Only 2% of people think that the Institute of Chartered...

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I [wrote an article on Friday](#) for AccountingWEB in which I suggested it inappropriate that the Institute of Chartered Accountants in England and Wales profited by £55 million as a result of audit fines paid in the last two years by firms that they regulate when I think it that Institute's job to ensure such failures did not happen. I should add that I am a fellow of the ICAEW.

I highlighted the blog in this tweet:



Can it really be right that the Institute of Chartered Accountants in England and Wales has profited by £55 million from audit failure? [taxresearch.org.uk/Blog/2022/05/2...](#) What has the [@ICAEW](#) to say in response?

09:43 · 20/05/2022 · [Twitter Web App](#)

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In fairness, the ICAEW responded, saying:



ICAEW  @ICAEW · 1d

Replying to [@RichardJMurphy](#)

Thanks for this question, Richard. Money received from fines is not used to offset ICAEW's operational expenditure but is allocated to our strategic reserves and it supports our wider commitment to serve the public interest, as required by the terms of our Royal Charter. (cont)

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ICAEW  @ICAEW · 1d

That said, we would welcome a rationalisation of existing schemes to pay for this aspect of the FRC's regulatory work. We do not believe that any professional body would object to being removed entirely from the funding process, with all fines in future going to HM Treasury.

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I have to say that I am not convinced. A willingness to accept change does not alter the fact that the ICAEW has already been unjustly enriched, in a fashion that to me has the risk of moral hazard written all over it. We also know that the chance of any real change in audit regulation is very low right now, despite what has been said in the Queen's Speech. Simultaneously, audit fines appear to be rising inexorably as continuing catalogues of failure by the big firms continue to emerge.

There is also no indication in these tweets as to what part of the public interest in accounting this £55 million might serve. I can suggest many uses, but none is noted in the tweets, and nor have I found any meaningful reference elsewhere. I have also seen no suggestion that anyone is being consulted on this issue, including the ICAEW membership.

In that case, I put a poll on Twitter to assess public sentiment on this issue:



I do not pretend that this is necessarily representative, but it was interesting that the voting pattern stabilised very quickly around the eventual outcome, which really could not be clearer.

The ICAEW option of it using the funds could be covered by a charitable use, but that was not the implication of the question, and is rather ruled out by the first option. The option that stands out is that the victims of audit failure should be compensated, which seems entirely logical. I suspect it occurred to no one that these fines should go to the Treasury.

I will be sharing this result with the ICAEW and will be asking for a further response.