

The ICAEW is still not explaining what it's going to ...

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The ICAEW [published its accounts](#) for the year ended 31 December 2023, yesterday. As readers of this blog might recall, I have taken that Institute, of [which I was a member](#) until very recently, to task [over its failure to spend the sum exceeding £140 million](#) by which it has been enriched since 2015 as a result of fines paid by its members as a consequence of their failure (in the main) to undertake proper audits. I did, as a result, undertake an initial scrutiny of these accounts with particular interest.

Disappointingly, the ICAEW has still completely failed to address the issue of what it is going to do with this bizarrely sourced income from which I think it should never have benefited.

Admittedly, the net benefit from fines and other costs recovered during the year did fall significantly to only just over £1 million. However, investment income on the sums that it holds on its balance sheet as a consequence of that income having been enjoyed by it exceeded £10 million in the year. In that case, the ICAEW's failure to spend the sums it has been enriched by in the public interest, as it is required to do by its Royal Charter, continues.

That said, and interestingly, the ICAEW no longer refers to the fact that it has a strategic reserve as a consequence of this issue. It does, however, have a strategy, which it lists under five separate headings, which are as follows:

- * Strengthen trust In ICAEW Chartered Accountants and the wider profession
- * Help to achieve the Sustainable Development Goals (SDGs)
- * Support the transformation of trade and the economy
- * Master technology and data
- * Strengthen the profession by attracting talent and building diversity

Note that the above list uses their own words, not my summary of them.

To be candid, if I were an officer of the Institute, I would be profoundly embarrassed by

this list. Reading the PR hype in the annual report on what they mean, and then debunking it, they can be summarised in plain English as follows, using the same order:

- * We'll try to stop our members from messing up so badly by supposedly reforming audit and corporate governance in the UK, neither of which are within the ICAEW's remit to change.
- * We'll try to work out what accounting for climate change might mean.
- * We'll lobby for reform of the public finances, mainly by asking for tax cuts.
- * We will really try to get our heads around accounting, which we've supposedly been looking at for well over a century, but which we now refer to as data processed by technology.
- * We will try to be less of an establishment club than has been apparent to date.

The first of these is profoundly undermined by the ICAEW's own failure of corporate governance with regard to the funds it has been unjustly enriched by, about which it can apparently as yet make no decisions, even though the matter has been ongoing for nine years now.

However, of them all, the fourth is, perhaps, the most bizarre. For the ICAEW to now admit that they think the time has come for them to get their heads around the processing of data with technology is quite extraordinary. The real world has been doing this for many decades, and maybe rather longer. So where have the ICAEW been during all that time if it has only now noticed that this is an issue requiring attention?

Even more importantly, in this context, why do they think that this requires an investment of funds arising from outside the normal scope of their operations when dealing with this issue would seem to be an entirely normal matter for them to address? No clue about this is given in the financial statements.

That said, the Institute does say in those financial statements that it is reviewing its reserve policy, which is a fact hidden in some pretty small print where it is noted that:

The ICAEW Board has issued direction on the principles to be adopted and applied in respect of how ICAEW's reserves are used in the public interest and to support the strategy. In September 2023, the Board considered a set of possible strategic level investments (including a major review to future-proof the ACA, the Centre for Public Interest Audit, the Centre for Sustainability Management, a review of the role of the profession in AI governance and a modernisation of the Royal Charter) and approved these proposals for further development and discussion at Board.

In other words, they think that they might undertake some PR to improve accountants' damaged reputations, and they will also invest some funds into a couple of minor research centres, which expenses will still be insignificant in the overall scheme of

things, suggesting that this exercise is another one intended by the ICAEW to entirely miss the point.

In slightly larger print elsewhere in the accounts, they refer to their current reserve policy, which they state to be:

Set at a level sufficient to cover both short-term requirements and longer-term investment needs:

- * reserves should be set at a level equivalent to at least six months of expenditure through the income statement; and*
- * cash and investment balances should be sufficient to cover at least six months of annual budgeted/forecast gross cash expenditure.*

In a slightly embarrassed tone, they add:

Reserves are in excess of the minimum required level under the policy at the end of the year.

Try as I might, I can think of no reason why the ICAEW needs reserves to cover six months of operating costs. The sum in question would be about £60 million. Of this sum, I note that in addition to their accumulated reserves on their balance sheet of £146 million, they were also holding at 31 December 2023 almost £44 million of income received in advance, which sum is in itself almost enough to meet this reserve requirement. The need for additional funds to be retained over and above that £44 million is almost impossible to work out given the solid and entirely stable nature of the ICAEW's income stream, in contrast to the situation of leading charities where this rule of thumb is commonplace.

As a result, the ICAEW has given absolutely no indication as yet on how these funds by which they have been enriched as a consequence of the failure of their own membership to undertake the professional activities that the ICAEW licensed them to undertake to a proper professional standard might be spent for public benefit, as is required by their Royal Charter.

As readers here might recall, I suggested last year that some of this money might be spent to enhance the undergraduate accounting syllabus in UK universities. At present, this is seriously constrained by the ICAEW exam requirements, meaning that students do not enjoy the experience that they should when studying this subject. The ICAEW declined to fund this idea in any meaningful way.

They also rejected my suggestion that they might invest £100 million of these funds in a financial education programme to be run in the UK's schools, even though the need for this is overwhelming, [*as the FT reported*](#) only yesterday. *Their claim was that this*

matter was already being addressed by others, which it clearly is not.

So, what are they going to do with this money so that the public might properly benefit from the fines paid by chartered accountants who failed in their duty to act in the public interest? I hear a rumour that they have appointed someone to look into this matter, who is consulting widely - although not with anyone I know, let alone me. But in the meantime, it seems likely that they are simply going to sit on this money for as long as possible, making an already rich Institute even richer.

Meanwhile, if their aim is really to 'strengthen the profession by attracting talent and building diversity', what is glaringly apparent is that their actions do not align with their words. I am not interested in what they say. I am interested in what they do. Their inaction speaks volumes about their failure to commit to good corporate governance standards, transparent accounting, the promotion of a better understanding of accounting in society and to broader inclusion.

Hypocrisy on this scale is staggering to witness and is happening right now at One Moorgate Place, the ICAEW HQ.