

## Holding the ICAEW to account

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*My friend and former City, University of London, colleague Prof Atul Shah attended the Institute of Chartered Accountants in England and Wales AGM this week, with the specific aim of asking its Executive questions on what is going on there. Atul is a fellow of that institute.*

*This is his report of what happened. I don't necessarily agree with Atul on all issues, but I do think he is right to say that it is the job of academics to stand up to power.*

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I attended the Annual General Meeting of the Institute of Chartered Accountants in England and Wales this week, and report here with Richard's permission.

There was a good audience of about 100 people. Most Council members were there, plus some executives, including the CEO.

I had written to them in advance, suggesting that I had questions to ask, and submitted the general themes. It took a lot of courage and homework to prepare these. I am sorry to say that many of my academic peers might write critical accounting papers, but few actually directly speak truth to power, even though our current crises demand that all activist scholars should do so. Not all of them are ICAEW members, so they cannot come to the AGM, but they could write letters to the President.

I raised some of the most serious issues facing the profession:

- \* The complete break of the profession from academic research, meaning that it really is a trade association, and not a professional body, something which members should feel ashamed of. This is in spite of the fact that world-leading interdisciplinary research in accounting is headquartered in the UK.

- \* Over £160mn of money accumulated from fines, largely paid by the Big 4 firms of accountants as a result of their audit failures. This sum is sitting in reserves with no

clear strategy for its use.

- \* The significant regulatory capture of accounting by the Big 4, which is a global phenomenon, is also visible and real here in the UK.
- \* The significant importance given to accounting by King Charles III, who founded A4S (Accounting for Sustainability) and is the ICAEW patron by the Royal Charter, which should make the ICAEW a public interest profession and not a private corporate trade association.
- \* The ICAEW's non-compliance, in my opinion, with the Equality Act 2010 which requires public bodies to ensure equality of access and opportunity, with many protected characteristics, including gender, race, religion, disability, and more.

I encourage readers [to study the 2024 accounts](#) and look for words like *audit failures, the crisis arising from the lack of professional trust, rising inequality, the environmental crisis, or even serious threats to our professional reputation. They are not there in the way I think would be appropriate. That is because these accounts are as much a spin as corporate reports, and that represents failure for a profession whose core responsibility is to protect the public interest.*

*Here are the specific questions I asked:*

- \* *Under the Equality Act 2010, we are obligated to collect membership data on a variety of protected characteristics and to ensure adequate resources are provided to support minorities, their progression, and to avoid any discrimination. Since we have 200,000 members, the diversity of this membership needs to be surveyed, reported, and monitored regularly, as is done by the SRA (Solicitors Regulatory Authority) to whom we benchmark. It has been 15 years since the publication of the Act. When will the ICAEW comply with its legal obligations? ICAS appointed a 35 year-old Sikh President a few years ago. Are we still living in the land of Empire?*
- \* *Many academic critics have called the ICAEW a trade association, not a professional body. This is a serious challenge to the credibility and sustainability of the profession and the standing of each of our esteemed members gathered here today. Some of the most pioneering and advanced inter-disciplinary research in accounting originated in Britain, yet it has not percolated into the professional curriculum. At the British Medical Association, research is regularly discussed, even in local chapter meetings. Our Royal Charter is seriously at stake due to the systemic failures of accounting, taxation and auditing. His Majesty said at the launch of his [Accounting for Sustainability](#) project (A4S) nearly twenty years ago, "There was a time when we could say that there was either a complete lack of knowledge, or at least room for doubt, about the consequences for our planet of our actions. That time has gone. We now know all too clearly what we are actually doing and that we need to do something about it urgently. Better accounting must be part of that process." My PhD examiner, the late Professor Anthony Hopwood at the LSE, was an adviser to the King on accounting reform, and A4S has done*

wonderful work in transforming culture and leadership in accounting.

\* Although not discussed in the 2024 accounts, we have a profound regulatory and systemic crisis in terms of consistent audit failures, with 30 current investigations, and nearly £160 million of money from fines already collected. These scandals have brought the profession into disrepute, a key part of ICAEW ethics code. Most of the fine money came from Big 4 audit failures, some of whose former senior partners sit on our Independent Board. The latest audit failure investigation by the FRC into EY and NMC Health resulted in a 550-page draft report. How much of this money is going to be applied to support research and training in the profession to ensure systemic reform, remove structural conflicts of interest, and what are we doing to teach students about the political, social, environmental and cultural impact of accounting, and its implications for social inequality? In particular, why is politics avoided altogether in the accounting curriculum, when it is a core reality of so much corporate accountability today? I also flagged up the outstanding work of Accounting Streams, and the application for a £1mn of funding, which was flatly rejected by the ICAEW. The project has achieved huge global success in spite of the ICAEW's rejection, with very few resources.

\* Two of our most senior Board members were senior leaders in PWC tax and KPMG audit, activities which subsequently led to investigations by the FRC, and the Court of Luxembourg, where a LuxLeaks whistleblower was tried rather than protected, leading to severe fines and reprimands for the firms. Given that the ICAEW does extensive vetting of all leaders, how was it that such leaders were permitted to lead our profession with significant authority, and what signal does this give the world about the integrity and independence of the ICAEW from the Big 4 firms?

I know, you want to know what responses I got.

The CEO, Mr Vallance, offered to invite me to meet him about what the ICAEW could do to work with academics, to which I said it should not just be me but many others too, with outstanding research records. Active engagement and consultation with the academy was not a part of his refreshed strategy, which was announced yesterday.

On the Equality Act question, I was told that the SRA is not a good comparator as it has more specific legal obligations, and we cannot force members to respond to questionnaires. I responded to say we must follow best practice.

As to the other questions, one member accused me of self-publicity, and the Chairman, Mr Peter Wyman, was asked to reply to my question on the independence of the Board appointment process, to which he said all was fair and reasonable.

A few Council Members did come up to me afterwards and said they were happy I asked those critical questions and would like to follow up with the Executive on what I said.

One member took pains to explain to me how friendly and welcoming everyone was in

*the Council. I think I have started a reflection, but change is likely to be at a snail's pace.*

*I am glad I did my bit to flag the issues and show them what public interest professionals can do. An elderly man sitting next to me said he agreed with my probing - the profession today is completely unrecognisable from his own experience of the past.*

*I was particularly shocked by the total ignorance about what academics research and teach among Council members, let alone professional members. This is the reality today, and inter-disciplinary accounting education and training across the Board is an urgent need for the hour. it is core to practicing sustainability, not just talking about it. I think if the profession is not careful, it could lose its licence to train accounting experts altogether. It must invest in education which promotes professional judgement, scepticism and public interest protection, not private profiteering.*

*As far as the research-practice gap, we academics need to be much more self-conscious about our detailed theoretical research in top journals, whilst the world is burning away. We have a duty to become politically active, with Lord Prem Sikka as an exemplar and role model.*