Building the leading global, professional community.
ICAS is working towards adopting the principles of integrated reporting and this Annual Review 2015 represents the next step in the evolution of this process. In 2015, we refreshed our strategy and this reinforced how we create value for our stakeholders.

There will be a further evaluation of this report in regard to integrated reporting to identify further improvements which could be made for 2016.
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A Message from the President and Chief Executive

In 2015, we moved to a new stage in the transformation of ICAS. We identified three key themes as our focus for the future – global, virtual and diverse. Over the last few years our aim has been “building a professional community”. We believe this has served us well. Now our vision is “to build the leading, global professional community”. This is a mark of the ambition which our Council has and, we believe, our members have for the future of the world’s first professional body of accountants. “Global” recognises the changing demographic of our membership which has seen the number of CAs based outside the UK grow significantly in recent years. “Virtual” signals our focus on using new digital technologies to connect and serve our members equally wherever they are, while “Diverse” highlights our determination to include CAs in the life of ICAS, reflecting the cosmopolitan make-up of our membership, engaging them at every stage of their career and whatever their role in the profession.

In this Annual Review we reflect on the achievements and the challenges of 2015. We saw an excellent group of CAs admitted to ICAS. Educating the next generation is our lifeblood. While our student numbers remain extremely encouraging our focus is constantly on how we grow our intake of new CAs to ensure the sustainability of the profession and ICAS.

In 2015, we launched “The Power of One” initiative; saw our “Virtual ICAS” project become a reality; entered into an exciting new partnership with CIPFA; delivered an encouraging increase in engagement with younger members; and saw our ICAS Foundation start to make a powerful difference to many young people’s lives.

In 2015, we also saw ICAS play an important role as an influencer on many fronts. This included the ongoing debate on the future of audit, the thorny subject of corporate taxation; the business view of the EU referendum and influencing the policies of politicians contesting the General Election.

We continued to regulate our members and our firms to the highest standard and the FRC review of our activities in this area confirmed the quality of our regulatory work.

We were also pleased to see the successful “One Young CA” initiative. Newly qualified CAs are the future of ICAS. We both fundamentally believe that inspiring and engaging these young people is essential.

ICAS faces many challenges. We seek to play our role in rebuilding trust in business. We strive to grow our student intake to ensure the sustainability of ICAS in the future. We must be relevant and engaging to our rapidly growing communities of CAs in London and outside the UK. We must serve our practice community as they face a bow wave of disruptive change. And we must keep pace with the tsunami of professional and digital change.

We are continually vigilant to external changes which may impact on ICAS. We are watching closely the referendum over Britain in the EU and we monitor closely risks associated with current and future arrangements with the FRC for professional discipline.

As President and Chief Executive of ICAS it is our job to ensure there is continuous improvement and a sustainable future for the Institute.

We believe that in 2015 we have made considerable progress but do not underestimate the challenges that await us in 2016.

Jim Pettigrew, President
and Chief Executive, Anton Colella
LAUNCH OF THE POWER OF ONE – HIGH PROFILE INITIATIVE ON BUSINESS ETHICS

The Power of One aims to rebuild trust in business by reinforcing the personal responsibility that each one of our 21,000 CAs has to uphold the highest standards of ethical behaviour and to do the right thing when they encounter the wrong thing. We intend to engage our membership in an ongoing programme of events, mentoring, training and thought leadership and to encourage our CAs to use their powerful influence to lead a wider change to restore trust across the business community.

‘VIRTUAL ICAS’ BECOMING A REALITY

In 2015, we delivered a range of digital initiatives, including the launch of icas.com and “CA Today” – our daily news brief for finance professionals. This has delivered a 225% increase in visits to our digital channels. CA Today is now read every day by around 4,800 members. 2015 saw a big increase in digital content and we are now working to improve many of our processes to make it easier to do business with ICAS and to drive efficiency across the organisation.

LANDMARK PARTNERSHIP AGREED WITH CIPFA

In 2015, we agreed a landmark partnership with CIPFA through which we aim to benefit the membership of both Institutes by working together on areas of common interest including education, member engagement and thought leadership. This includes a joint audit qualification, which was launched in 2015.
MORE UNDER 35s ENGAGING WITH ICAS

We are engaging with more of our younger members. 51% of those who attended events in London in 2015 were under 35 years of age. We also focussed on being relevant to them through the major improvements we’ve made to our digital content. Key initiatives included the “One Young CA” competition which saw Indy Hothi CA represent ICAS at the “One Young World” Conference in Thailand and the development of our “Success in the City” series of events.

ICAS FOUNDATION NOW HELPING 70 YOUNG PEOPLE

In 2015, the ICAS Foundation came of age. We are now supporting more than 70 young people and have raised nearly half a million pounds for this cause. Our members provide financial and mentoring support. Our firms support the Foundation by creating Internships for our students in their businesses. The ICAS Foundation is now making a significant difference.
Vision, Purpose and Values

VISION

Building the leading global, professional community

PURPOSE

ICAS has a long history throughout which the relevance of the ICAS Royal Charter has endured to shape the purpose of ICAS in a modern context. ICAS exists to serve its stakeholders in the public interest. Our Statement of Purpose shows how ICAS delivers value through its activities, to all of its stakeholder groups. The ICAS values provide a solid core to our approach, underpinning our purpose and defining how we seek to behave in all of our activities.

STATEMENT OF PURPOSE

PUBLIC INTEREST

- Educate and regulate Chartered Accountants to the highest professional and ethical standards.
- Maintain public confidence in the profession.
- Engage and share with the global profession.

CA STUDENT MEMBERS

- Endow CA students with technical excellence, ethical grounding and leadership potential.

MEMBERS

- Maintain the credentials of the CA worldwide.
- Deliver career long support to the CA community of professionals.
- Enhance the value of CAs to local and international markets.

CA EMPLOYERS

- A developmental regulatory regime that inspires public confidence.
- World-class education and development of their employees.

PROFESSION, BUSINESS AND GOVERNMENT

- Supplying high calibre CAs.
- Influencing policy on behalf of members and in the public interest.
Our Strategy

DRIVERS
Amongst the various external and internal influences facing ICAS we have identified three major drivers which will shape our work over the next few years and where we direct our efforts. These three themes will characterise how we execute the strategy.

Global
- Increasing geographical mobility of members
- Globalisation of accounting and business environment
- Emerging economies as global engines of growth

Virtual
- Speed of technology change
- Members and students increasingly digitally connected and mobile
- Increased expectations of customer experience

Diverse
- Increasingly diverse membership profile
- Increasing numbers of members working outside of practice
- More diversity of career paths and member needs

STRATEGIC GOALS
ICAS has identified four Strategic Goals which will deliver the ICAS Vision while fulfilling the purpose of ICAS.

BE RELEVANT
ICAS will be relevant to our members throughout their training and careers by providing high quality education, professional development and services.

BE A COMMUNITY
ICAS will be connected with our members, to enable them to engage in communities and networks which sustain their professional identity and contribute to the profession.

BE TRUSTED
ICAS will ensure that our members operate to the highest standards of professional practice and will influence the future of the profession in the public interest.

BE INFLUENTIAL
ICAS will employ an independent, timely, insightful and practical voice on matters of relevance to our members, on a global basis.
Business model

In 2015, the principal activities of ICAS continued to be the training and examination of CA students, the regulation of our members and their firms, supporting the lifelong professional development of our members, and influencing the professional and business environment in the public interest.

- Subscriptions from members remain the main source of income. This income funds the general activities of ICAS and support services, including our growing range of member engagement initiatives, our development of digital, our focus on the professional community and our work to influence and lead the profession. In 2015 Membership income was £7,500k (48%).

- Education fees fund the costs and overheads associated with the delivery of the CA qualification and the ICAS Tax Professional Qualification. The continued growth in new CA members is paramount to ensure the ongoing strength of the profession. In 2015 Education income was £5,687k (37%).

- Regulation and Compliance fees are collected to fund the regulatory activities of ICAS. Membership of the public interest discipline scheme, which is an important part of meeting our public interest obligations, carries with it the financial risk of funding a case against any member who is actively employed in the UK. ICAS has the power to put in place a levy and has earmarked reserves in order to manage this risk. In 2015 Regulatory income was £1,931k (12%).

- ICAS also generates revenue from a range of commercial activities including learning and development, advertising, sponsorship and member benefits. In 2015 Commercial and other income was £457k (3%).

Virtuous Circle

The ICAS virtuous circle demonstrates how we create value through our business model.
HOW WE CREATE VALUE
THE ICAS VIRTUOUS CIRCLE

- Understand the constituencies we serve
- Connect with our constituencies
- Provide high quality services
- Establish and nurture ICAS’ professional pre-eminence
- Build a connected membership who value and take pride in membership
- Invest in improved services, connectivity and professional pre-eminence
- Provide financial sustainability and resources
Be Relevant

The number of students being trained by ICAS in 2015 remained extremely healthy (see table). EY and KPMG have been training CA students throughout the UK for a number of years. By 2016 both Deloitte and PwC will be training CA students in England and Scotland. Although this is a real achievement, having a high percentage of students with any one of the Big Four firms is a key risk to the business. We seek to mitigate that risk by increasing the number of students being trained across the portfolio of ICAS firms and from key business clients.

In 2015, ICAS entered into a partnership with CIPFA. This included the launch of a joint qualification for audit, which will dual qualify auditors to work in both the public and private sectors. The partnership will also see ICAS and CIPFA explore working together on commercial opportunities, member engagement and thought leadership.

ICAS worked hard in 2015 to increase the number of members involved in our mentoring scheme. At the year end 454 members had taken part in the programme.

Twenty one per cent of ICAS members work in financial services. Thirty eight per cent of them work in London. In 2015, we agreed ambitious proposals to develop a financial services community to better serve our members who work in this area.

In 2015, we applied to have our tax qualification recognised as Chartered Tax Professional. We also became a regulator for Air Travel Organisers’ Licensing (ATOL) reporting accountants.

At our AGM in April members agreed to increase subscription fees for those who work outside the European Union to bring them in line with other full members of ICAS. This will be phased in over a three year period. In the wake of this decision, ICAS has announced a range of initiatives to better serve our members who work outside the UK. More international members will be brought on to our Council and committees. Around 80 applications have been received for two places on Council which will be filled in early 2016. Several new digital initiatives will be delivered for international members.

We are also exploring a range of partnerships which will better serve our members and we have significantly increased our budget for our international communities for 2016. In 2015, we also launched new digital content targeted at our student members.

The Challenge Going Forward

Going forward in 2016, there is an ongoing challenge to remain relevant to all our members but particularly those who live outwith the UK; the under 35s and the growing group of members who qualify and work in London.
STUDENT NUMBERS

55% Scotland

45% England

MEMBERS ARE ON OUR MENTORING SCHEME

454

MEMBERS ARE ON OUR MENTORING SCHEME
Be a Community

In 2015, ICAS delivered several major initiatives which see the vision of creating a “Virtual ICAS” community becoming a reality. In April, we launched ICAS.com, a range of new digital channels which aim to connect our members to the knowledge and network of ICAS on their smartphones and tablets. As a result of this digital modernisation and our increasing focus on relevant, compelling content for finance professionals unique users have increased by 20%; page views have increased by 225%; and access from mobile devices has increased by 93%.

We also launched “CA Today” – a daily, digital news brief for finance professionals. This is performing extremely well with around 4,800 members using it every day. In December, we launched an Australian edition and we have plans for targeted editions for Hong Kong, U.S. and Canada.

We have a business goal to be digitally secure and resilient, designing solutions and selecting technologies that incorporate information management, security and data protection needs.

In 2015, we delivered an ambitious programme of member events across the UK and around the world. We revamped our programme of conferences and attracted 3,213 people to attend new programmes for tax, practice and insolvency. We launched a new ICAS Conference in November and have ambitious plans to grow the scale and scope of that event in 2016. We held “Presidential Cruises” on board the paddle steamer Waverley on the Thames and the Clyde which attracted more than 985 members and their guests. We have targeted engagement with members under 35 years of age and in 2015 we saw a significant increase in those from this group who attended ICAS events. We launched a new initiative for our younger members – One Young CA. This was a competition to recognise inspirational young CAs who are making a wider contribution to society. Indy Hothi CA was chosen to represent ICAS at the One Young World conference in Thailand. His prolific work around this initiative saw him recognised as one of the most influential users of social media in the profession.

We also saw a significant increase in the number of members who attended events in London in 2015. This remains a key area of focus for ICAS. In 2015, the London and Home Counties Area Committee agreed a new plan to broaden member engagement and grow our community in the City.

There was a major expansion of the activities of the ICAS Foundation in 2015. Seventy students are now being supported through the Foundation. To date we have awarded £467k in bursary funding. Sixty Seven ICAS members are providing mentor support. We have students in nine universities across Scotland and two universities in England. Internships have been provided for the students by Scott Moncrieff, RSM, Consilium, Martin Aitken, Henderson Logie, Edinburgh Airport, ICAS and Johnston Carmichael will now provide a paid internship in 2016.

In 2015, we completed a major refurbishment of the ground floor of our headquarters at CA House in Edinburgh. This aims to make the facilities more appealing and comfortable to members and opens up commercial opportunities to sell the meeting space to other organisations.

In 2015 we have seen a decrease in member satisfaction. A key driver of this has been the decision to increase membership fees for CAs outside the EU, bringing them in line with the rest of the membership.

The Challenge Going Forward

Going forward in 2016, there is an ongoing challenge to keep increasing engagement right across our membership and in particular in the key groups of members in business, members in practice and in small and medium sized firms. It is also a challenge to ensure that we use new technology and data to connect and serve our members, now and in the future.
INCREASE IN PAGE VIEWS
ON ICAS.COM

MOBILE USAGE
ON ICAS.COM

DELIVERING A
Virtual
ICAS

+225%
INCREASE IN PAGE VIEWS
ON ICAS.COM

+93%
MEMBERS SUBSCRIBED

87%
ICAS.COM
Be Influential

ICAS played a major influential role on behalf of our members and in the public interest.

In 2015, we were heavily involved in working with the UK Government on the implementation of the EU Audit Directive. ICAS was instrumental in the establishment of a new forum for Audit Committee Chairs to represent their views on key issues to the FRC and other stakeholders. An ICAS working group was established to assess the long term impact of audit exemption for business and society and practising firms.

ICAS was at the heart of the big debates in tax – the simplification of the tax code; the thorny issue of tax avoidance; and the rapidly changing landscape on tax devolution. ICAS experts appeared at many select committees both at Westminster and Holyrood.

We also sought to influence the politicians and manifesto writers in the UK General Election. We focussed our attention on the simplification of taxes, the pensions landscape and the regulation of unregulated accountants and tax advisers.

We held well attended hustings at Westminster and in Edinburgh where our members got the chance to debate business issues and the issues of the profession with key politicians.

We polled our members on their attitudes to the reform of Europe and the upcoming EU referendum. There was also widespread media coverage of our Finance Directors’ Survey, which highlighted growing concerns over the skills gap for business and the increased risk which that creates in growing the UK and global economies.

ICAS signed a memorandum of understanding between our restructuring professionals and the Scottish Government which aims to help the rescue of businesses and, where possible, the protection of jobs at risk in troubled companies.

The executive of ICAS and our senior members had regular engagement with Governments at Holyrood and Westminster and met with politicians from right across the political spectrum. Well attended members’ events were held in the Palace of Westminster and at the Scottish Parliament.

The Under Secretary of State for Scotland in the UK Government hosted an event at ICAS to brief members on the Comprehensive Spending Review while the Minister for Business in the Scottish Government spoke to our Insolvency Practitioners’ Annual Conference.

We worked with the Big Four, ICAS also delivered a key paper on assurance on KPIs contained in Annual Reports.

The Challenge Going Forward

Going forward in 2016, there is an ongoing challenge for ICAS to increase our influence on behalf of the profession on key issues at Westminster, Holyrood, Brussels and working with regulators around the world.
12 APPEARANCES AT SELECT COMMITTEES AT WESTMINSTER AND HOLYROOD

100 RESPONSES TO GOVERNMENT AND REGULATORY CONSULTATIONS
Be Trusted

“The Power of One” initiative was launched at the ICAS Conference in November. This is a major initiative to support members in ethical leadership. At the launch, ICAS CEO, Anton Colella, called for this work to become a catalyst for a new era of personal responsibility across the business world.

“The Power of One” will see a fresh focus on the ICAS Code of Ethics with a proposal to The International Ethics Standards Board for Accountants (IESBA) to add Moral Courage to the five fundamental principles of: Integrity; Objectivity; Professional Competence and Due Care; Confidentiality and Professional Behaviour.

Through this initiative ICAS will re-emphasise that ethics lie at the core of our foundation and we will take a strong leadership role by:

• Setting out ethical leadership as the defining characteristic of the profession.
• Facilitating mentoring relationships for members to help them deal with any ethical matters arising and opportunities to provide ethical leadership to others.
• Developing new case studies to help members explore the different dimensions of a range of ethical dilemmas.
• Publishing a series of contributions on ethical leadership.

ICAS has a developmental approach to regulation. We not only ensure compliance with regulations but also assist firms in improving their processes and maintaining high professional standards of work.

In 2015, ICAS carried out 208 regulatory visits to authorised firms and conducted further regulatory visits to 25 ICAS IPs. We also audited 554 members’ declarations of their continuing professional development.

We developed two new regulatory models, leading to recognition by the Financial Reporting Council (FRC) as a supervisory body for local audit in England, and by the Civil Aviation Authority as a licensing body for ATOL Reporting Accountants in the UK.

ICAS has a public interest obligation to promote the highest standards, and to discipline members and firms where necessary. In 2015, we received 79 new complaints, compared to 102 in 2014. 88 complaints were determined over the course of the year, with 13 members being found liable to disciplinary action. The Investigation Committee applied a wide range of sanctions; including orders of reprimand, exclusion from membership and referrals to Discipline Tribunal, with members paying a total of £37,125 in financial penalties. The policy of the Investigation Committee is to publish all findings, unless exceptional circumstances apply.

The FRC operates a disciplinary scheme which investigates cases which raise or appear to raise important issues in the public interest in the UK. Throughout 2015, ICAS remained involved in one long-standing case under this scheme, though our role is strictly financial. These cases with the FRC can incur considerable costs to ICAS, and we are reliant upon the FRC providing adequate financial forecasts and managing cases effectively and efficiently.

ICAS is subject to supervision by several oversight bodies who undertake inspections of our regulatory processes and procedures. In 2015 we received strong reports from the FRC and the Insolvency Service.

We also focussed efforts, in 2015, on actively campaigning with Government around the issue of the regulation of those who currently provide accountancy and taxation services but are not regulated or qualified. This work will continue in 2016.

In 2015, ICAS piloted a local radio advertising campaign “Trusted in Business” which aimed to promote CA firms and the value which they can bring to clients.

The Challenge Going Forward
Going forward in 2016, there is an ongoing challenge for ICAS to play its part in rebuilding trust in business in the wake of a series of scandals. The area of international tax is particularly challenging for the profession. The Power of One is key to ICAS building trust through the personal responsibility of each of our 21,000 members.
233
REGULATORY VISITS TO OUR FIRMS AND IPS
Strategic and external risks

ICAS has embedded a rigorous system and culture of risk management. The ICAS Council, Audit Committee, Oversight Board and Executive Team all play their part in ensuring that risks are identified and appropriate mitigating actions are put in place.

**RISK**

Financial risks of unpredictable events
ICAS continues to face financial risks arising from unpredictable events in particular the potentially high and volatile costs associated with public interest discipline and the inherent risks of the Defined Benefits Pension Scheme.

**MITIGATING ACTION**
- ICAS mitigates against these risks by following a financial strategy which aims to secure an appropriate level of liquid reserves for resilience.
- At the end of the financial year, £878k (2014: £878k) is earmarked within general reserves for the public interest discipline scheme, after having provided for future case costs.
- ICAS has the power to levy members to fund discipline cases should the need arise. No levy has been raised from members since 2012.
- The financial statements give further details on the value of the Defined Benefit Pension Scheme.

Changing membership demographic risks
The changing demographic of the membership brings with it risks and challenges around the need for ICAS to remain relevant to members from all backgrounds, in a wide range of geographical locations and throughout their careers.

**MITIGATING ACTION**
- The ICAS Strategy of Building the Leading Global Professional Community aims to tackle the changing demographic of our membership by better serving members wherever they live and work.
- ICAS continues to grow our member engagement through events around the UK and internationally.
- We aim to transform our professional development to be relevant to all members through innovations such as our market leading mentoring programme.
- Our strategy of creating a ‘Virtual ICAS’ aims to connect members globally through an excellent digital experience wherever they are in the world.

Competitive and market risks
As a membership body ICAS is exposed to competitive and market risks in relation to securing strong student numbers, who become the members of the future. Risks arise from competition and also from the nature of the profession, which results in the concentration of student training revenue in a relatively small number of firms.

**MITIGATING ACTION**
- ICAS continues to focus effort on increasing the number of students recruited through traditional routes whilst also opening up new routes to entry and widening our portfolio of qualifications.
- We take great care with our relationships with key firms and are constantly working to expand the group of firms who train with us.
- ICAS contingency and reserves planning takes into consideration arrangements to manage the impact of fluctuations in student numbers.

Reputation
ICAS has established an enviable reputation and takes seriously any potential reputational impact arising from either our own activities or from the wider profession. With the drive to create a ‘Virtual ICAS’ we are particularly aware of the reputational risks which can arise from doing business in a digital world.

**MITIGATING ACTION**
- ICAS has embedded strong governance processes to ensure that the reputational impact of all processes are given careful consideration.
- Our Public Interest Members play a key role in ensuring ICAS operates to the highest standards in the public interest.
- We monitor closely ongoing regulatory and political debates in relation to the profession and actively consider the risks and opportunities which may arise.
- We have a business goal to be digitally secure and resilient and we continually update our approach to data protection.
Financial Review

Introduction
ICAS’ financial strategy is to maintain sufficient financial strength to ensure the sustainability of ICAS whilst meeting ongoing investment needs and providing resilience to financial risks.

The financial statements relate to the group which includes ICAS and the Charitable Trust, the ICAS Foundation. The Group reported a profit on ordinary activities before tax of £170k (2014 - £489k) with ICAS reporting a profit of £259k (2014 - £387k).

During 2015 we continued our strategy of investment for the future and progressed the digital transformation programme. We also refurbished the public spaces at our headquarters in Edinburgh to provide modern and welcoming facilities for our members. During 2015 we published an update to our strategy highlighting key drivers to be global, virtual and diverse. In order to drive delivery of the strategy to the next stage ICAS has a programme of investments planned for 2016 and is preparing the investment strategy for the next three years.

Income
Group Income rose by £455k in 2015. Although this was less than the ambitious growth targets we had set for commercial income, ICAS saw growth across all key income streams, although income for the ICAS Foundation, which is shown in the Technical Policy segment fell by £72k. We reported a strong student intake which was ahead of target and membership numbers continued to grow.

Movement in Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Income</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>£15,120k</td>
<td>+ £88k</td>
</tr>
<tr>
<td>2015</td>
<td>£15,575k</td>
<td>+ £196k</td>
</tr>
</tbody>
</table>

Increased Member Engagement Income + £196k
Increased Regulation income + 171k
Increased Support Services income + £88k
Reduced Technical Policy income - £67k
Increased Education Income + £67k

Expenditure
Group Expenditure grew by £940k in 2015. Staff costs increased by £398k over the year as we continued to invest in skills and staffing across the organisation. Other Operating Charges rose by £542k. This movement largely reflects the impact of the shift towards increased digital activity and also growth in the provision of members events. 2015 also contains increased unrecovered VAT compared to 2014 reflecting a change in recovery of costs. As the ICAS Foundation continues to grow the payment of bursaries has also increased since 2014.

Movement in Expenditure

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>£14,743k</td>
<td>+ £295k</td>
</tr>
<tr>
<td>2015</td>
<td>£15,683k</td>
<td>+ £182k</td>
</tr>
</tbody>
</table>

Increased staff costs + £398k
Increased bursaries + £52k
Other increases + £13k

During 2015 we continued our strategy of investment for the future and progressed the digital transformation programme. We also refurbished the public spaces at our headquarters in Edinburgh to provide modern and welcoming facilities for our members. During 2015 we published an update to our strategy highlighting key drivers to be global, virtual and diverse. In order to drive delivery of the strategy to the next stage ICAS has a programme of investments planned for 2016 and is preparing the investment strategy for the next three years.
Balance Sheet
Group net assets at 31 December 2015 were £13,906k (2014: £12,620k). CA House was £4.7million when last valued in 2012 and following upgrading works and revaluation now shows a value of £5.9million as at 31 December 2015. Cash and cash equivalents decreased by £364k over the year. This reflects the investments made in capital expenditure over the year offset by cash generated from operations of £222k.

Cash is held across a range of current, deposit and fixed term accounts with approved counterparties. The Group also holds Investments of £3,160k (2014: £3,023k). ICAS investments are managed by Investment Managers with the aim of preserving the capital value whilst making a return for members within a reasonable level of risk. The Oversight Board has continued to monitor the investment strategy with a view to controlling risk exposure.

Cash + Cash Equivalents

Pensions
ICAS has a Defined Contribution Scheme and a Defined Benefit Plan. The Defined Benefit Plan is closed to new entrants and to future accrual. The scheme is in surplus on an IAS19 basis and the surplus increased during 2015 to £2,199k. The Defined Benefit Plan was also the subject of a triennial valuation as at January 2014 which uses different assumptions as it is prepared on a funding basis. This valuation showed a deficit of £671k at January 2014, which was paid in full during 2014. A roll forward of the triennial valuation as at 1 January 2016 indicates a deficit position of £2,278k and the next triennial valuation, which will determine future funding requirements, will take place as at 1 January 2017.

Public Interest Discipline
ICAS is liable to pay the costs for public interest cases called in for investigation by the FRC where these relate to members or member firms. The potential costs of cases are significant and volatile and therefore ICAS aims to earmark around £1million within its general reserves to manage the exposure to potential costs. ICAS provides within these statements for the future costs of current cases. At 31 December 2015 ICAS has provided £420k for costs of current FRC cases and £878k (2014 - £878k) remains earmarked within general reserves in relation to these costs. ICAS retains power to levy members in respect of these liabilities - no levy has been raised since 2012.

Anton Colella Chief Executive,
18 March 2016
The Commitment
As the four public interest members on the ICAS Council, we are delighted to have the opportunity to present our annual report. Cognisant of the recognition given to public interest in the ICAS Royal Charter, on admission to the Institute and throughout a CA’s professional career, we commend ICAS on its deep and ongoing commitment to public interest. In this report we have the opportunity to verify how this is reflected in the new ICAS strategy and in its various activities.

Trust and Ethics
We believe that the commitment made by every member of ICAS to act in the public interest contributes to a more open and accountable profession. Yet as we move further into 2016, maintaining the trust and confidence of the public remains a challenge. We applaud the moves being made by ICAS to raise the issues of unregulated accountants and unregulated tax advisers. The continuing involvement of ICAS with the other accountancy bodies and with HMRC on amending the Professional Conduct in Relation to Taxation is to be welcomed. ICAS has been calling for a consistent and cohesive approach to Anti-Money Laundering within the accountancy sector and, following the Treasury report, ICAS is working with members to update awareness and practice in this important area to mitigate risk.

Ethics has featured largely in ICAS debates this year, culminating in the launch the Power of One in December 2015. The commitment of ICAS to promoting high ethical standards is seen in the creation of the new Ethics Board, which will be chaired by an eminent Past President, and we will keep under review progress with the ethics agenda as it is taken forward in the business plan. Ethics has also been on the agenda of the Qualifications Board which has considered how ethics is best incorporated within the CA qualification and dealt with in the Business Ethics course, mindful of the launch of the Power of One across the Institute.

Public Interest throughout ICAS
In addition to the four public interest members on the ICAS Council there are a further 38 public interest members who sit on regulatory boards and committees of the Institute. It is an impressive gathering when we all meet for our annual away day. This year we received a briefing on the issues involved in upholding the public interest in professional disciplinary cases. Interesting discussions ensued when the public interest members recognised the complex relationship between the application of law and the professional code of ethics. We are pleased that the Discipline Board has now initiated its review of the disciplinary arrangements, having adopted the terms of reference agreed with Lord Penrose and we welcome the public interest input to these areas of work.

Strategy
A major achievement of the ICAS Council in 2015 was to review its strategy for the next few years, building on the strategy launched in 2010. The earlier vision, ‘Building a professional community’, has served ICAS well by providing a suitable foundation for a range of successful initiatives. We support the decision to retain and refresh this vision and endorse the four strategic goals: be relevant, be a community, be influential, and be trusted. We are pleased that public interest continues to be a major feature of the strategy and that ICAS is embracing the themes of global relevance and technological change with diversity as a key driver. The strategy is forward looking with public interest remaining at the forefront of the profession.

Diversity
Diversity is one of the three major drivers identified in the ICAS strategy for the next few years. We hope to see an increasingly diverse membership and support the moves towards greater diversity on the Council and on its Boards, in career paths and in global representation.

The Public Debate
On wider public interest matters, ICAS made a number of significant contributions to the public understanding of important issues in relation to the referendum on Scottish independence and the UK parliamentary elections. ICAS has become an authoritative voice in its areas of expertise, most notably in relation to taxation and pensions. We support the intention of ICAS to continue to make objective contributions to the public understanding of the important issues involved in the 2016 elections to the Scottish Parliament and the forthcoming referendum on EU Membership.

Regulation
In the regulatory field ICAS also continues to be a strong voice, with robust processes. Public Interest Members welcome the ongoing role played by the Institute in leading and influencing the future regulation of the profession. ICAS engages constructively with the Financial Reporting Council and with the Department for Business, Innovation and Skills on a range of issues, notably EU Audit Reform and future funding proposals following the FRC’s new role as the UK Competent Authority for audit. The steps taken by ICAS to grow its regulated community have been substantial and we note the progress that has been made. We are confident that ICAS will bring its high professional standards to bear in these new areas.
Education
CA Education has had a successful and exciting year with good examination results, excellent student numbers, new developments in technology and ambitious new partnerships. The Education team is to be congratulated on the high level of student recruitment standing at 992 enrolled students as at October 2015.

The Qualifications Board was delighted to hear the commendations from the TPE Public Interest Member on the Board. He had praise for the high level of professionalism and transparency in all aspects of the Board’s activities, for a culture which encourages continuous and sustained improvement and for ICAS’ competitive edge within the accounting profession.

The Partnership with CIPFA, sealed in a Memorandum of Understanding in April 2015, was seen as a strategic fit with the ICAS direction of travel. This led to the development of an integrated qualification which is intended to meet the evolving needs of both the public and corporate audit sectors. From a public interest viewpoint, this was a key move for ICAS and an opportunity to expand its expertise and influence.

The ICAS Foundation
Happily the ICAS Foundation is helping to widen access to the CA qualification by expanding the diversity and demographic of students. Donations to the Foundation are always welcome to help boost the number of bursaries awarded. Already nearly half a million pounds has been raised to support students for the 4 years of their university study. The availability of mentors to guide the students has undoubtedly contributed to their success and businesses have been generous in offering placements for students. It was a great tribute to see the Foundation highlighted in the recent Social Mobility and Child Poverty Commission Report.

The Future
The opportunities in the pipeline, together with the initiatives that are underway, promise an exciting few years ahead. Maintaining public confidence in the accounting profession continues to be a very important public interest issue. It is reassuring to us that public interest members are consulted and are involved and that ICAS remains at the forefront of developments.

The Public Interest Members
Robert Black
Rhona Brankin
Lord John McFall (From 1.4.2015)
Quinton Quayle (Retired 31.3.2015)
Judith Sischy
Corporate Governance Report

UK CORPORATE GOVERNANCE CODE
As a Royal Charter Body, ICAS does not have a statutory requirement to comply with the 2014 UK Corporate Governance Code (The Code). However, the Council is committed to complying with the principles of The Code which can be applied to ICAS as a membership body.

Statement of Compliance with the Corporate Governance Code
Throughout the year ended 31 December 2015, ICAS has been in compliance with the provisions set out in the UK Corporate Governance Code. Set out below is a statement of how ICAS has applied the principles of the Code. The Code is publicly available at frc.org.uk.

LEADERSHIP
The Council has responsibility for ensuring that the objectives set out in the Royal Charters are achieved in a manner consistent with regulatory body status. Additionally, Council sets and delivers the strategic plan ‘Building the Leading Global, Professional Community’ along with the overall budget and business plan. While the overall policies and objectives of ICAS are agreed by Council, day to day management responsibility is delegated to the Chief Executive and Executive Team with an overview being taken by the Oversight Board through progress and performance reports against the agreed measures.

There is a clear organisational structure set out in the ICAS Rules, General Regulations and Scheme of Delegation detailing lines of authority, matters reserved to Council, matters delegated to the Oversight Board and the Executive Team. Appropriate processes are in place to review the performance of the Council, the Oversight Board and the four Operational Boards which oversee the work of the ICAS divisions and the Executive Team. A self-evaluation performance review is undertaken annually, the results of which are discussed at Council.

Council is chaired by the President (Jim Pettigrew). The President, Deputy President and Vice President make up the Office Bearer team and they are elected by the ICAS membership. During 2015 Council met on four occasions. At 31 December 2015 it comprised 35 members, with the Oversight Board Chair attending as an observer. A profile of all Council members and details of the terms of reference for the four non-accountant members can be found on ICAS’ website (icas.com). The records for Council member attendance are given within the governance section of the digital Annual Review.

The Council Code of Conduct sets out guiding principles for Council Members on managing conflicts of interest, representing ICAS and relationships with Members and ICAS staff. Council Members are required annually to sign a declaration indicating that they have complied with the terms of the Code. At each Council meeting actual or potential conflicts of interest are reviewed through declarations of interest at the commencement of proceedings and recorded within the minutes.

EFFECTIVENESS
Office Bearers
The President, Deputy President and Vice President make up the Office Bearer team and they are elected by the ICAS membership on an annual basis.

ICAS Council
The composition of Council is set out in the table below. Council’s membership is made up of a mix of elected and co-opted members. Co-options are made taking into consideration the skills, experience and knowledge required to ensure a balanced Council reflecting the employment sectors, geographic location and diversity of ICAS membership. Council members are elected or co-opted for a four year term and can be re-elected or re-co-opted for one further three year term. The non-accountant members fulfil the role of Independent Directors and they report annually to the ICAS Membership at the Annual General Meeting.

An induction programme is run annually for new members of Council. They are provided with an induction pack which provides background information about ICAS, its strategy and its governance structure. This is supplemented with meeting with the Executive Directors for more detailed briefings on the implementation of ICAS’ strategic objectives and divisional operational work.

Performance Review
Council undertakes a review of its effectiveness annually by way of questionnaire. The results are debated by Council at the May meeting. As in 2014 the results from the 2015 review indicated that Council was working well with clear reporting on the strategic objectives and overall financial performance. The review further indicated that Council composition is varied and this gives a good balance of experience, background and diversity. However, it was agreed that ICAS should seek diversity improvements within other Boards and Committees to ensure these too were reflective of the broader ICAS membership. It was also suggested that ICAS continues to develop its digital technologies, which bring more inclusivity for members overseas, and that services for members in business continue to increase.

A similar review is undertaken annually by the Oversight Board and the Operational Boards with the reports and any action plans being considered by Council at the May meeting.

The Chief Executive’s performance is reviewed by the Remuneration Committee against the objectives which they have set for him. The Executive Directors
also have their performance individually reviewed by the Chief Executive and the Remuneration Committee against objectives which are set annually.

**Office Bearer and Non-Accountant Member Meetings**

Each quarter the Office Bearers and non-accountant members of Council meet to discuss issues and overall performance in delivering the ICAS strategy and to maintain ICAS’ focus on its public interest duties.

**Oversight Board**

Council has delegated to the Oversight Board the oversight and monitoring of ICAS strategy, financial performance and the effectiveness of the four Operational Boards. The Board meets quarterly and at each meeting it considers strategy execution reports along with performance reports from each of the Operational Boards. The Oversight Board Chairman reports on the Board’s activities to each Council meeting.

**The Executive Team**

The Executive Team is made up of the Executive Directors of ICAS and is chaired by the Chief Executive (Anton Colella). Having set the overall strategy for the organisation, Council delegates the day to day management of ICAS business to the Executive Team.

**ACCOUNTABILITY**

**Council Members’ Responsibilities Statement**

The members of Council are responsible for preparing the Corporate Governance report and the financial statements in accordance with applicable law and regulations.

Moreover, Council is responsible for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of ICAS and the group and of the result of the group for that period. Council considers that the Annual Review and financial statements, taken as a whole, are fair, balanced and understandable and provides information necessary for members to assess the Institute’s position, performance, business model and strategy. The members of Council have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

In preparing these financial statements the members of Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that ICAS will continue to operate.

The members of Council are responsible for keeping adequate accounting records that are sufficient to show and explain ICAS’ transactions, to disclose with reasonable accuracy at any time the financial position of ICAS. They are also responsible for safeguarding the assets of ICAS and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members of Council are responsible for the maintenance and integrity of the corporate and financial information included on ICAS’ website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

**Members of Council Statement on Going Concern and Long Term Viability**

Council retains responsibility for the preparation of the Annual Review and the Annual Consolidated Financial Statements for each financial year. Council has a reasonable expectation, at the time of approving the financial statements, that ICAS has adequate resources to continue its operations and meet its liabilities as they fall due over the three-year assessed period. Council has no reason to believe that ICAS will not be viable over a longer period however a three year period reflects the cycle and outlook of key financial inputs, primarily the duration of a student training cycle.

The viability assessment is informed by detailed forecasts of revenue, expenditure and cash flow. Stress testing has been carried out on the forecasts using a scenario approach around the principal risks. These forecasts take account of the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

The principal risks and the steps taken to mitigate them are regularly reviewed and updated, with a continual focus to embed risk management into the culture at ICAS. Council has carried out a robust assessment of the principal risks facing ICAS, including those affecting its solvency, liquidity, business model, and future performance. Further disclosures regarding the principal risks are provided on page 18 of the Annual Review.

Council confirms that, after making appropriate enquiries, it has reasonable expectation that ICAS has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing these Financial Statements.
Financial Stewardship and Internal Control

Council reports annually, through the Annual Review, to members on the effectiveness of ICAS’ internal controls and risk management. A Business Plan and a detailed Budget are prepared annually by the Executive Team for discussion at the Oversight Board and for approval by Council. Throughout 2015, the financial performance was compared to the approved Budget together with the revised full year projection and reported at each meeting of the Oversight Board and Council.

Council has overall responsibility to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of ICAS and of the profit or loss of ICAS for that period.

Council also has overall responsibility for the system of internal controls, including risk management. ICAS views the careful management of risk as a key management activity and ICAS continues to develop and utilise an integrated risk management framework. The management of risk is closely aligned to our strategy and is based on a balance of risk and reward through assessment of likelihood and impact, as well as risk appetite. The process is overseen by the Audit Committee and reviewed by Internal Audit with any recommendations being implemented.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve ICAS’ strategic objectives. Internal controls and risk management can only provide reasonable and not absolute assurance.

Through delegated authority, the Executive Team monitor and report on the principal risks on a monthly basis, with review by the Oversight Board. During 2015 the Oversight Board, on behalf of Council, have undertaken a robust assessment of the principal risks, including any that may compromise the business model, future performance, solvency and liquidity of ICAS. A description of the principal risks and the corresponding mitigating actions can be found on page 18 of the Annual Review. The Audit Committee reviews the risk management processes on behalf of Council to ensure that these are sufficient and appropriate which is augmented by the Internal Audit process. The Chairs of the Audit Committee and Oversight Board submit reports to each meeting of Council on a quarterly basis.

Council confirms that they have reviewed the effectiveness of the internal controls and risk management procedures in place throughout the year, and no significant weaknesses were identified. Based on this review, Council is satisfied that all reasonable measures are being pursued to mitigate ICAS’ exposure to risk.

RELATIONS WITH MEMBERS

The Annual General Meeting is usually held in the spring and is ICAS’ formal platform for communication with members. The event is normally held in conjunction with a members’ event in order to maximise attendance and increase engagement with members. Where business and personal circumstances permit, it is usual for Council members and the Executive Team to attend the AGM. Additionally the Chairman of the Audit Committee, the External Auditor and the non-accountant members of Council are present, at the AGM, to answer questions from members.

Communication forms an integral part of the ICAS strategy ‘Building the leading global, professional community’ and throughout the year the President and Chief Executive undertake a number of Member events throughout the UK and overseas. The ICAS overseas Communities continue to flourish and act as a mechanism for improved communication with and arranging events for members across the globe. The global community chairs have a monthly call with ICAS headquarters that ensures overseas members’ views, comments and issues are communicated directly to ICAS. In 2015 we continued the work with member communities in Birmingham and Manchester and have now formed three regional committees in England to improve the events and engagement with members located in the Midlands and North of England.

The ICAS Area Committees play an important role in our communications with Members and in conjunction with ICAS headquarters they arrange many events at a local level across the UK. We continue to increase engagement with our CA Students and during the year continued the expansion of our programme of classroom events across the UK. These events are extremely popular with the students and confirm the value of the CA qualification. We are currently looking at our overall student engagement programme with a view to introducing a number of improvements in 2016.
COUNCIL COMMITTEES
The Council has established an Audit Committee, a Nominations Committee and a Remuneration Committee. All of these committees have established terms of reference which are published on ICAS’ website.

The Audit Committee
Details of the Audit Committee and its work are given within the Audit Committee Report within the Annual Review

The Remuneration Committee
The Remuneration Committee is chaired by the Chairman of the Oversight Board and met twice during the year. The members of the Remuneration Committee and their attendance at meetings during 2015 are set out below, with the number each was eligible to attend shown in brackets.

<table>
<thead>
<tr>
<th>Position</th>
<th>Appointment</th>
<th>Retired</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jann Brown*</td>
<td>Various NED positions</td>
<td>24 April</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Ken McHattie*</td>
<td>Director Aurora Petroleum Ltd</td>
<td></td>
<td>2 (2)</td>
</tr>
<tr>
<td>Brian Souter*</td>
<td>Chairman, Stagecoach PLC</td>
<td>24 April</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Anton Colella**</td>
<td>CEO, ICAS</td>
<td></td>
<td>2 (2)</td>
</tr>
<tr>
<td>Graeme Bissett</td>
<td>Chairman, McFarlane Group PLC</td>
<td></td>
<td>2 (2)</td>
</tr>
<tr>
<td>Rhona Brankin*</td>
<td>Council Public Interest Member</td>
<td></td>
<td>2 (2)</td>
</tr>
</tbody>
</table>

*Council Member
**Sits only when considering ICAS staff remunerations and not for own remuneration.

The Committee oversees the ICAS Pay Framework, Appraisal and Performance Management systems and in this respect approves any bonuses paid to the Executive Team in terms of ICAS’ Remuneration Scheme. The Committee also has responsibility for making recommendations to Council on the annual review for changes in staff remuneration.

The Nominations Committee
The Nominations Committee is chaired by the President and met 3 times during the year. During the year the Committee has continued to develop the ICAS succession plans. The Committee continues its focus on diversity and inclusiveness and, when considering any appointment the Committee refers to the main Council skills matrix and composition of the board or committee where the appointment, is to be made. This maintains a focus on proportionate diversity in terms of gender, age and employment sector. In the run up to the Office Bearer and Council elections the Nominations Committee provides guidance annually to the Area Committees on any skills or diversity gaps on Council. Additionally the Committee makes appointment of Non Accountant Members to Council and CA members to the ICAS Boards and the Convener positions on ICAS Committees.

For the purposes of Presidential succession, the Nominations Committee is expanded to include three Past Presidents to form the Presidential Nominating Committee. The Presidential Nominating Committee is chaired by one of the Past Presidents.

The members of the Nominations Committee and their attendance at meetings during 2015 are set out below, with the number each was eligible to attend shown in brackets.

<table>
<thead>
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<th>Position</th>
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<th>Retired</th>
<th>Attendance</th>
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</thead>
<tbody>
<tr>
<td>Jann Brown*</td>
<td>Various NED positions</td>
<td>24 April</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Jim Pettigrew*</td>
<td>Various NED positions</td>
<td></td>
<td>3 (3)</td>
</tr>
<tr>
<td>Adrienne Airlie</td>
<td>Partner, Martin Aitken</td>
<td>28 Feb</td>
<td>0 (1)</td>
</tr>
<tr>
<td>Graeme Bissett</td>
<td>Chairman, McFarlane Group PLC</td>
<td></td>
<td>3 (3)</td>
</tr>
<tr>
<td>Rhona Brankin*</td>
<td>Public Interest Member Council</td>
<td></td>
<td>3 (3)</td>
</tr>
<tr>
<td>Robert Black*</td>
<td>Public Interest Member Council</td>
<td></td>
<td>3 (3)</td>
</tr>
<tr>
<td>Anton Colella*</td>
<td>CEO, ICAS</td>
<td></td>
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<td>Ken McHattie*</td>
<td>Director, Aurora Petroleum Ltd</td>
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</tr>
<tr>
<td>Brian Souter*</td>
<td>Chairman Stagecoach PLC</td>
<td>24 April</td>
<td>0 (2)</td>
</tr>
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</table>

*Council Member
Report of the Audit Committee

Introduction
The following report sets out the work of the Audit Committee for 2015. The report aims to provide details on how the Committee has discharged its responsibilities and the most significant issues of focus in 2015.

Composition and Meetings of the Audit Committee
The Committee has several members possessing what the Smith Report describes as, recent and relevant financial experience. The Chair is an experienced partner in practice and four other members of the Committee are also members of ICAS with senior experience in practice, business and education, while the Public Interest Member of the Committee brings a breadth of experience from previous roles.

The Audit Committee receives relevant training throughout the year. The members of the Audit Committee and their attendance at meetings during 2015 are set out below, with the number of meetings each was eligible to attend shown in brackets.

<table>
<thead>
<tr>
<th>Position</th>
<th>Appointment</th>
<th>Retired</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catherine Burnet*</td>
<td>Chair</td>
<td>2 Sep 2015</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Stephanie Bruce*</td>
<td>Chair</td>
<td>2 Sep 2015</td>
<td>2 (2)</td>
</tr>
<tr>
<td>John Brodie</td>
<td>Chief Executive, Scotmid</td>
<td></td>
<td>3 (3)</td>
</tr>
<tr>
<td>Elizabeth Gammie</td>
<td>Professor, Robert Gordon University</td>
<td></td>
<td>3 (3)</td>
</tr>
<tr>
<td>Colin Crosby*</td>
<td>Chairman/NED Positions</td>
<td></td>
<td>3 (3)</td>
</tr>
<tr>
<td>Mike Pacitti</td>
<td>NED positions</td>
<td></td>
<td>3 (3)</td>
</tr>
<tr>
<td>Rhona Brankin*</td>
<td>Public Interest Member</td>
<td></td>
<td>3 (3)</td>
</tr>
</tbody>
</table>

*Council Member

The Audit Committee met three times during the year and both the External and internal auditors attended its meetings and had direct access to the Chair.

During 2015 the Audit Committee discharged its Terms of Reference following a workplan over the course of the year to ensure all areas were fully covered. The Committee reports to Council, identifying any items in respect of which the Committee considers that action or improvement is needed, and makes recommendations as to the steps to be taken. The Committee reviewed its Terms of Reference during 2015 and formally reviews its own effectiveness annually.

Risk and Internal Controls
Council has responsibility for the overall system of internal control and management of risk. The Audit Committee assists Council in discharging this responsibility. ICAS’ internal control arrangements are delegated to the Executive Team. In turn the Audit Committee, on behalf of Council, reviews the ongoing effectiveness of the control arrangements and the work of the Internal and External Auditors.

ICAS maintains a set of comprehensive financial processes which are reviewed and compliance tested by Internal Audit during the risk review cycle. ICAS maintains a number of key policies in relation to whistleblowing, internal controls, register of interests, health and safety, data protection and code of conduct for Council members; which are all reviewed and updated at least annually. The Audit Committee consider an Integrated Assurance Framework to review the assurance over internal controls, financial and non-financial. The key procedures are subject to review and compliance testing, with Audit Committee obtaining assurance from a range of sources including Internal Audit as part of the risk cycle and assurance by other external bodies where appropriate. These systems are designed to manage rather than eliminate the risk of failure, to achieve business objectives and, in the case of internal control systems, can provide only reasonable and not absolute assurance against material misstatement or loss.

ICAS views the careful management of risk as a key management activity and ICAS continues to develop and utilise an Integrated Risk Management Framework. The Audit Committee reviewed the processes for oversight of the risk management framework including identifying, evaluating, and managing principal risks. The Audit Committee has assessed the processes and also considered a Risk Maturity framework and the processes are periodically reviewed by Internal Audit as part of the monitoring cycle of reviews. Principal risks and
Internal Audit
Chiene and Tait, Chartered Accountants, have provided an Internal Audit service to ICAS since 2011 and have undertaken a number of visits to ICAS during 2015 and provided reports to each meeting of the Audit Committee on a range of areas, including follow up of prior recommendations. A tender process was undertaken during 2015 as the current contract period expired and Henderson Loggie was appointed to provide an Internal Audit service from 2016. The firm will conduct a risk-based cycle of reviews of major systems and processes during 2016. The Audit Committee assesses the performance of the Internal Auditors annually using a questionnaire and discussion of performance.

External Audit
The External Auditor was appointed in 2011 following a competitive tender. The Audit Committee considered external auditor appointment during 2015 and intend to tender the External Audit service for the 2018 year end, in line with good practice. The provision of non audit services are reviewed by the Audit Committee and any significant services require the approval of the Committee. The full non audit services policy is disclosed on the ICAS website.

The Audit Committee reviews the arrangements for independence, materiality, objectivity and audit quality at the audit planning stage annually. The Audit Committee has carried out a review of the effectiveness of external audit and audit quality using questionnaires, Audit Quality Review Team findings, BDO Transparency Report and discussion of performance.

Financial Statements and Significant Issues
The Audit Committee has reviewed the Financial Statements and received interim and final reports from the External Auditor on their audit of the Financial Statements. The Committee challenged the assumptions and disclosures included in the Financial Statements. The most significant issues considered by the Audit Committee were:

- Provisions for disciplinary case costs and legal provisions. The Committee reviewed the current position of disciplinary cases and the estimates and the assumptions made. The Committee received a report from the Chief Operating Officer to support the estimates included of future costs and took note of the work of the External Auditor. The Committee’s review included information received from the Financial Reporting Council in relation to current cases and estimated costs.

- The valuation and disclosure of the retirement benefits plan asset are significant to the financial statements. The Committee reviewed the assumptions and the judgements made in valuation and recognition of the pension asset, including reviewing advice from the Actuary and the ICAS pension adviser, and reviewed the disclosures made in compliance with IAS19. The Committee reviewed the disclosures required to allow users of the statements to understand the risks arising in relation to the scheme. The Committee considered the work of the External Auditor including their comparison of the assumptions to benchmarks.

The Audit Committee reported its observations to Council on the financial statements and annual review for Council to consider in discharging its duty to ensure the financial statements taken as a whole are fair, balanced and understandable.

The Audit Committee provided its annual report to Council on 18 March 2016.
Independent Auditor’s Report to the Members of ICAS

WHAT WE HAVE AUDITED
We have audited the Group Financial Statements of the Institute of Chartered Accountants of Scotland (‘ICAS’) for the year ended 31 December 2015 which comprise the Group and ICAS’ Income Statement, the Group & ICAS’ Statement of Comprehensive Income, the Group & ICAS’ Statement of Financial Position, the Group and ICAS’ Statement of Changes to Reserves, the Group and ICAS’ Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the ICAS’ members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the members of ICAS those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the ICAS and the members of ICAS as body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members of Council and auditor
As explained more fully in the members of Council’s responsibilities statement, the members of Council are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council’s (FRC’s) Ethical Standards for Auditors.

The members of Council have voluntarily chosen to include corporate governance and going concern statements in their Corporate Governance report and the Financial Review, detailing the extent of compliance with the UK Corporate Governance Code in accordance with the requirements of the Listing Rules of the Financial Conduct Authority.

We have agreed to review and report on the voluntary statements covering corporate governance and going concern as if they had been prepared under the Listing Rules.

Scope of the audit on the financial statements
A description of the scope of an audit of financial statements is provided on the FRC’s website at frc.org.uk/apb/scope/private.cfm.

The accounting function for the Group is centrally managed in Edinburgh. For the purposes of the Group audit we consider that there is one reporting component, consisting of the parent entity and its UK based subsidiary, both of which were audited by us. Based on the above scope we were able to conclude whether sufficient appropriate audit evidence had been obtained as a basis of our opinion on the Group Financial Statements as a whole.

Opinion on financial statements
In our opinion the Financial Statements:
• give a true and fair view of the state of the Group and ICAS’ affairs as at 31 December 2015 and of the Group and ICAS’ profit for the year then ended; and
• have been properly prepared in accordance with IFRSs as adopted by the European Union.

Our assessment of risks of material misstatement and overview of the scope of our audit on how we addressed those risks
We consider the following risks to be those that had the greatest impact on our audit in the current year by determining our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We discussed those risks with the Audit Committee. Their report on those matters that they considered to be significant risks in relation to the financial statements is set out in page 29.

• The recognition of revenue is a presumed fraud risk under International Standards on Auditing (UK and Ireland), including the completeness, existence and accuracy of income. As detailed in the summary of significant accounting policies on page 5 of the Group Financial Statements, revenue consists primarily of members’ subscriptions and admissions fees, class fees, business courses, member events and sponsorship.

We tested the operational effectiveness of control procedures relating to revenue recognition and undertook analytical and other substantive testing over revenue. We reviewed the accounting policies and practices for consistency of application as well as the basis of any recognition estimates. We performed independent summary recalculations over membership income and subscription income using published fee rates and detailed membership data. Class and examination fees were substantively tested and we performed independent summary recalculations over training contract income using published fee rates and detailed student numbers data. Member events and sponsorship were substantively tested and publicised business courses and conferences were tested to gain assurance over the completeness and accuracy of this income. For regulation fees we reviewed the operational effectiveness of control procedures such as access and amendment controls over the databases concerned and regulatory review controls over members and firms. We performed independent summary recalculations over membership income and subscription income using published fee rates and detailed membership data.

• The provision for Financial Reporting Council (FRC) disciplinary cases is a material sum and is subject to a significant degree of estimation and assumption over the probable outcome specific to each individual case.
We assessed the basis of the provision and challenged management’s assumptions in relation to its calculation. We obtained direct confirmation from the FRC of its estimated total budget for each case under its investigation as at 31 December 2015. We tested the register of disciplinary complaints and member investigation files to gain assurance over the completeness and accuracy of disciplinary provisions. In doing so we reviewed the evidence and assumptions underlying historic provision outcomes to obtain assurance over the accuracy of the provisioning methodology.

- The valuation of the retirement benefit scheme asset is considered to be a risk due to the inherent uncertainty in the assumptions underlying the basis of pensions valuations prepared by the actuary. These assumptions are set by ICAS following professional advice taken from experts and are applied in the actuarial valuation.

We reviewed the procedures undertaken by management in relation to its assessment of the assumptions and judgements used by the actuary in determining the overall valuation of the retirement benefit asset. We challenged the assumptions underlying the actuary’s valuation and benchmarked the key assumptions against the assumptions adopted for a range of similar defined pension benefit pension schemes, by different actuaries and management teams, plus appropriate publicly available sector data. We reviewed the actuarial valuation and the presentation and disclosure in the financial statements.

Our application of materiality
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the financial statements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level called performance materiality to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we do also take account of the nature of identified misstatements and the particular circumstances of their occurrence when evaluating their effect on the financial statements.

- We determined materiality for the group financial statements as a whole to be £220,000. In determining this, we based our assessment on a level of 1.5% of revenue because the Group is income generating but not managed for commercial profit. On the basis of our risk assessment, together with our assessment of the Group’s control environment, our judgement is that performance materiality for the financial statements should be 75% of financial statement materiality, namely £165,000. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our financial statement materiality of £220,000 for the financial statements as a whole.

- We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £11,000, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds.

Statement regarding Council’s assessment of the principal risks that would threaten the solvency or liquidity of ICAS
We have nothing material to add or to draw attention to in relation to:
- Council’s confirmation in the Annual Review that it has carried out a robust assessment of the principal risks facing ICAS, including those that would threaten its business model, future performance, solvency or liquidity,

- The disclosures in the Annual Review that describe those risks and explain how they are being managed or mitigated,

- Council’s statement in the Annual Review about whether it considered it appropriate to adopt the going concern basis of accounting in preparing them and its identification of any material uncertainties to ICAS’ ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements, and

- Council’s explanation in the Annual Review as to how it has assessed the prospects of ICAS, over what period it has done so and why it considers that period to be appropriate, and Council’s statement as to whether they have a reasonable expectation that ICAS will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.
Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the audit report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Statement by Council that it considers the group Financial Statements to be fair, balanced and understandable and whether the financial statements appropriately disclose those matters which we communicated to the Audit Committee and which we considered should have been disclosed.

Under the terms of our engagement we have agreed to review:

- Council’s Statements on Going Concern and Long Term Viability contained within the Annual Review; and
- the part of the Corporate Governance Statement relating to ICAS’ compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Alastair Rae
For and on behalf of BDO LLP
Chartered Accountants
Edinburgh, United Kingdom
Date: 18 March 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).
Council & Executive Team

Office Bearers

Jim Pettigrew, CA  
President

Ken McHattie, CA  
Deputy President

Sir Brian Souter, CA  
Vice President

Council

Baron Anyangew, CA
Jim Bishop, CA  
From 24.4.2015
Graeme Bissett, CA  
(Council Observer)
Tom Bolland, CA
Jim Boyle, CA
David Brownlow, CA  
From 24.4.2015

Catherine Burnet, CA
Geoff Cook, CA
Jim Coyle, CA
Colin Crosby, CA
Martin Darroch, CA
Brian Davidson, CA  
Retired 24.4.2015

Andrew Dougal, CA
Elizabeth Gammie, CA  
Retired 24.4.2015
Ann Hansen, CA
Mark Hoskyns Abrahall, CA
Guy Jubb, CA
Sandy Manson, CA
Peter Mitchell, CA

Mike McKeon, CA  
From 24.4.2015
Amanda McMillan, CA  
Retired 24.4.2015
David Nicol, CA
David Nish, CA  
From 11.2.2015
Catriona Paisey, CA
Marta Phillips, CA  
Retired 24.4.2015

John Sharkey, CA  
Retired 24.4.2015
Karen Scholes, CA
Ewen Scott, CA  
From 24.4.2015
Graeme Sheils, CA
Ronnie Wilson, CA  
Retired 24.4.2015
Ian Steele, CA  
From 24.4.2015
Neil Young, CA
Public Interest Members

Robert Black
Rhona Brankin
Lord John McFall
Quinton Quayle
Judith Sischy

From 1.4.2015
Retired 31.3.2015

Executive Team

Anton Colella,
ICAS Chief Executive
Mark Allison,
Executive Director, Education
Atholl Duncan,
Executive Director – UK and Global

Lesley Glen,
Chief Operating Officer
Michelle Mullen,
Executive Director, Regulation
David Wood,
Executive Director, Technical Policy and Practice Support