Visits
In 2015 we conducted 38 Audit Monitoring visits (2014: 39), covering our full range of firms. The table below shows the size of the firms we visited in 2015.

**ICAS AM VISITS CONDUCTED IN 2015**

- **Sole practitioners**: 10
- **2-3 partners**: 12
- **4+ partners**: 15
- **Firms with major audits**: 1

Visit outcomes

<table>
<thead>
<tr>
<th>Audit Monitoring visit outcomes</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No follow up action needed</td>
<td>18 (45%)</td>
<td>24 (58%)</td>
<td>23 (59%)</td>
<td>28 (73%)</td>
<td>93 (59%)</td>
</tr>
<tr>
<td>Firm to submit evidence of action taken in a restricted area, with no systemic issues identified</td>
<td>9 (22%)</td>
<td>6 (15%)</td>
<td>11 (28%)</td>
<td>3 (8%)</td>
<td>29 (18%)</td>
</tr>
<tr>
<td>Firm to submit evidence of action taken in a greater number of areas</td>
<td>8 (20%)</td>
<td>6 (15%)</td>
<td>3 (8%)</td>
<td>4 (11%)</td>
<td>21 (13%)</td>
</tr>
<tr>
<td>Committee imposed conditions and/or restrictions or, in worst cases, minded to withdraw audit registration</td>
<td>5 (13%)</td>
<td>5 (12%)</td>
<td>2 (5%)</td>
<td>3 (8%)</td>
<td>15 (10%)</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>41</td>
<td>39</td>
<td>38</td>
<td>158</td>
</tr>
</tbody>
</table>

Whilst a different population of firms is visited each year, making comparisons difficult, there are some important trends:
- over half of the firms visited over the last 4 years did not require any follow-up action, and
- the number of firms requiring follow up has been reducing, indicating an improvement in overall audit quality.

In the table above, the firms requiring a greater level of action to enhance quality are those falling into the final two groups. In these instances, firms will be required to provide a greater level of evidence to demonstrate improvement, and this ranges from submitting external hot file reviews, cold file reviews and CPD records, through to the more serious cases, where regulatory penalties with publicity are issued, or audit registration is withdrawn.
ICAS AM takes a developmental approach to regulation, so as well as the range of follow up measures above, ICAS provides a range of audit support, and includes the audit quality course and Audit News.

The aim of this combination of follow up action and support is for firms to improve audit quality, rather than the Committee withdraw audit registration, and, there were therefore no instances of the Committee withdrawing audit registration in 2015.

The 2015 monitoring results have been positive, with the majority of firms visited demonstrating a good approach to compliance. There is always room for improvement, however, and some of the common themes (arising in relation to firms where significant issues were identified) are:

- Ineffective use of audit programmes;
- Insufficient evidence obtained in some key areas of the audit engagement; and
- Ineffective audit compliance reviews.
In 2015 we conducted 166 Practice Monitoring visits (2014: 189), via a combination of delivery methods, and to firms of differing sizes:

The majority of our visits during 2015 were to sole practitioners, which mirrors the demographic of our firms, where approximately 70% of ICAS registered firms are sole practitioners.

Visit outcomes

<table>
<thead>
<tr>
<th>Practice Monitoring visit outcomes</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>No findings or a small number of findings which were not materially significant.</td>
<td>93 (56%)</td>
</tr>
<tr>
<td>Findings were not materially significant, but a follow up check was deemed appropriate for one or two aspects.</td>
<td>62 (37%)</td>
</tr>
<tr>
<td>Findings were materially significant and follow up check was deemed necessary across a larger number of areas.</td>
<td>8 (5%)</td>
</tr>
<tr>
<td>Serious issues had been identified and a referral to the Committee was required.</td>
<td>3 (2%)</td>
</tr>
<tr>
<td>Total</td>
<td>166</td>
</tr>
</tbody>
</table>

Whilst direct year-on-year comparisons are difficult, given the different population of firms visited each year, and due to the change in monitoring regime, there has been an increasing trend of firms being subject to follow-up checks, with 73 firms subject to follow up in 2015 for various reasons, representing 44% of visits (2014: 30%).

The vast majority of firms have shown sufficient improvement by the follow up check.

It is encouraging to note that there are a large number of firms with a strong compliance culture and a significant percentage of firms reviewed in 2015 either had only a small number of findings, or follow-up checks were required against only one or two aspects. In these firms there were good examples of compliance with applicable regulations, and adoption of best practice.

In particular, there was increased compliance against the previous year in relation to compliance with Clients’ Money and DPB requirements, albeit there continues to be areas for improvement.
In 2015 we conducted 22 Insolvency Monitoring visits (2014: 24).

Visit outcomes

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Average over most recent 3 years (2013-15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory report – no follow up action.</td>
<td>7 (28%)</td>
<td>12 (50%)</td>
<td>6 (27%)</td>
<td>8 (35%)</td>
</tr>
<tr>
<td>Some recurring system/compliance or other findings – confirmation of action taken.</td>
<td>14 (56%)</td>
<td>8 (34%)</td>
<td>12 (55%)</td>
<td>11 (48%)</td>
</tr>
<tr>
<td>Significant system/compliance or other unsatisfactory findings – confirmation of action taken. In some instances sanctions/follow-up visit instructed</td>
<td>4 (16%)</td>
<td>4 (16%)</td>
<td>4 (18%)</td>
<td>4 (17%)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>25</strong></td>
<td><strong>24</strong></td>
<td><strong>22</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

A direct year on year comparison is difficult as the visits carried out each year are across a mix of types and sizes of practice in which IPs carry out their business.

As a consequence of the risk based approach to monitoring, IPs who have had a greater instance of non-compliance are visited more frequently. All IPs who fall within the third category in the table above will receive a follow up visit or an earlier subsequent visit.

The majority (59%) of IPs visited in 2015, who had received a previous visit, demonstrated either an improvement or maintenance of quality and compliance from the previous visit.

There continues to be a number of IPs who have a strong compliance culture as a result of investing significant time and effort into standardising procedures and training staff on those procedures. We continue to see strategies well documented and almost all files reviewed were well structured and easy to follow.
Background
ICAS will take disciplinary action where there is sufficient evidence of a failure to observe the standards expected of our Members, CA, Student Members, or Affiliates. We will take regulatory or disciplinary action against our Firms where there is evidence that they have failed to meet required levels of competence, or to comply with the legislative requirements of the audit and DPB authorisations.

New complaints
ICAS received 79 new complaints in 2015.

Comparing with previous years
Using minor adjustments to compensate for changes in recording practices, the following chart shows how the number of new complaints in 2015 compares to the previous 5 years.

Given that ICAS currently has more than 21,000 members, the number of complaints is proportionately very low (0.4%).
WHAT WE’RE INVESTIGATING

Complaint categories
No two investigations are exactly the same; some complaints raise a number of different issues. Therefore, care is needed when categorising the complaints we investigate.

With this caveat in mind, the 79 new complaints in 2015 may be summarised as follows:

- Allegations of misconduct: 32
- Insolvency-related issues: 21
- Regulatory offences: 12
- Allegations of incompetence: 10
- Fee complaints: 3
- Audit-related issues: 1

Where do complaints come from
While most investigations start with a complaint from a member of the public – generally a former or current client of the Chartered Accountant – matters also come to attention of the Investigations Department following referrals from the other Regulatory Committees and Divisions in ICAS (eg through regulatory monitoring or CPD sampling)

Investigation timescales
ICAS is committed to completing all investigations within a reasonable timescale. Our target timescales are as follows:
- Preliminary enquiries to be completed within 16 weeks
- Investigation Committee investigations to be completed within 12 months

ICAS’ performance in 2015 may be summarised as follows:
- Average timescale for conclusion of preliminary enquiries – 80 days
- Average timescale for conclusion of Investigation Committee investigations – 235 days