



Financial Reporting Council

# **Enforcement Committee Panel - Terms of Reference**

November 2022

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## Enforcement Committee Panel - Terms of Reference

### 1. Membership

- 1.1. The Conduct Committee shall appoint up to 9 members of the Enforcement Committee Panel ("the Panel") and from those members shall appoint a legally qualified Chair of the Panel ("Panel Chair").
- 1.2. The persons who may be appointed to the Panel shall include, but not be limited to, persons having legal and auditing expertise and experience.
- 1.3. No member of the Panel shall be:
  - (a) a member of the FRC Board;
  - (b) a current serving officer of any of the Recognised Supervisory Bodies;
  - (c) a current employee, member, director or officer of the FRC, or subsidiary company of the FRC; or
  - (d) a practising auditor or an individual who has during the previous 3 years:
    - i. carried out statutory audits;
    - ii. held voting rights in an auditing firm;
    - iii. been a member of an administrative management or supervisory body of an audit firm;
    - iv. been a partner, employee, or otherwise contracted by an audit firm;
    - v. been an employee, member, director or officer of the FRC, any subsidiary company of the FRC or any Recognised Supervisory Bodies.
- 1.4. Members appointed to the Panel will be appointed for terms of up to 3 years and may be reappointed for two further 3-year periods.

### 2. Appointment of Enforcement Committee from the Panel

- 2.1. The Panel Chair, having regard to the matters to be considered and the availability, experience and expertise of Panel members, may appoint an Enforcement Committee from the Panel.
- 2.2. An Enforcement Committee must comprise 3 members of the Panel.
- 2.3. In addition to the selected legally qualified Chair, an Enforcement Committee must include:
  - a) person who is neither a lawyer nor an individual with audit experience;
  - b) an individual with audit experience.

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2.4. An Enforcement Committee shall undertake the functions conferred to it under the Auditor Regulatory Sanctions Procedure ("ARSP") or the Crown Dependencies Recognised Auditor Regulatory Sanctions Procedure ("CDRASP").

2.5. All matters considered by the Enforcement Committee shall remain confidential to that Committee subject to the terms of the ARSP and CDRASP and the reporting responsibilities and the publication policy/provision.

### **3. Quorum**

3.1. The quorum for an Enforcement Committee shall be 3 Committee members.

### **4. Secretary**

4.1. The Company Secretary or their nominee shall act as Secretary of the Enforcement Committee Panel or any Enforcement Committee ("the Secretary").

### **5. Meetings**

5.1. The Enforcement Committee meets in private and retains the power to determine its own procedures in accordance with the ARSP and CDRASP but may not hear oral evidence.

5.2. Only members of the Enforcement Committee appointed by the Panel Chair shall have the right to attend meetings of that Committee. However, other individuals may be invited to attend all or part of any Enforcement Committee meeting as and when appropriate.

### **6. Voting**

6.1. Matters are decided by majority vote and no member of the Committee may abstain from a vote. The selected legally qualified Chair does not have the casting vote.

### **7. Responsibilities of the Enforcement Committee**

7.1. The Enforcement Committee shall exercise its functions in accordance with Part 3 of the ARSP or Part 3 of the CDRASP including:

- considering all the documentation and representations placed before it by the Audit Quality Review team (AQR) and the Registered or Recognised Auditor;
- deciding whether the Registered or Recognised Auditor is liable to a sanction under the Procedure and if so, proposing a sanction for agreement;
- when issuing a notice of proposed sanction, providing reasons for its findings and proposed sanction;
- considering representations in response to a notice of proposed sanction and determining whether to take no further action, confirm or vary the proposed sanction or accept written undertakings from the Registered or Recognised Auditor;
- directing the recognised supervisory body (RSB) of which the Registered or Recognised Auditor is a member to take the necessary steps to impose the sanction;

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- publishing details of the sanction;
  - sending notice to the Registered or Recognised Auditor that the matter is referred to the Independent Sanctions Tribunal.

7.2. In undertaking its responsibilities, any Enforcement Committee will have regard to any guidance issued by the FRC.

## **8. Reporting Responsibilities**

8.1. The Panel Chair shall provide feedback to the FRC/Conduct Committee on trends, patterns and learning points observed from the cases as required or on request.

## **9. Other**

9.1. The Panel shall have access to sufficient resources and is authorised to seek information from the FRC executive in order to carry out its responsibilities.

**Approved by the Conduct Committee with effect from 1 November 2022**



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