



Financial Reporting Council

# **FRC Roles and Responsibilities**

## **Schedule of Functions and Powers**

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# FRC Roles and Responsibilities: Schedule of Functions and Powers

## UK Statutory Audit<sup>1</sup>

Function	Responsibility	Powers
Public oversight of statutory auditors under the Statutory Audit and Third Country Auditor Regulations 2016 ( <b>SATCAR 2016</b> )	FRC	Regulation 3(1)(a) SATCAR 2016
Carrying out the tasks provided for in the Audit Regulation and for ensuring that the provisions of that Regulation are applied	FRC **	Regulation 3(1)(b) SATCAR 2016
The determination and manner of application of technical, ethical and other standards	FRC	Regulation 3(1)(c)-(d) SATCAR 2016  <i>Relevant FRC Procedure: Codes &amp; Standards Procedure:</i>  <a href="https://www.frc.org.uk/about-the-frc/procedures-and-policies/regulatory-standards-and-codes-committee-procedure">https://www.frc.org.uk/about-the-frc/procedures-and-policies/regulatory-standards-and-codes-committee-procedure</a>
The application of the above standards	FRC **	Regulation 3(1)(e) SATCAR 2016

<sup>1</sup> The FRC is designated as the Competent Authority for statutory audit in the UK under Regulation 2 of SATCAR 2016.

\*\* Functions for which the Competent Authority remains responsible but in respect of which it has delegated the performance of some or all of that function to the Recognised Supervisory Bodies under Delegation Agreements in force from time to time, available at <https://www.frc.org.uk/auditors/professional-oversight/oversight-of-audit/delegation-agreements>

Setting criteria for determining the eligibility of persons for appointment as statutory auditors ( <b>eligibility criteria</b> )	FRC	Regulation 3(1)(f) SATCAR 2016  <i>Relevant FRC Criteria:</i> FRC's Eligibility Criteria for Statutory Auditors:  <a href="https://www.frc.org.uk/getattachment/63a7c9d3-1ed7-4bbb-885c-c466d3d65773/FRC-Eligibility-Criteria-updated-effective-5-December-2022.pdf">https://www.frc.org.uk/getattachment/63a7c9d3-1ed7-4bbb-885c-c466d3d65773/FRC-Eligibility-Criteria-updated-effective-5-December-2022.pdf</a>
Application of eligibility criteria, registration of persons approved as eligible for appointment as statutory auditors, keeping the register and making it available for inspection	FRC **	Regulations 3(1)(g)-(i) SATCAR 2016
Ensuring persons eligible for appointment as statutory auditors take part in appropriate programmes of continuing education	FRC **	Regulation 3(1)(j) SATCAR 2016
Monitoring of statutory auditors and audit work by means of inspections	FRC **	Regulation 3(1)(k) SATCAR 2016
Investigations of statutory auditors and audit work; and imposing and enforcing sanctions	FRC **	Regulations 3(1)(l)-(m) SATCAR 2016  <i>Relevant procedure:</i> Audit Enforcement Procedure:  <a href="https://www.frc.org.uk/getattachment/63a7c9d3-1ed7-4bbb-885c-c466d3d65773/FRC-Eligibility-Criteria-updated-effective-5-December-2022.pdf">https://www.frc.org.uk/getattachment/63a7c9d3-1ed7-4bbb-885c-c466d3d65773/FRC-Eligibility-Criteria-updated-effective-5-December-2022.pdf</a>

## Recognition of supervisory and qualifying bodies

Function	Responsibility	Powers
Recognition in the capacity of Delegate of the Secretary of State of the Recognised Supervisory and Qualifying Bodies	FRC	The Secretary of State has delegated to the FRC, in accordance with section 1252 Companies Act 2006, certain powers under Part 42 of the 2006 Act, by the Statutory Auditors (Amendment of Companies Act 2006) and Delegation of Functions etc) Order 2012 (Delegation Order).

## Audits of Public Interest Entities

Function	Responsibility	Powers
Registration of firms and individuals approved to undertake Statutory Audit Work for Public Interest Entities and keeping of the Public Interest Entity Auditor Register	FRC	<p>Section 1239 of the Companies Act 2006, in accordance with the Delegation Order, Regulations 3(1) and 3(8) of the SATCAR 2016 and Schedule 10 paragraph 5A of the Companies Act 2006</p> <p><i>Relevant procedure:</i> Public Interest Entity (PIE) Auditor Regulations:</p> <p><a href="https://www.frc.org.uk/getattachment/39efe076-047e-4334-9a11-54eb90ef5484/PIE-Auditor-Registration-Regulations-August-2022.pdf">https://www.frc.org.uk/getattachment/39efe076-047e-4334-9a11-54eb90ef5484/PIE-Auditor-Registration-Regulations-August-2022.pdf</a></p> <p><i>Relevant guidance:</i> PIE Auditor Registration Guidance for Applications and Registration:</p> <p><a href="https://www.frc.org.uk/getattachment/46b5a04d-5aee-4f11-b975-538fbd76e530/PIE-Auditor-Registration-Guidance.pdf">https://www.frc.org.uk/getattachment/46b5a04d-5aee-4f11-b975-538fbd76e530/PIE-Auditor-Registration-Guidance.pdf</a></p>

## Third Country Audit

Function	Responsibility	Powers
Registration of persons approved to audit non-EU registered companies that have issued securities admitted to trading on EU regulated markets ( <b>Third Country Entities</b> and <b>Third Country Auditor</b> ) and keeping of the Third Country Audit Register	FRC	Section 1239 Companies Act 2006 and Regulation 6 and 9 Statutory Auditor and Third Country Audit Regulations 2013 ( <b>SATCAR 2013</b> )
Calls for notification or information from Third Country Auditors, issuing Compliance Orders and removal from the Third Country Audit Register	FRC	Sections 1243-1246 and ss1252-1253 Companies Act 2006 and Regulation 12 SATCAR 2013
Performance, monitoring and enforcement of third country audit functions	FRC	Reg 11 SATCAR 2016

## Local Audit

Function	Responsibility	Powers
Oversight of the regulation by recognised supervisory bodies of auditors of local public bodies	FRC	Part 42 of the Companies Act 2006, Local Audit and Accountability Act 2014 ( <b>LAAA 2014</b> ) and the Local Audit (Delegation of Functions) and Statutory Audit (Delegation of Functions) Order 2014 ( <b>Local Audit Order 2014</b> )
Making regulations on major local bodies transparency reports	FRC	Section 1240 of the Companies Act 2006 as applied by section 18 and paragraphs 1, 2 and 15

		<p>of Schedule 5 of the LAAA 2014; Article 2 of the Local Audit Order 2014</p> <p><i>Relevant regulations:</i> The Local Auditors (Transparency) Regulations 2020:</p> <p><a href="https://www.frc.org.uk/getattachment/300be37f-fc62-47c2-8e0e-d3351867c10b/Local-Audit-Transparency-Regulation-0520-Publishing-Copy.pdf">https://www.frc.org.uk/getattachment/300be37f-fc62-47c2-8e0e-d3351867c10b/Local-Audit-Transparency-Regulation-0520-Publishing-Copy.pdf</a></p>
Making regulations on the keeping of the Register of Local Public Auditors	FRC <sup>2</sup>	<p>Section 1240 of the Companies Act 2006 as applied by section 18 and paragraphs 1, 2 and 15 of Schedule 5 of the LAAA 2014; Article 2 of the Local Audit Order 2014</p> <p><i>Relevant Regulations:</i> The Local Auditors (Transparency) Regulations 2020:</p> <p><a href="https://www.frc.org.uk/getattachment/300be37f-fc62-47c2-8e0e-d3351867c10b/Local-Audit-Transparency-Regulation-0520-Publishing-Copy.pdf">https://www.frc.org.uk/getattachment/300be37f-fc62-47c2-8e0e-d3351867c10b/Local-Audit-Transparency-Regulation-0520-Publishing-Copy.pdf</a></p> <p>Local Auditors (Registration) Instrument 2015:</p> <p><a href="https://www.frc.org.uk/getattachment/b49a3ce3-0e2b-4a6e-b578-fb68fe45059f/Local-auditors-registration-instrument-2015.pdf">https://www.frc.org.uk/getattachment/b49a3ce3-0e2b-4a6e-b578-fb68fe45059f/Local-auditors-registration-instrument-2015.pdf</a></p>
Giving statutory guidance to recognised supervisory bodies on approval of Key Audit Partners	FRC	Paragraph 7A(2) of Schedule 10 Companies Act 2006 as applied by paragraph 28(5) of Schedule 5 to LAAA 2014
Monitoring the quality of major local audits <sup>3</sup>	FRC	Schedule 5 LAAA 2014

<sup>2</sup> The power to make such regulations is concurrently exercisable by the FRC and the Secretary of State by Article 2 of The Local Audit (Delegation of Functions) and Statutory Audit (Delegation of Functions) Order 2014:

<https://www.frc.org.uk/getattachment/b49a3ce3-0e2b-4a6e-b578-fb68fe45059f/Local-auditors-registration-instrument-2015.pdf>

<sup>3</sup> From 2018 in respect of financial years ending 31 March 2018.

Determination of sanctions pursuant to failures found during such inspections

FRC

Paragraph 13 of Schedule 10 of the Companies Act 2006

*Relevant Procedure:* Auditor Regulatory Sanctions Procedure:

<https://www.frc.org.uk/getattachment/1e887fab-1565-4b8b-8bc2-dd82eebb50ee/Auditor-Regulatory-Sanctions-Procedure-Effective-1-January-2021.pdf>

## Auditors General

Function	Responsibility	Powers
Independent supervision of Auditors General and disciplinary arrangements	FRC	<p>The Secretary of State has appointed the FRC as the “Independent Supervisor”, under section 1228 Companies Act 2006, for the purposes of sections 1229 to 1238 of the 2006 Act. S18 Delegation Order.</p> <p><i>Relevant procedure:</i> Statement of Arrangements for the Supervision of the Comptroller &amp; Auditor General includes Regulations and Disciplinary Procedure Rules:</p> <p><a href="https://www.frc.org.uk/getattachment/c276641b-a965-4cdd-b28d-1f12d7756ed7/Signed-St-of-Arrangement-and-MOU-230712.pdf">https://www.frc.org.uk/getattachment/c276641b-a965-4cdd-b28d-1f12d7756ed7/Signed-St-of-Arrangement-and-MOU-230712.pdf</a></p>

## Crown Dependency Audit

Function	Responsibility	Powers
Monitoring of audits of entities incorporated in Jersey, Guernsey or the Isle of Man whose securities are traded on a regulated market in the European	FRC	By private, contractual arrangements under a memorandum of understanding with the relevant regulatory authorities in the Crown Dependencies



Economic Area or in the UK  
(Crown Dependency  
Inspections)

Determination of sanctions  
pursuant to failures found  
during Crown Dependency  
Inspections

FRC

By private arrangement with the Crown  
Dependencies

*Relevant procedure:* Crown Dependencies  
Recognised Auditor Regulatory Sanctions  
Procedure:

<https://www.frc.org.uk/getattachment/f0c20007-11ec-44d3-b12e-3e55d774d9a6/Crown-Dependency-Recognised-Sanctions-Procedure-Effective-1-January-2021.pdf>

## Corporate Report – Accounting

Function	Responsibility	Powers
Issuing accounting standards	FRC	<p>The FRC is the prescribed standard issuing body for the purposes of section 464 Companies Act 2006. Further, accountants are expected to comply with accounting standards in accordance with the relevant accountancy body byelaws.</p> <p><i>Relevant FRC Procedure:</i> Codes &amp; Standards Procedure:</p> <p><a href="https://www.frc.org.uk/about-the-frc/procedures-and-policies/regulatory-standards-and-codes-committee-procedure">https://www.frc.org.uk/about-the-frc/procedures-and-policies/regulatory-standards-and-codes-committee-procedure</a></p>
Addressing unsatisfactory or conflicting interpretations of accounting standards	FRC	<p>ACCA, CIPFA, ICAEW, ICAI, and ICAS (together, forming membership of the <b>Consultative Committee of Accountancy Bodies</b>, also known as <b>CCAB Member Bodies</b>) and CIMA expect their members to observe the consensus reached by the FRC on relevant issues.</p>

Ensuring that the provision of financial information, including directors' reports, by public and large private companies complies with Companies Act requirements	FRC	The FRC is an authorised body under section 457 Companies Act 2006 for the purposes of section 456 of the Companies Act 2006.
Monitoring compliance with accounting requirements of listing rules by issuers of listed securities	FRC	<p>The FRC is the prescribed body under section 14 Companies (Audit, Investigations etc) Act 2004</p> <p><i>Relevant Procedure:</i> FRC Corporate Reporting Review Operating Procedures:</p> <p><a href="https://www.frc.org.uk/getattachment/05c38fe9-2cd8-49a1-a10c-c8c7d0536978/CRR-operating-procedures-FINAL-6-May-2021.pdf">https://www.frc.org.uk/getattachment/05c38fe9-2cd8-49a1-a10c-c8c7d0536978/CRR-operating-procedures-FINAL-6-May-2021.pdf</a></p>
Providing an independent investigation and discipline scheme for matters relating to accountancy firms or members of the accountancy professional bodies which raise or appear to raise important issues affecting the public interest	FRC	<p>By private arrangement with the CCAB Member Bodies and CIMA, the FRC provides independent investigation and/or disciplinary hearings in respect of misconduct by accountant members/member firms in public interest cases. The byelaws of each of the CCAB bodies and CIMA provide that their members are subject to the accountancy scheme.</p> <p><i>Relevant procedure:</i> Accountancy Scheme:</p> <p><a href="https://www.frc.org.uk/getattachment/8fb7189b-b7de-4bfb-af24-66f440ca3529/Accountancy-Scheme-March-21.pdf">https://www.frc.org.uk/getattachment/8fb7189b-b7de-4bfb-af24-66f440ca3529/Accountancy-Scheme-March-21.pdf</a></p>
Independent oversight of the regulation of the accountancy profession by the professional accountancy bodies	FRC	The CCAB Member Bodies and CIMA have given a commitment to consider carefully FRC recommendations and either implement them within a reasonable period or give reasons in writing for not doing so.

## Actuarial

Function	Responsibility	Powers
Setting actuarial standards	FRC	<p>MoU between the FRC and the Actuarial Profession supported by provision within the byelaws and disciplinary schemes of the actuarial bodies requiring its members to comply with the standards set by the FRC.</p> <p><i>Relevant FRC Procedure: Codes &amp; Standards Procedure:</i></p> <p><a href="https://www.frc.org.uk/about-the-frc/procedures-and-policies/regulatory-standards-and-codes-committee-procedure">https://www.frc.org.uk/about-the-frc/procedures-and-policies/regulatory-standards-and-codes-committee-procedure</a></p>
Providing an independent investigation and discipline scheme for matters relating to members of the actuarial profession which raise or appear to raise important issues affecting the public interest	FRC	<p>By private arrangement with the Institute and Faculty of Actuaries (<b>IFoA</b>), the FRC provides independent investigation and/or disciplinary hearings in respect of misconduct by actuarial members/member firms in public interest cases. The byelaws of the IFoA provide that their members are subject to the FRC's actuarial scheme. These provisions are supported by the Memorandum of Understanding between the FRC and the IFoA.</p>
Independent oversight of the regulation of the actuarial profession by the professional actuarial bodies	FRC	<p>MoU between the FRC and the IFoA including a commitment by the IFoA to consider carefully FRC recommendations, implement them within a reasonable period or give reasons in writing for not doing so.</p>

## Corporate Governance

Function	Responsibility	Powers
Monitoring and maintaining the UK Corporate	FRC	<p>Compliance with the Code is voluntary, although the FCA's Listing Rule 12.43A requires companies</p>

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Governance Code and its associated guidance

to report on their compliance with the Code. The Irish Stock Exchange has adopted the Combined Code on Corporate Governance as its corporate governance standard, and its Listing Rules require Irish listed companies to comply or explain with the Code.

*Relevant FRC Procedure:* Codes & Standards Procedure:

<https://www.frc.org.uk/about-the-frc/procedures-and-policies/regulatory-standards-and-codes-committee-procedure>

Monitoring and maintaining the Stewardship Code and its associated guidance

FRC

Compliance with the Code is voluntary.

*Relevant FRC Procedure:* Codes & Standards Procedure:

<https://www.frc.org.uk/about-the-frc/procedures-and-policies/regulatory-standards-and-codes-committee-procedure>



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