

# Registration as a third country auditor in the United Kingdom

## Frequently Asked Questions (FAQ) – Form A

### **Registration**

#### **1. Why do third country auditors have to register with authorities in the UK?**

United Kingdom (**UK**) law sets minimum regulatory requirements for statutory audits. The interrelation of capital markets underlines the need to ensure that auditors from third countries carry out high quality audit work in relation to companies with transferable securities admitted to trading on the capital markets in the UK.

UK law requires the relevant statutory auditors and auditors from third countries to be entered on a public register and be subject to a level of regulation equivalent to the minimum required for UK auditors.

#### **2. Which auditors come within the definition of a third country auditor?**

UK law defines a third country audit auditor as “a person, other than a person eligible for appointment as a statutory auditor, who is eligible to conduct audits of the accounts of bodies corporate incorporated or formed under the law of a third country in accordance with the law of that country”.

Under the current legal framework in the UK, no separate registration as a third country auditor is required where the audit firm is already a registered auditor in the United Kingdom, eligible for appointment as a statutory auditor in accordance with the requirements of section 1212 of the Companies Act 2006.

#### **3. Who should use Form A?**

**Form A** should be used by auditors from countries whose home country is an “equivalent” or “transitional” third country. These countries are:

##### ***Equivalent:***

Abu Dhabi	Australia	Brazil
Canada	China	Dubai Financial Centre
Guernsey	Indonesia	Isle of Man
Japan	Jersey	Malaysia
Mauritius	New Zealand	Singapore
South Africa	South Korea	Switzerland
Taiwan	Thailand	Turkey
USA		

The following countries are equivalent in respect of audits of financial statements for periods starting on or after 1 January 2021:

***Equivalent:***

Austria	Belgium	Bulgaria	Croatia
Cyprus	Czech Republic	Denmark	Estonia
Finland	France	Germany	Gibraltar
Greece	Hungary	Iceland	Ireland
Italy	Latvia	Liechtenstein	Lithuania
Luxembourg	Malta	Netherlands	Norway
Poland	Portugal	Romania	Slovakia
Slovenia	Spain	Sweden	

***Transitional:***

No jurisdictions have this status.

***A non-UK auditor whose home country is not listed above must use Form B.***

You should contact the FRC at [thirdcountryauditor@frc.org.uk](mailto:thirdcountryauditor@frc.org.uk) if you are uncertain as to which form you should use.

#### **4. What is a “relevant audit client”? (Question 8)**

A “relevant audit client” is defined as any company incorporated or formed outside the UK with transferable securities admitted to trading on a regulated market in the United Kingdom for which the applicant provides an audit report concerning the annual or consolidated accounts. This is with the exception of companies that are issuers exclusively of debt securities, the denomination of which is:

- a) If admitted to trading on or before 31 December 2010: at least EUR 50,000 per unit or, in the case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 50,000; or
- b) If admitted to trading after 31 December 2010: at least EUR 100,000 per unit or, in the case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100,000.

#### **5. Does registration entitle a third country auditor to provide statutory audit services in the UK?**

No. Registration as a third country auditor only gives approval, for the purposes of UK requirements, in relation to the audit of a third country company with securities admitted to trading on a UK regulated market. It does not give approval to carry out statutory audits as required by UK Companies Act 2006. Nor does it recognise the qualifications of third country auditors.

**6. What are the requirements for registration as a third country auditor for applicants from countries that have been assessed as either “transitional” or “equivalent”?**

To be registered as a third country auditor, an applicant must satisfy all the requirements of the registration process. Third country auditors from countries that are deemed to be equivalent or transitional have less requirements to satisfy than third country auditors from other countries. These requirements are reflected in the information requested on **Form A**.

**7. What happens if an applicant is not from a country that has been assessed as either equivalent or transitional?**

The full registration requirements apply, i.e. you must apply using **Form B**.

**Application procedure**

**8. When did the system of regulation of third country auditors begin?**

Registration in the United Kingdom as a third country auditor applied from 4 November 2008.

**9. Will the information submitted by the third country auditor be treated as confidential?**

Yes, other than in respect of the information available on the Register of Third Country Auditor (**the Register**) that will be electronically accessible to the public (see FAQ 10).

The obligation of professional secrecy shall apply to all persons who are employed or who have been employed by the FRC. This applies, for example, as regards information as to the outcome of an external quality assurance review.

**10. What information provided in the form will be available on the public register?**

The information provided under Items 1.1 to 1.9, 2.1 to 2.2, 3.2, 3.4, 5 and 6.2 of **Form A** will be stored in the Register in electronic form and shall be electronically accessible to the public.

This information includes (amongst other things)

- Name, address and contact information (including website address) of the firm;
- The address of each of the firm's offices from which it carries out audits of UK-traded third country companies;
- Name of primary contact;
- Legal form of the firm;
- Registration number and date of registration;
- Information about any network that the firm belongs to;
- Name and address of any other authority or body responsible for authorising the firm to conduct audits in accordance with the law of a third country and the firm's registration number.

## **11. Will the information submitted by the third-country auditor be subject to data protection rules?**

Yes. There are data protection provisions in UK law. However, as noted above in FAQ 10, some information is required to be made publicly available on the Register.

## **12. What language should be used for registration purposes?**

Applications to the FRC must be in English.

### **Other information required by Form A**

## **13. What is a network? (Question 3)**

Under UK law, a 'network' means an association of persons other than a firm cooperating in audit work by way of

- a) Profit sharing;
- b) Cost sharing;
- c) Common ownership, control or management;
- d) Common quality management policies and procedures;
- e) Common business strategy; or
- f) Use of a common brand name.

## **14. What is an affiliate of the applicant? (Question 3.3)**

In this context an 'affiliate' means any undertaking, regardless of its legal form, which is connected to the third country auditor by means of common ownership, control or management.

## **15. What should be included in the description of the applicant's internal quality management system? (Question 4)**

The requirements for audit firms in respect of systems for quality management are set by the International Standard on Quality Control (ISQC)1. ISQC1 has now been replaced by the International Standard on Quality Management 1 and 2 (ISQM1 and ISQM2).

An applicant's internal quality management system is required to comply with the new standards, ISQM 1 and ISQM 2, from 15 December 2022.

A system of quality management should provide reasonable assurance that the applicant and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements and conduct engagements in accordance with such standards and requirements.

The description of the internal quality management system should cover at least the policies and/or procedures on the following components:

- The firm's risk assessment process;
- Governance and leadership;
- Relevant ethical requirements;

- Acceptance and continuance of client relationships and specific engagements;
- Engagement performance;
- Resources;
- Information and communication; and
- The monitoring and remediation process.

The FRC would expect an Applicant's approach to quality management to be proportionate to the size and complexity of the Applicant firm.

## **16. What is an external quality assurance review? (Question 7)**

An external quality assurance review can be:

- A peer review under the supervision of a professional body or an independent public oversight body;
- A review carried out by a professional body;
- A review carried out by a professional body under the supervision of an independent public oversight body; or
- An inspection by an independent public oversight body in any jurisdiction.

The external quality assurance review should comprise both an assessment of the firm-wide procedures (including compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality management system of the audit firm) and adequate testing of selected audit files.

## **17. What if my firm has not been subject to an external quality assurance review? (Question 7)**

The obligation to provide information can only apply if an external quality assurance review has been carried out.

## **18. What auditing standards are acceptable under UK Law (Question 8.1)**

### ***Options available***

The UK accepts without reservation the use of:

- International Standards on Auditing (UK) ('ISAs (UK)'), or
- International Standards on Auditing ('ISAs') as issued by the International Auditing and Assurance Standards Board ('IAASB').

Alternatively, we may accept, after assessment:

- National auditing standards.

### ***Reporting under national auditing standards***

Where a third country auditor proposes to apply national auditing standards, we will consider on a case-by-case basis, at the point of registration or renewal of registration, the acceptability of those standards.

For a third country auditor's proposed auditing standards to be acceptable

- They must be considered by the FRC to be equivalent to ISAs as issued by the IAASB (and therefore ISAs (UK)); and,
- The FRC will need to be confident that they will remain equivalent for the year for which registration is granted or renewed.

For those third countries that declare that their applicable auditing standards are based on ISAs as issued by the IAASB:

- it should be possible for equivalence to be assessed by a comparison of ISAs with the translated text of the auditing standards applied; and,
- We will also consider how continuing convergence with ISAs is ensured through a review of the third country's framework for the adoption of new auditing standards.

The decision taken by the UK in its own adoption of ISAs for use as part of ISAs (UK) has no bearing on how we assess the equivalence of any proposed auditing standards to ISAs (as issued by IAASB). Furthermore, acceptance of the national auditing standards in another third country will not influence how we assess those standards.

### ***Auditor's report for audits in accordance with both national auditing standards and ISAs***

A third country auditor may be required to conduct an audit in accordance with the auditing standards of their client's country of incorporation (the "national auditing standards") due to national laws and regulations, in addition to having complied with the ISAs or ISAs (UK) in the conduct of an audit in accordance with UK requirements.

In such circumstances, the auditor's report may refer to ISAs (or ISAs (UK)) in addition to the national auditing standards (it may 'dual report'). If the auditor's report does this, it should identify the national auditing standards and the country of origin of those standards.

For example, *'We conducted our audit in accordance with International Standards on Auditing and [Generally Accepted Auditing Standards] issued in [Country]'*

See also International Standard on Auditing 700 (Revised) Forming an Opinion and Reporting on Financial Statements for further guidance.

The FRC conducts its own audit inspections of third country auditors in countries that are required to follow the full registration requirements. If third country auditors propose to use their national auditing standards and dual report, they will be required to demonstrate that their audits are fully compliant with ISAs or ISAs (UK).

### **Contact for further information**

If in doubt about which standards may be acceptable, please contact the FRC for confirmation at: [thirdcountryauditors@frc.org.uk](mailto:thirdcountryauditors@frc.org.uk)

## **19. What independence requirements are acceptable? (Question 8.1)**

We accept without reservation independence requirements either in accordance with the IFAC Code of Ethics or with ethical standards set by the FRC in the UK.

Where neither of these is used, we will consider on a case-by-case basis the acceptability of standards otherwise applied by the third country auditor.

## **20. What form of regulation will apply to a firm registering from “equivalent” or “transitional” third countries?**

### ***Quality Assurance Reviews***

The UK has chosen to disapply the requirement to have external monitoring arrangements of auditors from transitional and equivalent third countries. The UK will not undertake inspections of equivalent or transitional third country audit entities.

However, the UK though reserves the right to undertake quality assurance reviews as part of cooperative arrangements with the competent authority of a third country.

### ***Continuing Oversight***

Other than where we are aware of information that calls in question an auditor’s continued registration with the FRC (see FAQ 21), we will not undertake active oversight of equivalent and transitional third country auditors beyond requiring the firm to complete an annual renewal of registration.

### ***Investigation and Penalties***

UK Law requires that third country auditors registered with the FRC are subject to the UK system of investigation and penalties for third country auditors.

## **21. In what circumstances will you de-register a third country auditor?**

The law in the United Kingdom allows the FRC to remove a third country auditor from the Register if it considers that the third country auditor:

- (a) Has failed to provide updated information;
- (b) Has failed to comply with arrangements for independent external monitoring;
- (c) Has failed to comply with arrangements for independent investigations;
- (d) Has failed to notify the FRC of specified events;
- (e) Has failed to provide the FRC with information that may be reasonably required for the exercise of regulatory functions;
- (f) Has made an application statement that is no longer correct;
- (g) Has failed to apply the auditing standards and independence requirements; or

- (h) Is not a fit and proper person to conduct the audits of the accounts of a UK-traded non-UK company; or if
- (i) A competent authority which oversees or regulates the TCA considers that the TCA is not a fit and proper person to conduct audits in the country in which that competent authority is established; or
- (j) A competent authority which oversees or regulates the TCA considers that the TCA is not eligible to conduct audits of the accounts of bodies corporate incorporated or formed under the law of that country.

### **Updating of registration information**

#### **22. What does the third-country auditor need to do to update registration information?**

You must notify the FRC without undue delay to any changes in the following information.

- (a) Any change in the information on the Register so that the Register may be updated. The information included in the public register can be found in FAQ 10.
- (b) Names of relevant audit clients lost.
- (c) Details of new relevant audit clients.
- (d) Notification of any sanctions related to audit responsibilities (firmwide and / or individuals) levied by any audit competent authority with which the firm is registered. This is subject to your local laws, and we expect you to notify the FRC of those that have been made public.

Please notify us of these changes by emailing us at [thirdcountryauditors@frc.org.uk](mailto:thirdcountryauditors@frc.org.uk)

The FRC should be notified within fifteen business days of the change taking effect or publication of the sanction.

***If you have further queries, please contact us by e-mail at [thirdcountryauditors@frc.org.uk](mailto:thirdcountryauditors@frc.org.uk).***