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# Guidance on commencement of investigation of cases by the Financial Reporting Council

Disciplinary cases which will be dealt with by the FRC under the Accountancy Scheme

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# Guidance on commencement of investigation of cases by the Financial Reporting Council

## Disciplinary cases which will be dealt with by the FRC under the Accountancy Scheme

- 1 The Financial Reporting Council (“FRC”) operates a scheme for investigating, and holding disciplinary hearings in relation to, allegations of misconduct by accountants and accountancy firms in the course of his or its professional activities or otherwise, who are members of one of the Participant professional bodies (“the Accountancy Scheme”).
- 2 The Accountancy Scheme only applies to those cases which, in the opinion of the Conduct Committee (“the Committee”) raise or appear to raise important issues affecting the public interest in the United Kingdom. All other cases are dealt with by the Participant body to which the accountant or firm belongs.
- 3 In deciding whether a matter raises or appears to raise important issues affecting the public interest in the United Kingdom, the Committee considers:
  - whether the matter appears to:
    - give rise to serious public concern; or
    - damage to public confidence in the accountancy profession in the United Kingdom; and
  - all the circumstances of the case, including, but not limited to, its:
    - nature;
    - extent;
    - scale; and
    - gravity.
- 4 In considering the extent, scale and gravity of the case, factors the Committee is likely to take into account will include whether the alleged misconduct:
  - adversely affected a significant number of people in the United Kingdom (such as investors, customers, employees, pensioners or creditors);
  - involved or caused the loss or potential loss of significant sums of money (typically, more than £10 million); or
  - could undermine confidence in financial reporting or corporate governance in the United Kingdom.
- 5 These factors may be more likely to occur where the alleged misconduct concerns a body in which there is a public interest, such as:
  - a United Kingdom publicly traded company;

- a significant financial institution, insurance undertaking or pension fund in the United Kingdom;
  - a United Kingdom public body;
  - a major audit firm;
  - a significant United Kingdom charity; or
  - a provider of energy, water, telecommunications or other utilities to a significant number of customers in the United Kingdom.
- 6** It should be emphasised that the above list is not exhaustive. Other factors may be considered in deciding whether a matter fulfils the public interest criterion so that it should be dealt with by the FRC. Nor is any one factor or combination of factors necessarily determinative. Each case will be considered in the light of all the relevant circumstances.
- 7** Where the Committee is satisfied that a matter does raise or appear to raise important issues affecting the public interest, it must then decide whether there are reasonable grounds to suspect that the conduct of the Member or Member Firm:
- has fallen significantly short of the standards reasonably to be expected of a Member or Member Firm; or
  - has brought, or is likely to bring, discredit to the Member or Member Firm or to the accountancy profession.
- 8** In considering whether there are reasonable grounds to suspect that there may have been misconduct, regard shall be had to:
- any law, whether statutory or otherwise;
  - any regulation of any sort;
  - any charter, bye-law, rule, regulation or guidance.
- 9** Where the Committee is of the opinion that the criteria are met, the matter will be dealt with by the FRC in accordance with the Scheme.

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**Financial Reporting Council**

5th Floor, Aldwych House

71-91 Aldwych

London WC2B 4HN

+44 (0)20 7492 2300

[www.frc.org.uk](http://www.frc.org.uk)