

June 2017

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# FRC Roles and Responsibilities

## Schedule of Functions and Powers

The Financial Reporting Council (FRC) is the UK's independent regulator responsible for promoting high quality corporate governance and reporting to foster investment. The FRC sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. As the Competent Authority for audit in the UK the FRC sets auditing and ethical standards and monitors and enforces audit quality.

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8th Floor, 125 London Wall, London EC2Y 5AS

Function	Responsibility	Powers
<b>UK Statutory Audit<sup>1</sup></b>		
Public oversight of statutory auditors under the Statutory Audit and Third Country Auditor Regulations 2017 ( <b>SATCAR 2017</b> ).	FRC	Regulation 3(a) SATCAR 2017.
The determination and manner of application of technical, ethical and other standards	FRC	Regulation 3(b)-(d) SATCAR 2017 <i>Relevant FRC Procedure: Codes &amp; Standards Procedure:</i> <a href="https://www.frc.org.uk/About-the-FRC/Procedures/FRC-Codes-and-Standards-procedures.aspx">https://www.frc.org.uk/About-the-FRC/Procedures/FRC-Codes-and-Standards-procedures.aspx</a>
The application of the above standards	FRC **	Regulation 3(e) SATCAR 2017
Setting criteria for determining the eligibility of persons for appointment as statutory auditors ( <b>eligibility criteria</b> and <b>approved persons</b> )	FRC	Regulation 3(f) SATCAR 2017 <i>Relevant FRC Criteria: FRC's Eligibility Criteria for Statutory Auditors:</i> <a href="https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Eligibility-Criteria-June-2016.pdf">https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Eligibility-Criteria-June-2016.pdf</a>
Application of eligibility criteria, registration of approved persons, keeping the register and making it available for inspection	FRC**	Regulations 3(g)-(i) SATCAR 2017
Ensuring approved persons take part in appropriate programmes of continuing education	FRC**	Regulation 3(j) SATCAR 2017
Monitoring of statutory auditors and audit work by means of inspections	FRC**	Regulation 3(k) SATCAR 2017
Investigations of statutory auditors and audit work; and imposing and enforcing sanctions	FRC**	Regulations 3(l)-(m) SATCAR 2017 <i>Relevant procedure: Audit Enforcement Procedure:</i> <a href="https://www.frc.org.uk/Our-Work/Publications/Professional-Discipline/Audit-Enforcement-Procedures.pdf">https://www.frc.org.uk/Our-Work/Publications/Professional-Discipline/Audit-Enforcement-Procedures.pdf</a>
<b>Recognition of supervisory and qualifying bodies</b>		

<sup>1</sup> The FRC has been designated the Competent Authority for statutory audit in the UK by Regulation 2 SATCAR 2017.

\*\* Functions which the Competent Authority remains responsible for but usually delegates 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/Our-Work/Audit/Professional-oversight/Oversight-of-Audit/delegation-agreements.aspx>

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, his powers under Part 42 of the 2006 Act by the Statutory Auditors (Amendment of Companies Act 2006) and Delegation of Functions etc) Order 2012 ( <b>Delegation Order</b> ).
<b>Third Country Audit</b>		
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 and Third Country Auditor</b> ) and keeping of the Third Country Audit Register	FRC	S1239 Companies Act 2006 and Regulation 5, 6, 9 Statutory Auditor and Third Country Audit Regulations 2013 ( <b>SATCAR 2013</b> )  <i>Relevant procedures: FRC Third Country Register Terms &amp; Conditions: <a href="https://www.frc.org.uk/Our-Work/Audit/Professional-oversight/Third-country-auditors/Register-of-third-country-audit-entities-(terms-an.aspx">https://www.frc.org.uk/Our-Work/Audit/Professional-oversight/Third-country-auditors/Register-of-third-country-audit-entities-(terms-an.aspx</a></i>
Calls for notification or information from Third Country Auditors, issuing Compliance Orders and removal from the Third Country Audit Register	FRC	ss1243-1246 Companies Act 2006 and Regulation 12 SATCAR 2013.  Relevant procedure: FRC Third Country Auditor Register Procedures <a href="https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Professional-oversight/Third-country-auditors/De-Registration-Procedures.aspx">https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Professional-oversight/Third-country-auditors/De-Registration-Procedures.aspx</a>
Performance, monitoring and enforcement of third country audit functions	FRC	Reg 11 SATCAR 2016
<b>Local Audit</b>		
Oversight of the regulation by recognised supervisory bodies of auditors of local public bodies	FRC	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	Local Audit Order 2014  <i>Relevant regulations: Local Auditors Transparency Instrument 2015: <a href="https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Local-Auditors-(Transparency)-Instrument-2015.pdf">https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Local-Auditors-(Transparency)-Instrument-2015.pdf</a></i>
Making Regulations on the keeping of the Register of Local Public Auditors	FRC	Local Audit Order 2014  <i>Relevant Regulations: Local Auditors Regulation Instrument 2015: <a href="https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Local-Auditors-(Registration)-Instrument-2015.pdf">https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Local-Auditors-(Registration)-Instrument-2015.pdf</a></i>

Function	Responsibility	Powers
Giving statutory guidance to recognised supervisory bodies on approval of Key Audit Partners	FRC	Local Audit Order 2014 <i>Relevant Guidance:</i> <a href="https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Guidance-to-Recognised-Supervisory-Bodies-on-the-a.pdf">https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Guidance-to-Recognised-Supervisory-Bodies-on-the-a.pdf</a>
Monitoring the quality of major local audits <sup>2</sup>	FRC	Schedule 5 Local Audit and Accountability Act 2014
Determination of sanctions pursuant to failures found during such inspections	FRC	Schedule 5 Local Audit and Accountability Act 2014 <i>Relevant Procedure: Auditor Regulatory Sanctions Procedure:</i> <a href="https://frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Auditor-Regulatory-Sanctions-Procedure-June-2016.pdf">https://frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Auditor-Regulatory-Sanctions-Procedure-June-2016.pdf</a>
<b>Auditors General</b>		
Independent supervision of Auditors General and disciplinary arrangements	FRC	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.  <i>Relevant procedure: Statement of Arrangements for the Supervision of the Comptroller &amp; Auditor General includes Regulations and Disciplinary Procedure Rules.</i>
<b>Crown Dependency Audit</b>		
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 Economic Area (Crown Dependency Inspections)	FRC	By private, contractual arrangements with the relevant regulatory authorities in the Crown Dependencies.
Determination of sanctions pursuant to failures found during Crown Dependency Inspections	FRC	By private arrangement with the Crown Dependencies  <i>Relevant procedure: Crown Dependencies Recognised Auditor Regulatory Sanctions Procedure</i> <a href="https://www.frc.org.uk/Our-Work/Publications/FRC-Board/Crown-Dependencies%E2%80%99-Recognised-Auditor-Regulatory.pdf">https://www.frc.org.uk/Our-Work/Publications/FRC-Board/Crown-Dependencies%E2%80%99-Recognised-Auditor-Regulatory.pdf</a>

<sup>2</sup> From 2018 in respect of financial years ending 31 March 2018.

Function	Responsibility	Powers
<b>Corporate Reporting</b>		
<b>Accounting</b>		
Issuing accounting standards.	FRC	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 bye laws.  <i>Relevant FRC Procedure: Codes &amp; Standards Procedure:</i> <a href="http://frc.org.uk/About-the-FRC/Procedures/Regulatory-policies.aspx">http://frc.org.uk/About-the-FRC/Procedures/Regulatory-policies.aspx</a>
Addressing unsatisfactory or conflicting interpretations of accounting standards.	FRC	ACCA, CIPFA, ICAEW, ICAI, and ICAS (together, forming membership of the <b>Consultative Committee of Accountancy Bodies</b> , also known as <b>CCAB bodies</b> ) and CIMA expect their members to observe the consensus reached by the FRC on relevant issues.
Ensuring that the provision of financial information, including directors' reports, by public and large private companies complies with Companies Act requirements.	FRC Conduct Committee	The FRC's Conduct Committee is an authorised body under section 457 Companies Act 2006 for the purposes of section 456 of the 2006 Act.  <i>Relevant Procedure: Conduct Committee Operating Procedures For Reviewing Corporate Reporting</i> <a href="http://frc.org.uk/Our-Work/Publications/FRRP/Operating-procedures.pdf">http://frc.org.uk/Our-Work/Publications/FRRP/Operating-procedures.pdf</a>
Monitoring compliance with accounting requirements of listing rules by issuers of listed securities.	FRC Conduct Committee	The FRC's Conduct Committee is the prescribed body under section 14 Companies (Audit, Investigations etc) Act 2004.  <i>Relevant Procedure: Conduct Committee Operating Procedures For Reviewing Corporate Reporting</i> <a href="http://frc.org.uk/Our-Work/Publications/FRRP/Operating-procedures.pdf">http://frc.org.uk/Our-Work/Publications/FRRP/Operating-procedures.pdf</a>
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	By private arrangement with the CCAB 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 bye laws of each of the CCAB bodies and CIMA provide that their members are subject to the accountancy scheme.  <i>Relevant procedure: Accountancy Scheme</i> <a href="http://www.frc.org.uk/Our-Work/Publications/Professional-Discipline/The-Accountancy-Scheme-(Effective-1-July-2013).pdf">http://www.frc.org.uk/Our-Work/Publications/Professional-Discipline/The-Accountancy-Scheme-(Effective-1-July-2013).pdf</a>

Function	Responsibility	Powers
Independent oversight of the regulation of the accountancy profession by the professional accountancy bodies.	FRC	The CCAB 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.
<b>Actuarial</b>		
Setting actuarial standards.	FRC	MoU between the FRC and the Actuarial Profession supported by provision within the bye laws and disciplinary schemes of the actuarial bodies requiring its members to comply with the standards set by the FRC.  <i>Relevant FRC Procedure: Codes &amp; Standards Procedure:</i> <a href="http://frc.org.uk/About-the-FRC/Procedures/Regulatory-policies.aspx">http://frc.org.uk/About-the-FRC/Procedures/Regulatory-policies.aspx</a>
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	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 bye laws 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.
Independent oversight of the regulation of the actuarial profession by the professional actuarial bodies.	FRC	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.
<b>Corporate Governance</b>		
Monitoring and maintaining the UK Corporate Governance Code and its associated guidance	FRC	Compliance with the Code is voluntary, although the FCA's Listing Rule 12.43A requires companies 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."  <i>Relevant FRC Procedure: Codes &amp; Standards Procedure:</i> <a href="http://frc.org.uk/About-the-FRC/Procedures/Regulatory-policies.aspx">http://frc.org.uk/About-the-FRC/Procedures/Regulatory-policies.aspx</a>
Monitoring and maintaining the Stewardship Code and its associated guidance	FRC	Compliance with the Code is voluntary.  <i>Relevant FRC Procedure: Codes &amp; Standards Procedure:</i> <a href="http://frc.org.uk/About-the-FRC/Procedures/Regulatory-policies.aspx">http://frc.org.uk/About-the-FRC/Procedures/Regulatory-policies.aspx</a>



**Financial Reporting Council**

8th Floor  
125 London Wall  
London  
EC2Y 5AS

+44 (0)20 7492 2300

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