

## ELIGIBILITY CRITERIA

Under the Statutory Auditor and Third Country Auditors Regulations 2016 (“SATCAR 2016”), the Financial Reporting Council of 125 London Wall, London, EC2Y 5AS is designated as the competent authority with ultimate responsibility for the performance and oversight of the audit regulation tasks mandated by EU Regulation 537/2014 and EU Directive 2006/43/EU as amended and as implemented by SATCAR 2016.

The competent authority makes these Eligibility Criteria in order to meet its responsibility under Regulation 3(1) (f) of SATCAR 2016 for the determination of criteria for the purpose of determining whether persons are eligible for appointment as statutory auditors.

### Commencement

1. These Eligibility Criteria come into force on 17 June 2016.

### Definitions

2. In these Eligibility Criteria –

“EEA auditor” means an individual who holds a qualification to audit accounts under the law of an EEA member state other than the UK and Ireland

“EEA audit firm” means a firm eligible for appointment as an auditor under the law of an EEA member state

“Recognised Supervisory Body” or “RSB” means a body recognised under the Companies Act 2006 to which a Competent Authority has delegated certain functions in respect of the registration and supervision of Registered Auditors

“Registered Auditor” means a firm entered on the register of auditors as eligible for appointment as a statutory auditor

“Registration Committee” means a committee of the registering RSB appointed under that RSB’s bye-laws, regulations or rules with responsibility for discharging registration functions delegated to the RSB by the Competent Authority

### Eligibility Criteria

3. No member or firm is eligible for or may accept an audit appointment unless registered by a RSB or the Competent Authority.
4. A RSB may register a firm only when its Registration Committee is satisfied that the firm meets the Eligibility Criteria.
5. In the case of a firm which is a sole practice and not an EEA audit firm, the firm shall be registered as eligible for appointment as a statutory auditor if:
  - (a) the firm is fit and proper to be appointed as a Statutory Auditor. Before deciding that the firm is ‘fit and proper’ the Registration Committee must be satisfied that the firm satisfies any Eligibility Criteria set by the Competent Authority from time to time and such guidance, rules or criteria applied by the RSB;

- (b) the firm complies with the PII Regulations of the registering RSB (and such PII regulations as may be required by the Competent Authority from time to time). A firm which is an employee of an Auditor General under the Act has the benefit of a statutory indemnity;
  - (c) the firm has appointed an audit compliance principal whose name has been given to the registering RSB;
  - (d) each individual responsible for the firm's audit work :
    - (i) holds a practising certificate or equivalent;
    - (ii) holds an appropriate qualification (audit qualification) or equivalent;
    - (iii) satisfies the Registration Committee about their recent experience of audit work;
    - (iv) is allowed to sign audit reports in their name on behalf of the firm.
  - (e) the sole practitioner is a responsible individual and the audit compliance principal (and if not a member of ICAEW, ICAS or ICAI, a member of the Association of Chartered Certified Accountants) is an audit affiliate of the registering Institute;
  - (f) the firm has arrangements in place to exclude individuals who do not have an appropriate qualification (audit qualification), and persons who are not Registered Auditors, EEA auditors, EEA audit firms or a combination of these from being able to exercise influence over the way in which an audit is conducted in circumstances in which that influence would be likely to affect the independence or integrity of the audit
  - (g) The firm satisfies and undertakes to be bound by the Eligibility Criteria and by the bye-laws, rules and regulations of the registering RSB that are applicable to it.
6. Where the firm is not a sole practice, that firm meets additional criteria below as follows:

The additional requirements for a firm which is not a sole practice are:

- (a) each principal is either
  - (i) a member of a RSB;
  - (ii) an audit affiliate of ICAEW, ICAS or ICAI who is subject to the rules of a RSB;
  - (iii) a holder of a qualification granted by another RQB, an approved overseas qualification or an EEA audit qualification which has been assessed by ACCA as an appropriate qualification;
  - (iv) a Registered Auditor;
  - (v) an EEA auditor who also satisfies requirement ii) or iii) above as the case may be;
  - (vi) or an EEA audit firm which also satisfies requirement ii) or iii) above as the case may be.
- (b) individuals who have an appropriate qualification (audit qualification), Registered Auditors, EEA auditors, EEA audit firms or a combination of these hold at least a majority of the voting rights or hold such rights under the firm's constitution as enable them to direct its overall policy or alter its constitution;
- (c) individuals who have an appropriate qualification, Registered Auditors, EEA auditors, EEA audit firms or a combination of these hold at least a majority of the voting rights in the management board or hold such rights under the firm's constitution as enable them to direct its overall policy or alter its constitution;

- (d) and where the firm is a corporate practice the Articles of Association:
- (i) require its shareholders to notify it of any changes in the number of shares held in the corporate practice, whether the shares are held directly or indirectly;
  - (ii) enable the board of directors to require shareholders to supply information about their shareholdings in the corporate practice over the previous three years;
  - (iii) enable the board of directors to require any non-shareholder whom the directors know or have reasonable cause to believe has or had an interest in the shares of the corporate practice to supply information about their interests in the previous three years;
  - (iv) enable the board of directors to deprive any shareholder of the right to vote if the information asked for in criterion (b) or (c) above is not given in the time specified in the request;
  - (v) enable the board of directors to deprive any shareholder of the right to vote if the corporate practice's application for registration is rejected by a RSB's Registration Committee, or registration has been withdrawn by a RSB's Registration Committee, and the corporate practice has been told that the refusal or withdrawal relates to the ownership of any shareholding; and
  - (vi) require the board of directors to approve any transfer of shares which would result in a shareholder having an interest representing more than 3% of the aggregate nominal value of the issued share capital.

#### EEA Audit firms

7. The requirements for registration for a firm which is an EEA audit firm are:
- (a) the firm can provide evidence of professional indemnity insurance that is equivalent to that required under the PII Regulations
  - (b) the firm has appointed an audit compliance principal whose name has been given to the registering RSB
  - (c) each individual responsible for the firm's audit work is a responsible individual
  - (d) each principal is either:
    - (i) a member of a RSB;
    - (ii) an audit affiliate of the registering RSB;
    - (iii) a holder of a qualification granted by another RQB, an approved overseas qualification or an EEA audit qualification which has been assessed by ACCA as an appropriate qualification;
    - (iv) a Registered Auditor;
    - (v) an EEA auditor who is also an audit affiliate of the registering RSB; or
    - (vi) an EEA audit firm who is also an audit affiliate of the registering RSB
  - (e) the firm is eligible for appointment as a statutory auditor or is eligible for a corresponding appointment as a statutory auditor under the law of that EEA state
  - (f) the firm provides proof of its eligibility in the form of a certificate, dated not more than three months before it is provided by the firm, from the competent authority of the EEA State concerned.

### **Continuing obligations**

8. A registered audit firm must continue to meet the requirements of the Eligibility Criteria

### **Cessation of registration**

9. A firm will cease to be a registered auditor if:
  - (a) the Registration Committee of a RSB accepts an application from the firm to cancel the registration; or
  - (b) the firm ceases to exist; or
  - (c) the Registration Committee withdraws registration; or
  - (d) the Competent Authority issues a decision notice pursuant to the FRC Enforcement Procedure withdrawing registration; or
  - (e) a firm registered on the grounds that it is an EEA audit firm ceases to be an EEA audit firm.