

IFIAR 2025 Member Profile – FRC

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: United Kingdom
2. Member¹	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Financial Reporting Council (FRC)</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone number(s), a general email address (if any) and a link to the Member’s website:</p> <p>8th Floor 125 London Wall London EC2Y 5AS Main Tel: 020 7492 2300 Website: www.frc.org.uk</p> <hr/> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>The Financial Reporting Council (FRC) is a private company limited by guarantee and was first established in 1990. It has a number of regulatory functions, including audit regulation, and has public body status. Its overall mission is the promotion of transparency and integrity in business, and its varied regulatory responsibilities derive from various sources including statutory delegations and voluntary arrangements.</p> <p>In relation to audit regulation all its responsibilities and authority can be found in statute i.e.</p> <ul style="list-style-type: none"> • <u>Recognition and Supervision of Recognised Supervisory Bodies (RSBs) and Recognised Qualifying Bodies (RQBs)</u> <p>Under the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012 (Delegation Order), many of the responsibilities of the Secretary of State for Business,</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

Energy and Industrial Strategy under Part 42 of the Companies Act 2006 have been delegated to the FRC.

- Competent Authority

Under the Statutory Auditors and Third Country Auditors Regulations 2016 (**SATCAR**), which implement the amended EU Audit Directive 2004 and the EU Audit Regulation 2014, the FRC is the UK's designated Competent Authority for Statutory Audit and is responsible for the tasks listed below:

- the determination of technical standards on professional ethics and internal quality control of statutory auditors and statutory audit work;
- the determination of the manner in which the standards are to be applied in practice;
- the determination of criteria for the purpose of determining whether persons are eligible for appointment as statutory auditors;
- the application of those criteria to determine whether persons are eligible for appointment as statutory auditors;
- registration of persons approved as eligible for appointment as statutory auditors;
- keeping the register and making it available for inspection;
- ensuring persons eligible for appointment as statutory auditors take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level;
- monitoring (by means of inspections) of statutory auditors and audit work;
- investigations of statutory auditors and audit work; and
- imposing and enforcing sanctions
- other miscellaneous tasks set out in the EU Audit Regulation.

The FRC delegates a number of these tasks to the RSB's under Delegation Agreements. The FRC may not (under the EU legislation and the UK implementing legislation) delegate the determination of standards, the determination of criteria for registration as a statutory auditor and the monitoring and investigation of PIE audits. The FRC monitors the RSB's in carrying out the delegated tasks and reports on its monitoring annually in an appendix to the FRC's annual report and accounts.

- Third Country Auditors

	<p>Under the Delegation Order, the FRC is responsible for the registration and monitoring of third country auditors pursuant to Part 42 Companies Act 2006.</p> <ul style="list-style-type: none"> • <u>Local Authority Auditors</u> <p>Under the Local Audit (Delegation of Functions) and Statutory Audit (Delegation of Functions) Order 2014 (Local Audit Delegation Order), the FRC is responsible for the recognition and supervision of supervisory and qualifying bodies for local authority audit under the Local Audit and Accountability Act 2014.</p> <ul style="list-style-type: none"> • <u>Independent Supervisor of Auditors General</u> <p>Under the Delegation Order, the FRC is responsible for the independent supervision of the Comptroller and Auditor General for England (the officer of the English Parliament which heads the National Audit Office, the body that scrutinises Government expenditure). The FRC carries out the same function for the Auditors General of Northern Ireland, Scotland and Wales.</p> <p>2.4 Please indicate whether the Member has responsibility for the following tasks within the area of Audit Oversight:</p> <p><input type="checkbox"/> Licensing</p> <p><input checked="" type="checkbox"/> Registration</p> <p><input checked="" type="checkbox"/> Audit and/or Ethics Standard Setting</p> <p><input checked="" type="checkbox"/> Permanent Education / Continuous Training of Auditors</p> <p><input checked="" type="checkbox"/> Inspection</p> <p><input checked="" type="checkbox"/> Enforcement</p> <p><input checked="" type="checkbox"/> Other: <u>Monitoring the audit market generally</u></p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including, where possible, the names, the organization they represent (if any) and brief backgrounds of the governing body members, or provide a link to a page on your website where this information is provided.</p> <p>The Board comprises a Chair and Non-Executive Directors appointed by the Secretary of State and the Chief Executive Officer. All Directors must be knowledgeable in areas relevant to statutory audit but no member of the Board may be a practising auditor or a member of the governing body of an accountancy body.</p> <p>The FRC Board currently comprises:</p> <p><u>Chair</u>: Appointed 3 February 2022 - Jan du Plessis</p>

	<p><u>Deputy Chair</u>: currently vacant</p> <p><u>Non-Executive Directors</u>: Ruwan Weerasekera Hannah Nixon Angela Cha Clare Thompson (Senior Independent Director) David Willis Eva Lindholm (appointed 28 November 2024) Simon O’Regan (appointed 28 November 2024) Charlie Parker (appointed 28 November 2024)</p> <p><u>Executive Director and Chief Executive</u>: Richard Moriarty</p> <p>Brief backgrounds of all members of FRC Board can be found here: https://www.frc.org.uk/about-us/structure/frc-board/</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body? E.g. Does national legislation require representatives on the governing body from certain organizations, or with specific experience, etc.</p> <p>See above at 3.1.</p> <p>3.3 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>See below at 4.1 in relation to cooling off of former employees/partners of audit firms. All Board Directors are also subject to the FRC’s Code of Conduct in relation to conflicts of interests and the provisions of the Companies Act 2006. The Code of Conduct was updated in 2021 and is on the FRC website.</p>
4. Independence safeguards	4.1 Please describe the national independence requirements for the governing body and its members, and legal or regulatory requirements/provisions in place that safeguard their independence from the audit profession.

	<p>The Articles of Association includes provisions that:</p> <ul style="list-style-type: none"> • no director may be an individual who in the three years prior to appointment has: <ul style="list-style-type: none"> (i) been a practising auditor; or (ii) held voting rights in an audit firm; or (iii) been an employee of, partner of or otherwise contracted by an audit firm, a member of the administrative, management or supervisory body of an audit firm or an officer holder of an audit body; • no director may be an office holder of an accountancy or actuarial body; and • the majority of directors may not be individuals who in the five years prior to appointment have: <ul style="list-style-type: none"> (i) been practising accountants or actuaries; or (ii) held voting rights in an accountancy or actuarial firm; or (iii) been employees of an accountancy or actuarial firm, members of the administrative or management body of an accountancy or actuarial firm. <p>Are employees of the Member covered by the same or separate set of independence requirements?</p> <p><input type="checkbox"/> Same set of requirements <input checked="" type="checkbox"/> Different set of requirements</p> <p>If there are separate independence requirements for employees, please describe:</p> <p>Employees of the FRC are required as part of the terms and conditions of their employment to at all times comply with the FRC’s Conflict of Interests Policy, to ensure that the FRC’s work is carried out free from improper conflict or influence and in order to uphold effective regulation in the public interest. The FRC maintains and enforces this policy to ensure that employees understand and declare conflicts of interest so that the FRC can identify and manage conflicts of interest, thereby reducing risk and ensuring that actual and perceived conflicts do not affect or appear to affect decisions made by the FRC. In doing this the FRC protects the integrity of its regulatory decisions, assures the public in general and its regulated constituency that it regulates fairly and impartially.</p> <p>Employees are required to register the following interests of themselves, family and anyone with whom they have a close personal or business relationship: relevant appointments, directorships or offices held and</p>
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	<p>audit firm pension scheme memberships. Substantial guidance is provided to FRC employees as to what might constitute a conflict of interest, which is not repeated in full herein.</p> <p>For the purpose of this application, particular note is made of the provisions relating to past employment at an audit firm, which require previous employment at a firm and a legacy firm to be declared, as well as any previous employment at a UK Audit firm overseas. This allows an appropriate cooling off period to be agreed. Individuals working in AQR, AFS, AMS and Enforcement should not engage in projects where they have been employed by the relevant audit firm at least 5 years after leaving that employment.</p> <p>4.2 Are there any additional safeguards in place that provide for the Member's overall independence from the audit profession? E.g. through the appointment process, specific Board actions, etc.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe:</p>
5. Funding Arrangements	<p>5.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget:</p> <p>The Companies Act 2006 provides for the professional bodies to cover the FRC's costs as the Competent Authority for audit. The remainder of the FRC's core operating costs in relation to accounting, actuarial work and corporate governance are funded by through voluntary arrangements with the accountancy and actuarial professions and the business community and the pensions and insurance industries.</p> <p>5.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>Each year the FRC determines its priorities and funding requirements for the next financial year with reference to its responsibilities set out in 2.3. The FRC consults publicly on those priorities and funding requirements before finalizing its Plan and Budget for each financial year. The profession may respond to the consultation as may any of the FRC's stakeholder but otherwise has no influence over the FRC's funding.</p>
6. Audit Market	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member's oversight or mandate.</p>

	<p>There are twelve firms that are inspected annually by the FRC’s AQR team, and approximately a further 25 auditors of public interest entities which are inspected every three to six years. The professional bodies are responsible for inspections of some 7000 auditors of non-public interest entities, subject to FRC oversight. There are approximately 2300 audits subject to AQR inspection (comprising 1800 Public Interest Entities, 300 Major Local Audits and 200 retained audits).</p> <p>6.2 Please describe the sizes (in terms of revenue / number of listed entity clients / number of partners and audit staff / etc. – whichever measure is commonly used and available in your jurisdiction) and market shares of each of the largest audit firms in the Member’s jurisdiction.</p> <p>The relevant size of each of the eight largest firms is estimated as follows:</p> <ul style="list-style-type: none"> • BDO LLP – 4% • Deloitte LLP – 27% • Ernst & Young LLP – 16% • Grant Thornton UK LLP – 1% • KPMG LLP– 19% • PricewaterhouseCoopers LLP – 28% • Mazars – 2% • RSM – 1% <p>The above analysis is expressed as a percentage of PIE audit fee income in the UK.</p>
<p>7. Inspection System</p>	<p>7.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>7.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including the follow-up and reporting process, and the regulatory measures available to be taken as a result of inspections (if described in Question 12 Enforcement, please reference that section for details on such measures).</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight by the Member:</p>

	<p>The FRC is responsible for inspecting auditors of all public-interest entities (PIEs). A public report on the six largest firms is issued at the completion of the inspection cycle. The remaining inspection activity is collectively reported annually. Reports on all audits reviewed are issued to both the audit firm and the audit committee chair.</p> <p>7.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>FRC currently inspects the twelve firms which audit the most PIEs annually. The remaining firms auditing PIEs (approximately 25 other firms) are inspected on a rolling basis, every three to six years.</p> <p>7.4 Does the Member have its own inspection staff, use reviewers from the professional body or sub-contract to third parties, independent contractors, etc. for the conduct of inspections? Please tick the boxes that apply: (multiple responses allowed) Note that there is no need to tick a box if non-employee reviewers are used very occasionally and are not a core staffing approach.</p> <p> <input checked="" type="checkbox"/> Employees of the Member <input type="checkbox"/> Professional body </p> <p> <input type="checkbox"/> Third Parties <input type="checkbox"/> Other </p> <p>Please explain below:</p> <p>The inspections are undertaken by the FRC’s Audit Quality Review team (AQR).</p>
8. Licensing	<p>8.1 If the Member has the responsibility for <u>Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Licensing conducted by another organization?</p> <p> <input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight </p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition. Also, give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The FRC determines the eligibility criteria. The criteria are applied, and the register maintained by the Recognised Supervisory Bodies (RSBs) by virtue of the delegation from the FRC to those bodies. The delegations are set out in the Delegation Agreements between the FRC and each of the bodies which are published on the FRC website.</p> <p>There are four RSBs:</p>

	<ul style="list-style-type: none"> - Association of Chartered Certified Accountants (ACCA) - Institute of Chartered Accountants in England & Wales (ICAEW) - Chartered Accountants Ireland (CAI) - Institute of Chartered Accountants of Scotland (ICAS) <p>The majority of audit firms and individuals are licensed by the ICAEW.</p>
9. Registration	<p>9.1 If the Member has the responsibility for <u>Registration</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also, give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>From 5 December 2022, the FRC operates an additional registration requirement for PIE audit firms and individuals who sign PIE audit reports. This is in addition to the audit registration for all audits, which remains the responsibility of the professional bodies.</p> <p>The FRC has the power, through the new PIE Auditor Registration Regulations, to set certain restrictions on both firms and RIs in the form of Conditions on their activity (such as restricting them from taking on further PIE audits without the FRC’s permission) and/or through the agreement of Undertakings (such as agreeing to undertake additional training or put in place additional control measures). The FRC may publish details of Conditions on the PIE Auditor Register unless it believes it would not be in the public interest to do so and may publish Undertakings, if it considers it in the public interest to do so. So far, there has been no such publicity decision taken.</p>
10. Audits and/or Ethics Standard Setting	<p>10.1 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the</p>

	<p>audit profession are involved in decision-making). Also, give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The determination of technical, ethical and internal control standards is a matter reserved to the Board. The Board is assisted in this task by its Codes and Standards Committee and an advisory panel, as well as the executive Audit and Assurance Policy Team.</p>
11. Permanent Education / Continuous Training of Auditors	<p>11.1 If the Member has the responsibility for <u>Permanent Education / Continuous Training of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education / Continuous Training of Auditors conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility, including any changes, with an appropriate level of detail.</p> <p>If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also, give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The FRC is responsible for permanent or continuing education under the Companies Act 2006. It delegates this task to the Recognised Supervisory Bodies under Delegation Agreements with each of those bodies and then oversees the exercise of this task by the bodies. The Delegation Agreements are published on the FRC website.</p>
12. Enforcement	<p>12.1 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If directly, please describe the responsibility and procedures applied (including investigations, disciplinary actions or sanctions), as well as the reporting process for disciplinary action.</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also, give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The FRC is responsible for all enforcement under the Companies Act 2006. The FRC exercises these powers in relation to PIEs, large AIM companies</p>

	<p>and large Lloyds’ syndicates. Its enforcement powers are set out in its Audit Enforcement Procedure.</p> <p>All other enforcement is exercised by the Recognised Supervisory Bodies pursuant to the Delegation Agreements with each of those bodies.</p>
<p>13. Other Responsibilities in Audit Oversight or Audit Regulation</p>	<p>13.1 If the Member has the responsibility for <u>other tasks within the area of Audit Oversight or Audit Regulation</u>, please describe with an appropriate level of detail:</p> <p>Third Country Audit, Local Authority Audit and the Independent Supervision of the Comptroller and Auditor General as described in 2.3 above.</p>
<p>14. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight or Audit Regulation</p>	<p>14.1 Please describe with an appropriate level of detail, the responsibility of the Member for <u>tasks outside the area of audit oversight or audit regulation</u> such as supervision of financial reporting or securities regulation:</p> <p><u>Actuarial Regulation</u></p> <p>Responsible for the setting and maintenance of Technical Actuarial Standards and Actuarial Standard Technical Memorandum 1 and oversight of the regulation of actuaries by the Institute and Faculty of Actuaries.</p> <p><u>Corporate Reporting</u></p> <p>The FRC is the prescribed body for issuing accounting standards in the UK under the provisions of the Companies Act 2006.</p> <p>The FRC is authorized under the Companies Act to apply to court to require an entity to amend their Annual Report and Accounts where they do not comply with the requirements of the Companies Act 2006. In addition, the Conduct Committee monitors the accounts of issuers listed on the UK’s main markets and may inform the relevant listing authority (the Financial Conduct Authority) if they have any concerns pursuant to the Companies Audit, Investigations and Community Enterprise Act 2004. The Conduct Committee is supported in this responsibility by the FRC’s Corporate Reporting Review Team.</p> <p><u>Corporate Governance and Stewardship</u></p> <p>The FRC maintains the UK Corporate Governance Code. UK listed companies are required to comply with the Code or to explain any departures from the Code in order to comply with the UK Listing Rules. Other entities voluntarily adhere to the provisions of the Code. The FRC also publishes guidance which compliments the Code and assists</p>

	<p>companies in addressing specific aspects of governance and accountability. They cover Board effectiveness, risk management and internal controls, the role of audit committees, and assessing and reporting on whether the business is a going concern.</p> <p>The FRC also maintains the UK Stewardship Code which aims to enhance the quality of engagement between asset managers and companies to help improve long term risk adjusted returns to shareholders.</p>
15. Member Update for public information (if any)	<p>15.1 Are there any major news, activities, events or updates (on audit matters, the Member’s organization, the governing legislation or the authority/responsibilities) that you wish to keep the public informed of since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>