



Financial Reporting Council

# Eligibility Criteria

Effective on and from 5  
December 2022

December 2022

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## Introduction

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 SATCAR 2016 and Regulation (EU) No 537/2014<sup>1</sup> as incorporated into UK domestic law.

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 (Part A Eligibility Criteria) and as statutory auditors of a Public Interest Entity (PIE) (Part B Eligibility Criteria) and to reflect the legislative changes effected by the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019<sup>2</sup> as amended by the Statutory Auditors, Third Country Auditors and International Accounting Standards (Amendment) (EU Exit) Regulations 2019<sup>3</sup> and the Companies and Statutory Auditors etc. (Consequential Amendments) (EU Exit) Regulations 2020<sup>4</sup>.

Part A of these Eligibility Criteria apply to each individual and firm who wishes to be eligible for appointment as a statutory auditor.

Part B of these Eligibility Criteria apply to each individual and firm who is eligible for appointment as a statutory auditor under Part A and who wishes to be eligible for appointment as a statutory auditor of a PIE or PIEs.

## Commencement

1. These Eligibility Criteria come into force on 5 December 2022. These Eligibility Criteria supersede any previous Eligibility Criteria.

## Definitions

2. In these Eligibility Criteria –

“appropriate qualification” has the meaning specified in section 1219 Companies Act 2006

“Audit Directive” means Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC

“EEA auditor” means an individual or firm approved in accordance with the Audit Directive by an EEA competent authority to carry out audits of annual accounts or consolidated accounts required by European Union law

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<sup>1</sup> Following the UK’s withdrawal from the European Union, Regulation (EU) No 537/2014 is incorporated into domestic UK law by section 3 of the European Union (Withdrawal) Act 2018 and is amended for this purpose by Part 4 of the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019.

<sup>2</sup> S.I.2019/177

<sup>3</sup> S.I.2019/1392

<sup>4</sup> S.I.2020/523

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“EEA audit firm” means a firm that is an EEA auditor

“IP completion day” means 31 December 2020

“Public Interest Entity” or “PIE” has the meaning given in regulation 2 of SATCAR 2016 save that it excludes relevant authorities under section 2 of the Local Audit and Accountability Act 2014

“PII Regulations” means the regulations of the RSBs pertaining to professional indemnity insurance

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

“registered” means registered as eligible for appointment as a statutory auditor

“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 FRC as competent authority

“statutory auditor” has the meaning as set out in section 1210 Companies Act 2006

“third country auditor” means a person 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 and who meets the requirements of paragraph 5 (e) below (is a “qualified person”)

## Part A

### Eligibility Criteria for all statutory auditors

3. No individual or firm is eligible for, or may accept, an audit appointment unless registered by an RSB or the competent authority as eligible for appointment as a statutory auditor.
4. An RSB may register a firm only when its Registration Committee is satisfied that the firm meets the Part A Eligibility Criteria.
5. A firm which is a sole practice and not a third country auditor may be registered 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 in Part A 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) and in the case of a firm

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- 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 statutory 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 statutory audit work;
    - (iv) satisfies the Registration Committee that they meet the continuing professional development requirements of the registering RSB; and
    - (v) is allowed to sign audit reports in their name on behalf of the firm;
  - e) each individual who is a third country auditor and who is responsible for statutory audit work on behalf of the firm either:
    - (i) holds an appropriate qualification; or
    - (ii) has been authorised on or before 5 April 2008 to practise the profession of company auditor pursuant to the European Communities (Recognition of Professional Qualifications) (First General System) regulations 2005 (SI 2005/18) and has fulfilled any requirements imposed pursuant to regulation 6 of those Regulations; or
    - (iii) is an EEA auditor and holds a professional qualification which covers the subjects that are covered by a recognised professional qualification and that are subjects of which knowledge is essential for the pursuit of the profession of statutory auditor and meets requirements (a) and (b) below; or
    - (iv) the individual holds a professional qualification which does not cover all those subjects and meets requirements (a) and (b) below:
      - (a) on or before IP completion day, has been approved by the body or is in the process of seeking approval from the body, and
      - (b) has met whichever of the requirements of paragraph 6(1B) of Schedule 10 to the Companies Act 2006 in respect of aptitude tests and adaptation periods as is specified in the RSB's rules.
  - f) the sole practitioner is:
    - (i) a responsible individual and the audit compliance principal; and

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- (ii) either a member of ICAEW, ICAS or ICAI, a member of ACCA, or an audit affiliate of ICAEW, ICAS or ICAI or a regulated non-member of ACCA.
- g) 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, third country auditors 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; and 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. A firm which is not a sole practice, must also meet the additional criteria below:
- a) each principal is either:
- (i) a member of an RSB;
  - (ii) an audit affiliate of ICAEW, ICAS or ICAI or a regulated non-member of ACCA who is subject to the rules of an RSB;
  - (iii) a Registered Auditor; or
  - (iv) an individual who is a third country auditor who also satisfies requirements in paragraph 5 (e) (is a "qualified person") above;
- b) individuals who have an appropriate qualification (audit qualification), Registered Auditors, third country auditors who meet the requirements in paragraph 5 (e) 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<sup>5</sup>;
- c) individuals who have an appropriate qualification, Registered Auditors, third country auditors who meet the requirements in paragraph 5 (e) 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<sup>6</sup>; and
- d) 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;

<sup>5</sup> In this context, "majority" means more than 50% of the voting rights, or of such rights under the firm's constitution as enable direction of its overall policy or alteration of its constitution, unless the firm's constitution specifies a higher percentage of those rights is required for decision-making, in which case, "majority" shall be taken to mean that specified percentage or more.

<sup>6</sup> In this context, "majority" has the meaning explained in footnote 5 above.

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- (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 an RSB's Registration Committee, or registration has been withdrawn by an 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.

### **Continuing obligations**

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

### **Cessation of registration**

- 8. A firm will cease to be registered as eligible for appointment as a statutory auditor if:
  - a) the Registration Committee of an RSB accepts an application from the firm to cancel the registration;
  - b) the firm ceases to exist;
  - c) the Registration Committee withdraws registration;
  - d) the firm is sanctioned under a competent authority enforcement procedure to that effect; or
  - e) the firm is an EEA auditor and ceased to be eligible for appointment as a statutory auditor on IP completion day.

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## Part B

### Additional Eligibility Criteria for statutory auditors of PIEs

9. Each individual or firm who is eligible for appointment as a statutory auditor under Part A shall be eligible for appointment as a statutory auditor of a PIE if and for so long as that individual or firm meets and complies with the requirements of the competent authority's Public Interest Entity (PIE) Auditor Registration Regulations<sup>7</sup>.

<sup>7</sup> <http://www.frc.org.uk/auditors/audit-firm-supervision/public-interest-entity-auditor-registration>

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