

Non-qualifying Regulatory Provisions Summary Reporting Template

Regulator: Financial Reporting Council

Business Impact Target Reporting Period Covered: 27 May 2015 - 3 May 2017

Excluded Category*	Summary of measure, including any impact data where available**
A – EU and International	<p>The Audit Regulation and Directive (ARD) introduces a framework for mandatory rotation and retendering of audit engagements. It also introduces significant new controls on the provision of non-audit services by statutory auditors to their audit clients.</p> <p>The Regulation only applies to the audits of ‘Public Interest Entities’ (PIEs). The definition of a PIE is restricted to entities with securities admitted to trading on a regulated market, banks, building societies, and insurers. All PIEs are required to put their audit out to tender at least every 10 years and change their auditor at least every 20 years. The Directive requires all Member States to identify a Competent Authority for the regulation of statutory audits. This is the Financial Reporting Council (FRC) in the UK. The FRC is required to delegate tasks as much as possible to Recognised Supervisory Bodies (RSBs). The FRC continues to be the standard setting body for auditors, and conducts audit inspections, investigations and disciplinary cases in relation to PIEs.</p> <p>Although the FRC can delegate certain audit regulatory functions, we cannot delegate monitoring and enforcement activity in relation to PIE audits).</p> <p>The consultation, stakeholder response and feedback including final impact assessment can be found here: https://www.gov.uk/government/consultations/eu-audit-directive-and-regulation-implementing-the-requirements#history. The measures were implemented on 17 June 2016</p> <p>The measures identified above relate to the EU Audit Regulation and Directive. The EU Audit Regulation has direct effect in the UK. The EU Audit Directive has been implemented in the UK by the Statutory Auditor and Third Country Auditor Regulations (SATCAR) 2016. – links can be found below. EU Directive: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0056 EU Regulation: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R0537 SATCAR 2016: http://www.legislation.gov.uk/ukxi/2016/649/pdfs/ukxi_20160649_en.pdf</p>

B – Economic Regulation	Nothing to report.
C – Price Control	Nothing to report.
D - Civil Emergencies	Nothing to report.
E – Fines and Penalties	Nothing to report.
F – Pro-Competition	Nothing to report.
G – Large Infrastructure projects	Nothing to report.
H – Misuse of Drugs/National Minimum Wage	Nothing to report. Nothing to report.
I – Systemic Financial Risk	Nothing to report.
K – Industry Codes	Nothing to report.
L1 – Casework	<p>Audit Inspections We inspected 137 audits in 2015/16 and 140 audits in 2016/17.</p> <p>Enforcement activities¹ At 27 May 2015 there were 17 investigations involving audit with a total of 44 subjects under investigation for the audit work.</p> <p>During the year to May 2016: 4 further investigations commenced into 11 further subjects 3 investigations concluded with settlements made with 5 subjects and cases closed for 3 subjects Total fines (at settlement and tribunal) were £1,979,000 (£1,219,500 after discounts) There were 5 Reprimands / Severe reprimands and no exclusions</p> <p>During the year to 3 May 2017: 7 further investigations commenced into 18 further subjects. <i>Of these 18 subjects, 7 were under Audit Enforcement Procedure (AEP).</i></p>

¹ Until June 2016, under the Accountancy Scheme - enforcement activity was carried out for the Recognised Supervisory Bodies (RSBs) by private arrangement and not pursuant to any statutory powers or requirements applicable to the FRC. We have nonetheless included case statistics unless otherwise stated on the basis that the RSBs (to whom we provide the service) were required by Part 42 Companies Act to participate in such independent disciplinary arrangements and consequently there is some statutory underpinning to our provision of this category of enforcement work. We also offer similar independent arrangements for accountancy and actuarial professional discipline under private voluntary arrangements with the relevant professional membership bodies. We have not included statistics for these categories on the basis that they are conducted without any connection to statute whatsoever. From June 2016 the Audit Enforcement Procedure which is based on statute is in effect and cases under the procedure have been noted here and highlighted in italic.

	<p>4 investigations concluded with tribunals held for 2 subjects (all resulting in sanction) and settlements made with 6 subjects Total fines (at settlement and tribunal) were £11,590,000 (£9,050,600 after discounts) There were 7 Reprimands / Severe reprimands and 1 exclusion</p> <p>At 3 May 2017 there were 21 investigations with a total of 57 subjects under investigation for audit work. <i>Of these 57 subjects, 7 are under AEP</i>, with the rest under the Accountancy Scheme.</p> <p>Corporate Reporting Review From 27 May 2015 to 3 May 2017 the FRC wrote 151 substantive letters (letters where we had direct questions for companies regarding their annual report and accounts).</p>
<p>L2 – Education, communication s and promotion</p>	<p>We published two annual reports to our stakeholders.</p>
<p>L3 – Activity related to policy development</p>	<p>In the period, we consulted and informed our stakeholders in a number of policy areas and held various meetings including for example roundtables to discuss the impact of Brexit. As per our annual Business Plan cycle we consulted twice and produced two final Plan & Budget reports. We also held two open meetings with stakeholders. In October 2015 we published a new three year strategy.</p>
<p>L4 – Changes to management of regulator</p>	<p>Nothing to report.</p>