

# Improving Audit Quality in WeBa Countries through Regional Cooperation

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**CFRR** 

Centre for Financial  
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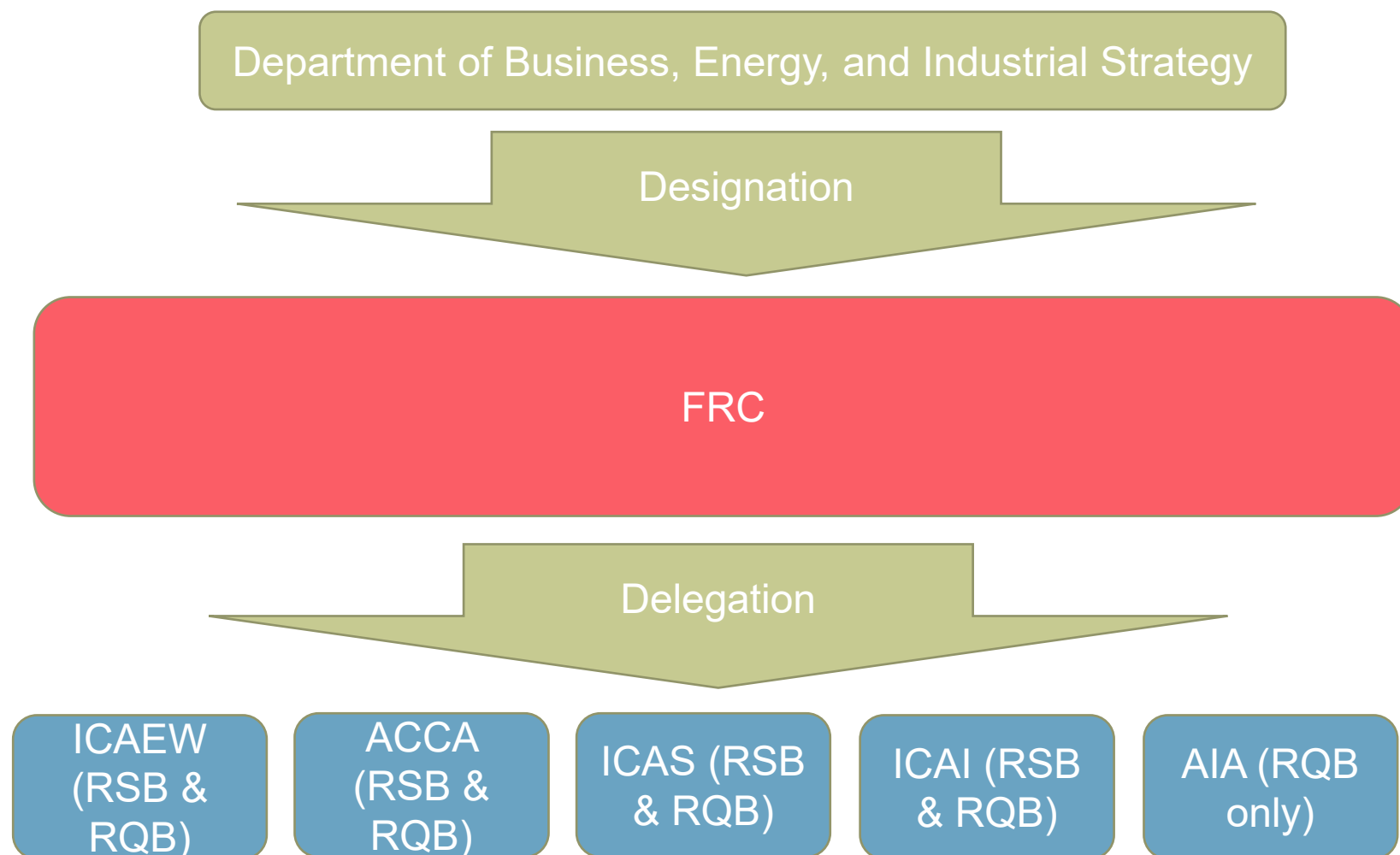
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# UK Audit Regulatory Structure

Government - FRC (ARGA) - ICAEW

# Current structure of audit regulation



Government designates FRC as Competent Authority

FRC recognizes and inspects 4 RSBs who are also RQBs and one additional RQB. It can sanction these PAOs.

FRC registers and inspects auditors and audits of PIEs. It can refer auditors to the FRC I&D process.

RSBs inspect auditors and audits of non-PIEs. They can sanction auditors and refer them to the RSB's I&D process.

# Role of government within audit regulation

The Secretary of State (Department) for Business, Energy and Industrial Strategy is responsible for legislation and sub-legislation regarding audit regulation. This is done through the Companies Act.

There have been no major changes in law since Brexit – EU law no longer applies directly (e.g. regulations) but the Companies Act has not been amended post-Brexit in this area.

# Delegation by government to FRC

The UK Government has designated the FRC as the Competent Authority with the ultimate responsibility for the performance and oversight of the **audit** regulation.

The FRC reports annually on the results of this work in a Report to the Secretary of State for Business, Energy and Industrial Strategy.

FRC concludes 'Delegation Agreements' with all 5 PAOs that are RSBs/RQBs.

By agreement with the chartered accountancy bodies, the Professional Oversight team exercises additional independent oversight of the regulation of the **accountancy** profession.

# FRC's statutory delegated responsibilities

The FRC's statutory responsibilities for oversight of the regulation of statutory auditors are discharged by:

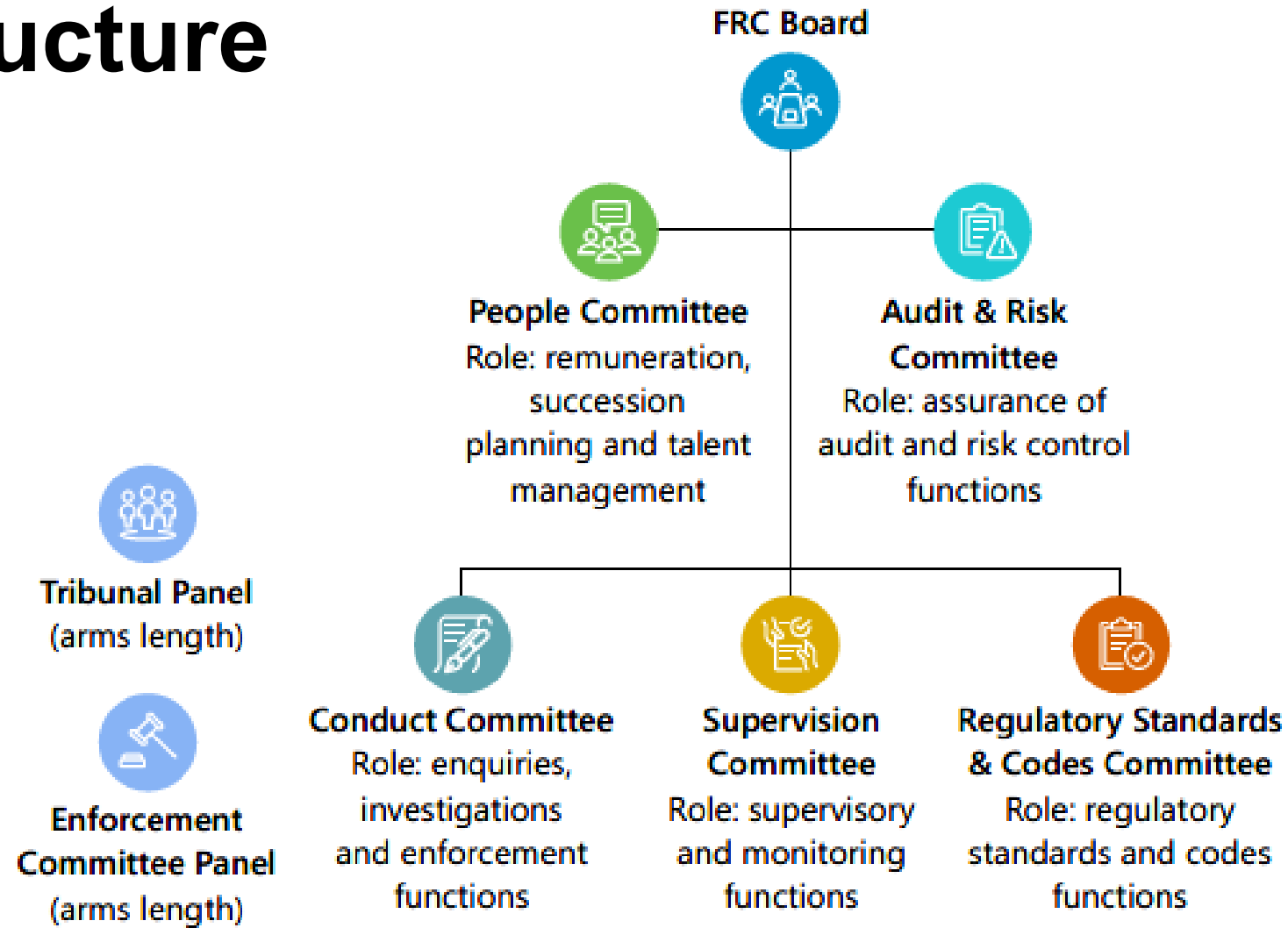
- recognising professional bodies to act as recognised supervisory bodies ("RSB") and/or to offer a recognised professional qualification for statutory auditors ("recognised qualifying body" or "RQB");
- assessing periodically that each RSB carries out the key Regulatory Tasks delegated to it by the Delegation Agreement. These functions relate to registration/authorisation of statutory auditors and audit firms, audit monitoring (quality inspections), complaints and discipline, and continuing professional development ('CPD');
- assessing periodically that the RSBs and RQBs continue to meet the requirements for recognition in the Companies Act 2006 as amended;
- carrying out of functions not delegated to the RSBs such as independent monitoring of audits of public interest entities and independent investigation and disciplinary arrangements for public interest cases;

# FRC delegated powers

The FRC has the following statutory powers in relation to the oversight of audit regulation:

- to recognise and derecognise RSBs and RQB;
- to require information from RSBs and RQB;
- to assess whether the RSBs continue to meet the conditions of the Delegation Agreements
- to serve an enforcement order on an RSB or RQB that is failing to meet its statutory responsibilities;
- to impose a financial penalty on an RSB or RQB that fails to meet its statutory responsibilities

# FRC structure



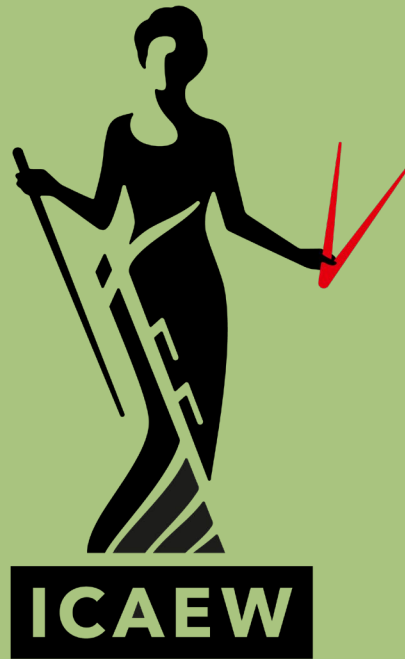


# ICAEW's role

- Register and supervise (including QA inspections) auditors of non-PIEs in the UK. This involves:
  - Registration
  - Quality assurance
  - Investigations and Discipline
  - CPD requirements
- Offer a qualification for auditors that meets the criteria set out in the Companies Act, overseen by FRC.

# Recent developments in audit regulation

- 3 recent reviews into the Audit market - 2 commissioned by the Government and one operated by the Capital Markets Auditory (CMA)
- The Brydon review into the Quality and Effectiveness of Audit recommended:
  - ARGA to create a new profession of corporate auditing (similar to a Chamber of Auditors). A new term 'corporate auditor' should be used to describe the profession.
  - ARGA to produce a clear English guide to what an audit is and isn't.
- The CMA review of the Statutory Audit Market recommended:
  - Mandatory joint audits and peer review.
  - Enhanced audit committee role.
- The Kingman review. It recommended that:
  - FRC be replaced by a more powerful and independent authority to be named ARGA - the Audit, Reporting and Governance Authority.
  - FRC separately register PIE auditors - they started this in September 2022.



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