



Financial Reporting Council

# Governance Handbook

2023

1 June 2023

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## Governance Overview

The Board of the Financial Reporting Council (FRC) is made up of Non-executive and Executive Directors and is collectively responsible for the long-term success of the FRC. The Board's role is to provide strategic leadership of the FRC within a framework of prudent and effective controls which enables risk to be assessed and managed.

The Board sets the FRC's strategic aims, ensures that the necessary financial and human resources are in place for the FRC to meet its objectives and reviews management performance. The Board also sets the FRC's values and culture and ensures that its obligations to its stakeholders and others are understood and met. All Board directors must act in what they consider to be the best interests of the FRC, consistent with their statutory duties.

The Board is supported by two governance committees (People Committee and Audit and Risk Committee) and by three regulatory committees (Regulatory Standards & Codes Committee, Supervision Committee and Conduct Committee).

Matters which the Board considers suitable for delegation to its Committees or the Executive are contained within the terms of reference of the relevant committee. The Schedule of Delegations also indicates matters which are reserved for the Board and are not suitable for delegation to a committee because of legislative requirements or the recommendations of the UK Corporate Governance Code. Where reserved matters are considered in advance by a committee, the committee's recommendations will be provided to the Board when making its decision.

The three regulatory committees are also supported by non-voting Senior Advisors who attend Committee meetings and the Advisory Panel who can be asked to provide input on technical matters on project-to-project basis.

In addition, the Tribunal Panel and the Enforcement Committee Panel are maintained pursuant to the Conduct Committee Operating procedures and the FRC's disciplinary and enforcement procedures.

## General Terms that apply to all Committees

The following terms apply to each of the FRC's five Committees:

- People, Audit & Risk (Governance Committees)
- Regulatory Standards & Codes, Conduct and Supervision (Regulatory Committees)

### **Authority**

1. Each Committee is authorised to:
  - Investigate any matter within its Terms of Reference.
  - Obtain, at the FRC's expense and within the budgetary constraints imposed by the Board, outside legal or other independent professional advice on any matter within its Terms of Reference.
  - Seek any information it requires from any employee of the FRC to perform its duties.
  - Request any employee to attend a meeting, as and when required.
  - Access training and information to keep up-to-date with relevant developments, laws, regulations and best practice.
2. Each Committee shall comply, with the principles and provisions of the Regulators Code, where applicable.
3. Each Committee shall support and advise the Accounting Officer in the discharge of their responsibilities.
4. Each Committee Chair may raise to the Board any item delegated to it.
5. Each Committee may perform such other functions as shall be determined by the Board from time to time.

### **Annual Review**

6. The Committees shall review its own performance and its Terms of Reference annually and shall implement and/or recommend any necessary changes to the Board.

### **Secretary**

7. The Company Secretary or their nominee shall act as Secretary of the Committee ('the Secretary') delivering papers and providing advice in a timely manner to enable the Committee to conduct a full and proper consideration of the issues and preparing minutes of the meeting.

### **Quorum and Voting**

8. The quorum for all Committees is a majority of members.
9. Attendance is defined as the ability to hear, speak and vote at the same time.

10. Decisions of the Committees will be taken by majority. In the case of equal votes, the Chair of the Committee will have a casting vote.

### ***Notice of Meetings***

11. Meetings of the Committee shall be convened by the Secretary at the request of the Chair.
12. Unless otherwise agreed, notice of each meeting confirming the venue/electronic platform, time and date, together with an agenda of items to be discussed and supporting papers shall be circulated by the Secretary to Members and attendees, as appropriate, of the Committee, no later than 5 working days before the date of the meeting.

### ***Minutes of Meetings***

13. The Secretary shall minute the activities and resolutions of all meetings of the Committee, which shall include a record of the names of those in attendance.
14. The Committee may consider and decide urgent matters through written resolution. Information relating to those matters will be circulated to all the Committee members electronically and a decision will be passed when it has been considered and confirmed by the majority of members to the Secretary. Any decisions made outside of formal meetings will also be noted at the next formal Committee meeting.

### ***Membership***

15. The membership of the Committees will comprise exclusively of non-executive members of the Board.
16. Committees shall comprise of no fewer than three members.
17. All committee memberships will be reviewed annually, led by the Chair of the Board.
18. Appointments are for periods of up to three years and may be extended for up to two additional terms.
19. Each Committee may be supported by up to three Senior Advisors, appointed by the People Committee to provide technical advice and support.
20. Termination of a Committee Member's term on the Board will also result in the termination of their membership of the Committee.
21. The Regulatory Committees shall have a majority of members who are not practising accountants, auditors and/or actuaries. No former audit partner shall serve as Chair of the Conduct or Supervision Committee and no member shall be:

- a. a practising auditor or an individual who has during the previous five years <sup>1</sup>:
  - i. Carried out statutory audits;
  - ii. Held voting rights in an auditing firm;
  - iii. Been a member of an administrative management or supervisory body of an audit firm; or
  - iv. Been a partner, employee or otherwise contracted by an audit firm;
- b. An officer or employee of any of the accountancy or actuarial professional bodies.

### ***Attendance***

22. The Committee Chair may nominate a member to chair the meeting, when unable to attend. In the case of the Conduct Committee, the Deputy Chair will chair the meeting in the Chair's absence.
23. Only Committee Members have the right to attend Committee meetings. Other post-holders, Senior Advisors, members of the Advisory Panel, external advisors and members of the Executive may be invited by the Chair to attend all or part of any meeting, as and when appropriate but are not members, and do not form part of any quorum.
24. Observers may be invited to meetings on agreement from the Chair.
25. The Chair may ask any or all of those who normally attend but who are not Members to withdraw to facilitate open and frank discussion of particular matters.

### ***Information Security and Confidentiality***

26. All information received by the Committee will be handled in accordance with current information security, handling and transparency regulations and the FRC's information policies.
27. All documentation is provided is on a strictly confidential basis and is subject to the confidentiality obligations in the FRC's Code of Conduct set out in the Governance Handbook.

### **Approved by the FRC Board with effect from 1<sup>st</sup> June 2023**

<sup>1</sup> The EU Audit Directive Article 21: Competent Authority Conditions of independence requires minimum period of three years since employment at a firm or a Recognised Supervisory Body ('RSB'). The Board has extended this to five years for Regulatory Committee membership (non-Chair) to align it with its policy on staff involvement in matters relating to their former firms. Conduct Committee members may not participate in any decisions relating to firms or companies for which they have worked in the previous ten years.

## Schedule of Matters Reserved to the Board

This document sets out the decisions and matters which: are referenced in legislation as the direct responsibility of the FRC Board ('the Board') and cannot be sub-delegated to a Board Committee; or which the Board consider unsuitable for delegation to a Board Committee.

The responsibilities and decisions listed in this Schedule shall be taken and owned by the Board. However, recommendations may be provided by Board Committees where appropriate, as indicated below. Other matters which the Board considers suitable for delegation are contained in the terms of reference of its Board Committees.

In undertaking the matters set out below, the Board will support the Accounting Officer in the fulfilment of their responsibilities and ensure compliance with relevant HM Treasury guidance, Managing Public Money and any applicable Cabinet Office Controls.

### 1. Strategy and Management

- 1.1 Assume responsibility for the overall leadership of the FRC.
- 1.2 Establish the FRC's values and culture.
- 1.3 Approve the FRC's purpose, strategic aims and objectives.
- 1.4 Review key performance indicators, operational performance and deliverables in the Annual Plan.
- 1.5 Approve annual Levy Proposals.
- 1.6 Approve and regularly review the FRC's Strategy, Three-Year Plans and Annual Budget.
- 1.7 Approve and regularly review the FRC's regulatory approach.
- 1.8 Approve any extension of the FRC's activities into new regulatory or geographic areas.
- 1.9 Approve the operating Framework Document with the Department for Business and Trade ('DBT') or its successors.
- 1.10 Consider significant matters affecting the FRC's reputation.
- 1.11 Oversee the strategy for stakeholder engagement and the discharge of the Board's responsibilities under s.172 of the Companies Act 2006.
- 1.12 In conjunction with DBT, take any decisions to cease to operate all or any material part of the FRC's activities.
- 1.13 Approve Statutory Instruments (and amendments) relating to the FRC's activities.

## **2 Regulatory Responsibilities and Powers**

- 2.1 Approve codes, standards, guidance, policy and major projects which support the FRC's competition objectives.

On the recommendation of the Regulatory Standards and Codes Committee:

- 2.2 Approve, subject to a two-thirds majority, the issuing of codes and standards relating to the FRC's remit, i.e. corporate governance, stewardship, corporate reporting, accounting, auditing, assurance services and actuarial work.
- 2.3 Approve the recognition of Statements of Recommended Practice ('SORP') making bodies and approve significant FRC statements on SORPs.

On the recommendation of the Supervision Committee:

- 2.4 Approve the publication of the FRC's annual report to the Secretary of State on its public oversight functions in relation to the Audit, Accountancy and Actuarial professions, known as the Professional Oversight Report.
- 2.5 Approve the publication of the annual report of the Independent Supervisor on Auditors General to the Secretary of State, known as the Independent Supervisor's Report.
- 2.6 Approve the publication of an annual report on the FRC's view of audit quality in the UK, known as the Tier 1 Firms Overview Report.
- 2.7 Approve any Third Country adequacy and equivalence reports provided to the Secretary of State.
- 2.8 Approve the exercise of the FRC's powers, as the authorised person, to require a company to provide documents, information and explanations regarding their annual financial statements and annual report under s.459 of the Companies Act 2006.
- 2.9 Approve an application to court for a declaration of non-compliance or an order for directors of a company to prepare revised accounts or a revised report under s456-457 of Companies Act 2006.

## **3 Financial Reporting, Risk Management and Internal Controls**

On the recommendation of the Audit & Risk Committee:

### *Financial Reporting*

- 3.1 Approve the Annual Report and Accounts, including the directors' remuneration report, directors' report, strategic report and corporate governance statement.
- 3.2 Agree that the Annual Report and Accounts, taken as a whole, presents a fair, balanced and understandable assessment of the FRC's position and prospects and provides the information necessary to assess the FRC's performance, business model and strategy.
- 3.3 Approve any significant changes in accounting policies or practices.
- 3.4 Consider significant financial reporting issues and judgements having regard to the matters communicated by the auditors.
- 3.5 Ensure financial policies and system are in line with the Principles of Managing Public Money.



## External Audit

- 3.6 As members of the FRC Limited, approve the appointment or removal of the FRC's external auditor.

## Internal controls and risk management

- 3.7 Consider the nature and extent of the key risks to the FRC's strategic objectives (including climate-related emerging risks).
- 3.8 Receive annual assurance from the Audit and Risk Committee on the effectiveness of the FRC's internal control and risk management systems and determine the FRC's risk appetite.
- 3.9 Monitor the Executive's identification and management of key risks in relation to the FRC's divisions.
- 3.10 Ensure the maintenance of a sound system of internal control and risk management including financial controls.
- 3.11 Approve risk management disclosures in the annual report.
- 3.12 Approve the published Key Performance Indicator in relation to the delivery of outcomes in Enforcement investigations.

## 4 Structure and other Major Decisions

- 4.1 Approve major changes to the FRC's corporate structure including the entering into of material joint venture agreements.
- 4.2 Approve significant changes to the FRC's management and control structure.
- 4.3 Approve transactions (or related programmes of transactions) the value of which (including VAT) is in excess of £1 million or which is otherwise material to the FRC.
- 4.4 Approve any lease with a term exceeding five years.
- 4.5 Approve the prosecution, defence or settlement of litigation involving a value in excess of £1 million or being otherwise materially significant to the FRC (*not including court applications made by the Conduct Committee pursuant to its delegated powers or matters pursued under the Accountancy or Actuarial schemes, Auditor Regulatory Sanctions Procedure or Audit Enforcement Procedure*).
- 4.6 Any approvals at 4.3 to 4.5 above are subject to the requirements, directions and delegations set by DBT as notified to the FRC's appointed Accounting Officer from time to time.
- 4.7 Approve the appointment of principal professional advisers for material and/or sensitive matters.

## 5 People Matters

- 5.1 Approve appointments, reappointments and removal of members of the Board Committees.
- 5.2 Provide advice to the Secretary of State/DBT in relation to the structure, size and composition of the Board and on Board succession planning.
- 5.3 Approve amendments to the Board Diversity Policy.
- 5.4 Approve amendments to the FRC Board Terms of Appointment.

- 5.5 Approve the CEO's annual objectives based on the FRC's strategy and support the Chair of the Board in the performance evaluation of the CEO.

On the recommendation of the Chief Executive Officer:

- 5.6 Approve the appointment and removal of the Company Secretary, Executive Counsel and other members of the Executive Committee.

On the recommendation of the People Committee:

- 5.7 Approve annually the FRC's published Modern Slavery Statement.

- 5.8 Approve any major changes to the FRC's pension arrangements.

## **6 Governance Matters and Delegations**

- 6.1 Regularly evaluate its own performance and that of the Board Committees.

- 6.2 Approve the terms of reference for the Board Committees.

- 6.3 Approve this Schedule of Matters Reserved

- 6.4 Approve any significant changes to the FRC's Committees and non-executive advisory structure.

## **7 UK Endorsement Board**

On the advice of the Audit & Risk Committee:

- 7.1 Oversee the UKEB's operational resources, governance and compliance with due process, including reviewing and approving the publication of the FRC's annual UKEB Public Oversight Report to the Secretary of State and provide constructive challenge and recommendations to the UK Endorsement Board regarding its:

- a. Due Process Handbook;
- b. Compliance with its operating and governance procedures;
- c. Independence;
- d. Strategy; and
- e. Effectiveness.

- 7.2 Ensure that the provision of operational resources to support the UK Endorsement Board's activities is appropriate, including establishing and maintaining appropriate funding arrangements whilst maintaining the independence of the UK Endorsement Board in technical decision making.

**Approved by the Board with effect from 1 June 2023**

# Terms of Reference for the Audit and Risk Committee

## Purpose

The purpose of the Audit and Risk Committee (the 'Committee') is to support and advise the Accounting Officer (the 'Chief Executive') and the Board by providing oversight of the company's financial reporting process and use of public funds, corporate governance, audit process, system of internal controls (including business continuity and information technology), identification and management of significant risks, and compliance with laws and regulations.

## 1 Membership

- 1.1 The Committee is a Governance Committee of the FRC Board ('the Board').
- 1.2 At least one member of the Committee shall have recent and relevant financial experience. All members must have and maintain a good understanding of financial matters and accepted good practice in the areas of risk and controls. The Committee, collectively, shall have a good range of skills and competence relevant to accounting, audit, risk management, financial governance and technical issues, as relevant to the FRC.
- 1.3 In addition to these Terms of Reference, members of the Committee must adhere to the General Committee Terms contained in the FRC Governance Handbook.

## 2 Frequency of Meetings

- 2.1 The Committee shall meet at least four times a year.

## 3 Responsibilities

The Committee has the following responsibilities:

### ***Financial reporting***

- 3.1 Review and monitor financial performance and receive routine reports on financial performance, including progress against agreed budget and any reforecasting exercises.
- 3.2 Review the integrity of the FRC's financial statements, including its annual report and any other formal announcement relating to its financial performance.
- 3.3 Report to the Board on significant financial reporting issues and judgments, having regard to the matters communicated to it by the auditors. In addition, the Committee will review key matters on their own initiative.
- 3.4 Review and advise the Board and the Chief Executive, as Accounting Officer, on standards and propriety in the organisation and achievement of value for money, in line with the principles of Managing Public Money.
- 3.5 Approve any significant changes in accounting policies or practices.
- 3.6 Review and challenge where necessary:
  - a. Assurances about the financial systems which provide the figures for the accounts and the quality of controls over the preparation of accounts;

- b. The consistency of, and any changes to, accounting policies both on a year-on-year basis and across the FRC;
- c. The methods used to account for significant or unusual transactions where different approaches are possible;
- d. Whether the FRC has adopted appropriate accounting policies and made appropriate estimates and judgments, taking into account the views of the external auditor;
- e. The clarity, consistency and transparency of disclosures in the FRC's financial report and governance statement (insofar as it relates to audit and risk management);
- f. All material information presented with the financial statements, such as the strategic report; and
- g. The appropriateness of the going concern basis of accounting and the disclosure of any related uncertainties.

3.7 The Committee shall approve unbudgeted capital or operating expenditures in excess of 0.5% of turnover.

### ***Narrative reporting***

3.8 The Committee shall review the content of the annual report and accounts and advise the Board in respect of whether the Committee considers that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for the members of the FRC and the FRC's stakeholders to assess its performance, business model and strategy.

### ***Internal audit***

3.9 Approve the appointment, re-appointment and removal of the Head of Internal Audit if the function is in-house or, if outsourced, the entity carrying out the internal audit function (the 'internal auditor').

3.10 Ensure the internal auditor has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

3.11 Annually approve the internal audit programme, consider the major findings of internal audit reviews, review and monitor the adequacy of management's response to the findings, and, where accepted by management, ensure recommendations are implemented.

3.12 Periodically monitor and review the independence and effectiveness of the FRC's internal audit function.

3.13 Meet with the Head of Internal Audit at least once in each year, without executive members or staff present, to discuss the internal audit remit and any issues arising from the internal audits carried out.

3.14 Ensure the internal auditor has a right of direct and confidential access to the Chair of the Board, Chief Executive and Chair of the Committee.

3.15 Approve the MoU & Audit Charter of the FRC's Internal Audit function.

### ***Internal controls, risk management systems and governance***

3.16 Receive an annual report from the Internal Auditor, including their opinion of the organisation's risk management and internal control framework, summarising the work performed, key issues emerging,

management responses to audit recommendations and any resourcing issues affecting the delivery of the objectives of the internal audit.

- 3.17 Keep under review the effectiveness of the FRC's internal control and risk management systems, including the financial controls, and report to the Board at least on an annual basis.
- 3.18 In relation to risk management, review:
  - a. the FRC's Risk Register and, specifically, the current risks to the FRC, the risks to its strategy and objectives ( including climate related emergency risks), management and mitigation of those risks;
  - b. the FRC's capability to identify and manage new risks; and
  - c. reports on any material breaches of risk limits and the adequacy of proposed action.
- 3.19 Provide assurance to the Board on the disclosures included in the annual report in relation to internal control and risk management.
- 3.20 Provide the Board with advice on the continued appropriateness of the risk management approach and risk appetite in light of the FRC's purpose, values, corporate strategy and strategic objectives.
- 3.21 Annually review and recommend proposed material changes to the organisation's risk management framework for the Board's consideration and approval.
- 3.22 Promptly notify the Board and Chief Executive of actual or likely material breaches of risk appetite.
- 3.23 Challenge whether executive management has a sound understanding of the FRC's principal and emerging risks.

### **External Audit**

- 3.24 Make recommendations to the members of the FRC in relation to the appointment, and removal of the FRC's external auditor.
- 3.25 If an auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 3.26 Oversee the relationship with the external auditor, on behalf of the Board, including (but not limited to):
  - a. approval of their remuneration for audit services and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
  - b. approval of the external auditors' terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - c. assessing annually the independence and objectivity of the external auditor, taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole;
  - d. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the FRC or its staff (other than in the ordinary course of business);
  - e. agreeing with the Board a policy for employing former staff of the FRC's external auditor and monitoring the implementation of this policy;

- f. monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners;
  - g. assessing annually the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures; and
  - h. seeking to ensure co-ordination with the activities of the internal audit function.
- 3.27 Review and approve the annual external audit plan and ensure that it is consistent with the scope of the audit engagement.
- 3.28 Review the findings of the audit with the independent external auditor, including but not be limited to:
- a. a discussion of any major issues which arose during the audit;
  - b. any accounting and audit judgments;
  - c. levels of errors identified during the audit; and
  - d. the effectiveness of the audit.
- 3.29 Review the management letter and management's response to the external auditor's findings and recommendations.
- 3.30 Ensure that the external auditor is not engaged to provide any non-audit services and that any audit related services are provided in a manner consistent with the FRC's own guidance and applicable standards.
- 3.31 Ensure that external auditor rotation and/or retendering is undertaken in a manner consistent with the FRC's own guidance and applicable standards.
- 3.32 Meet the external auditor at least once a year, without executive members or staff present, to discuss the external auditor's remit and any issues arising from the audit.
- 3.33 Oversee the coordination of the internal and external auditors.

### **Corporate Services**

- 3.34 Assess the FRC's procedures for business continuity planning and disaster recovery.
- 3.35 Review the FRC's arrangements for its staff to raise concerns, in confidence, about possible improprieties in financial reporting or other matters.
- 3.36 Receive a report on any whistleblowing events raised by staff.
- 3.37 Review the FRC's procedures for detecting, responding and preventing fraud.
- 3.38 Review the FRC's systems and controls for the prevention of bribery and receive reports on non-compliance.
- 3.39 Oversee the FRC's compliance with information law requirements, including the Freedom of Information Act 2000, the UK General Data Protection Regulation (UK GDPR), the Data Protection Act 2018 and the Environmental Information Regulations 2004.
- 3.40 Oversee the effectiveness of the IT function, including its strategy, and security measures and report accordingly to the Chief Executive, as Accounting Officer and the Board.

- 3.41 Evaluate the FRC's cyber resilience by seeking assurance there is an appropriate framework in place to properly manage the cyber risk and that continuous monitoring and improvement initiatives are adopted and sustained.

***UKEB responsibilities***

- 3.42 Advise the Board on the FRC's oversight of the UK Endorsement Board.

**4 Reporting Responsibilities**

- 4.1 The Audit Committee section of the Annual report should include:
- a. An explanation of how the Committee has addressed the effectiveness of the external audit process; and
  - b. The significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor.
- 4.2 The Committee shall have the right to report on any unresolved issues between the Board and/or the Chief Executive, as Accounting Officer and the Committee in the FRC Annual Report.

**Approved by the Board with effect from 1 June 2023**

# Terms of Reference for the People Committee

## Purpose

The purpose of the People Committee (the "Committee") is to:

- Support the Executive in providing strategic oversight on People and Workforce related matters.
- Provide strategic direction on succession planning, remuneration, talent management and staff welfare, and training and development.

The Committee will have due regard to diversity and inclusion and the desire to promote equal opportunities within the FRC.

## 1. Introduction

- 1.1. The Committee is a Governance Committee of the FRC Board (the 'Board').
- 1.2. In addition to these Terms of Reference, members of the Committee must adhere to the General Committee Terms contained in the FRC Governance Handbook.

## 2. Frequency of meetings

- 2.1 The Committee shall meet at least three times a year.

## 3. Responsibilities

The Committee has the following responsibilities:

### ***Appointments***

- 3.1 Support the FRC Board Chair and Department of Business and Trade ("DBT") in the recruitment and appointment of non-executive members to the Board, including the development of job specifications.
- 3.2 Approve appointments, re-appointments or the removal of Senior Advisors, members of the Advisory Panel and the independent Appointments Committee.
- 3.3 Keep under review non-executive training and development plans.

### ***People Policy and Talent Management***

- 3.4 Approve the published statement on the Roles and Responsibilities of the Board, Chair and CEO.
- 3.5 Consider annually the FRC's Executive and Non-Executive succession plans.
- 3.6 Keep under review and approve any significant changes to the FRC's talent management policies. This includes processes relating to recruitment, performance management, learning and development, grievances and disciplinary action for staff.
- 3.7 Receive regular updates regarding staff matters.
- 3.8 Appoint a designated non-executive member of the Board to lead the Board's ongoing engagement with staff.
- 3.9 Consider the annual People Survey Results and any action plans.



3.10 Monitor the key risks in relation to People matters.

### **Remuneration**

3.11 Keep under review and make recommendations to DBT on the annual fees paid to the:

- a. Non-Executive members of the Board (including the Chair)
- b. The CEO

3.12 Keep under review and approve amendments to the annual fees paid to the Senior Advisors and members of the Advisory Panel.

3.13 Approve annually the total individual remuneration package of the members of the Executive Committee (excluding the CEO) subject to any approvals required under the public sector pay controls.

3.14 Regularly review the staff benefits package and employee proposition.

3.15 Oversee submission of the annual staff remuneration review to DBT, ensuring the review adheres to the terms of any public sector pay controls and is consistent with agreed policy.

3.16 Approve the appointment of any remuneration consultants who advise the Committee.

### **Conflict management**

3.17 Review bi-annually the gifts and hospitality register.

3.18 Approve amendments to the FRC's Code of Conduct.

3.19 Approve the publication of the expenses claims from members of the Executive Committee and the Board.

3.20 Review bi-annually the disclosed interests and external appointments of the Non-Executive members of the Board, the Executive Committee, Senior Advisors and members of the Advisory Panel and consider whether those interests may impede the impartiality, objectivity or commitment of those individuals in carrying out their FRC role.

3.21 Refer any conflict-of-interest concerns in respect of members of the Board to DBT, if appropriate.

3.22 Receive notification if any Non-Executive Member of the Board becomes the subject of a disciplinary sanction by any professional or other body or tribunal, or is found guilty of an offence by any court, declared bankrupt, enter into an arrangement with creditors, or is disqualified from acting as a director.

### **Other responsibilities**

3.23 Commission an annual review of the effectiveness of the Board and its committees and ensure it is facilitated externally at least once every three years.

3.24 Review recommendations from the Pension Committee for any major changes to the FRC's Pension arrangements and make recommendations to the Board as appropriate.

- 3.25 Within the Annual Report, report on the process used to appoint any external advisors and consultants for matters within the Committee's remit, identifying consultants used and stating whether they have any other connection with the FRC.

**Approved by the Board with effect from 1 June 2023**

# Terms of Reference for the Conduct Committee

## Purpose

The Conduct Committee (the 'Committee') shall be responsible for oversight of the FRC's enquiries, investigations and enforcement function and ensuring that appropriate cases are investigated and conducted fairly, in the public interest, in a timely manner and in accordance with due process.

## 1. Introduction

- 1.1. The Committee is a Regulatory Committee of the FRC Board ('the Board').
- 1.2. The Committee shall have a Deputy Chair of the Committee who is a non-executive director of the Board.
- 1.3. No former audit partner shall serve as Chair or Deputy Chair of the Committee.
- 1.4. In addition to these Terms of Reference, members of the Committee must adhere to the General Committee Terms contained in the FRC Governance Handbook.

## 2. Frequency of Meetings

- 2.1. The Committee shall meet at least six times a year.

## 3. Responsibilities

The Committee has the following responsibilities:

### ***The Accountancy and Actuarial Schemes (Schemes)***

- 3.1. Exercise those functions delegated to the Committee by the Board in accordance with the Schemes, which includes the following:
  - a. Determine whether a Member or Member Firm<sup>2</sup> is liable for investigation under the Schemes by applying the criteria at paragraph 5(1) and considering the factors at paragraph 5(2) of the Schemes.
  - b. If the Committee considers that it has insufficient information to determine liability to investigate, direct the FRC's Executive Counsel to make preliminary enquiries and inform the relevant Participant of the direction.
  - c. Consider referrals from Participants regarding the potential Misconduct of a Member or Member Firm and determine whether to accept the referral.
  - d. Consider whether a matter relating to the conduct of a Member or Member Firm which may be the subject of an investigation by a Participant, or which the Committee may otherwise become aware of, meets the threshold for investigation by Executive Counsel and should be dealt with by the FRC in accordance with the Schemes<sup>3</sup>.

<sup>2</sup> The meaning for Member, Member Firm and Participant shall have the meanings given in the Schemes.

<sup>3</sup> Pursuant to paragraph 6(8) of the Schemes

### ***The Audit Enforcement Procedure (the "AEP")***

- 3.2. Exercise those functions delegated to the Committee by the Board in accordance with the AEP, which includes:
- a. Consideration of information presented to it by the Case Examiner to determine whether:
    - i) to direct the Case Examiner to attempt to resolve the matter(s) presented through Constructive Engagement
    - ii) there is good reason to investigate matter(s) and, if so, to refer the matters presented to either the Executive Counsel or the relevant Recognised Supervisory Bodies ("RSBs") for investigation
    - iii) no further action is to be taken in relation to the matter(s)
  - b. If particular criteria have been met, decide whether to reconsider a previous decision of the Committee or Case Examiner to take no further action or to undertake Constructive Engagement.

### ***Auditor Regulatory Sanctions Procedure (ARSP) and Crown Dependencies Recognised Auditor Sanctions Procedure (CDRASP)***

- 3.3. Exercise those functions delegated to the Committee by the Board in accordance with the ARSP (disciplinary procedure for major local audits) and CDRASP (disciplinary procedure for Crown Dependencies registered, market traded company audits) which includes the following:
- a. Receive Notifications that the Enforcement Committee has decided to refer matters relating to a local audit or audit of market traded company to the Independent Sanctions Tribunal to consider sanctions.
  - b. Receive any final reports issued by the Enforcement Committee or Independent Sanctions Tribunal under the ARSP or CDRASP.
  - c. Receive reports that a Registered/Recognised Auditor has failed to comply with written undertakings accepted by the Enforcement Committee or the Independent Sanctions Tribunal which has led to the re-opening of the matter.
  - d. Send notices and directions to the Convener and the relevant RSB as required.

### ***Auditor General Disciplinary Rules (the "AGDR")***

- 3.4. Exercise those functions delegated by the FRC, as the appointed Independent Supervisor<sup>4</sup>, to the Committee which includes the following:
- a. Maintain and exercise the Comptroller and Auditor General Disciplinary Rules.
  - b. Receive notifications when the Registrar determines that the conduct of the Auditor General shall be referred to an Investigating Committee.
  - c. Constitute an Investigating Committee from members of the Enforcement Committee.
  - d. Receive notifications of the Investigation Committee's decisions and, if necessary, inform the Chair of the Public Accounts Commission of that decision.
  - e. Approve the publication of information relating to Disciplinary Hearings and Orders, as required.

<sup>4</sup> The FRC was appointed 'Independent Supervisor' under Chapter 3 of Part 42 of the Companies Act 2006.

### ***Disciplinary Procedures (general)***

- 3.5. Oversee the work of the Case Assessment Team (formerly known as the Case Examinations and Enquiries Team), including receipt of regular updates on the nature and number of cases being opened and closed by the Case Examiner.
- 3.6. Determine the scope of an investigation under the Schemes or AEP and approve any subsequent amendments to that scope.
- 3.7. Review and approve budgets for investigations and enforcement action.
- 3.8. Direct Notices to be sent to Respondents / Members or Member Firms, Executive Counsel, the Convener and the relevant RSB / Participant as required.
- 3.9. Oversee the progress of investigations handled by the Enforcement Division against agreed internal milestones and published Key Performance Indicators.
- 3.10. Receive notifications as investigations progress, including:
  - a. Executive Counsel decisions to close an investigation
  - b. The issuance of a Settlement Agreement/Final Settlement Decision Notice
  - c. The delivery of a Formal Complaint under the Schemes
  - d. The issuance of Disciplinary Tribunal Reports
  - e. The issuance of Notices of Appeal
  - f. The Issuance of Appeal Tribunal Reports.
- 3.11. Receive reports on the progress of investigations which the Committee has delegated to the RSBs.
- 3.12. Receive notification of any decision by the Case Examiner to reclaim an investigation delegated to the RSBs.
- 3.13. Determine the format, content and timing of discretionary announcements in accordance with the relevant published Publications Policy.
- 3.14. Approve any extensions to the default period for the publication of outcomes in disciplinary matters on the FRC's own website.
- 3.15. Commission internal reviews and public consultations on any proposed amendments or revisions to the Schemes, AEP, CDRASP and ARSP and PIE Auditor Registration Regulations ("PARR") and AGDR.
- 3.16. Approve any amendments or revisions to the Schemes, AEP, CDRASP and ARSP, AGDR and PARR.
- 3.17. Approve amendments to Sanctions Policies, Publication Policies and other guidance and policies in respect of the exercise of the Schemes, AEP, CDRASP, ARSP and PAR functions.
- 3.18. Approve amendments to the Tribunal and Appeal Panel Terms of Appointment.
- 3.19. Approve amendments to the Enforcement Committee Terms of Reference.

- 3.20. Set the remuneration policy for members of the Enforcement Committee Panel, Tribunal Panel, Independent Sanctions Tribunal (CDRASP and ARSP), Appointment Committee, the Convener and Tribunal's Secretary to the Tribunal and publish within a fees and expenses policy.

***Other responsibilities***

- 3.21. Insofar as it relates to enforcement activity, advise the Board on the exercise of its functions as the designated Competent Authority under The Statutory Auditors and Third Country Auditors Regulations 2016 (SATCAR16).
- 3.22. Oversee the FRC's central complaints processes and procedures and receive regular updates on the number and nature of complaints made to the FRC.
- 3.23. Approve any key publications relating to the FRC's investigations and enforcement activities, including the Annual Enforcement Review.
- 3.24. Receive updates on the activities of the Enforcement Division and the contribution of these activities to the objectives of the FRC.
- 3.25. Monitor the key risks in relation to the FRC's investigations and enforcement work.
- 3.26. Approve the appointment, reappointment or removal of Enforcement Committee Panel membership.
- 3.27. Approve the appointment, reappointment or removal of the Convener and Tribunal's Secretary.

**Approved by the FRC Board with effect from 1 June 2023.**

# Terms of Reference for the Supervision Committee

## Purpose

The Supervision Committee (the 'Committee') is responsible for overseeing the FRC's statutory supervisory and oversight functions and its non-statutory monitoring work, with the aim of serving the public interest by promoting high professional standards in accounting, audit, actuarial work and corporate reporting.

## 1. Introduction

- 1.1. The Committee is a Regulatory Committee of the FRC Board ('The Board').
- 1.2. In addition to these Terms of Reference, members of the Committee must adhere to the General Committee Terms, contained in the FRC Governance Handbook.

## 2. Frequency of Meetings

- 2.1. The Committee shall meet at least four times a year.

## 3. Responsibilities

The Committee has the following responsibilities:

### ***Professional Oversight***

- 3.1. Exercise its functions as the designated Competent Authority for Audit under The Statutory Audit and Third Country Auditor Regulations 2016 ('SATCAR 16') including the delegation, removal or retention of tasks to the Recognised Supervisory Bodies ('RSB') insofar as concerns monitoring and market supervisory activity.
- 3.2. Oversee the Executive's exercise of functions transferred to the FRC by the Secretary of State under Part 42 of the Companies Act 2006 ('Part 42 functions'), which includes:
  - a. The continued recognition of an RSB to supervise auditors
  - b. The continued recognition of qualifying bodies ('RQB') to offer a recognised audit qualification;
  - c. The imposition of a direction or penalty on an RSB or RQB;
  - d. Applications to the court for an Order to require a RSB or RQB to meet its statutory obligations
- 3.3. Oversee, and receive bi-annual reports on, the Executive's monitoring of:
  - a. The RSBs' performance of Regulatory Tasks delegated to them and the RSBs' compliance with the conditions of the agreed Delegation Agreements under SATCAR 16; and
  - b. Each RSB and RQB's compliance with the requirements of Schedules 10 and 11 of the Companies Act 2006.
- 3.4. Recommend to the Board the annual report to the Secretary of State on how the FRC has discharged its Part 42 functions, in accordance with paragraph 10 of Schedule 13 of the Companies Act 2006 (known as the Professional Oversight Report).

### ***Third Country auditors***

- 3.5. Oversee the process and procedures for the registration or deregistration of third country auditors as set out in the Statutory Audit and Third Country Auditor Regulations 2013 ('SATCAR 13').
- 3.6. Approve any amendments to the Third Country Auditors Directions, Register Procedures and Fees.
- 3.7. Authorise the sending of Notices requiring Third Country Auditors to notify the FRC of specific matters or to provide requested information or verification of information (under s.1243 and s.1244 of the Companies Act 2006).
- 3.8. Authorise an application for Court Orders to secure a Third Country Auditor's compliance with obligations (under s.1245 of the Companies Act 2006).
- 3.9. Take decisions regarding the mandatory or discretionary removal of a Third Country Auditor from the TCA Register<sup>5</sup> (under s.1246 of the Companies Act 2006).

### ***Independent Supervisor of the Comptroller and Auditor General***

- 3.10. On behalf of the Board, oversee the FRC's discharge of its functions as the appointed Independent Supervisor of the Comptroller and Auditor General, which includes the following:
  - a. Maintaining and exercising the agreed Supervision Arrangements
  - b. Monitoring the quality of statutory audit work and systems within the National Audit Office.
- 3.11. Recommend to the Board, the publication of an annual report to Parliament on the discharge of these functions (known as the Independent Supervisor's Report).

### ***Corporate Reporting Review***

- 3.12. Oversee the Executive's exercise of the functions delegated to the FRC by the Secretary of State under Part 15, Chapter 11 of the Companies Act 2006 and section 14(2) of the Companies (Audit, Investigations and Community Enterprise) Act 2004. This relates to the review of entities' corporate reporting and compliance with Companies Act 2006 requirements and, where applicable, Financial Conduct Authority rules.
- 3.13. Maintain published operating procedures for carrying out the FRC's delegated corporate reporting review functions.
- 3.14. Where consulted, provide its views on the exercise of the FRC's powers, under Part 15, Chapter 11 of the Companies Act 2006, both to require the provision of information and explanation from entities or individuals and to apply to court requiring an entity to prepare revised accounts or reports.

<sup>5</sup> Reasons for deregistration may include but are not limited to: incorrect Application Statements, non-compliance with a relevant requirement or on consideration of information from another competent authority



### ***Crown Dependencies***

- 3.15. Approve the annual report to the Crown Dependencies on the discharge of its audit supervision duties in accordance with Memorandum of Understanding between the FRC, ICAEW, the Committee for Economic Development in Guernsey, The Jersey Financial Services Commission and the Financial Supervision Commission of the Isle of Man (known as the Crown Dependencies Report).

### ***Local Audit***

- 3.16. Receive regular updates on the Executive's exercise of the FRC's regulatory functions under the Local Audit and Accountability Act 2014 and as shadow system leader for local audit, and its delivery of the responsibilities outlined in the Memorandum of Understanding with the Department for Levelling up, Housing and Communities ("DLUHC") of 2 March 2023.
- 3.17. Approve the publication of audit quality inspection reports on major local audits.
- 3.18. Approve the FRC's response to DLUHCs remit letters to the FRC as shadow system leader.
- 3.19. Approve the Annual Report on the Local Audit System and any other key additional publications issued by the FRC as shadow systems leader.

### ***Auditor registrations and appointments***

- 3.20. Approve any amendments to the Eligibility Criteria for appointment as statutory auditors.
- 3.21. Where contentious and referred to the Committee by the Executive Committee, take decisions regarding the registration, imposition of conditions or restrictions, deregistration of a firm or individual from the PIE Auditor Register.
- 3.22. Receive regular reports on the Executive's exercise of its responsibilities relating to auditor independence requirements within the EU Audit Regulation and SATCAR 166
- 3.23. Approve any application to court made by the Executive for an order to remove an auditor from office under section 511A of the Companies Act 2006.

### ***Other***

- 3.24. Advise the Board on the provision of adequacy and equivalence reports to the Secretary of State
- 3.25. Approve Mutual Recognition Agreements, and any amendments thereof, between the FRC and competent authorities for audit in other countries.

<sup>6</sup> Article 4(2) –grant exemptions to the cap on non-audit services fees. 17(6)– grant an extension (of up to two years) beyond the maximum tenure of a statutory audit. Article 17(7) – ensure the appropriate gradual rotation of key audit partners. Article 17(8) – determine the start date for an audit engagement period in cases of uncertainty.

- 3.26. Approve declarations that a third country audit qualification is approved under s. 1221 of the Companies Act 2006.
- 3.27. Recommend to the Board the FRC's annual overview public inspection and monitoring report for UK audit firms.
- 3.28. Approve the publication of key publications relating to the FRC's supervisory and monitoring activities, including the Annual Review of Corporate Reporting.

***General***

- 3.29. Receive updates on the activities of the Supervision Division and the contribution of these activities to the objectives of the FRC.
- 3.30. Monitor the key risks in relation to the FRC's supervisory and monitoring work.
- 3.31. Approve the issue of consultation documents in relation to FRC's supervisory and monitoring activities.
- 3.32. Consider and respond to requests for advice from the Board, Regulatory Standards and Codes Committee or Conduct Committee.

**Approved by the FRC Board with effect from 1 June 2023**

# Terms of Reference for the Regulatory Standards and Codes Committee

## Purpose

The Regulatory Standards and Codes Committee (the 'Committee') shall be responsible for approving and overseeing on behalf of the Board high quality, effective and proportionate Standards, Guidance, Statements of Recommended Practice (SORPs), Practice Notes and Codes for corporate governance, stewardship, audit and assurance, actuarial, and corporate reporting work.

## 1. Introduction

- 1.1. The Committee is a Governance Committee of the FRC Board (the 'Board').
- 1.2. In addition to these Terms of Reference, members of the Committee must adhere to the General Committee Terms contained in the FRC Governance Handbook.

## 2. Frequency of Meetings

- 2.1. The Committee shall meet at least four times a year.

## 3. Responsibilities

The Committee has the following responsibilities:

- 3.1. Approve the policies and processes for reviewing, developing and issuing regulatory standards and codes.
- 3.2. Oversee the development and maintenance of regulatory standards and codes within the FRC's remit which includes, but is not limited to;
  - a. UK GAAP standards
  - b. Technical, ethical, sustainability and other standards for audit work. (The Ethical Standard, ISA, ISAE, CASS and Standards for Investment Reporting)
  - c. Technical Actuarial Standards, including ASORPS and AS TM1 assumptions
  - d. The UK Corporate Governance Code
  - e. The UK Stewardship Code
  - f. The Wates Corporate Governance Principles for Large Private Companies.
  - g. Minimum Standards for Audit Committees
- 3.3. Commission internal reviews and approve the issuing of consultation documents relating to the development or maintenance of regulatory standards and codes.
- 3.4. Review final regulatory standards and codes and make recommendations to the Board for their approval.
- 3.5. Approve minor, non-contentious amendments to regulatory standards and codes (barring accounting standards).
- 3.6. Monitor the key risks in relation to the FRC's regulatory standards and codes work.

- 3.7. Approve the publication of Guidance, Practice Notes and 'thought leadership' in relation to regulatory standards and codes.
- 3.8. Advise the Board on recognition of bodies making Statements of Recommended Practice ('SORPs') and issue a statement on SORPs when the FRC's role is referenced in legislation.
- 3.9. Approve the issuance and maintenance of FRC taxonomies.
- 3.10. Receive updates on the activities of the Regulatory Standards and Codes Division and the contribution of these activities to the objectives of the FRC.
- 3.11. Provide input into the key messages to be included in the FRC reports on its activities.

**Approved by the FRC Board with effect from 1 June 2023**

# Terms of Reference for the Executive Committee

## 1. Membership

The Executive Committee shall comprise of the:

- FRC Chief Executive and Accounting Officer (the Chair)
- Executive Director, Regulatory Standards & Codes
- Executive Director, Supervision
- FRC General Counsel and Executive Director, Corporate Services
- FRC Executive Counsel and Executive Director, Enforcement
- Director of Stakeholder Engagement and Corporate Affairs
- Director of Strategy and Change

## 2. Quorum

2.1. The quorum for Committee meetings shall be four Committee members.

## 3. Secretary

3.1. The Company Secretary or his/her nominee shall act as Secretary of the Committee (the Secretary).

## 4. Frequency of Meetings

- 4.1. The Committee shall meet:
- a. for formal management meetings;
  - b. to review materials in advance of Board meetings;
  - c. for 'air and share' meetings
  - d. and as required.

## 5. Attendance at Meetings

5.1. Only members of the Committee, or their nominated deputy, shall have the right to attend Committee meetings. However other individuals may be invited to attend all or part of any meeting as appropriate.

## 6. Notice of Meetings

6.1. Unless otherwise agreed, notice of management and Board preparation meetings, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and any other person required to attend, no later than 4 working days before the date of the meeting.

## 7. Minutes of Meetings

7.1. The Secretary shall minute the proceedings and resolutions of all formal management meetings of the Committee, and at any additional meetings as necessary, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all members of the Committee.

7.2. Any written decisions of the Committee shall be recorded by the Secretary.

## 8. Decisions taken by email

8.1 Any decisions taken by email shall be recorded by the Secretary and ratified at the subsequent monthly management meeting.

## **9. Responsibilities of the Chief Executive and Accounting Officer**

- 9.1. The Chief Executive and Accounting Officer shall act in accordance with the FRC and BEIS framework agreement, Managing Public Money and other instructions / guidance issued from time to time by the Department, the Treasury and the Cabinet Office.
- 9.2. The Chief Executive and Accounting Officer is responsible for ensuring the FRC is run on the basis of the standards set out in box 3.1 of Managing Public Money (*see Annex 1*) in relation to governance, decision making and financial management.
- 9.3. In addition, the Chief Executive and Accounting Officer shall be responsible for:
- a. Establishing and maintaining a relationship BEIS
  - b. Supporting the Chairman in fulfilling his / her leadership responsibilities
  - c. Establishing and maintaining a relationship between the Executive Committee and the Board
  - d. Implementation and operation of an effectiveness Internal control and risk management framework.
  - e. Management of the FRC including implementation of the FRC strategy
  - f. Other:
    - i. performing such other functions as determined by the Board from time to time
    - ii. making recommendations to the Board on any matters deemed appropriate
    - iii. reporting to the Department for Business, Energy & Industrial Strategy as required.

## **10. Accountabilities of the Chief Executive and Accounting Officer**

- 10.1 The accountabilities of the Chief Executive and Accounting Officer include:
- a. Responsibility for personally signing the accounting and ensuring proper records are kept relating to the accounts, and that the accounts are properly prepared and presented.
  - b. Personally signing a governance statement covering corporate governance, risk management and assurance for inclusion in the annual report and accounts;
  - c. Ensuring that effective procedures for handling complaints about the FRC are established and made widely known within the FRC;
  - d. Giving evidence, normally with the PAO, when summoned before the PAC on the FRC's stewardship of funds.

## **11. Executive Committee Responsibilities**

- 11.1. The Executive Committee shall advise and support the Chief Executive and Accounting Officer in fulfilling the above responsibilities.
- 11.2. In addition, the Executive Committee shall be responsible for relevant matters set out in the schedule attached at appendix 1.
- 11.3. Individual Members of the Committee shall be responsible for delivery of agreed projects and activities within their division and shall seek input and advice from the Committee as appropriate.

## **12. Reporting Responsibilities**

- 12.1. The Chief Executive and Accounting Officer shall report regularly to the Board on progress against the strategic objectives and progress against the agreed plan and budget.
- 12.2. The Chief Executive and Accounting Officer and / or Executive Committee shall bring to the attention of the Board any matters the Committee considers necessary.

## **13. Other**

- 13.1. The Committee shall review its own performance and terms of reference annually and shall implement and/or recommend any necessary changes.

**Approved by the Executive Committee with effect from 13 May 2022**

# Terms of Reference for the Enforcement Committee Panel

## 1. Membership

- 1.1. The Conduct Committee shall appoint up to 9 members of the Enforcement Committee Panel ("the Panel") and from those members shall appoint a legally qualified Chair of the Panel ("Panel Chair").
- 1.2. The persons who may be appointed to the Panel shall include, but not be limited to, persons having legal and auditing expertise and experience.
- 1.3. No member of the Panel shall be:
  - (a) a member of the FRC Board;
  - (b) a current serving officer of any of the Recognised Supervisory Bodies;
  - (c) a current employee, member, director or officer of the FRC, or subsidiary company of the FRC; or
  - (d) a practising auditor or an individual who has during the previous 3 years:
    - i. carried out statutory audits;
    - ii. held voting rights in an auditing firm;
    - iii. been a member of an administrative management or supervisory body of an audit firm;
    - iv. been a partner, employee, or otherwise contracted by an audit firm;
    - v. been an employee, member, director or officer of the FRC, any subsidiary company of the FRC or any Recognised Supervisory Bodies.
- 1.4. Members appointed to the Panel will be appointed for terms of up to 3 years and may be reappointed for two further 3-year periods.

## 2. Appointment of Enforcement Committee from the Panel

- 2.1. The Panel Chair, having regard to the matters to be considered and the availability, experience and expertise of Panel members, may appoint an Enforcement Committee from the Panel.
- 2.2. An Enforcement Committee must comprise 3 members of the Panel.
- 2.3. In addition to the selected legally qualified Chair, an Enforcement Committee must include:
  - a) person who is neither a lawyer nor an individual with audit experience;
  - b) an individual with audit experience.
- 2.4. An Enforcement Committee shall undertake the functions conferred to it under the Auditor Regulatory Sanctions Procedure ("ARSP") or the Crown Dependencies Recognised Auditor Regulatory Sanctions Procedure ("CDRASP").
- 2.5. All matters considered by the Enforcement Committee shall remain confidential to that Committee subject to the terms of the ARSP and CDRASP and the reporting responsibilities and the publication policy/provision.



### **3. Quorum**

3.1. The quorum for an Enforcement Committee shall be 3 Committee members.

### **4. Secretary**

4.1. The Company Secretary or their nominee shall act as Secretary of the Enforcement Committee Panel or any Enforcement Committee ("the Secretary").

### **5. Meetings**

5.1. The Enforcement Committee meets in private and retains the power to determine its own procedures in accordance with the ARSP and CDRASP but may not hear oral evidence.

5.2. Only members of the Enforcement Committee appointed by the Panel Chair shall have the right to attend meetings of that Committee. However, other individuals may be invited to attend all or part of any Enforcement Committee meeting as and when appropriate.

### **6. Voting**

6.1. Matters are decided by majority vote and no member of the Committee may abstain from a vote. The selected legally qualified Chair does not have the casting vote.

### **7. Responsibilities of the Enforcement Committee**

7.1. The Enforcement Committee shall exercise its functions in accordance with Part 3 of the ARSP or Part 3 of the CDRASP including:

- considering all the documentation and representations placed before it by the Audit Quality Review team (AQR) and the Registered or Recognised Auditor;
- deciding whether the Registered or Recognised Auditor is liable to a sanction under the Procedure and if so, proposing a sanction for agreement;
- when issuing a notice of proposed sanction, providing reasons for its findings and proposed sanction;
- considering representations in response to a notice of proposed sanction and determining whether to take no further action, confirm or vary the proposed sanction or accept written undertakings from the Registered or Recognised Auditor;
- directing the recognised supervisory body (RSB) of which the Registered or Recognised Auditor is a member to take the necessary steps to impose the sanction;

- publishing details of the sanction;
- sending notice to the Registered or Recognised Auditor that the matter is referred to the Independent Sanctions Tribunal.

7.2. In undertaking its responsibilities, any Enforcement Committee will have regard to any guidance issued by the FRC.

### **8. Reporting Responsibilities**

8.1. The Panel Chair shall provide feedback to the FRC/Conduct Committee on trends, patterns and learning points observed from the cases as required or on request.

## **9. Other**

- 9.1. The Panel shall have access to sufficient resources and is authorised to seek information from the FRC executive in order to carry out its responsibilities.

**Approved by the Conduct Committee with effect from 1 November 2022**

# Terms of Reference for the Appointment Committee

## **Purpose**

The purpose of the Appointment Committee is to conduct a thorough, consistent and fair process for recruitment, appointment and reappointment of independent Tribunal Panel members.

## **4. Membership**

- 4.1. Members of the Appointment Committee (“the Committee”) shall be appointed by the FRC’s People Committee.
- 4.2. All members of the Committee shall be independent of the FRC’s Conduct Committee and Executive Counsel.
- 4.3. Membership shall comprise of a minimum of four non-executive members, which shall include:
  - a. A lawyer;
  - b. A qualified but non practising accountant; and
  - c. A qualified but non practising actuary
- 4.4. The Committee shall appoint a rotating Chair from amongst its members.
- 4.5. Appointments to the Appointment Committee shall be for a period of up to three years, which may be extended for additional terms on agreement of the People Committee.
- 4.6. Only members of the Committee have the right to attend Committee meetings. However, other post-holders and external advisors may be invited by unanimous agreement of the Committee.

## **5. Secretary**

- 5.1. If required, the Secretary of the Conduct Committee of their nominee shall act as Secretary of the Committee and will provide administrative support to the Committee.

## **6. Frequency of meetings**

- 6.1. The Committee shall meet as required to fulfil its remit. The Committee may consider and decide matters through meetings or through written correspondence.

## **7. Quorum**

- 7.1. Decisions of the Committee will be valid if agreed by at least three quarters of the members.

## **8. Notice period**

- 8.1. Meetings of the Committee shall be convened by the Secretary at the request of any of its members.
- 8.2. Unless otherwise agreed, notice of each meeting confirming the venue, / means time and date together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee no later than 5 working days before the date of the meeting.

## **9. Minutes**

- 9.1. The Secretary shall minute the proceedings and resolutions of all formal meetings of the Committee, including recording the names of those present and in attendance.
- 9.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

## **10. Responsibilities**

The Committee shall have the follow responsibilities:

- 10.1. Annually review the size and composition of Tribunal Panel with regard to the skills and experience required and the regulatory environment within which the Panel operates
- 10.2. Agree a standardised process for appointing and reappointing members to the Tribunal panel.
- 10.3. Approve job descriptions and job advertisements for members of the Tribunal Panel.
- 10.4. Approve the placing of advertisement or the use of recruitment consultancies, taking into consideration the FRC's budget and the principles of Value for Money.
- 10.5. Conduct objective and consistent shortlisting exercises and interviews.
- 10.6. Have due regard to relevant regulations, guidance and diversity considerations through the recruitment process.
- 10.7. Consider reappointments to the Tribunal Panel.
- 10.8. Consider whether the behaviour, actions or conflicts of interest of a Tribunal Panel member should result in their removal as a member of the Tribunal Panel.
- 10.9. Ensure that that all appointments to the Tribunal Panel receive a formal letter of appointment, which will include what will be expected of the members in terms of information confidentiality, declarations of interest and time commitment.

## **11. Reporting**

- 11.1. The Appointment Committee shall report to the Convener of the Tribunal and the Conduct Committee on any changes made to the composition of the Tribunal Panel.

**Approved by the Appointment Committee with effect from 11 February 2021**



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