



Financial Reporting Council

Audit Enforcement Procedure

Consultation on proposed updates
to the FRC's routes to resolution



October 2025

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1. Executive summary

1. The Financial Reporting Council (FRC) serves the public interest and supports UK economic growth by upholding high standards of corporate governance, corporate reporting, audit and actuarial work. This underpins trust and confidence in companies, whether from investors, creditors or employees, with this trust supporting the flow of capital, enabling investment and growth.
2. Where there are concerns about potential failures to meet auditing or ethical standards, it is vital for public trust and confidence that the FRC responds to protect the public by investigating and holding those responsible to account where appropriate. Where the FRC does take action, its approach must be robust, transparent and effective, while also proportionate, targeted to those issues that have arisen in any given case.
3. It is good practice for regulators to periodically review their systems and procedures, allowing for continual improvement based on learnings from how the regulator is operating its processes, and how regulated entities interact with them. Building on previous reforms, in 2024, the FRC commenced a review of its end-to-end audit enforcement processes to understand how to further enhance its framework for making enforcement decisions, so it continues to meet the expectations of the modern regulatory landscape.
4. In its review, the FRC considered its governance structures, decision-making processes and the operational efficiency and effectiveness of the Audit Enforcement Procedure (AEP). This included examining the regulatory response to suspected failures to meet auditing or ethical standards and ensuring the FRC's toolkit continues to meet the needs of a modern regulator.
5. The FRC is now consulting on proposed changes to the AEP that will facilitate further improvement in the end-to-end process. That process, which starts with case assessment, includes decisions on case resolution under the AEP (currently only Constructive Engagement or an investigation), the conduct of investigations and enforcement action, and the publication process. The proposed introduction of new and additional routes to resolution is, in particular, intended to facilitate more proportionate and targeted regulatory responses to cases across the spectrum, leading to more timely outcomes for the FRC, as well as the audit firms and auditors it regulates.
6. This consultation is limited to the AEP and does not include the Accountancy Scheme¹, the scope of which covers misconduct by members and member firms of six chartered accountancy bodies.
7. Investigations are an essential part of the FRC's regulatory toolkit and the proposals in the consultation are intended to make more explicit how the public interest is embedded within the FRC's decision-making process. The FRC is proposing to reword the test applied by its

¹ [Accountancy Scheme](#)

Conduct Committee when determining its response to potential breaches of Relevant Requirements. This test combines an evidential threshold and a public interest assessment, and brings the wording of the test in line with how the Conduct Committee considers cases currently. To support transparency, the existing supporting materials for the AEP will include an updated (although still non-exhaustive) list of public interest factors that will be considered by the Conduct Committee.

8. To give the Conduct Committee further assurance over the case assessment process, and building on reforms introduced over recent years, the FRC proposes to remove the role of the Case Examiner and replace it with that of a Designated Officer. Additionally, the Designated Officer will have responsibility for making recommendations to the Conduct Committee on cases. The Designated Officer will be required to be a senior member of FRC staff, and is expected to be the Executive Director, Supervision.
9. Rewording the test and updating the case assessment process is accompanied by proposals that give the Conduct Committee access to a more graduated and broader range of interventions available to resolve cases. This builds on the two options currently available (Constructive Engagement and an investigation). The FRC is proposing to introduce a new route to resolution – Published Constructive Engagement – where a regulatory response is required, but the public interest does not require an investigation and other options are determined not to be appropriate or available. In keeping with the FRC’s role as an improvement regulator, the outcome involves making information publicly available for the benefit of other audit firms and the wider profession, alongside providing deterrence.
10. In this consultation, the FRC is proposing changes aimed at enabling the faster conclusion of cases and delivery of outcomes. The proposed Accelerated Procedure leverages existing robust evidence, where appropriate to do so, rather than opening an investigation under the proposed new Part 4 of the AEP. The FRC also intends to introduce a new Early Admissions Process where, following the opening of an investigation, audit firms and individual auditors will be able to undertake their own review on terms agreed by the FRC’s Executive Counsel and admit any identified breaches of auditing standards. These proposals are intended to reduce the resourcing requirement and time taken for all parties.
11. In this consultation, the FRC has set out proposed amendments to the AEP. It is keen to hear feedback and comments from across the stakeholder environment, including users of audited financial statements, audit firms and individual auditors, professional bodies and legal firms.

2. The FRC's approach to investigations and enforcement activity

How investigations and enforcement activity support the FRC's mission and strategy

12. The purpose of the FRC is to serve the public interest and support UK economic growth by upholding high standards of corporate governance, corporate reporting, audit and actuarial work. Proportionate regulation of audit work expects and encourages high quality by those responsible for delivering it. The FRC deals effectively and fairly with cases where there are significant or serious shortcomings and also acts as an improvement regulator, helping to build market capacity and capability.
13. A key objective of the FRC's investigation and enforcement regime is to uphold the integrity, quality and independence of statutory audits in the UK. It aims to protect the public interest by ensuring that auditors comply with relevant laws, regulations and professional standards, and by deterring breaches. This enhances investor confidence in UK capital markets by supporting the provision of reliable and trusted corporate reporting that has been subject to external audit.
14. To ensure the continued public trust and confidence in statutory audits, the FRC needs to have a case assessment, investigation and enforcement regime that is robust and transparent, responsive to market developments, consistent with its statutory obligations and with an appropriately balanced approach to risk.
15. The proposed changes to the AEP set out additional routes to resolution that provide a graduated range of options to the Conduct Committee. Such options maintain the robustness of the FRC's investigation and enforcement regime, while allowing for more targeted responses to the circumstances of individual cases. These include investigations and other regulatory responses that impose sanctions, where there are concerns about potentially serious or significant breaches, and other alternatives, such as Constructive Engagement, for less serious issues.
16. Proposed routes to resolution under the AEP available to the Conduct Committee include:
 - a. No further action
 - b. Constructive Engagement
 - c. Published Constructive Engagement **(new)**
 - d. Accelerated Procedure **(new)**
 - e. Investigation

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17. Where an investigation has been opened by the Conduct Committee and referred to the Executive Counsel, the proposed AEP will now allow the Executive Counsel to consider an Early Admissions Process, where an application is made by regulated entities within specified parameters. As is currently the case, when the Conduct Committee opens an investigation it can decide to delegate the investigation to an appropriate Recognised Supervisory Body.
 18. Similar to the practices of other regulators, where the 'no further action' route to resolution is pursued, the AEP contains provision for the FRC to reconsider the case. Additionally, the FRC may refer the case for non-enforcement activity within the organisation, or to another professional or regulatory body for consideration.
 19. The FRC imposes financial sanctions to deter breaches, uphold professional standards, and to ensure accountability and reinforce ethical behaviour in the profession. Non-financial sanctions play a key part in the FRC's role as an improvement regulator by identifying the reasons for breaches and assessing not only whether measures are needed to prevent recurrence but also whether measures subsequently implemented by firms have proved effective.
 20. The timely and transparent publication of outcomes informs the wider public of breaches and regulatory actions, enables accountability of – and public confidence in – the FRC's enforcement arrangements, and is key to its role as an improvement regulator. It encourages auditors to learn and develop their own culture of performing to high standards, take proactive accountability for their own improvement in the public interest, and raises educational awareness across the profession.

The principles applied in exercising the FRC's approach

21. The principles underlying the FRC's approach to investigating and resolving suspected breaches of audit and ethical standards by statutory auditors are based on the requirements of public law and statute. These include the FRC's duty under the Legislative and Regulatory Reform Act 2006 to have regard to the Regulators' Code and the principles of good regulation.
22. The FRC will continue to apply the principles of good regulation, namely that regulatory activities should be carried out in a way that is transparent, accountable, proportionate and consistent, and that these activities should only be targeted at cases where action is needed.

Objectives of the end-to-end enforcement process review

23. The AEP came into force in 2016 and is underpinned by the Statutory Auditors and Third Country Auditors Regulations 2016, which established the FRC as the competent authority for statutory audit with powers to investigate and sanction contraventions of Relevant Requirements. While the AEP was subject to reform in 2021/22 and again in 2023, it remains good practice for regulators to periodically review their systems and procedures to identify opportunities for operational improvement.

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24. In 2024, the FRC launched an end-to-end review of its audit enforcement procedure and processes. This focused on examining how the FRC can further enhance its framework for responding to the varied situations where potential breaches appear to have occurred so it continues to meet the expectations of the modern regulatory landscape, and considered the governance structures, decision-making processes and operational efficiency and effectiveness of the AEP.
 25. Particular areas examined within the review included how to provide the Conduct Committee with a broader range of routes to resolution, based on experience of how the existing regime was operating, and introducing more senior involvement in the case assessment process to provide additional assurance to the Conduct Committee. The review also explored what procedural changes can be made to processes to improve timeliness.
 26. The FRC considers that the proposals contained within this consultation will, if implemented, facilitate more targeted regulatory responses to cases, while maintaining the current robustness of the regime, as well as more timely outcomes for the FRC and those it regulates.
 27. As part of the FRC's review of the timeliness of all stages of the process, it has considered where there are opportunities to improve the timeliness of the publication process.
 28. The FRC is not consulting on its publication policy. After considering the feedback received to this consultation and finalising its policy approach, the FRC's Board intends to issue an appropriate suite of supporting documentation to support the implementation and operation of the revised AEP. This suite of documentation will include a revised publication policy. When updating the AEP publication policy, the FRC intends to consider the timeliness of the mandatory publication of sanctions, among other things.

Implementation and transition

29. Subject to the outcome of this consultation, **the FRC plans for the effective date of the revised AEP to be 1 July 2026.**
30. From 1 July 2026, all open case assessment enquiries will be subject to the new processes outlined in this consultation. The changes to the AEP, including the reworded test for opening investigations under the proposed new Part 4 of the AEP and pursuing other routes to resolution, will also have effect from this date. This means that cases commenced under the current or previous versions of the AEP will be conducted in accordance with the provisions of the updated AEP.
31. The Conduct Committee and Executive Counsel will not consider new routes to resolution in their decision-making before this date.
32. Subject to the agreed routes to resolution being implemented, the FRC will review their effectiveness and consider whether any further changes may be required. This process will take place no earlier than 2028 to allow enough time for cases to be brought forward under

the AEP to inform the review, and for audit firms and individual auditors to become more familiar with the new routes to resolution. As part of this review, the FRC will introduce relevant Key Performance Indicators (KPIs) for its case assessment and routes to resolution activity, as well as reconsider existing KPIs.

3. Summary of proposed changes to the AEP

Background

33. The FRC's enforcement activity plays an important role in delivering its core work in support of the public interest and UK growth. To maintain public trust and confidence in statutory audit, it is vital that where there are concerns about potential failings, the FRC has proportionate, effective and efficient ways of robustly responding to protect the public by investigating and holding those responsible to account.
34. As part of its end-to-end enforcement process review, which began in 2024, the FRC has sought to understand how it might further enhance its framework to ensure it continues to meet the expectations of a modern regulatory landscape. This includes reflecting on lessons learned from operating the current framework, while maintaining compliance with applicable legal and regulatory requirements. This work involved stakeholder outreach, including roundtables, with groups such as audit firms, Recognised Supervisory Bodies, law firms and users of audited financial statements.
35. The FRC's Board has delegated to the FRC's Conduct Committee responsibility for decision-making on the opening of investigations and related matters under the AEP. The Conduct Committee operates under Terms of Reference set by the FRC Board. Within these, the Conduct Committee can refer decisions to the Board, and the Board can decide to retain decisions. As such, the proposals in this consultation, where they refer to the Conduct Committee, may also be exercised by the FRC Board.
36. The proposed reforms to the AEP focus on:
- a. Being more explicit in how the public interest is embedded in the decision-making process and how the Conduct Committee currently consider cases, and introducing senior involvement of the case assessment process to give the Conduct Committee additional assurance.
 - b. Allowing the FRC, through its Conduct Committee, to have a more graduated and broader range of interventions available to resolve cases according to their individual facts.
 - c. Enabling the faster completion of cases and delivery of outcomes, which supports the FRC's deterrent and educative objective while reducing expenditure.
37. Under the current AEP process, decisions to propose breaches and sanctions at the conclusion of an investigation are subject to arm's length controls in the form of the Independent Reviewer or an Independent Tribunal. This consultation is proposing to extend these controls so they apply to the proposed Accelerated Procedure, as well as investigations under the proposed new Part 4 of the AEP where the Early Admissions Process has been applied.

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38. Details of the amendments to the AEP that are being considered can be found in [Appendix A](#). More substantive proposals are described in a table of all changes in [Appendix B](#). These should be read in conjunction with this consultation document.

Case assessment process

39. Under the current AEP, the Case Examiner – defined as an officer of the FRC who meets certain requirements – has responsibility for performing certain functions, including case assessment, to determine whether a question of a breach is raised and the making of any initial enquiries required to support this.
40. Currently, the Case Examiner is responsible for making a number of decisions at these early stages of the AEP process, including operating as the decision-maker on which matters should be submitted to the Conduct Committee for a decision. In doing this, the Case Examiner is obliged to have regard to guidance issued to them by the Board or Conduct Committee, which indicates that the Case Examiner submissions to the Board should, among other things, make recommendations as to the most appropriate outcomes of those available to the Board/Conduct Committee (currently no further action, Constructive Engagement, or investigation).
41. Moving forward, the FRC is proposing to remove the concept of an individual Case Examiner and replace it with a 'Designated Officer'. It is anticipated that the case assessment functions and process will continue to be undertaken at an operational level in a similar manner, but with oversight from the Designated Officer. The Designated Officer will be responsible for determining whether a question of a breach of a Relevant Requirement is raised, alongside making submissions and any recommendation, to the Conduct Committee. It is anticipated the Designated Officer will be an Executive Director of the FRC (currently expected to be the Executive Director, Supervision). The proposed definition under the revised AEP states that the Designated Officer cannot be the Executive Counsel or a member of the Board. The FRC considers this proposal will provide the Conduct Committee with additional assurance on the cases that are referred to it for consideration.
42. Unlike the Case Examiner, the Designated Officer will not have discretion to determine outcomes. They will though determine whether no question of a breach is raised, with summaries of these decisions being reported to the Conduct Committee. It is proposed that, going forward, all other outcomes will be determined by the Conduct Committee.

The Conduct Committee

The role of the Conduct Committee

43. The Conduct Committee, membership of which consists of FRC non-executive directors, will be responsible for all decision-making on cases that have been referred to it by the Designated Officer, under the AEP. These decisions will continue to cover both the route to resolution and the details of any discretionary publications, where they relate to scope and the identification of parties.

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44. The Conduct Committee, in considering the referrals made to it, will decide the appropriate route to resolution based on the individual facts of the case, while having regard to the public interest. The public interest factors considered (on a non-exhaustive basis) by the Conduct Committee at key decision points will also be updated and subsequently published. These factors, appropriately weighted, will be taken into account throughout the process.
 45. Once a case has entered certain routes to resolution, the relevant teams at the FRC may refer it back to the Conduct Committee to consider an alternative regulatory response. This will include where: (i) a referral to Constructive Engagement, Published Constructive Engagement or Accelerated Procedure has been unsuccessful or is no longer appropriate based on evidence gathered or; (ii) in instances where the route requires the consent of the audit firm or individual auditor, this consent is not provided.

Routes to resolution (non-sanction outcome)

Published Constructive Engagement

46. In addition to deciding to refer a matter to Constructive Engagement (which is already available to the Conduct Committee), a new proposed route to resolution will be for cases to enter Published Constructive Engagement. Under Published Constructive Engagement, in addition to the FRC's Supervision division working with the audit firm in agreeing and overseeing the implementation of actions to address any issue(s) raised – as in current Constructive Engagement – the allocation of the matter to this route, and its outcome, will also be published. For a case to go through Published Constructive Engagement, it will require the consent of the audit firm and any individual auditors involved.
47. The introduction of this new route to resolution will allow the Conduct Committee to have a regulatory response available where there is a need for deterrence and/or the public availability of this information would benefit other audit firms and the profession, and the Conduct Committee's initial assessment is that a robust Published Constructive Engagement process would provide a suitable alternative to an investigation. In choosing this route, the Conduct Committee will have also considered the significance of the case based on its facts and the public interest factors.
48. When entering into Published Constructive Engagement, audit firms will – if required to do so by the FRC – pay the FRC's costs, or a proportion of them, both to act as a deterrent and to reflect the ongoing involvement of FRC staff in the regulatory response. Any costs required would be capped at the audit fee for the year(s) to which the Published Constructive Engagement relates, and the FRC will have the discretion to not impose costs where considered appropriate.
49. The FRC plans to publish a public statement at the commencement of an audit firm entering Published Constructive Engagement. This statement would be limited to detailing that the audit firm had agreed to entering Published Constructive Engagement with the FRC and setting out, in general terms, the issue(s) being addressed. It would be accompanied by a register on the FRC's website detailing active Published Constructive Engagement cases.

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50. A further public statement will be published at the conclusion of Published Constructive Engagement that provides the name of the audit firm, a summary of the concerns raised that led to the referral for Published Constructive Engagement, and a summary of the key actions taken by the audit firm to address the questions raised. The public statement may also include details on whether the firm has agreed to repay the FRC costs or a proportion of them, or if the FRC has not imposed costs, and how, as a result of the actions taken, the matter has been resolved through Published Constructive Engagement.
 51. The FRC does not plan for public statements issued under Published Constructive Engagement to include the name of the audited entity or the individual auditor, or any details that would reasonably lead to the audited entity or an individual auditor being identifiable.

Routes to resolution (sanction outcome)

Reworded test

52. The FRC is proposing to reword the current test applied under the AEP for considering whether to open an investigation, clarifying the language to reflect how the Conduct Committee currently considers cases brought to it. The rewording is expected to assist the understanding of the evidential threshold for those the FRC regulates and includes explicit reference to the public interest, which is core to the FRC's role.
53. The proposed reworded two-stage test will apply under the AEP when the Conduct Committee is considering the route to resolution (including investigation under the proposed new Part 4 of the AEP). The first element of the test will be whether there are reasonable grounds to suspect that a statutory auditor or audit firm may have breached a Relevant Requirement.
54. Where there are such grounds, the Conduct Committee will then have regard to the public interest to determine the appropriate response to the issues raised. So, to open an investigation, the second element of the test will be whether the Conduct Committee considers that an investigation is in the public interest.
55. In applying this test and to enable flexibility to respond to changing circumstances, the Conduct Committee will consider the existing supporting materials for the AEP. This will include an updated list (although still non-exhaustive) of public interest factors that will, as now, be published for regulated entities to understand the decision-making process applied.

Accelerated Procedure

56. A new route to resolution open to the Conduct Committee will be for cases to enter an Accelerated Procedure. This option will facilitate the resolution of matters using suitable evidence already held by the FRC as the basis for proposing breaches and sanctions. Through this process, Respondents would be able to acknowledge shortcomings identified through existing evidence and the FRC would be able to pursue a regulatory response that

will result in breaches and sanctions being issued without opening an investigation under the proposed new Part 4 of the AEP.

57. While this route does not involve opening an investigation under the proposed new Part 4 of the AEP at the outset, the Conduct Committee would still be required to apply the same two-stage test as part of making its decision whether to pursue this route. Additionally, the Conduct Committee will be required to satisfy itself that the evidence may provide a sufficient basis for the Executive Counsel to assess whether there has been a breach, and if so, that the audit firm or individual auditor should be subject to enforcement action.
58. As with the opening of investigations under the new Part 4 of the AEP, the Conduct Committee would have discretion to announce the opening of an Accelerated Procedure case. All cases resolved through the Accelerated Procedure route to resolution will require a mandatory publication at their conclusion.
59. Following a case being taken forward to an Accelerated Procedure, the Executive Counsel will take proportionate steps to validate the accuracy of the existing evidence ahead of entering settlement discussions (if appropriate).
60. Where a settlement is not agreed under the Accelerated Procedure, the Executive Counsel will be able to return the case to the Conduct Committee to consider an alternative regulatory response.

Early Admissions Process

61. A proposed new route to resolution open to the Executive Counsel is an Early Admissions Process whereby subjects under investigation are able to carry out their own review of a matter, subject to FRC terms, and admit any identified breaches of auditing standards. This is intended to reduce the overall resourcing requirement and time taken for all parties.
62. The Early Admissions Process will not be available where criminal conduct is suspected. In any other case, use of the Early Admissions Process will be at the discretion of the Executive Counsel, not the Conduct Committee. The Executive Counsel will have regard to all relevant circumstances, but would be unlikely to agree to use of the Early Admissions Process where there was an indication of a lack of integrity or a failure to cooperate.
63. Audit firms and individual auditors will be required to express interest in taking part in the Early Admissions Process within 28 days of receiving a Notice of Investigation. The Executive Counsel will have the option to extend this deadline at its discretion.
64. Following receipt of a request to enter the Early Admissions Process, it will be considered by the Executive Counsel and, if agreed, the Executive Counsel will discuss the terms of the review. It is anticipated that the terms will include a requirement for a Senior Partner at the audit firm, and who is independent of the subject(s) involved in the Early Admissions Process, to attest to the robustness of the enquiries and completeness of the review and its findings.

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65. Upon receipt of the final review conducted by the subject(s), the Executive Counsel will determine whether the material is of sufficient accuracy and completeness for the purpose of entering into settlement discussions. Where it is determined the review does not meet this requirement, the Executive Counsel will be able to continue with an investigation in the normal way.
 66. It is proposed that the satisfactory participation of an audit firm and/or individual auditor in the Early Admissions Process would amount to exceptional cooperation and early disposal within the AEP Sanctions Policy. To reflect the self-awareness and preparedness to acknowledge shortcomings that this will require, and the less intensive resourcing requirements associated with the Early Admissions Process, the maximum discount possible will be 60%. This is higher than the 50% otherwise available under the AEP.

4. Request for comments

Questions

- **Do you have any comments on the proposed changes to the AEP described in Chapter 3 and set out in Appendices A and B?**
- **Do you agree with the proposed amendments to the AEP?**
- **Do you have any general comments on the amended AEP?**
- **Do you have any other comments on the issues raised in this consultation?**

How to respond

67. Please send responses to E2Enforcementreview@frc.org.uk by 23:59 on Friday 9 January 2026.
68. The FRC is keen to hear feedback and comments from across the stakeholder environment, including audit firms, professional bodies, law firms and users of audited financial statements.
69. When responding, please state whether you are responding as an individual or you are representing the views of an organisation. All responses will be acknowledged.

Confidentiality and data protection

70. Information that is provided in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).
71. The FRC's policy² is to make responses received to its consultations publicly available. If you want the information you provide to be treated as confidential, please tell us, but be aware that the FRC cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request. The FRC will process your personal data in accordance with all applicable data protection laws. Please see the FRC's privacy policy³.

Next steps

72. The FRC will carefully consider all submissions received in response to this consultation before finalising its policy approach. In addition to settling its policy for the AEP, having considered and taken account of responses, the FRC's Board also intends to issue an

² <https://www.frc.org.uk/about-us/policies-and-procedures/consultation-responses-policy/>

³ <https://www.frc.org.uk/about-us/policies-and-procedures/privacy/>

appropriate suite of supporting documentation to support the implementation and operation of the revised AEP.



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