

Agency for Public Oversight of Auditing (APOA)
Cankarjeva cesta 18,
1000 Ljubljana
Slovenia

18 December 2020

Dear Sir/Madam,

As you will probably be aware, the United Kingdom (UK) left the European Union (EU) on 31 January 2020 and the Transition Period comes to an end on 31 December 2020. At that point the UK's audit regulatory framework transposing the EU's Audit Directive will continue to apply with only those changes that have been made to remove deficiencies and inoperability arising from the UK's exit from the EU.

We have identified the following issues affecting the practical operation of the framework for EEA auditors and audit firms, which we hope it is helpfully to draw to your attention:

Registration of EEA auditors in the UK

On 10 November 2020, the UK Government announced that EEA member states will be granted equivalent status under the UK's post EU exit framework, which replicates that in Article 46 of the Audit Directive.

Audit firms based in EEA states who audit relevant issuers of transferable securities that are listed on a UK regulated market will need to register as Third Country Auditors (TCAs). The Financial Reporting Council (FRC) as UK competent authority is responsible for the registration and administration of the TCA regime in the UK. The FRC's website contains information about the TCA regime, the public register of TCAs and information on how to register. <https://www.frc.org.uk/auditors/professional-oversight/third-country-auditors/registration-of-third-country-auditors>

Initially, we have contacted the UK audit firms within the largest European networks to ask them to ask the EEA firms in their networks to review their client lists and identify relevant clients that may need to register with the FRC.

The date by which audit firms will need to be registered will depend on the dates of the financial years of the relevant clients and the dates when the audit reports will be signed. We will be encouraging firms to apply for registration as soon as possible and will prioritise the applications of firms whose clients would be affected first if their auditor was not registered.

It would be helpful if you would please draw the urgency of this matter to the attention of any audit firms you register that may have relevant clients whose transferable securities are admitted to trading on UK regulated markets and ask them to contact the FRC for further information.

Registration of UK auditors in EEA States

UK incorporated companies listed on EEA regulated markets will be required to appoint as their auditors an audit firm which is either registered as a local auditor, or as a third country auditor, in that EEA State. Any UK audit firms with EEA clients issuing securities on EEA regulated markets will need to be registered as a Third Country Auditors in the relevant EEA States.

We have therefore been advising UK firms to contact the Competent Authority in each relevant EEA state to determine what actions they need to take to become registered. We have advised firms that as the European Commission has so far not made a decision regarding the equivalence status of the UK, firms should prepare to apply for registration under the full requirements in Article 45 of the Audit Directive for registration of third country auditors. We have also advised firms that they should enquire about when they need to be registered, as we understand that the rules may vary between member states on whether registration will be required for financial years beginning after the end of the UK's transition period or for audited accounts that are filed after that point.

Our hope is that UK audit firms will be able to register with you in good time and that you have already put in place registration arrangements and procedures for this to be possible.

Provided that the registration processes take place, we believe this will greatly reduce the risks in the period after the Transition Period ends that listed companies could potentially breach listing requirements in EEA States because their auditors are unable to audit their financial statements, or having completed an audit, their audit opinion is not legally valid in the EEA state in which the securities are traded.

I would like to emphasise that we do not wish the UK's departure from the EU to undermine the cooperative and supportive spirit of our relationship with our fellow regulatory authorities across Europe. We will co-operate with EEA competent authorities on regulatory matters as fully as we can, subject to the requirements of UK and EU legislation.

We should be happy to receive any views or questions you might have concerning any matters raised in this letter.

Yours faithfully,



Dawn Dickson

Director

Professional Oversight

DDI: 020 7492 2365

Email: d.dickson@frc.org.uk