

Chapter 4 - Appendix 4.2

In the section below we outline the role, nature and requirements of Recognised Supervisory Bodies and Recognised Qualifying Bodies.

Recognised Supervisory Bodies: (RSBs)

The role of RSBs is supervise the activities of its members. As part of this role it must hold a register of approved auditors. The granting and revocation of RSBs is provided for in Companies Act 2006 Schedule 10, Part 1. Although Part 1 is written in terms of the Secretary of State carrying out the various functions the Secretary of State has delegated this power to the Professional Oversight Board (POB). The following are currently listed as RSBs in the UK:

- Association of Authorised Public Accountants (AAPA)
- Association of Chartered Certified Accountants (ACCA)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants in Ireland (ICAI)
- Institute of Chartered Accountants in Scotland (ICAS)

Part 2 of Schedule 10 contains a number of provisions relating to RSBs. These include the RSBs having:

- rules relating to maintaining and enforcing eligibility to act as statutory auditors
- rules and practices that ensure individuals eligible to serve as statutory auditors are fit and proper persons
- rules and practices that ensure statutory audit work is carried out properly and with integrity
- technical standards to be applied in statutory audit work
- procedures for maintaining competence
- arrangements for monitoring and enforcement of compliance with its rules
- rules relating to membership, admission and expulsion of members
- arrangement for the investigation of complaints
- be willing and able to promote and maintain high standards of integrity in statutory audit work

In additions the RSB must participate in arrangements concerned with:

- The independent monitoring of listed company and other major bodies
- The independent investigation for disciplinary purposes of public interest cases

Recognised Qualifying Bodies (RQBs)

An RQB is a body which has the authority awarded to it by the professional Oversight Board to offer an appropriate professional (accounting) qualification. The following are currently RQBs in the UK:

- Association of Chartered Certified Accountants (ACCA)
- Association of International Accountants (AIA)
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants in Ireland (ICAI)
- Institute of Chartered Accountants in Scotland (ICAS)

The Professional Oversight Board includes on the Financial Reporting Council website a useful summary of the Companies Act requirements an RQB must meet before it can be recognised and we include this below:

<p>Applications for the recognition of a body as a recognised qualifying body should be made to the Professional Oversight Board under Schedule 1220, Schedule 11 of the Companies Act 2006. The application should be accompanied by all information reasonably required for the purpose of determining the application. If further information is needed this can be sought before determining the outcome of the application. Every application must be accompanied by i) a copy of the applicant's rules and ii) a copy of any guidance issued by the applicant in writing.</p> <p>Applicants must ensure they meet the requirements of the Companies Act 2006 as set out in Schedule 11, Part 2 (see attached document).</p>		
Issue	Companies Act 2006 ref	Comment
Entry requirements	Schedule 11, Paragraph 6	<p>The qualification must only be open to persons who a) have attained university entrance level or b) have a sufficient period of professional experience (ie: not less than seven years' experience in a professional capacity in the fields of finance, law and accountancy).</p> <p>Attaining university entrance level means being educated to such a standard as would entitle the individual to be considered for admission on the basis of academic or professional qualifications recognised by the Professional Oversight Board to be of an appropriate standard or academic or professional qualifications obtained outside of the United Kingdom which the Professional Oversight Board deem to be an equivalent standard.</p> <p>Alternatively, to be equivalent to university entrance level an individual can be assessed based on written assessments deemed to be an adequate standard by the Professional Oversight Board to entitle the individual to admission. These tests can be conducted by the applicant</p>

		or some other body approved by the Professional Oversight Board.
Requirement for theoretical instruction or professional experience	Schedule 11, Paragraph 7	The qualification offered must be restricted to: a) Individuals who have completed a course of theoretical instruction in the prescribed subjects, or b) Individuals who have a sufficient period of professional experience (ie: not less than seven years' experience in a professional capacity in the fields of finance, law and accountancy).
Examination	Schedule 11, Paragraph 8	The qualification offered by the applicant must be restricted to persons who have passed an examination (at least part of which is in writing) testing: a) theoretical knowledge of the prescribed subjects and b) an ability to apply that knowledge in practice. The examination must be at least equivalent to that required to obtain a degree from a university or similar establishment in the United Kingdom. The qualification may be awarded to an individual without testing their theoretical knowledge if the individual has passed a university or other examination of equivalent standard in that subject, or holds a university degree or equivalent qualification in it. The qualification may be awarded to a person without his ability to apply his theoretical knowledge in practice being tested by examination if he has received practical training in that subject which is attested by an examination if he has received practical training in that subject which is attested by an examination or diploma recognised by the Professional Oversight Board. Regulations under paragraph 8 are subject to negative resolution procedure.
Practical training	Schedule 11, Paragraph 9	The qualification must be restricted to persons who have completed at least three years practical training of which part was spent in statutory audit work and a substantial part was spent being trained in statutory audit work or other audit work in line with the agreed description of work similar to statutory audit work. For work outside of the UK to count towards statutory audit work it must be approved by the Professional Oversight Board and will only be accepted if the law and practice in respect of the audit of accounts is similar to that in the UK. Training must be given by persons approved by the body offering the qualification as persons whom the body is satisfied will provide adequate training in the light of

		<p>undertakings given by them and the supervision which they are subject. (Supervision can be by the applicant or some other body or organisation).</p> <p>At least two thirds of the training must be given by a person eligible for appointment as a statutory auditor or eligible for a corresponding appointment as an auditor under the law of a member state, or part of a member state other than the UK.</p>
Supplementary provision with respect to a sufficient period Of professional experience	Schedule 11, Paragraph 10	<p>Periods of theoretical instruction in the fields of finance, law and accountancy may be deducted from the required period of professional experience, provided the instruction lasted at least one year and is attested by an examination recognised by the Professional Oversight Board.</p> <p>The period of professional experience may not be reduced by more than four years and the period of professional experience together with the practical training required must not be shorter than the course of theoretical instruction as referred to in paragraph 7.</p>
The body offering the qualification	Schedule 11, Paragraph 11	<p>The body offering the qualification must have rules and arrangements adequate to ensure compliance with the requirements of paragraphs 6-10 and adequate arrangements for effective monitoring of its continued compliance with those requirements. These arrangements must include monitoring of examinations and the adequacy of the practical training given by the persons approved by the body.</p>
Financial Position		<p>The applicant's accounts for the previous two years should be provided together with forecasts covering at least the first year of operations as a supervisory body, thereby demonstrating that the applicant will be financially capable of fulfilling the requirements for continuing compliance.</p>
Other information		<p>The applications should give brief descriptions of the qualifications and careers for the applicant body's senior office-holders and its senior officials. Details of the organisation of the body and the number of staff employed in its various departments should also be given.</p>
<p>Source: Financial Reporting Council: http://www.frc.org.uk/documents/paganager/pob/RQB%20and%20RSB%20Recognition.pdf</p>		