



Financial Reporting Council

# **General principles for considering the public interest in our work**

November 2022

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In all our work, our primary responsibility is to pursue the public interest in high standards of auditing, reporting, actuarial work, and governance. Much of the scope of the Audit, Reporting and Governance Authority (ARGA)'s work is expected to be determined by the new Public Interest Entity (PIE) definition. Although its remit may continue to include non-PIEs in some areas of work, our risk-based operational focus will be weighted towards PIEs, in recognition of their systemic importance as the largest entities in the UK. However, as recognised by the Government response to the White Paper on Restoring Trust in Audit and Corporate Governance, there will be circumstances where, exceptionally, ARGA is expected to take regulatory action in areas of public interest that are not within this regulatory focus.

Below we list the set of non-exhaustive questions applying principles that we will consider in carrying out our regulatory, supervisory and enforcement work where that work is not clearly defined as being within the regulatory perimeter but where it may still be in the public interest for us to act ('the public interest test'). These principles are not intended to define the public interest but they set out how the public interest will be considered as part of our decision-making on whether it is appropriate for us to take a particular course of action or not on matters that go beyond our regulatory perimeter, including where this relates to monitoring, reviews and investigations. They are not intended for other public interest decisions which are undertaken in the normal course of business, but may be used as a starting point in considering the public interest and assessing whether additional or different considerations need to be applied.

**In determining whether pursuit of an action is in the public interest based on the information available, the FRC, and subsequently ARGA, considers and asks itself:**

**(a) Is there a need to take regulatory action to maintain justifiable public confidence in:**

- the regulated professions and activities (i.e. accountancy, audit or actuarial);
- corporate reporting as a whole; and/or
- corporate governance as a whole?

**(b) Does the nature, extent, scale and gravity of the matter give rise to a serious public concern and does it currently or potentially:**

- concern a body of systemic importance or one whose shares are traded publicly;
- affect a significant number of people;
- cause (or have the potential to cause) significant financial loss or other harm; and/or
- relate to criminal, illegal, fraudulent or unethical behaviour?

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**(c) Is it proportionate to undertake the action or activity, and has consideration been given to whether relevant regulatory action is being taken by another regulator?**

None of the principles can be considered in isolation – they need to be assessed together. Different principles may have different weighting depending on the circumstances, and there may be additional considerations for specific activities. Furthermore, consideration of these principles will depend on the information available at the time of the decision on the action or activity. When applying the public interest test, we will also have regard to the principles of good regulation contained in the Regulator’s Code, and consider whether the actions taken are consistent with our strategic objectives and our economic growth objective.

The FRC will consider how best to apply, and review if necessary, these principles where appropriate as we transition to ARGAs. We commit to publishing a yearly perimeter report explaining how our regulatory perimeter applies to each of our functions, highlighting how we have worked within that perimeter in the public interest, and where (if applicable) we have taken any decision to go beyond it. These principles are the foundational basis for our public interest test but additional considerations may be needed for specific regulatory functions and activities. We also undertake to review the principles every two to three years to ensure they remain appropriate.



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