

10 August 2020

Dear Sir/Madam

**FAO: Senior Partner/Director of the audit firm - Reporting obligations**

The impact of Coronavirus (COVID-19) is being felt widely and is affecting all the entities we regulate in ways that may not have been predicted. Audit firms providing assurance services to all such entities play a crucial role during this time.

The information audit firms give us through both public and private assurance reports and disclosures remains vitally important for us as a regulator. Those disclosures take on an added level of importance during these times in helping us to prevent harms occurring. In the past however, this information has not always been communicated to us in a timely manner and this is something that we expect the audit profession to be particularly aware of during the current crisis.

We remain open to communication with audit firms and have sought to mitigate a number of issues which auditors, their clients and the consumers of financial services have recently faced. We have highlighted these measures in our daily email updates for (COVID-19) news and other publications and communications on our [website](#).

**Your duty to report**

In the current financial climate, it is vitally important that auditors are mindful of their reporting duties in relation to significant matters arising, for instance under SUP3 of the FCA Handbook, sections 342(5) and 343(5) of Financial Services and Markets Act 2000 and UK auditing standards.

The auditor of a financial institution or a company with transferable securities admitted to trading on a regulated market that is subject to statutory regulation has a 'duty to report' certain information to the regulator, relevant to the regulator's functions, which comes to the auditor's attention during their work.

You should send these reports to us at [auditorsdutyreport@fca.org.uk](mailto:auditorsdutyreport@fca.org.uk).

While FCA supervisors regularly engage with auditors, we remind auditors that this duty to inform becomes binding as soon as uncertainties arise. The duty covers areas such

as when an entity is likely to be unable to continue as a going concern. For the avoidance of doubt, we expect auditors to raise such issues with us proactively and without delay.

### **FCA Guidance to provide clarity**

To assist regulated firms in identifying possible areas of concern, on 11 June 2020 we published [FG 20/1: Assessing adequate financial resources](#). This framework document provides more clarity to firms on:

- the role of adequate financial resources in minimising harm
- the practices firms can adopt when assessing adequate financial resources and
- how we assess the adequacy of a firm's financial resources

We recognise the pressures that companies with securities traded on public markets and their auditors currently face. In response, we have issued guidance and public statements since the crisis began, including forbearance on the deadlines for filing interim and annual financial statements. However, our [Primary Market Bulletin 27](#) (PMB 27) also pointed out that this guidance also underlined the need for companies to continue to ensure that they are complying with their ongoing disclosures under the Market Abuse Regulation and relevant FCA rules.

While FG 20/1 and PMB 27 were addressed either to regulated firms or to publicly traded companies, auditors clearly have a significant existing role in identifying and notifying us as a regulator where they find relevant entities they are auditing are experiencing financial difficulties. Consequently, we believe the guidance in both communications will be equally useful in assisting auditors in fulfilling their duties to report to us.

If you have further questions please do not hesitate to [contact us](#). For enquiries about to publicly traded entities, please use [primary.market.integrity@fca.org.uk](mailto:primary.market.integrity@fca.org.uk).

Yours faithfully

**Christopher Woolard**  
**Interim Chief Executive**