

EXPLANATORY NOTE

(This note is not part of the Order)

This Order concerns the transfer of functions of the Secretary of State under Part 42 of the Companies Act 2006 (statutory auditors), as applied with modifications to local audits by Schedule 5 to the Local Audit and Accountability Act 2014. Local audits are audits of the accounts of relevant authorities within the meaning of that Act (listed in Schedule 2 to the 2014 Act – local authorities and certain other public bodies in England and a very limited category of authorities which exercise functions partly in England and partly in Wales).

The functions are transferred to the Financial Reporting Council Limited (“the designated body”).

The effect of article 2 is to transfer all of the functions under Part 42 of the Companies Act 2006 (“the 2006 Act”) to the designated body, subject to a number of specified exceptions and reservations. Article 3 has the effect that the designated body is a public authority for the purposes of the Freedom of Information Act 2000, so far as it is exercising functions transferred or conferred by this Order. Article 4 imposes consultation requirements on the designated body. Articles 5, 6 and 7 respectively require the designated body to publish an annual work programme, to record decisions, and to notify the Secretary of State of certain matters.

Article 8 provides that financial penalties received by the designated body may not be retained but (after deduction of the body’s reasonable costs) must be paid over to the Secretary of State. Article 9 has the effect that references to the Secretary of State in section 1256 of the 2006 Act (time limits for prosecution of offences) are to be construed as references to either the Secretary of State or the designated body.

Article 10 amends the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012 (S.I. 2012/1741) so as to reduce the period required for consultation by the designated body prior to making an order or regulations under powers relating to statutory audit of companies.

An impact assessment of the effect that the Local Audit and Accountability Act 2014, which this instrument helps implement, will have on the costs of business is available from <http://www.parliament.uk/documents/impact-assessments/IA13-11A.pdf>. No separate assessment was carried out for this instrument.