
DRAFT STATUTORY INSTRUMENTS

2018 No.

**The Statutory Auditors and Third Country Auditors
(Amendment) (EU Exit) Regulations 2018**

PART 5

Amendments made under section 2(2) of the European Communities Act 1972

Amendment of the Statutory Auditors and Third Country Auditors Regulations 2016

105. The Statutory Auditors and Third Country Auditors Regulations 2016 is amended in accordance with regulations 106 and 107.

106. In regulation 3 (the competent authority)—

- (a) in paragraph (2)(b), for “paragraph (5)” substitute “paragraphs (5), (5A) and (5B)”;
- (b) after paragraph (5), insert—

“(5A) Any delegation under paragraph (2) of the competent authority’s responsibilities under sub-paragraphs (k), (l) or (m) of paragraph (1) must not prejudice the competent authority’s ability to initiate and conduct an inspection or investigation of audit work by a statutory auditor itself, where necessary, and to take appropriate action.

(5B) In determining the delegation of tasks, the competent authority must ensure that conflicts of interest are avoided.”;

- (c) after paragraph (13), insert—

“(14) The members of the management body of the competent authority must be individuals who—

- (a) are knowledgeable in the areas relevant to statutory audit;
- (b) are selected in accordance with an independent and transparent nomination procedure;
- (c) during their period in office are non-practitioners, and in the three years preceding their appointment were non-practitioners.

(15) In paragraph (14), a “non-practitioner” is a person who is not—

- (a) carrying out statutory audit work;
- (b) a member of the ownership or management body of a firm that is eligible for appointment as a statutory auditor;
- (c) employed by or otherwise associated with a firm that is eligible for appointment as a statutory auditor.”.

107. After regulation 13 (power to grant exemptions from the requirements of Article 4(2) of the Audit Regulation (limit on total fees charged for non-audit services)), insert—

“Provision of non-audit services

13A. The competent authority may, within the standards on professional ethics that it determines in accordance with Schedule 1, allow the provision of the services referred to in points (a) (i), (a) (iv) to (a) (vii) and (f) of the second subparagraph of Article 5(1) of the Audit Regulation, provided that the following requirements are complied with—

- (a) they have no direct or have immaterial effect, separately or in the aggregate on the audited accounts;
- (b) the estimation of the effect on the audited accounts is comprehensively documented and explained in the additional report to the audit committee referred to in Article 11 of the Audit Regulation; and
- (c) the principles of independence laid down in Part 42 of the Companies Act 2006 and these Regulations are complied with by the statutory auditor.”.