
EXPLANATORY NOTE

(This note is not part of the Regulations)

^{M1}The Regulations implement in part Directive [2006/43/EC](#) of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives [78/660/EEC](#) and [83/349/EEC](#) and repealing Council Directive [84/253/EEC](#) (“the Audit Directive”).

^{M2}Regulations 4 to 16 amend provisions in Part 42 of the Companies Act 2006 (statutory auditors). Regulation 4 requires supervisory bodies to extend certain of their rules to former members. Regulation 6 requires an aptitude test in connection with the recognition of the qualifications of third country auditors. Regulation 8 and the Schedule impose an obligation of confidentiality in relation to the regulatory bodies for the audit profession. Regulation 14 requires those bodies to cooperate with regulatory bodies in other EEA States, and regulation 15 imposes requirements in relation to working arrangements entered into by them for the transfer of papers to regulatory bodies outside of the EEA.

Regulation 9 allows the Independent Supervisor of the Auditors General a choice as to whether to establish supervision arrangements itself, or to enter into supervision arrangements with other bodies. Regulation 16 extends the power of the Secretary of State to issue directions to comply with international obligation, so that they may be issued to the Independent Supervisor.

Regulations 17 to 28 amend provisions in Schedule 10 to the Companies Act 2006, which have the effect of requiring recognised supervisory bodies to have certain rules with which their members must comply if they wish to act as statutory auditors. Regulation 17 requires an aptitude test in connection with the recognition of qualifications of EEA auditors. Regulations 19 and 21 introduce additional reporting and independence requirements, and regulation 20 requires certain technical standards in relation to group audits. Regulations 22 and 23 impose requirements as to the monitoring and enforcement of the bodies' rules. Regulation 24 regulates the transfer by statutory auditors of papers to regulatory bodies outside of the EEA. Regulations 26 to 28 require some standards to be set, and some monitoring to be conducted, by a body independent of the recognised supervisory bodies.

Regulations 29 to 40 set out procedural and substantive requirements for the registration of third country auditors and make some minor amendments to the Companies Act 2006. Regulation 34 requires the Professional Oversight Board to keep the register. The Financial Services Authority is to make rules stipulating that an audit report for the accounts of certain third country companies admitted to trading on a regulated market in the United Kingdom must be provided by either a third country auditor entered on this register or a statutory auditor.

Regulation 30 extends the power in section 1239(7) of the Companies Act 2006 so that the Secretary of State may direct in writing that specified requirements of regulations concerning the register of third country auditors are not to apply to a particular registered third country auditor or a class of registered third country auditors.

Regulation 42 amends section 994 of the Companies Act 2006. It allows a company member to petition a court if the company's auditor has been dismissed on improper grounds.

^{M3M4M5}Regulation 45 revokes the Company Auditors (Examinations) Regulations 1990, the Companies Act 1989 (Register of Auditors and Information About Audit Firms) Regulations 1991, and the equivalent Northern Ireland regulations. It is intended that all will be replaced by regulations to be made by the Professional Oversight Board. Regulation 45 also revokes the European Communities (Recognition of Professional Qualifications) (First General System) Regulations 2005, the provisions of which are replaced by regulation 17, insofar as they relate to statutory auditors.

Changes to legislation: *There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2007. (See end of Document for details)*

An Impact Assessment in respect of these Regulations has been produced and copies are available from the Company Law and Governance Directorate, Department for Business, Enterprise and Regulatory Reform, 1 Victoria Street, London, SW1H 0ET or on www.berr.gov.uk.

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