

**EXPLANATORY MEMORANDUM TO**  
**THE STATUTORY AUDITORS AND THIRD COUNTRY AUDITORS**  
**(AMENDMENT) REGULATIONS 2008**

**2008 No. 499**

**1.** This explanatory memorandum has been prepared by the Department for Business, Enterprise and Regulatory Reform and is laid before Parliament by Command of Her Majesty.

**2. Description**

2.1 These regulations correct a number of errors in the Statutory Auditors and Third Country Auditors Regulations 2007 (“SATCAR”). The purpose of SATCAR is to amend the provisions of the Companies Act 2006 relating to the regulation of statutory auditors, and provide for a register of non-EEA auditors to be established. They 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 (OJ L 157, 9.6.2006, p. 87) (“the Audit Directive”).

**3. Matters of special interest to the joint committee on statutory instruments**

3.1 None.

**4. Legislative background**

4.1 The legislative background to SATCAR was set out in full in the Explanatory Memorandum for those regulations. These regulations correct several minor errors which have been noticed in the cross-referencing between regulations, the use of expressions and the transitional provisions of SATCAR.

4.2 Regulations 2(2) and 2(6) correct errors in the cross references in regulations 1 and 36 of SATCAR.

4.3 Regulations 2(3) and 2(4) correct errors in the transitional provisions in SATCAR regulations 7 and 15, to ensure that these regulations come into force in line with the Government’s intentions. Regulation 2(3) deletes the transitional provision at SATCAR regulation 7(2) in respect of new section 1223A of the Companies Act 2006. The effect of this is that notifications of withdrawal of approval from statutory auditors will have to be sent to other EEA states where they are registered, whether or not those persons have actually been appointed as statutory auditors. Without this amendment, there would be no obligation to notify the authorities in other EEA states about the withdrawal of approval from an auditor who had not actually been appointed. Regulation 2(4) extends the scope of the transitional provision in SATCAR regulation 15, so that it applies to new section 1253D which SATCAR regulation 15 inserts into the Companies Act 2006 as well as to new section 1253E. This will ensure that all the new provisions relating to the transfer of audit working papers will apply to

working papers only for audits for financial years beginning on or after 6<sup>th</sup> April 2008, in line with the overall policy for the implementation of the Audit Directive.

4.4 Regulation 2(5) corrects the expressions used in SATCAR regulation 34, so that it is clear that the requirement to hold certain information in the register of third country auditors applies only in respect of third country auditors who are registered, rather than all third country auditors.

## **5. Extent**

5.1 These regulations apply to the United Kingdom.

## **6. European convention on human rights**

6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 These regulations correct minor errors in the Statutory Auditors and Third Country Auditors regulations and as such have no policy background beyond that for SATCAR, which is set out in the Explanatory Memorandum for those regulations.

### *Commencement date*

7.2 These regulations come into force on 5 April 2008, amending the Statutory Auditor regulations the day before the first commencement date of those regulations.

### *Consultation*

7.3 There were three consultations in the development of SATCAR and the details of these are set out in the Explanatory Memorandum to those regulations. As the current regulations merely correct errors in SATCAR, there has been no formal consultation on these regulations, although some of the changes have been discussed informally with the affected bodies.

### *Scrutiny history of the Directive*

7.4 The SATCAR implements the bulk of the provisions of the Audit Directive. The scrutiny history of this Directive is set out in the Explanatory Memorandum to SATCAR.

## **8. Impact**

8.1 As these regulations simply correct errors in SATCAR, there is no impact on the private or voluntary sectors, and an Impact Assessment is not required. A full Impact Assessment was attached to the Explanatory Memorandum for SATCAR which set out in detail the impact of the implementation of the Audit Directive. .

## **9. Contact**

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