

**2014 No. 1627**

**LOCAL GOVERNMENT, ENGLAND AND WALES**

**The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014**

<i>Made</i> - - - -	<i>23rd June 2014</i>
<i>Laid before Parliament</i>	<i>27th June 2014</i>
<i>Coming into force</i> - -	<i>31st July 2014</i>

The Secretary of State makes the following Regulations in exercise of the powers conferred by sections 1219 and 1292(1) of, and paragraph 13 of Schedule 10 to, the Companies Act 2006<sup>(a)</sup>, as they have effect by virtue of paragraphs 9 and 28(7) of Schedule 5 to the Local Audit and Accountability Act 2014<sup>(b)</sup>:

**PART 1**

**General**

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014 and come into force on 31st July 2014.

(2) In these Regulations—

“the Act” means the Local Audit and Accountability Act 2014; and

“sufficient period of professional experience” has the meaning given by regulation 10.

**PART 2**

**Local audit qualifications**

**CHAPTER 1**

**Grant and revocation of recognition of a local audit qualification**

**Application for recognition of professional local audit qualification**

2.—(1) A qualification is an appropriate qualification for the purposes of section 1219 of the Companies Act 2006 (appropriate qualifications) as it has effect by virtue of Schedule 5 to the Act (eligibility and regulation of local auditors) if it is—

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(a) 2006 c. 46.

(b) 2014 c. 2.

- (a) offered by a qualifying body; and
  - (b) the subject of an order (“a recognition order”) made by the Secretary of State recognising that qualification.
- (2) A qualifying body may apply to the Secretary of State for a recognition order.
- (3) An application must be—
- (a) made in such manner as the Secretary of State may direct; and
  - (b) accompanied by such information as the Secretary of State may reasonably require for the purposes of determining the application.
- (4) At any time after receiving an application and before determining it the Secretary of State may require the applicant to supply additional information to assist with determining the application.
- (5) The directions given or requirements imposed under paragraphs (3) and (4) may differ as between different applications.
- (6) The Secretary of State may require any information to be supplied under this regulation to be in such form or verified in such manner as the Secretary of State may specify.
- (7) In the case of examination standards, the verification required may include independent moderation of the examinations over such period as the Secretary of State considers necessary.
- (8) Every application must be accompanied by—
- (a) a copy of the applicant’s rules; and
  - (b) a copy of any guidance issued by the applicant in writing.
- (9) The reference in paragraph (8)(b) to any guidance issued by the applicant is a reference to any guidance or recommendation—
- (a) issued or made by it to all or any class of persons holding or seeking to hold a qualification, or approved or seeking to be approved by the body for the purposes of giving practical training;
  - (b) relevant for the purposes of Part 42 of the Companies Act 2006 as it has effect by virtue of Schedule 5 to the Act; and
  - (c) intended to have continuing effect,
- including any guidance or recommendation relating to a matter within paragraph (10).
- (10) The matters within this paragraph are—
- (a) admission to or expulsion from a course of study leading to a qualification;
  - (b) the award or deprivation of a qualification; and
  - (c) the approval of a person for the purposes of giving practical training or the withdrawal of such an approval,
- so far as relevant for the purposes of Part 42 of the Companies Act 2006 as it has effect by virtue of Schedule 5 to the Act.

### **Grant and refusal of recognition**

**3.—**(1) The Secretary of State may, on an application made in accordance with regulation 2 and after being supplied with all such information as the Secretary of State may require under that regulation, make or refuse to make a recognition order in respect of the qualification in relation to which the application was made.

(2) The Secretary of State may make a recognition order only if it appears to the Secretary of State, from the information supplied by the applicant and having regard to any other information in the Secretary of State’s possession, that the requirements of Chapter 2 are satisfied in relation to the qualification.

(3) Where the Secretary of State refuses an application for a recognition order, the Secretary of State must give the applicant a written notice to that effect specifying which requirements, in the opinion of the Secretary of State, are not satisfied.

(4) A recognition order must state the date on which it takes effect.

### **Revocation of recognition order**

4.—(1) A recognition order may be revoked by a further order (“a revocation order”) made by the Secretary of State if at any time it appears to the Secretary of State—

- (a) that any requirement of Chapter 2 is not satisfied in relation to the qualification to which the recognition order relates; or
- (b) that the qualifying body has failed to comply with any obligation imposed on it by or by virtue of these Regulations.

(2) A revocation order must state the date on which it takes effect which must be after the period of three months beginning with the date on which the revocation order is made.

(3) Before making a revocation order the Secretary of State must—

- (a) give written notice of the intention to do so to the qualifying body;
- (b) take such steps as the Secretary of State considers reasonably practicable for bringing the notice to the attention of persons holding the qualification affected or in the course of studying for it; and
- (c) publish the notice in such manner as the Secretary of State thinks appropriate for bringing the notice to the attention of any other persons who are in the opinion of the Secretary of State likely to be affected.

(4) A notice under paragraph (3) must—

- (a) state the reasons for which the Secretary of State proposes to act; and
- (b) give particulars of the rights conferred by paragraph (5).

(5) A person falling within paragraph (6) may, within the period of three months beginning with the date of the service or publication of the notice or such longer period as the Secretary of State may allow, make written representations to the Secretary of State and, if desired, oral representations to a person appointed for that purpose by the Secretary of State.

(6) The persons falling within this paragraph are—

- (a) the qualifying body on which a notice is served under paragraph (3);
- (b) any person holding the qualification affected or in the course of studying for it; and
- (c) any other person who appears to the Secretary of State to be affected by the revocation order.

(7) The Secretary of State must have regard to any representations made in accordance with paragraph (5) in determining whether to make the revocation order.

(8) If in any case the Secretary of State considers it essential to do so in the public interest the Secretary of State may make a revocation order without regard to the restriction imposed by paragraph (2), even if—

- (a) no notice has been given or published under paragraph (3); or
- (b) the period of time for making representations in pursuance of such a notice has not expired.

(9) A revocation order may contain such transitional provision as the Secretary of State thinks necessary or expedient.

(10) A revocation order may be made at the request or with the consent of the qualifying body and any such revocation is not subject to—

- (a) the restrictions imposed by paragraphs (1) and (2); or
- (b) the requirements of paragraphs (3) to (5) and (7).

- (11) On making a revocation order the Secretary of State must—
- (a) give written notice of the making of the order to the qualifying body;
  - (b) take such steps as the Secretary of State considers reasonably practicable for bringing the making of the order to the attention of persons holding the qualification affected or in the course of studying for it; and
  - (c) publish a notice of the making of the order in such manner as the Secretary of State thinks appropriate for bringing the notice to the attention of any other persons who are in the Secretary of State’s opinion likely to be affected by it.

## CHAPTER 2

### Requirements for recognition of a local audit qualification

#### **Qualification requirements**

5. To be the subject of a recognition order a qualification must comply with the requirements specified in this Chapter.

#### **Entry requirements**

- 6.—(1) The qualification must be open to persons who—
- (a) have attained university entrance level; or
  - (b) have a sufficient period of professional experience.
- (2) In relation to a person who has not been admitted to university or other similar establishment in the United Kingdom, “attaining university entrance level” means—
- (a) being educated to such a standard as would enable the person to be considered for such an admission on the basis of—
    - (i) academic or professional qualifications obtained in the United Kingdom and recognised by the Secretary of State to be of an appropriate standard, or
    - (ii) academic or professional qualifications obtained outside the United Kingdom which the Secretary of State considers to be of an equivalent standard; or
  - (b) being assessed, on the basis of written tests of a kind appearing to the Secretary of State to be adequate for the purpose (with or without oral examination), as of such a standard of ability as would entitle the person to be considered for such admission.

#### **Requirement for theoretical instruction or professional experience**

7. The qualification must be restricted to persons who—
- (a) have completed a course of theoretical instruction in the subjects specified in regulation 8(4); or
  - (b) have a sufficient period of professional experience.

#### **Examination**

8.—(1) The qualification must be restricted to persons who have passed an examination (at least part of which is in writing) testing—

- (a) theoretical knowledge of the subjects specified in paragraph (4); and
- (b) ability to apply that knowledge in practice,

and requiring a standard of attainment at least equivalent to that required to obtain a degree from a university or similar establishment in the United Kingdom.

(2) The qualification may be awarded to a person without that person’s theoretical knowledge of a subject being tested by examination if the person—

- (a) has passed a university or other examination of equivalent standard in that subject; or
- (b) holds a university degree or relevant qualification in it.

(3) The qualification may be awarded to a person without that person's ability to apply their theoretical knowledge of a subject in practice being tested by examination if the person has received practical training in that subject which is attested by an examination or diploma recognised by the Secretary of State for the purposes of this regulation.

(4) The subjects specified for the purposes of paragraph (1)(a) and regulation 7(a) are—

- (a) general accounting theory and principles;
- (b) legal requirements and standards relating to the preparation of financial statements for relevant authorities(a);
- (c) international accounting standards;
- (d) financial analysis;
- (e) cost and management accounting;
- (f) risk management and internal control;
- (g) auditing and professional skills relevant to local audit(b);
- (h) legal requirements and professional standards relating to local audit and local auditors(c);
- (i) international auditing standards;
- (j) professional ethics and independence; and
- (k) those aspects of the following which are relevant to auditing—
  - (i) legislation (primary and secondary) relating to relevant authorities;
  - (ii) corporate governance;
  - (iii) tax law;
  - (iv) public finance, including the law relating to local taxation and revenue raising in the public sector;
  - (v) civil and commercial law;
  - (vi) social security and employment law;
  - (vii) information technology and computer systems;
  - (viii) general and financial economics;
  - (ix) relevant statistical and sampling techniques, and basic principles of financial management.

### **Practical training**

**9.—(1)** The qualification must be restricted to persons who have completed at least three years of practical training of which—

- (a) part was spent being trained in local audit work; and
- (b) a substantial part was spent being trained in—
  - (i) local audit work,
  - (ii) statutory audit work within the meaning of Part 42 of the Companies Act 2006(d), or
  - (iii) other audit work relating to any body whose accounts form part of the group for which the Treasury prepares accounts under section 9(1)(a) of the Government Resources and Accounts Act 2000(e).

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(a) See section 2 of, and Schedule 2 to, the Act for the meaning of 'relevant authorities'.  
 (b) See paragraph 1(2) of Schedule 5 to the Act for the meaning of 'local audit'.  
 (c) See section 4(1)(b) of the Act for the meaning of 'local auditor'.  
 (d) See section 1210 of the Companies Act 2006 for the meaning of 'statutory auditor'.  
 (e) 2000 c. 20.

(2) For the purposes of paragraph (1)—

- (a) “local audit work” includes equivalent work on the audit of the accounts of a public authority under the law of an EEA state, or part of an EEA state, other than the United Kingdom;
- (b) “statutory audit work” includes equivalent work on the audit of accounts under the law of an EEA state or part of an EEA state, other than the United Kingdom.

(3) The training must be given by persons approved by the body offering the qualification as persons whom the body is satisfied, in the light of undertakings given by them and the supervision to which they are subject (whether by the body itself or some other body or organisation) will provide adequate training.

(4) At least two-thirds of the training must be given by a person—

- (a) eligible for appointment as a local auditor;
- (b) eligible for appointment as a statutory auditor within the meaning of Part 42 of the Companies Act 2006; or
- (c) eligible for a corresponding appointment as an auditor under the law of an EEA State, or part of an EEA State, other than the United Kingdom.

### **Sufficient period of professional experience**

**10.**—(1) In these Regulations “sufficient period of professional experience” means, subject to paragraphs (2) and (3), seven years or more of experience in a professional capacity in the fields of finance, law and accountancy.

(2) Periods of theoretical instruction in the fields of finance, law and accountancy may be deducted from the required period of professional experience, provided the instruction—

- (a) lasted at least one year; and
- (b) is attested by an examination recognised by the Secretary of State for the purposes of this regulation,

but the period of professional experience may not be so reduced by more than four years.

(3) A person who satisfies regulation 7(b) must have a period of professional experience combined with practical training of a duration equal to, or greater than, the course of theoretical instruction combined with practical training of a person who satisfies regulation 7(a).

### **The body offering the qualification**

**11.**—(1) The body offering the qualification must have—

- (a) rules and arrangements adequate to ensure compliance with the requirements of regulations 6 to 10; and
- (b) adequate arrangements for the effective monitoring of its continued compliance with those requirements.

(2) The arrangements must include arrangements for monitoring—

- (a) the standard of the body’s examinations; and
- (b) the adequacy of the practical training given by the persons approved by it for that purpose.

## PART 3

### Major local audit

#### Definition of major local audit

12.—(1) In relation to any financial year, for the purposes of paragraph 13(10) of Schedule 10 to the Companies Act 2006 (recognised supervisory bodies) as it has effect by virtue of Schedule 5 to the Act a local audit of the accounts of a relevant authority is a “major local audit” if the relevant authority falls within either of the following descriptions—

- (a) the higher of the relevant authority’s total income (from all sources) for that financial year and its total expenditure (from all sources) for that financial year exceeds £500 million;
- (b) the relevant authority is required to maintain a pension fund under regulations under section 1 of the Public Service Pensions Act 2013<sup>(a)</sup> as they relate to local government workers (within the meaning of that Act), and either—
  - (i) more than 20,000 members of a scheme established under those regulations, in relation to local government workers within the meaning of that Act, have rights relating to that fund, or
  - (ii) the fund has gross assets of £1,000 million or more.

(2) For the purposes of paragraph (1), a person is a member of the scheme if one or more of the following conditions apply—

- (a) there are presently arrangements made under the scheme for the accrual of benefits to or in respect of the person;
- (b) the person is entitled to the present payment of benefits under the pension scheme;
- (c) the person has accrued rights under the scheme;
- (d) the person has rights under the pension scheme which are attributable (directly or indirectly) to pension credits, and if a person dies having become entitled to pension credits but without having rights attributable to them, the person is to be treated as having acquired, immediately before death, the rights by virtue of which the liability in respect of the pension credits is subsequently discharged.

Signed by authority of the Secretary of State for Communities and Local Government

*Brandon Lewis*

Parliamentary Under Secretary of State

Department for Communities and Local Government

23rd June 2014

#### EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations make provision about professional audit qualifications under the Local Audit and Accountability Act 2014, which requires “relevant authorities” (see section 2 of and Schedule 2 to the Act) to appoint their own “local auditors”. Schedule 5 to the Act applies, with modifications, provisions of the Companies Act 2006 in relation to the eligibility and monitoring of local auditors.

Part 1 contains general provisions.

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(a) 2013 c. 25. Regulations made under section 7 of the Superannuation Act 1972, by virtue of section 28 of the Public Services Pensions Act 2013 (“the 2013 Act”), are treated as if they were made under section 1 of the 2013 Act.

Part 2 makes provision about “appropriate qualifications” for local audit: in particular, how a qualification is to be “recognised” for the purposes of local audit (making it a type of appropriate qualification for the purposes of the Act).

Part 3 defines “major local audit” for the purpose of monitoring of audits.

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.

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