
STATUTORY INSTRUMENTS

2016 No. 649

**The Statutory Auditors and Third
Country Auditors Regulations 2016**

PART 1

Introduction

Citation, commencement and application

1.—(1) These Regulations may be cited as the Statutory Auditors and Third Country Auditors Regulations 2016 and come into force—

- (a) on 17th June 2016, if the Regulations are made on or before 16th June 2016;
- (b) on the day after the day on which the Regulations are made, if they are made on or after 17th June 2016.

(2) The following provisions of Schedule 3 to these Regulations apply in relation to financial years beginning on or after 17th June 2016—

- (a) Part 3;
- (b) paragraphs 43 to 49;
- (c) in paragraph 51—
 - (i) sub-paragraph (2)(a), in so far as it relates to the insertion of the definition of “audit working papers and investigation reports”;
 - (ii) sub-paragraphs (2)(c) and (e);
- (d) in paragraph 52—
 - (i) sub-paragraph (2), in so far as it relates to the insertion of the entry relating to “audit working papers and investigations reports”;
 - (ii) sub-paragraph (3);
- (e) paragraphs 68 to 69;
- (f) paragraph 73(3).

(3) Paragraph 72 of Schedule 3, in so far as it relates to paragraphs 21 to 22B of Schedule 10 to the Act, does not apply in relation to financial years beginning before 17th June 2016.

(4) In regulation 18—

- (a) paragraph (2)(a) applies in relation to financial years beginning on or after 1st January 2016; and
- (b) paragraph (3) applies in relation to financial years beginning on or after the day on which these Regulations come into force.

(5) Standards set by the competent authority in accordance with Schedule 1 to these Regulations apply in relation to financial years beginning on or after 17th June 2016.

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Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016. (See end of Document for details)

(6) Schedule 4 to these Regulations applies in relation to financial years beginning on or after 17th June 2016.

(7) Regulations 5 to 8 do not apply to decisions made by the competent authority following an investigation which commences before the day on which these Regulations come into force or occurs as a result of a complaint or referral made before that day.

(8) The amendments made by paragraphs 67 and 72 (in so far as it relates to paragraph 24 of Schedule 10) of Schedule 3 to these Regulations do not apply to investigations under arrangements mentioned in those paragraphs which occur as a result of a complaint or referral made before the day on which these Regulations come into force.

(9) The amendments made by paragraph 65 (in so far as it relates to paragraph 13 of Schedule 10) and by paragraph 72 (in so far as it relates to paragraphs 23 and 23A of that Schedule) of Schedule 3 do not apply to enforcement action which is taken following an inspection under arrangements mentioned in those paragraphs and which begins before the day on which these Regulations come into force.

(10) The amendment made by paragraph 3 of Schedule 3 to these Regulations does not apply where paragraph 23 of Schedule 10 to the Act continues to apply by virtue of paragraph (9) of this regulation.

(11) The amendment made by paragraph 1(2)(a) of Schedule 5 to these Regulations does not apply where paragraph 23 and 23A of Schedule 10 to the Act continue to apply by virtue of paragraph (9) of this regulation.

(12) The amendments made by these Regulations to Part 16 of the Companies Act 2006 do not have effect in relation to the application of any provision of that Part to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ^{M1}.

Marginal Citations

M1 [S.I. 2008/1911](#). Relevant amending instruments are [S.I. 2009/1804](#) and [S.I. 2016/575](#).

Interpretation

2. In these Regulations—

“the Act” means the Companies Act 2006 ^{M2};

“appropriate qualification”, “audited person”, “EEA auditor”, “EEA competent authority”, “firm”, “group”, “parent undertaking”, “statutory audit”, “statutory auditor”, “statutory audit work”, “third country” and “third country auditor” have the same meaning as in Part 42 of the Act;

“Audit Directive” means 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](#) ^{M3};

“Audit Regulation” means Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision [2005/909/EC](#) ^{M4};

“audit report” means the report required in accordance with the audit reporting requirements;

“audit reporting requirements” means the requirements of—

(a) sections 495 to 498A ^{M5} and 503 to 506 of the Act,

- (b) sections 495, [^{F1}496,] 498 and 503 to 506 of the Act as applied to an LLP by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (and “LLP” has the meaning given by regulation 3 of those Regulations),
- (c) sections 495, 496 and 498 of the Act as applied to the auditor of a qualifying partnership, and sections 503 to 506 of that Act as applied in relation to the auditors' report for a qualifying partnership, by the Partnerships (Accounts) Regulations 2008 ^{M6} (“qualifying partnership” has the meaning given by regulation 3 of those Regulations),
- (d) sections 495 to 498A [^{F2} and 503 to 506] of the Act as applied to an unregistered company by the Unregistered Companies Regulations 2009 ^{M7} (“unregistered company” has the meaning given by regulation 2 of those Regulations),
- (e) ^{F3} ...
- (f) sections 495 [^{F4}, 496] and 498 of the Act as applied to an auditor of an insurance undertaking and sections 503 to 506 of the Act as applied in relation to the auditor's report for an insurance undertaking, by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 ^{M8} (“insurance undertaking” has the meaning given by regulation 2 of those Regulations),
- (g) sections 78 to 79 of the Building Societies Act 1986 ^{M9},
- (h) sections 73 to 74C of the Friendly Societies Act 1992 ^{M10}, in relation to the audit of a friendly society to which the Audit Directive applies (“friendly society to which the Audit Directive applies” has the meaning given by section 78A(3) ^{M11} of that Act),
- (i) regulations 3, 10 to 14 and 22 to 26 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ^{M12},
- (j) Articles 10 and 11 of the Audit Regulation;

“competent authority” means the Financial Reporting Council Limited ^{M13};

“financial year” has the same meaning as in section 390 of the Act;

“group auditor” means the statutory auditor appointed to audit the consolidated accounts of a group and “group audit” shall be construed accordingly;

“network” means an association of persons other than a firm co-operating in audit work by way of—

- (a) profit-sharing,
- (b) cost-sharing,
- (c) common ownership, control or management,
- (d) common quality control policies and procedures,
- (e) common business strategy, or
- (f) use of a common name;

“personal data” has the same meaning as in section 1(1) of the Data Protection Act 1998 ^{M14};

“public interest entity” means—

- (a) an issuer whose transferable securities are admitted to trading on a regulated market,
- (b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council ^{M15}, other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms ^{M16}, or

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(c) an insurance undertaking within the meaning given by Article 2(1) of Council Directive [1991/674/EEC](#) of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings ^{M17};

“issuer” and “regulated market” have the same meaning as in Part 6 of the Financial Services and Markets Act 2000 ^{M18};

“recognised supervisory body” means a supervisory body, within the meaning in section 1217(1) of the Act, recognised in accordance with Schedule 10 of that Act (and “member”, in relation to a recognised supervisory body, has the meaning given by section 1217(2) of that Act);

“sanction” means any measure taken by the competent authority under regulation 5;

“transferable securities” means anything which is a transferrable security for the purposes of Directive [2004/39/EC](#) of the European Parliament and of the Council on markets in financial instruments ^{M19}.

Textual Amendments

- F1** Word in reg. 2 inserted (1.1.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **16(a)** (with reg. 2(6)(7))
- F2** Words in reg. 2 inserted (1.1.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **16(b)** (with reg. 2(6)(7))
- F3** Words in reg. 2 repealed (with effect in accordance with reg. 19(2) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 4** (with reg. 2(6)(7))
- F4** Word in reg. 2 inserted (1.1.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **16(c)** (with reg. 2(6)(7))

Marginal Citations

- M2** [2006 c. 46](#).
- M3** OJ L 157/87 09.06.06. This Directive was amended by Directives [2008/30/EC](#), [2013/34/EU](#) and [2014/56/EU](#).
- M4** OJ L 158/77 27.05.14.
- M5** Section 495 was amended by [S.I. 2013/3008](#). Section 496 was substituted by [S.I. 2015/980](#). Section 497A was inserted by [S.I. 2009/1581](#) and substituted by [S.I. 2015/980](#); there are other amendments but none is relevant. Section 498 was amended by [S.I. 2008/393](#) and [2013/1970](#). Section 498A was inserted by [S.I. 2009/1581](#).
- M6** [S.I. 2008/569](#).
- M7** [S.I. 2009/2436](#), to which there are amendments not relevant to these Regulations.
- M8** [S.I. 2008/565](#), amended by [S.I. 2013/472](#) and [S.I. 2014/1815](#).
- M9** [1986 c. 53](#). Section 78 was amended by paragraph 7 of Schedule 9 to the [Financial Services \(Banking Reform\) Act 2013 \(c. 33\)](#), and [S.I. 1995/3233](#), [2004/3380](#) and [2008/1519](#). Section 78A was inserted by [S.I. 2004/3380](#), and sections 78A to 78D were substituted for section 78 by [S.I. 2008/1519](#). Sections 78C and 78D were amended by [S.I. 2013/496](#). Section 79 was amended by paragraph 34 of Schedule 7 and Schedule 9 to the [Building Society Act 1997 \(c. 32\)](#), [S.I. 2001/2617](#) and [2008/1519](#).
- M10** [1992 c. 40](#). Section 73 was amended by [S.I. 2001/2617](#), [2005/2211](#) and [2008/1140](#). Sections 74 to 74C were substituted for section 74 as originally enacted by [S.I. 2008/1140](#). Sections 74B and 74C were amended by [S.I. 2013/496](#).
- M11** Section 78A was inserted by [S.I. 2005/2211](#) and amended by [S.I. 2008/948](#) and [2008/1140](#).
- M12** [S.I. 2008/1950](#), amended by [S.I. 2013/472](#).
- M13** A company registered in England and Wales with number 02486368.
- M14** [1998 c. 29](#).
- M15** OJ No. L 176 27.06.13, p. 1.

- M16** OJ No. L 176 27.06.13., p.338.
M17 OJ No. L 374 31.12.91, p .7.
M18 2000 c. 8. See sections 102A(6) and 103(1).
M19 OJ No. L 145 30.04.04, p. 1.

PART 2

The Competent Authority

The competent authority

- 3.—(1) The competent authority is responsible for—
- (a) the public oversight of statutory auditors under these Regulations;
 - (b) carrying out the tasks provided for in the Audit Regulation and for ensuring that the provisions of that Regulation are applied;
 - (c) the determination of technical standards (which must meet the requirements of Schedule 1) and of other standards (which must meet the requirements of that Schedule) on professional ethics and internal quality control of statutory auditors and statutory audit work;
 - (d) the determination of the manner in which the standards determined under sub-paragraph (c) are to be applied in practice;
 - (e) the application of the standards determined under sub-paragraph (c) (including provision for securing compliance with those standards);
 - (f) the determination of criteria for the purpose of determining whether persons are eligible for appointment as statutory auditors;
 - (g) the application of the criteria determined under sub-paragraph (f) to determine whether persons are eligible for appointment as statutory auditors;
 - (h) registration of persons approved as eligible for appointment as statutory auditors under sub-paragraph (g);
 - (i) keeping the register and making it available for inspection;
 - (j) ensuring persons eligible for appointment as statutory auditors take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level;
 - (k) monitoring (by means of inspections) of statutory auditors and audit work;
 - (l) investigations of statutory auditors and audit work; and
 - (m) imposing and enforcing sanctions.
- (2) The competent authority—
- (a) must consider whether and how tasks arising from its responsibility for the matters listed in sub-paragraphs (e) to (m) of paragraph (1) may be delegated to any recognised supervisory body; and
 - (b) subject to [F5 paragraphs (5), (5A) and (5B)], may delegate such tasks to any recognised supervisory body.
- (3) In exercising its duty under paragraph (2)(a), the competent authority—
- (a) must consult the recognised supervisory bodies, and

- (b) may consider the requirements of Schedule 10 to the Act (including the way in which recognised supervisory bodies discharge those requirements).
- (4) The competent authority may delegate tasks to any recognised supervisory body in accordance with paragraphs (6) and (7).
- (5) The competent authority may not delegate tasks related to any of the matters listed in Article 24(1)(a) to (c) of the Audit Regulation.
- [^{F6}(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.]
- (6) The competent authority must specify the tasks delegated (and may specify those tasks by reference to particular descriptions of activity for which the competent authority is responsible, particular descriptions of statutory auditor or particular descriptions of audited person) and any conditions under which those tasks are to be carried out (and may vary those conditions).
- (7) The competent authority may specify (including by reference to particular descriptions of activity for which the competent authority is responsible, particular descriptions of statutory auditor or particular descriptions of audited person) exceptions to any delegation.
- (8) The competent authority may reclaim tasks it has delegated, including those which relate to a particular description of activity for which the competent authority is responsible, particular description of statutory auditor or particular description of audited person.
- (9) When the competent authority has reclaimed a task from a recognised supervisory body ('A') and delegated that task to another recognised supervisory body ('B'), section 1224ZA of the Act (as inserted by paragraph 33 of Schedule 3 to these Regulations) has effect so that the competent authority's power to call for information from A applies so that the competent authority may require A to provide such information as the competent authority considers that B reasonably requires for the performance of the task.
- (10) The competent authority must make such arrangements as it considers necessary in relation to any of the matters for which it is responsible under this regulation, including arrangements for the performance by the competent authority of any task arising from its responsibility for those matters in the following circumstances—
- (a) where the competent authority does not delegate a task to a recognised supervisory body;
 - (b) where the competent authority reclaims a task from a recognised supervisory body;
 - (c) where the recognition order in relation to a recognised supervisory body is revoked under paragraph 3 of Schedule 10 to the Act.
- (11) An obligation which a statutory auditor has by virtue of any rules which a recognised supervisory body is required to have under Part 2 of Schedule 10 to the Act is an obligation which the statutory auditor owes to the competent authority including—
- (a) where the competent authority reclaims a task from that recognised supervisory body, to the extent that the obligation arises from the competent authority having delegated that task to the body; or
 - (b) where the recognition order in relation to that recognised supervisory body is revoked under paragraph 3 of Schedule 10 to the Act, to any extent.
- (12) The Secretary of State may give directions to the competent authority in connection with the delegation of tasks to the recognised supervisory bodies.

(13) Schedule 1 (which prescribes requirements for the standards the competent authority must determine in relation to the obligations of statutory auditors in relation to professional ethics, independence, objectivity and confidentiality) has effect.

[^{F7}(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.]

Textual Amendments

- F5** Words in [reg. 3\(2\)\(b\)](#) substituted (22.2.2019) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **106(a)**
- F6** [Reg. 3\(5A\)\(5B\)](#) inserted (22.2.2019) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **106(b)**
- F7** [Reg. 3\(14\)\(15\)](#) inserted (22.2.2019) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **106(c)**

General requirements of auditors

4.—(1) A person appointed to conduct a statutory audit must conduct that audit in accordance with the relevant standards for the conduct of statutory audits.

(2) The relevant standards are—

- (a) the standards of integrity, objectivity, professional competence, due care and professional scepticism as determined by the competent authority in accordance with Schedule 1;
- (b) the international auditing standards adopted by the European Commission in accordance with Article 26(3) of the Audit Directive (“Commission-adopted international standards”);
- (c) any auditing standards, procedures or requirements imposed by the competent authority in accordance with paragraph (3)(a);
- (d) auditing procedures or requirements imposed by the competent authority in accordance with paragraph (3)(b); and
- (e) the requirements of rules and practices of the recognised supervisory body of which the auditor is a member, provided that the rules and practices are rules and practices required by virtue of Part 2 of Schedule 10 to the Act.

(3) The competent authority may—

- (a) impose auditing standards, procedures or requirements which do not cover the same subject-matter as Commission adopted international standards; or
- (b) impose auditing procedures or requirements which cover the same subject-matter as Commission-adopted international standards but are necessary—

- (i) to give effect to any relevant requirement relating to the scope of statutory audit; or
- (ii) to add to the credibility and quality of financial statements.

(4) In this regulation “relevant requirement” has the same meaning as in regulation 5.

The competent authority: sanctioning powers

5.—(1) If the competent authority considers that a person (“A”) has contravened a relevant requirement, it may—

- (a) give a notice requiring A to cease the conduct giving rise to the contravention and to abstain from any repetition of that conduct,
- (b) publish a statement (which may take the form of a reprimand or severe reprimand) to that effect,
- (c) make an order prohibiting A permanently or for a specified period from carrying out statutory audits or signing audit reports,
- (d) in a case where an audit report by A does not satisfy—
 - (i) the audit reporting requirements, or
 - (ii) the requirement in regulation 4(1),
 make a declaration to that effect, and, where appropriate, order A to forego fees payable to A in connection with the carrying out of the statutory audit or to repay such fees,
- (e) make an order prohibiting A for a specified period of up to three years from being a member of the management body of a firm that is eligible for appointment as a statutory auditor,
- (f) make an order prohibiting A for a specified period of up to three years from acting as a director of or being otherwise concerned in the management of a public interest entity,
- (g) impose on A a financial penalty of such amount as the competent authority considers appropriate,
- (h) make an order requiring A to take such action as the competent authority considers will mitigate the effect or prevent the recurrence of the contravention,
- (i) make an order excluding A from membership of one or more recognised supervisory bodies.

(2) The competent authority may only exercise the powers under paragraph (1) if A is eligible for appointment as a statutory auditor (or was so eligible at the time of the contravention).

(3) In determining the type and level of sanctions to be imposed under this regulation, the competent authority must take into account all relevant circumstances, including—

- (a) the gravity and duration of the contravention;
- (b) A's degree of responsibility;
- (c) A's financial strength;
- (d) the amount, so far as can be determined, of profits gained or losses avoided by A;
- (e) the extent to which A has co-operated with the competent authority;
- (f) any previous contravention by A of a relevant requirement.

(4) For the purpose of paragraph (3)(c), A's financial strength may be determined in such manner as the competent authority considers appropriate, including—

- (a) where A is a firm by reference to A's total turnover; or
- (b) where A is an individual by reference to A's annual income.

(5) The competent authority may make an order (“a costs order”) requiring A to pay the costs reasonably incurred by the competent authority in determining whether A has contravened the requirement, including—

- (a) its administrative costs;
- (b) its costs of obtaining legal advice; and
- (c) any costs incurred in considering any appeal by A.

(6) Where a recognised supervisory body has paid any part of the costs incurred by the competent authority, a costs order may include those costs and the competent authority must reimburse those costs to the recognised supervisory body.

(7) Any other sums received by the competent authority in payment of its costs or in payment of a financial penalty must be paid to the Secretary of State.

(8) Where the competent authority imposes a financial penalty on A or makes a costs order applying to A—

- (a) it must specify a date by which the penalty is or the costs are required to be paid; and
- (b) that date must be—
 - (i) in the case of a financial penalty, at least 28 days after the date on which the competent authority imposed the financial penalty, or
 - (ii) in the case of a costs order, at least 28 days after the date on which the competent authority made the costs order.

(9) The competent authority may not exercise the powers under this regulation if and to the extent that it has delegated a task under regulation 3 which arises from its responsibilities under regulation 3(1)(m).

(10) The competent authority must provide for an appeal against any decisions it makes under this regulation to be considered by an independent tribunal.

(11) In this regulation—

a “relevant requirement” means a requirement with which A must comply under—

- (a) these Regulations (including the requirement under regulation 4(1)),
- (b) the Audit Regulation,
- (c) Parts 16 or 42 of the Act,
- (d) Parts 10 to 12 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ^{M20},
- (e) Parts 2 and 3 of, or the Schedule to, the Partnerships (Accounts) Regulations 2008 ^{M21},
- (f) Regulation 3 of, or Schedule 1 to, the Unregistered Companies Regulations 2009 ^{M22},
- (g) ^{F8} ...
- (h) Parts 2 and 3 of, or Schedule 1 and 2 to, the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 ^{M23},
- (i) Part 8 of, or Schedule 11 to, the Building Societies Act 1986 ^{M24}, or of any subordinate legislation made under that Part or that Schedule,
- (j) Part 6 of, or Schedule 14 [^{F9} or Schedule 14A] to, the Friendly Societies Act 1992 ^{M25}, or of any subordinate legislation made under that Part of that Schedule, in so far as those provisions apply to an insurance undertaking within the meaning given by Article 2.1 of Council Directive [1991/674/EEC](#) on the annual accounts and consolidated accounts of insurance undertakings ^{M26},

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Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016. (See end of Document for details)

- (k) Parts 2 and 3 of, or Schedules 1 and 3 to, the Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008^{M27}, and
- (l) a standard set under the arrangements required by Schedule 10 to the Act, where those paragraphs continue to apply by virtue of regulation 1 of these Regulations,
 - “subordinate legislation” means legislation made by way of statutory instrument, and
 - “turnover”, in relation to a firm, means the amounts derived from the provision of goods and services within the United Kingdom, after deduction of—
 - (a) trade discounts,
 - (b) value added tax, and
 - (c) any other taxes based on the amounts so derived.

Textual Amendments

- F8** Words in [reg. 5\(11\)](#) repealed (with effect in accordance with [reg. 19\(2\)](#) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), [reg. 1\(2\)\(3\)](#), [Sch. 4](#) (with [reg. 2\(6\)\(7\)](#))
- F9** Words in [reg. 5\(11\)\(j\)](#) inserted (1.5.2017) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), [regs. 1\(2\)](#), [14\(2\)](#)

Marginal Citations

- M20** [S.I. 2008/1911](#).
- M21** [S.I. 2008/569](#).
- M22** [S.I. 2009/2436](#).
- M23** [S.I. 2008/565](#).
- M24** [1986 c. 53](#).
- M25** [1992 c. 40](#).
- M26** [OJ No. L 374 31.12.91](#), p.7.
- M27** [S.I. 2008/1950](#).

Publication of sanctions and measures

6.—(1) The competent authority shall publish, in accordance with paragraphs (2) to (5) details of the sanctions it imposes under regulation 5.

- (2) The details published under paragraph (1) must include—
 - (a) information concerning the type of contravention and its nature;
 - (b) unless any of the circumstances mentioned in paragraph (3) applies, the identity of the person (“A”) sanctioned under regulation 5; and
 - (c) where a sanction is subject to an appeal, information concerning the status and outcome of the appeal.
- (3) The circumstances in which A's identity must not be published are—
 - (a) where A is an individual and the competent authority considers the publication of personal data would be disproportionate;
 - (b) where publication would jeopardise the stability of financial markets;
 - (c) where publication would jeopardise an ongoing criminal investigation; and
 - (d) where publication would cause disproportionate damage to any institution or individual involved.
- (4) The competent authority shall ensure that—

- (a) information published under this regulation remains published for a proportionate period, and
 - (b) is available on the competent authority's website for at least five years after the relevant date.
- (5) In this regulation and in regulations 7 and 8, “the relevant date” means—
- (a) where the competent authority imposes a sanction and that decision is appealed, the date on which the appeal is determined,
 - (b) where the competent authority imposes a sanction and that decision is not appealed, the date by which the appeal should have been lodged.

Enforcement of sanctions

7.—(1) This regulation applies if—

- (a) the competent authority has imposed a sanction under sub-paragraph (a), (c), (d) (insofar as it relates to an order to forego or repay fees), (e), (f), (g) or (h) of regulation 5(1) or made a costs order under regulation 5(5); and
- (b) the person on whom the sanction or costs order was imposed—
 - (i) has not by the relevant date appealed against the decision, or
 - (ii) has appealed against the decision, but the appeal was unsuccessful or has been withdrawn.

(2) If on an application by the competent authority the court decides that a person has not complied with a sanction or costs order to which this regulation applies, the court may order that person to take such steps as the court considers will secure compliance with the sanction or costs order.

(3) In this regulation, “the court” means the High Court or, in Scotland, the Court of Session.

Recovery of financial penalties

8.—(1) If the whole or any part of a financial penalty or costs order is not paid by the time by which it is required to be paid, the unpaid balance from time to time carries interest at the rate for the time being specified in section 17 of the Judgments Act 1838 ^{M28}.

(2) Where a financial penalty or costs order, or any part of a financial penalty or costs order, has not been paid by the time when it is required to be paid and—

- (a) no appeal has been made in respect of that penalty or costs order by the relevant date; or
- (b) an appeal has been made in respect of that penalty or costs order, but has been determined or withdrawn,
- (c) the competent authority may recover from the person on whom the penalty or costs order was imposed, as a debt due to the competent authority, any of the penalty or costs order and any of the interest which has not been paid.

Marginal Citations

M28 1838 c. 110, amended by S.I. 1993/564 and S.I. 1998/2940.

Monitoring of audits by the competent authority

9.—(1) The competent authority must monitor the conduct of statutory audit work relating to public interest entities by means of a system of inspections that satisfies the requirements of Article 26 of the Audit Regulation.

Status: Point in time view as at 22/02/2019.

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016. (See end of Document for details)

(2) The competent authority must monitor the conduct of statutory audit work which does not relate to public interest entities in accordance with paragraphs (4) to (12).

(3) Paragraph (2) does not apply to the extent that the competent authority has delegated this task under regulation 3.

(4) The competent authority must have adequate arrangements for monitoring the conduct of statutory audit work and must ensure those arrangements operate independently of the persons monitored.

(5) The competent authority must have adequate resources for effectively monitoring the conduct of statutory audit work and ensure those resources may not be influenced improperly by the persons monitored.

(6) Monitoring the conduct of statutory audit work must be carried out by means of inspections which are conducted by persons who—

- (a) have an appropriate professional education;
- (b) have experience of—
 - (i) statutory audit work, or
 - (ii) equivalent work on the audit of accounts under the law of an EEA State, or part of and EEA State, other than the United Kingdom;
- (c) have received adequate training in the conduct of inspections;
- (d) have declared that they do not have any interests likely to conflict with the proper conduct of the inspection;
- (e) have not been an employee or partner or member of the management body of the person subject to inspection and have not been otherwise associated with that person for at least three years.

(7) An inspection must—

- (a) review one or more statutory audits in which the person to whom the inspection relates has participated;
- (b) in relation to the person to whom the inspection relates, include an assessment of—
 - (i) that person's compliance with the standards set by the competent authority under these Regulations;
 - (ii) the resources allocated by that person to statutory audit work;
 - (iii) if that person is a firm, its internal quality control system;
 - (iv) the remuneration received by that person in respect of statutory audit work; and
- (c) be appropriate and proportionate in view of the scale and complexity of the statutory audit work of the person subject to inspection.

(8) An inspection conducted in relation to a firm may be treated as an inspection of all individuals responsible for statutory audit work on behalf of that firm, if the firm has a common quality assurance policy with which each such individual is required to comply.

(9) The main conclusions of the inspection must be recorded in a report which is made available to—

- (a) the person to whom the inspection relates; and
- (b) the competent authority.

(10) An inspection must be carried out in relation to each person eligible for appointment as a statutory auditor—

- (a) at such frequency as the competent authority considers appropriate given the risks arising from the statutory audit work undertaken by the person; and
- (b) at least once every six years in the case of a person who, during any of the previous five years, has carried out a statutory audit of an audited person not subject to the small companies regime (within the meaning in section 381 of the Act).

(11) The competent authority must, at least once every calendar year, publish a report containing a summary of the results of inspections conducted under this regulation (and must publish this report at the same time that it publishes the information it is required to publish under Article 28(d) of the Audit Regulation).

(12) In relation to inspections of statutory audits of undertakings that qualify as small (by virtue of section 382 or 383 of the Act) or medium-sized (by virtue of section 465 or 466 of that Act), the competent authority must take account of the fact that the standards it has adopted under these Regulations are designed to be applied in a manner that is proportionate to the scale and complexity of the business of the audited person.

Investigation powers

10. Schedule 2 (investigation powers) has effect.

Performance, monitoring and enforcement of third country audit functions

11.—(1) Regulations 4 to 9 and Schedule 2 apply in relation to—

- (a) the performance of third country audit functions by persons who are eligible for appointment as statutory auditors,
- (b) the monitoring by the competent authority of the performance of third country audit functions by persons who are eligible for appointment as statutory auditors, and
- (c) the imposition of sanctions by the competent authority in relation to the performance of third country audit functions by persons who are eligible for appointment as statutory auditors,

as they apply to the conduct of statutory audit work, the monitoring of that work and the imposition of sanctions in relation to that work, subject to the modifications set out in paragraphs (3) to (6).

(2) Paragraph (1) does not apply in respect of monitoring of the performance of third country audit functions—

- (a) for an audited entity which—
 - (i) is incorporated in a third country that has been determined by the European Commission as having an equivalent system of audit inspections, investigations and sanctions to that in the European Union under Article 46 of the Audit Directive, or
 - (ii) is incorporated in a third country that is the subject of transitional arrangements by the European Commission in respect of its system of audit inspections, investigations and sanctions under Article 46 of the Audit Directive; or
- (b) by a statutory auditor—
 - (i) who is also an EEA auditor, and
 - (ii) whose performance of third country audit functions is subject to the systems of public oversight, quality assurance and investigations and sanctions of the EEA competent authority that approved the EEA auditor in accordance with the Audit Directive.

(3) Regulations 4 to 9 and Schedule 2 apply but as if—

- (a) for any cross-references to provisions within those regulations, there were substituted references to those provisions as they apply by virtue of this regulation; and

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- (b) for references to—
- (i) “conduct of statutory audit work” or “conduct of a statutory audit” there were substituted references to “performance of third country audit functions”, except in regulation 5(1)(c),
 - (ii) “statutory auditors”, except in regulation 5(1)(e), or “persons appointed to conduct a statutory audit” there were substituted references to “a person who is eligible for appointment as a statutory auditor and who is appointed to perform third country audit functions”,
- and related expressions are to be construed accordingly.
- (4) Regulation 4 applies but as if for paragraphs to (2) to (4) there were substituted—
- “(2) The relevant standards are—
- (a) the international auditing standards adopted by the European Commission in accordance with Article 26(3) of the Audit Directive, or standards which are equivalent,
 - (b) any auditing standards, procedures or requirements imposed by the competent authority in relation to the conduct of statutory audit which do not cover the same subject-matter as the standards referred to in paragraph (a) or standards, procedures or requirements which are equivalent, and
 - (c) the requirements set out in Articles 22, 22b and 25 of the Audit Directive (independence, objectivity and audit fees), or requirements which are equivalent.
- (3) The person who is eligible for appointment as a statutory auditor who is appointed to perform third country audit functions must, if not already required to do so by reason of carrying out statutory audits of public interest entities, publish on a website an annual transparency report equivalent to that required for auditors of public interest entities by Article 13 of the Audit Regulation (transparency report).”.
- (5) Regulation 5 applies but as if—
- (a) paragraph (9) were omitted;
 - (b) for the definition of a “relevant requirement” in paragraph (11) were substituted—

“a “relevant requirement” means a requirement with which A must comply under—

 - (a) these Regulations (including the requirement under regulation 4(1)), or
 - (b) the Audit Regulation;”; and
 - (c) the definition of “subordinate legislation” in paragraph (11) were omitted.
- (6) Regulation 9 applies but as if—
- (a) for paragraph (1) were substituted—

“(1) The competent authority must monitor the performance of third country audit functions by persons eligible for appointment as statutory auditors, and may do so by means of a system of inspections.”;
 - (b) in paragraph (2)—
 - (i) the words “which does not relate to public interest entities” were omitted, and
 - (ii) for “(4) to (12)” were substituted “ (4) to (11) ”;
 - (c) paragraph (3) were omitted;
 - (d) in paragraph (6), sub-paragraph (b) were omitted;
 - (e) in paragraph (10)—

- (i) after “statutory auditor” were inserted “ in respect of their performance of third country audit functions ”; and
- (ii) sub-paragraph (b) were omitted;
- (f) paragraph (12) were omitted.
- (7) Schedule 2 applies but as if—
 - (a) in paragraph 1, sub-paragraphs (3) and (4) were omitted; and
 - (b) paragraph 4 were omitted.

(8) In this regulation, “third country audit function” means any function related to the audit of a UK-traded non-EEA company or of an equivalent body corporate whose transferable securities are admitted to trading on a regulated market situated or operating in another EEA state.

PART 3

Restrictions on choice of Auditor

Contractual terms restricting choice of auditor

[^{F10}12.—(1) This regulation applies to any term in a contract which, in relation to the conduct of a statutory audit of an audited person other than a person which is a public interest entity, provides for the restriction of the audited person’s choice of statutory auditor to certain categories or lists of statutory auditors.

- (2) A term to which this regulation applies has no effect.]

Textual Amendments

F10 Reg. 12 substituted (1.5.2017) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **14(3)**

PART 4

Miscellaneous

Power to grant exemptions from the requirements of Article 4(2) of the Audit Regulation (limit on total fees charged for non-audit services)

13.—(1) The competent authority may grant to a statutory auditor, in relation to the provision of services to an audited person, an exemption from the requirements of Article 4(2) of the Audit Regulation.

(2) The competent authority must be satisfied that exceptional circumstances exist before granting an exemption under this regulation.

- (3) An exemption granted under this regulation may apply—
 - (a) for one financial year, or
 - (b) for two consecutive financial years.

Status: Point in time view as at 22/02/2019.

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[^{F11}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.]

Textual Amendments

F11 Reg. 13A inserted (22.2.2019) by [The Statutory Auditors and Third Country Auditors \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/177\)](#), regs. 2, **107**

Amendment to the Partnerships (Accounts) Regulations 2008

- 14.**—(1) The Partnerships (Accounts) Regulations 2008 are amended as follows.
- (2) In regulation 9 (functions of auditor), after paragraph (1)(a) insert—
- “(aa) section 496 (auditor's report on strategic report and director's report);”.

Amendments to the Companies Act 2006

- 15.** Schedule 3 has effect.

Amendments to the Building Societies Act 1986

- 16.** Schedule 4 has effect.

Amendments to other enactments

- 17.** Schedule 5 has effect.

Amendment of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008

18.—(1) The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 ^{M29} are amended as follows.

- (2) In regulation 4 (disclosure of remuneration: small and medium-sized companies)—
- (a) in paragraph (1), omit “small or”; and
 - (b) omit paragraph (4).
- (3) In regulation 6 (group accounts), for sub-paragraph (2)(b) substitute—
- “(b) a subsidiary company where—
- (i) its parent is required to prepare and does prepare group accounts in accordance with the Act,

- (ii) the company is included in the consolidation, and
- (iii) the statutory auditor is the same for both the company and its parent;”.

Marginal Citations

M29 S.I. 2008/489. There are no relevant amending instruments.

Amendments to the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012

19.—(1) The Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012 ^{M30} is amended as follows.

(2) After article 7(5) (transfer of functions) insert—

“(6) In this article—

- (a) the reference in paragraph (1) to the functions of the Secretary of State under Part 42 of the Companies Act 2006 includes a reference to functions which have been amended by the Statutory Auditors and Third Country Auditors Regulations 2016; and
- (b) references to provisions of the Companies Act 2006 in paragraphs (2) to (5) include amendments made to those provisions by the Statutory Auditors and Third Country Auditors Regulations 2016.”.

Marginal Citations

M30 S.I. 2012/1741.

Amendment of the Statutory Auditors and Third Country Auditors Regulations 2013

20.—(1) The Statutory Auditors and Third Country Auditors Regulations 2013 ^{M31} are amended as follows.

(2) In regulation 8 (application statement)—

(a) for paragraph (d) substitute—

“(d) the third country auditor conducts audits of UK-traded non-EEA companies in accordance with—

- (i) the international auditing standards adopted by the European Commission in accordance with Article 26(3) of the Audit Directive, or with standards which are equivalent,
- (ii) any auditing standards, procedures or requirements imposed by the competent authority in accordance with regulation 4(3)(a) of the Statutory Auditors and Third Country Auditors Regulations 2016, or with standards, procedures or requirements which are equivalent, and
- (iii) the requirements set out in Articles 22, 22b and 25 of the Audit Directive (independence, objectivity and audit fees), or with requirements which are equivalent;”;

(b) omit paragraph (e); and

(c) in paragraph (f) for “Article 40 of the Audit Directive” substitute “ Article 13 of the Audit Regulation ”.

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Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016. (See end of Document for details)

(3) Omit regulation 13.

Marginal Citations

M31 [S.I. 2013/1672](#).

Exclusion of large debt securities issuer from definition of “UK-traded non-EEA company”

21.—(1) A large debt securities issuer is excluded from the definition of “UK-traded non-EEA company” for the purposes of Part 42 of the Act.

(2) In paragraph (1) “large debt securities issuer” means a body corporate whose only issued transferable securities admitted to trading on a regulated market are debt securities, the denomination per unit of which is not less than—

- (a) 50,000 euros or an equivalent amount, in the case of securities admitted to trading on a regulated market before 31st December 2010,
- (b) 100,000 euros or an equivalent amount, in the case of securities admitted to trading on a regulated market on or after 31st December 2010.

(3) In paragraph (2)—

“an equivalent amount” means an amount of a currency other than euros which at the date the security was issued was equivalent to the relevant amount of euros; and

“debt securities” has the same meaning as in Article 2(1)(b) of Directive [2004/109/EC](#) of the European Parliament and of the Council on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive [2001/43/EC](#).

(4) Regulation 43 of the Statutory Auditors and Third Country Auditors Regulations 2007 ^{M32} is revoked.

Marginal Citations

M32 [S.I. 2007/3494](#).

Amendment of the Companies Act (Transfer of Audit Working Papers to Third Countries) Regulations 2010

22.—(1) The Companies Act 2006 (Transfer of Audit Working Papers to Third Countries) Regulations 2010 ^{M33} are amended as follows.

(2) Omit—

- (a) regulation 1(3); and
- (b) regulation 4.

Marginal Citations

M33 [S.I. 2010/2537](#), amended by [S.I. 2013/1672](#).

Amendment to the Companies (Bodies Concerned with Auditing Standards etc.) (Exemption from Liability) Regulations 2016

23.—(1) The Companies (Bodies Concerned with Auditing Standards etc.) (Exemption from Liability) Regulations 2016 ^{M34} are amended as follows.

(2) In regulation 2, in paragraph (2), after “(2)(a) to (d)” insert “, (ea)”.

Marginal Citations

M34 [S.I. 2016/571](#).

Review

24.—(1) The Secretary of State must from time to time—

- (a) carry out a review of the provisions of these Regulations,
- (b) set out the conclusions of the review in a report, and
- (c) publish the report.

(2) The report must, in particular—

- (a) set out the objectives intended to be achieved by those provisions,
- (b) assess the extent to which those objectives are achieved,
- (c) assess whether those objectives remain appropriate, and
- (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.

(3) In carrying out the review the Secretary of State must, so far as is reasonable, have regard to how the Audit Directive is implemented in other member states.

(4) The first report under this regulation must be published before the end of the period of five years beginning with the date on which these Regulations come into force.

(5) Subsequent reports under this regulation must be published at intervals not exceeding five years.

(6) In this regulation, “regulatory provision” has the meaning given by section 32(4) of the Small Business, Enterprise and Employment Act 2015 ^{M35}.

Marginal Citations

M35 [2015 c. 26](#).

Department for Business, Innovation and Skills

Neville-Rolfe
Parliamentary Under Secretary of State for
Business, Innovation and Skills

Status:

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Changes to legislation:

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