
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/177) (“the Audit SI”), the Accounts and Reports (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/145) and the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (S.I. 2019/685) (“the Accounting Standards SI”).

These Regulations are made partly in exercise of the powers conferred by section 8(1) of the European Union (Withdrawal) Act 2018 (c. 16), and address failures of retained EU law to operate effectively in the fields of audit regulation and of the adoption and use of international accounting standards arising from the withdrawal of the UK from the European Union.

Regulation 3 makes an amendment to the commencement provision of the Audit SI. The effect is to bring provisions concerning new powers inserted into the Companies Act 2006 by the Audit SI (sections 1240A and 1240B concerning the equivalence of third countries and the adequacy of third country competent authorities) into force 21 days after the making of these Regulations. New sections 1240A and 1240B were introduced to address deficiencies of retained EU law falling within paragraph (f) of section 8(2) of the European Union (Withdrawal) Act 2018.

Regulations 4 and 7 remove access to exemption from audit for a subsidiary which is a company (in the case of regulation 4) or a limited liability partnership (in the case of regulation 7) and which has an EEA parent where the subsidiary is included in the parent's consolidated accounts and the accounts are drawn up in accordance with the EU's Accounting Directive (Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings (OJ No. L 182, 29.06.2013, p. 19)) or in accordance with UK-adopted international accounting standards. This exemption will now only be available to subsidiaries which have a UK parent.

Regulations 5, 6 and 10 make some minor and technical consequential amendments to the Companies Act 2006 (c. 46).

Regulation 8 corrects an error made in the Audit SI. This was in a measure to address a deficiency of retained EU law falling within paragraph (g) of section 8(2) of the European Union (Withdrawal) Act 2018. The error was contained in a textual amendment which the Audit SI made to Regulation (EU) No. 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 (OJ No. L 158, 27.05.2014, p. 77) (“the Audit Regulation”). The Audit Regulation becomes domestic law on exit day by operation of section 3 of the European Union (Withdrawal) Act 2018. The consequence of the error would have been to change the effect of part of Article 26 of the Audit Regulation, which sets the frequency of inspections of audit firms by the national competent authority for audit. The error would have affected the frequency of inspections of some auditors of public interest entities (which include banks, building societies, insurers and undertakings with transferable securities admitted to trading on a regulated market). This instrument corrects the error, so that the frequency of inspections will continue to be as it was under the Audit Regulation before the UK's exit from the EU.

Regulation 12 updates the list of revocations of directly applicable EU legislation concerning international accounting standards in Schedule 2 to the Accounting Standards SI. This is to correct a deficiency of retained EU law falling within paragraph (d) of section 8(2) of the European Union (Withdrawal) Act 2018.

An impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen.

Changes to legislation:

There are currently no known outstanding effects for the The Statutory Auditors, Third Country Auditors and International Accounting Standards (Amendment) (EU Exit) Regulations 2019.