
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make amendments to the UK's audit regime.

In Part 2, regulation 3 grants provisional approval to the Chinese audit competent authorities under section 1240B of the Companies Act 2006 (c. 46) (“the Companies Act”) in relation to the adequacy of their arrangements for co-operating with other national competent authorities on the exchange of audit working papers and investigation reports. Regulation 3 also removes the Indonesian competent authority from the list of competent authorities which have provisional approval, and extends the expiry date for the provisional approval for the South African competent authority.

Part 3 sets out procedures for approvals by the Secretary of State granted under sections 1240A and 1240B of the Companies Act. Chapter 1 of Part 3 (made under section 1240A) sets out procedures for the approval, provisional approval and transitional approval of third countries in relation to the comparability of their audit regulatory regime to the UK's audit regulatory regime. Chapter 2 of Part 3 (made under section 1240B) sets out procedures for the approval and provisional approval of third country competent authorities as approved third country competent authorities in relation to the exchange of audit working papers and investigation reports.

The procedures in both cases provide that the Secretary of State may take into account a report prepared by the UK competent authority assessing the basis for equivalence of the third country or adequacy of the third country competent authority concerned. There is also a power for the Secretary of State to suspend the grant of an approval, but also to revoke suspension, with provisions relating to the publication of suspensions and revocations and the informing of those affected (see regulations 9 and 14).

Part 4 makes changes using section 2(2) of the European Communities Act 1972 (c. 68) to the UK's audit regulatory regime.

Regulation 15 amends section 1253D of the Companies Act in order to transpose Commission Implementing Decision (EU) 1874 of 2019 on the adequacy of the competent authorities of the People's Republic of China pursuant to Directive 2006/43/EC of the European Parliament and of the Council (“the Audit Directive”) (OJ No L 289, 8.11.2019, p. 55). That Decision was issued under Article 47 of the Audit Directive. This regulation also removes the competent authorities of South Africa and Indonesia from section 1253D.

Regulation 15 and regulation 17 replace the definition of “key audit partner” in Schedule 10 to the Companies Act and Schedule 1 to the Statutory Auditors and Third Country Auditors Regulations 2016 (S.I. 2016/649) respectively.

Regulation 16 amends the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (S.I. 2008/1950) to modify the specification of the services carried out by an audit firm which must be disclosed in the notes of accounts to the Lloyd's Syndicate to which the audit firm is providing audit services.

Regulation 17 also makes minor and technical changes to the Statutory Auditors and Third Country Auditors Regulations 2016, to match the transposition of the Audit Directive and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16th April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC Text with EEA relevance with terms used in similar domestic legislation.

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

Changes to legislation:

There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2020.