Changes to legislation: *There are outstanding changes not yet made by the legislation.gov.uk editorial team to The Statutory Auditors and Third Country Auditors Regulations 2016. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

STATUTORY INSTRUMENTS

2016 No. 649

COMPANIES
AUDITORS

The Statutory Auditors and Third Country Auditors Regulations 2016

Made - - - - 15th June 2016

Coming into force in accordance with regulation 1(1)

The Secretary of State is a Minister designated [F1] for the purposes of section 2(2) of the European Communities Act 1972 [F2] in relation to auditors and the audit of accounts.

The Secretary of State makes these Regulations in exercise of the powers conferred by section 2(2) of the European Communities Act 1972, section 18A(1) and (3) and (6) of the Companies (Audit, Investigations and Community Enterprise) Act 2004 [F3] and by sections 494(1), (2)(b) and (4)(a), 519A(5), 1241(2)(c), 1252(1) and (8) and 1292(1)(a), (2) and (4) of, and paragraph 11(2) of Schedule 13 to, the Companies Act 2006 [F4].

In accordance with paragraph 2 of Schedule 2 to the European Communities Act 1972, sections 1252(11), 1290 and 1292(4) of the Companies Act 2006 and section 18A(8) of the Companies (Audit, Investigations and Community Enterprise) Act 2004, a draft of these Regulations has been laid before Parliament and approved by resolution of each House of Parliament.

F1 S.I. 2007/1679.

F2 1972 c. 68. Section 2(2) was amended by section 27 of the Legislation and Regulatory Reform Act 2006 (c. 51) and section 3 of, and Part 1 of the Schedule to, the European Union (Amendment) Act 2008 (c. 7).

F3 2004 c. 27. Section 18A was inserted by section 38 of the Small Business, Enterprise and Employment Act 2015 (c. 26): see **section 18A(5)** for the definition of "specified".

F4 2006 c. 46.

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.

(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 [F5].

F5 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 [F6];

"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[F7];

"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[F8];

"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 [F9] and 503 to 506 of the Act,

(b) sections 495, [F10496,] 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 [F11] ("qualifying partnership" has the meaning given by regulation 3 of those Regulations),

(d) sections 495 to 498A [F12and 503 to 506] of the Act as applied to an unregistered company by the Unregistered Companies Regulations 2009 [F13] ("unregistered company" has the meaning given by regulation 2 of those Regulations),

(e) [F14]...

(f) sections 495 [F15, 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 [F16] ("insurance undertaking" has the meaning given by regulation 2 of those Regulations),

(g) sections 78 to 79 of the Building Societies Act 1986 [F17],

(h) sections 73 to 74C of the Friendly Societies Act 1992 [F18], 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) [F19] 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 [F20],

(j) Articles 10 and 11 of the Audit Regulation;

"competent authority" means the Financial Reporting Council Limited [F21];

"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 [F22];

"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 [F23], 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 [F24], or

(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 [F25];

"issuer" and "regulated market" have the same meaning as in Part 6 of the Financial Services and Markets Act 2000 [F26];

"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 [F27].

F6 2006 c. 46.
F7 OJ L 157/87 09.06.06. This Directive was amended by Directives 2008/30/EC, 2013/34/EU and 2014/56/EU.
F8 OJ L 158/77 27.05.14.
F9 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.
F10 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))
F11 S.I. 2008/569.
F12 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))
F13 S.I. 2009/2436, to which there are amendments not relevant to these Regulations.
F14 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))
F15 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))
F16 S.I. 2008/565, amended by S.I. 2013/472 and S.I. 2014/1815.
F17 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.
F18 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.
F19 Section 78A was inserted by S.I. 2005/2211 and amended by S.I. 2008/948 and 2008/1140.
F20 S.I. 2008/1950, amended by S.I. 2013/472.
F21 A company registered in England and Wales with number 02486368.
F22 1998 c. 29.
F23 OJ No. L 176 27.06.13, p. 1.
F24 OJ No. L 176 27.06.13., p.338.
F25 OJ No. L 374 31.12.91, p .7.
F26 2000 c. 8. See sections 102A(6) and 103(1).
F27 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