

2011 No. XXXX

COMPANIES

AUDITORS

**The Statutory Auditors and Third Country Auditors
(Amendment) Regulations 2011**

Made - - - - - ***

Laid before Parliament ***

Coming into force (other than regulation 3(3)) 1st July 2011

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

In exercise of the powers conferred by section 2(2) of the European Communities Act 1972, and sections 1239(1)(b), (2) and (5)(d) and 1246(1) of the Companies Act 2006^(c), the Secretary of State makes the following Regulations:

Citation, commencement, and transitional provisions

1.—(1) These Regulations may be cited as the Statutory Auditors and Third Country Auditors (Amendment) Regulations 2011.

(2) These Regulations (other than regulation 3(2)(f)) come into force on 1st July 2011.

(3) The amendments made by regulation 2 apply in relation to audits of accounts for periods beginning on or after 2nd July 2010 and ending on or after 1st July 2011.

(4) Regulation 3(2)(f) comes into force on 31st July 2013.

Amendments to Part 42 of the Companies Act 2006

2.—(1) In section 1242(4) of the Companies Act 2006 (power to disapply duties of registered third country auditors)—

(a) after “in relation to” insert “(a)”, and

(b) at the end insert—

“(b) audits of the accounts of a particular UK-traded non-EEA company or class of UK-traded non-EEA companies;

(a) S.I. 2007/1679.
(b) 1972 c.68.
(c) 2006 c.46.

- (c) audits by a particular registered third country auditor or class of registered third country auditors of the accounts of a particular UK-traded non-EEA company or class of UK-traded non-EEA companies.”.

Amendments to the Statutory Auditors and Third Country Auditors Regulations 2007 (S.I. 2007/3494)

3.—(1) The Statutory Auditors and Third Country Auditors Regulations 2007(a) are amended as follows.

(2) In regulation 29—

(a) at the appropriate place insert, insert the following definitions—

““company” means a UK-traded non-EEA company within the meaning of section 1241.”

“equivalent third country” means any of the following countries and territories—

Australia, Canada, China, Croatia, Japan, Singapore, South Africa, South Korea, Switzerland and United States of America;”

(b) in the words in parenthesis in the definition of “the Commission Decision” insert “First” after “the” and before “Commission;”;

(c) after the definition of “the Commission Decision” insert ““the Second Commission Decision” means Commission Decision 2011/30/EU of 19 January 2011 on the equivalence of certain third country public oversight, quality assurance, investigation and penalty systems for auditors and audit entities and a transitional period for audit activities of certain third country auditors and audit entities”;

(d) omit the definition of “exempt third country auditor”;

(e) for the definition of “specified third country” substitute the following—

““specified third country” means any of the Channel Islands, the Isle of Man and the following countries and territories—

Abu Dhabi, Bermuda, Brazil, Cayman Islands, The Dubai International Finance Centre, Egypt, Hong Kong, India, Indonesia, Israel, Malaysia, Mauritius, New Zealand, Russia, Taiwan, Thailand, Turkey and United Arab Emirates.”;

(f) in the definition of “equivalent third country” omit “and United States of America”.

(3) Omit regulation 34(2)(g).

(4) For regulation 34(3)(h) substitute—

“(f) the name, address and registered number allocated to him by the third country competent authority with which he is registered of each individual who performs third country audits on behalf of the firm.”.

(5) Omit regulation 34(3)(l).

(6) Omit regulation 35(3)(a)(ii).

(7) For regulation 35(3A) substitute—

“(3A) An application for registration must include—

(a) a statement of the auditing standards and independence requirements applied to the audit or audits in respect of which the application is made where the company being audited is incorporated or formed in a specified third country or equivalent third country,

(b) a description of the auditor’s internal quality control system,

(c) a statement of whether and (if so) when a quality assurance review has been carried out in respect of the auditor,

(a) S.I. 2007/3494, amended by S.I. 2008/499 and S.I. 2008/2639.

- (d) information required by the designated body about the outcome of a quality assurance review,
 - (e) in respect of each UK-traded non-EEA company for which it provides an audit report—
 - (i) the company’s name and any registered number it carries by virtue of its incorporation, and,
 - (ii) the third country or territory in which it is incorporated or under the law of which it is formed.”.
- (8) For regulation 39 substitute—

“**39.**—(1) A registered third country auditor must take all reasonable steps to notify the designated body without undue delay of—

- (a) any change or addition to the information supplied in accordance with regulation 35(3A)(e);
- (b) any information or event which may lead the designated body to consider that the statement required by regulation 36 (application statement) made by the third country auditor is not correct;
- (c) any information necessary to ensure that the information in the register relating to him is correct.

(2) A registered third country auditor who for the purpose of registration has provided to the designated body information falling within subparagraphs (a) to (d) and the first sentence of subparagraph (e) of Article 2.1 of the Second Commission Decision must take all reasonable steps to notify the designated body without undue delay of any change or addition to that information.”.

- (9) For regulation 40(3) substitute—

“(3) The designated body may remove a third country auditor from the register if—

- (a) it considers that the auditor—
 - (i) has failed—
 - (aa) to comply with the obligations of the auditor under regulation 39(2) (duty of registered third country auditor to provide updated information), or
 - (bb) to apply the auditing standards and independence requirements set out in the statement provided for in regulation 35(3A)(a), or
 - (ii) is not a fit and proper person to conduct audits of the accounts of UK-traded non-EEA companies, or
- (b) it appears to the designated body that a competent authority which oversees or regulates the auditor considers that the auditor is not—
 - (i) a fit and proper person to conduct audits in the country in which the authority is established, or
 - (ii) eligible to conduct audits of the accounts of bodies corporate incorporated or formed under the law of that country.”.

Exercise of functions of Secretary of State

4.—(1) In article 4(1) of the Statutory Auditors (Delegation of Functions etc) Order 2008(a) (transfer of Secretary of State functions to Professional Oversight Board) the reference to Part 42 of the Companies Act 2006 includes a reference to that Part as amended by these Regulations.

(a)

Date

Name
Minister for Employment Relations, Consumer and Postal Affairs
Department for Business, Innovation and Skills

DRAFT

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend Part 42 of the Companies Act 2006 (c.46), and the Statutory Auditors and Third Country Auditors Regulations 2007 (“SATCAR”) to give effect to Commission Decision 2011/30/EU of 19 January 2011 on the equivalence of certain third country public oversight, quality assurance, investigation and penalty systems for auditors and audit entities and a transitional period for audit activities of certain third country auditors and audit entities in the European Union (O.J. L15, 20.1.2011, p.12). That Decision is made under article 46(2) of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (O.J. L157, 9.6.2006, p.87).

URN 11/806

DRAFT