

Implementation of the Audit Directive and Regulation

Submission from The Association of Investment Companies

The Association of Investment Companies (AIC) welcomes the opportunity to respond to the Department for Business Innovation & Skills' consultation on the technical and legislative implementation of the EU Audit Directive and Audit Regulation.

The Association of Investment Companies (AIC) represents some 350 closed-ended investment companies with assets under management of approximately £120 billion. Investment companies have their shares admitted to trading on public stock markets. The AIC's members are predominantly listed on the Main Market of the London Stock Exchange. Some have shares admitted to trading on the Specialist Fund Market; others are quoted on AIM.

The AIC's members include UK investment trusts, Venture Capital Trusts, UK REITs and non-EU companies. Our non-EU members are primarily Channel Islands domiciled.

The AIC is particularly interested in how its members will be affected by the implementation of this Directive and Regulation and have therefore only responded to question 1 of the consultation paper.

Question 1: Do you agree with the approach the draft implementing regulations take given the Government's conclusions as set out in chapters 5, 6, 7, 8 and 12? Why?

Chapter 5 "Which audits are affected" – The AIC agrees with the Government's conclusion that the definition of a Public Interest Entity (PIE) should reflect only the wording in the Audit Directive. This is in line with the UK's general regulatory approach not to gold plate EU legislation. We agree with the wording contained in the draft implementing regulations.

Chapter 6 "How are audits regulated" – We do not have any comment on this chapter.

Chapter 7 "Length of audit engagement" – The AIC agrees with the Government's conclusion that a PIE should be permitted to extend the maximum duration of the audit engagement by 10 years on the basis of a tender process for the auditor appointment for any accounting year up to and including that following the conclusion of the 10 year maximum duration.

This allows the audit committee to request an early tender or maintain its reappointed auditors for the maximum length of time as allowed by the Directive prior to a further retender.

We agree with the relevant wording contained in the draft implementing regulations.

Chapter 8 “Standards and standard setting” – The AIC agrees with the proposed revisions to Part 16 of the Companies Act to implement the relevant regulation on the appointment of an auditor and the term of office of auditors via a copy out approach.

We understand that the Government considers that the disclosure of non-audit services may need to be amended, so that services required by EU or national legislation are disclosed under a separate heading from other non-audit services. As stated, this amendment is not urgent as it is not due until accounting periods beginning on or after 17 June 2019.

We recommend that the Government releases a further consultation paper, in due course, to discuss any proposed amendments to these disclosures.

Chapter 12 “Restrictive clauses in contracts with third parties” – We do not have any comment on this chapter.

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To discuss the issues raised in this paper please contact:

Lisa Easton, Technical Manager
lisa.easton@theaic.co.uk, 020 7282 5611