

2017 No. 1164

AUDITORS

INSURANCE

LIMITED LIABILITY PARTNERSHIPS

The Statutory Auditors Regulations 2017

Made - - - - - 28th November 2017

Laid before Parliament 30th November 2017

Coming into force in accordance with regulation 1(2) and (3)

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.

The Secretary of State, in exercise of the powers conferred by that section, by sections 15(a) and 17 of the Limited Liability Partnerships Act 2000(c) and by sections 454(3) and (4) and 1292(1)(a) and (c) of the Companies Act 2006(d), makes the following Regulations.

PART 1

Introductory

Citation and commencement

- 1.—(1) These Regulations may be cited as the Statutory Auditors Regulations 2017.
(2) Subject to paragraph (3), these Regulations come into force on 1st January 2018.
(3) The following provisions of these Regulations come into force on 6th April 2018—
(a) regulations 17 and 18;
(b) paragraphs 21 and 22 of Schedule 1;
(c) paragraphs 2(a), 4(b), 13(b) and 16(a) and (b) of Schedule 2.

(a) S.I. 2007/1679.

(b) 1972 c. 68. Section 2(2) was amended by section 27 of the Legislation and Regulatory Reform Act 2006 (c. 51) and by section 3 of, and Part 1 of the Schedule to, the European Union (Amendment) Act 2008 (c. 7). Other amendments have been made that are not relevant.

(c) 2000 c. 12. Section 17 was amended by S.I. 2009/1804.

(d) 2006 c. 46. Section 454 was amended by S.I. 2013/1970.

Application and interpretation

2.—(1) The amendments made by Part 1 of Schedule 1 have effect in relation to financial years of building societies beginning on or after 17th June 2016.

(2) The amendments made by Part 2 of Schedule 1 have effect in relation to financial years of friendly societies beginning on or after 17th June 2016.

(3) The amendments made by paragraphs 8 to 19 in Part 3 of Schedule 1 have effect in relation to financial years of companies beginning on or after 17th June 2016;

(4) The amendments made by Schedule 2 have effect in relation to financial years of insurance undertakings beginning on or after 17th June 2016.

(5) In Schedule 3—

(a) the amendments made by paragraphs 4 to 9 and 11 to 19 have effect in relation to financial years of limited liability partnerships beginning on or after 17th June 2016;

(b) the amendments made by paragraphs 2, 3 and 10 have effect in relation to financial years of limited liability partnerships beginning on or after 1st January 2017.

(6) Nothing in these Regulations makes any act or omission of any person occurring before 1st January 2018 an offence.

(7) These Regulations have no effect in relation to—

(a) copies of accounts and reports sent by the committee of management of a friendly society to the Financial Conduct Authority and, if appropriate, the Prudential Regulation Authority, under section 78(1) of the Friendly Societies Act 1992(a),

(b) copies of accounts and reports sent by the directors of a building society to the Financial Conduct Authority and, if appropriate, the Prudential Regulation Authority, under section 81(2) of the Building Societies Act 1986(b),

(c) copies of accounts and reports delivered by the directors of a company to the registrar under section 444, 444A, 445, 446 or 447 of the Companies Act 2006(c),

(d) an annual return, copy of a balance sheet or copy of an auditor's report sent by a registered society to the Financial Conduct Authority under section 89 of the Co-operative and Community Benefit Societies Act 2014(d) as modified by Schedule 1 to the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008(e),

(e) an annual return, copy of a balance sheet or copy of an auditor's report sent by a registered society to the registrar(f) under section 48 of the Industrial and Provident Societies Act (Northern Ireland) 1969(g) as modified by Schedule 2 to the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008,

(f) the accounts and reports in respect of an insurance undertaking which is not a registered society which are prepared or caused to be prepared in accordance with regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008, and

(g) copies of accounts and reports delivered by the designated members of an LLP to the registrar under section 444, 445 or 446 of the Companies Act 2006 as applied in respect

(a) 1992 c. 40. Section 78(1) was amended by S.I. 2001/2617, 2008/1140 and 2013/496.

(b) 1986 c. 53. Section 81(2) was amended by S.I. 2001/2617 and 2013/496.

(c) Section 444 was amended by S.I. 2008/393, 2013/308 and 2015/980. Section 444A was inserted by S.I. 2008/393 and amended by S.I. 2009/1581. Section 445 was amended by S.I. 2008/393, 2013/1970 and 2015/980. Section 446 was amended by S.I. 2008/393, 2009/1581 and 2013/1970. Section 447 was amended by S.I. 2009/1581 and 2013/1970.

(d) 2014 c. 14.

(e) S.I. 2008/565, amended by S.I. 2013/472, 2014/1815 and 2015/575.

(f) The registrar as within the meaning given by section 1(1) of the Industrial and Provident Societies Act (Northern Ireland) 1969 (c. 24 (N.I.)).

(g) 1969 c. 24 (N.I.). Section 48 was amended by S.I. 1997/2984 (N.I. 22), S.I. 2009/1941 and paragraph 38 of Schedule 1 to the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016 (c. 16 (N.I.)).

of limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008(a), before 1st January 2018.

(8) In this regulation—

“building society” means a building society within the meaning of the Building Societies Act 1986(b);

“company” means a company within the meaning of section 1(1) of the Companies Act 2006;

“financial year”—

- (a) in relation to building societies, has the meaning given by sections 117 and 117A of the Building Societies Act 1986(c);
- (b) in relation to companies, has the meaning given by section 390 of the Companies Act 2006;
- (c) in relation to friendly societies, has the meaning given by section 118 of the Friendly Societies Act 1992;
- (d) in relation to insurance undertakings, has the meaning given by regulation 2(6) of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008;
- (e) in relation to limited liability partnerships, has the meaning given by section 390 of the Companies Act 2006 as it has been applied in respect of limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008;

“friendly society” means a friendly society within the meaning of the Friendly Societies Act 1992(d);

“insurance undertaking” has the meaning given by regulation 2(2) to (4) of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008;

“limited liability partnership” has the meaning given by section 1 of the Limited Liability Partnerships Act 2000;

“registered society” means—

- (a) a registered society within the meaning given by section 1(1) of the Co-operative and Community Benefit Societies Act 2014; or
- (b) a society registered or deemed to be registered under the Industrial and Provident Societies Act (Northern Ireland) 1969.

PART 2

Amendments to primary legislation

Amendments to primary legislation

3. Schedule 1 (amendments to primary legislation) contains amendments to primary legislation.

(a) S.I. 2008/1911; the relevant amending instrument is S.I. 2016/575.
(b) See section 119 of that Act for the definition of building society. There are amendments to that section but none is relevant.
(c) Section 117 has been amended by paragraph 15 of Schedule 9 to the Financial Services (Banking Reform) Act 2013 (c. 33), and section 117A was inserted by paragraph 16 of Schedule 9 to that Act.
(d) See in particular section 116 of that Act for the definition of friendly society. Section 116 has been amended, but the amendment is not relevant.

PART 3

Amendments to secondary legislation

Amendments to the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008

4. Schedule 2 contains amendments to the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.

Amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

5. Schedule 3 contains amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Amendments to the Companies (Revision of Defective Accounts and Reports) Regulations 2008

6. The Companies (Revision of Defective Accounts and Reports) Regulations 2008(a) are amended as follows.

7. In regulation 2 (interpretation)—

(a) in the definition of “date of revision” in paragraph (1)—

(i) for “directors’ report” to “remuneration” substitute “report or”;

(ii) before “5” insert “4A, ”;

(b) after the definition of “revised directors’ remuneration policy” insert—

““revised policy” means a revised revised directors’ remuneration policy prepared by the directors under section 454 of the 2006 Act, either through revision by replacement or revision by supplementary note; in the latter case the revised policy comprises the original directors’ remuneration policy together with the supplementary note;

“revised report” means a revised strategic report, revised directors’ report or revised directors’ remuneration report prepared by the directors under section 454 of the 2006 Act, either through revision by replacement or revision by supplementary note; in the latter case the revised report comprises the original strategic report, directors’ report or directors’ remuneration report together with the supplementary note;”;

(c) for the definitions of “revised report or policy” substitute—

““revised report or policy” means a revised report or a revised policy;”.

8. In regulation 5 (approval and signature of revised directors’ report), for “them” substitute “it”;

9. In regulation 7 (auditor’s report on revised accounts and revised report)—

(a) for the introductory words in paragraph (1) substitute—

“(1) Subject to paragraph (2), where a company has revised its accounts and its strategic report, directors’ report or directors’ remuneration report under section 454 of the 2006 Act, a company’s current auditor or auditors shall make a report or (as the case may be) further report under section 495 of the 2006 Act (auditor’s report on company’s annual accounts)(b), to the company’s members on those revised accounts and revised reports, and—

(za) subject to the modifications in paragraph (1A), the requirements of sections 495 to 497 of the 2006 Act apply, as appropriate, to the report on the revised accounts or

(a) S.I. 2008/373; amended by S.I. 2013/1971, 2013/2224 and 2015/980.

(b) Section 495 was amended by S.I. 2013/3008, 2016/649 and 2017/516.

the revised report as they applied to the, or would have applied to a, report on the original annual accounts, strategic report, directors' report or directors' remuneration report,";

(b) after paragraph (1) insert—

“(1A) The modifications are that—

- (a) for the references to the report on the company's annual accounts in sections 495(1), 496(1)(a) and 497(1) there were substituted a reference to the report under this regulation,
- (b) the—
 - (i) requirements of the 2006 Act (and, where applicable, Article 4 of the IAS Regulation(b)) in accordance with which the revised accounts must have been prepared, referred to in section 495(3)(c),
 - (ii) the applicable legal requirements in accordance with which the revised strategic report and revised directors' report must have been prepared, referred to in section 496(1)(a)(ii), and
 - (iii) the requirements of the 2006 Act in accordance with which the revised directors' remuneration report must have been properly prepared, referred to in section 497(1)(b),

are construed in accordance with regulation 3.”;

(c) in paragraph (3)—

- (i) omit the first paragraph;
- (ii) after “The” insert “auditor's”;
- (iii) omit from “or (in the” to the end;

(d) omit paragraph (4).

10. In regulation 9 (auditor's report on revised report alone)—

(a) for subsection (1) substitute—

“(1) Subject to paragraph (2), where a company has revised its strategic report, directors' report or directors' remuneration report under section 454 of the 2006 Act but has not revised its annual accounts, a company's current auditor shall make a report or (as the case may be) further report to the company's members on any revised report prepared under section 454 of that Act if the relevant annual accounts have not been revised at the same time, and—

- (a) subject to the modifications in paragraph (1A), the requirements of section s496 and 497 of the 2006 Act apply, as appropriate, to the report on the revised report as they applied to the, or would have applied to a, report on the original strategic report, directors' report or directors' remuneration report,
- (b) section 498 of that Act (duties of auditor)(c) applies with any necessary modifications, and
- (c) section 495(1) does not apply with respect to the revised reports.

(1A) The modifications are that—

- (a) for the references to the report on the company's annual accounts in sections 496(1) and 497(1) there were substituted a reference to the report under this regulation,
- (b) the—

(a) Section 496 was substituted by S.I. 2015/980 and amended by S.I. 2016/649.

(b) OJ No L 243, 11.09.02, p. 1, amended by Regulation (EC) No 297/2008 (OJ No L 97, 09.04.08, p. 62).

(c) Section 498 was amended by S.I. 2008/393, 2013/1970 and 2016/649.

- (i) applicable legal requirements in accordance with which the revised strategic report and revised directors' report must have been prepared, referred to in section 496(1)(a)(ii), and
 - (ii) requirements of the 2006 Act in accordance with which the revised directors' remuneration report must have been properly prepared, referred to in section 497(1)(b),
- are construed in accordance with regulation 3.”;
- (b) omit paragraphs (3) and (4).
- 11.** In regulation 11 (effect of revision of report), before “5” insert “4A, ”.
- 12.** In regulation 18 (companies exempt from audit)—
- (a) in the heading, after “477” insert “, 479A(a)”;
 - (b) after the first occurrence of “exemption from audit”, insert “, 479A (subsidiary companies: conditions for exemption from audit)”.
- 13.** In regulation 19 (modifications of the 2006 Act)—
- (a) in paragraph (1), after both the second and third occurrences of “(as the case may be)”, insert “strategic report, ”;
 - (b) omit paragraph (2).
- 14.** After regulation 20 (revocations etc) insert—

“Review

- 21.—**(1) The Secretary of State must from time to time—
- (a) carry out a review of the regulatory provision in these Regulations to which amendments have been made by Part 3 of the Statutory Auditor Regulations 2017, and
 - (b) publish a report setting out the conclusions of the review.
- (2) The first report must be published before 1st January 2023.
- (3) Subsequent reports must be published at intervals not exceeding 5 years.
- (4) Section 30(3) of the Small Business, Enterprise and Employment Act 2015(b) requires that a review carried out under this regulation must, so far as is reasonable, have regard to how Article 28 of 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(c) is implemented in other member States.
- (5) Section 30(4) of the Small Business, Enterprise and Employment Act 2015 requires that a report published under this regulation must, in particular—
- (a) set out the objectives intended to be achieved by the regulatory provision referred to in paragraph (1)(a),
 - (b) assess the extent to which those objectives are achieved,
 - (c) assess whether those objectives remain appropriate, and
 - (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.
- (6) In this regulation, “regulatory provision” has the same meaning as in sections 28 to 32 of the Small Business, Enterprise and Employment Act 2015 (see section 32 of that Act).”.

(a) Section 479A was inserted by S.I. 2012/2301 and partially substituted by S.I. 2015/980.
 (b) 2015 c. 26. Section 30(3) was amended by section 19 of the Enterprise Act 2016 (c. 12).
 (c) OJ No L 157, 09.06.06, p.87, last amended by Directive 2014/56/EU (OJ No L 158, 27.05.14, p. 196).

Amendments to the Statutory Auditors and Third Country Auditors Regulations 2016

15. The Statutory Auditors and Third Country Auditors Regulations 2016(a) are amended as follows.

16. In regulation 2 (interpretation), in the definition of “audit reporting requirements”—

- (a) in paragraph (b), after “495, ” insert “496, ”;
- (b) in paragraph (d), after “498A” insert “and 503 to 506”;
- (c) in paragraph (f), after “495” insert “, 496”.

Amendments to the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012

17. The Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012(b) is amended as follows.

18. In article 7 (transfer of functions)—

- (a) in paragraph (6)(a), for “and the Statutory Auditors and Third Country Auditors Regulations 2017” substitute “, the Statutory Auditors and Third Country Auditors Regulations 2017 and the Statutory Auditors Regulations 2017”;
- (b) in paragraph (6)(b), for “and the Statutory Auditors and Third Country Auditors Regulations 2017” substitute “, the Statutory Auditors and Third Country Auditors Regulations 2017 and the Statutory Auditors Regulations 2017”.

PART 4

Revocations, repeals and saving

Revocations, repeals and saving

19.—(1) The enactments listed in the table in Schedule 4 (revocations and repeals) are revoked or repealed to the extent specified.

(2) Other than in relation to entries 1 to 4 in the table(c), the revocations and repeals have effect in relation to financial years of qualifying banks beginning on or after 30th November 2018.

(3) In this regulation—

“financial year” has the meaning given by regulation 2(1) of the Bank Accounts Directive (Miscellaneous Banks) Regulations 2008(d);

“qualifying bank” has the meaning given by regulations 2(1) and 3 of those Regulations.

28th November 2017

Margot James
Minister for Small Business, Consumers and Corporate Responsibility
Department for Business, Energy and Industrial Strategy

(a) S.I. 2016/649, amended by S.I. 2017/516.
(b) S.I. 2012/1741, amended by S.I. 2014/2009, 2016/649 and 2017/516.
(c) Entries 1 to 4 concern spent enactments.
(d) S.I. 2008/567, amended by S.I. 2013/472.

Amendments to primary legislation

PART 1

Amendments to the Building Societies Act 1986

Amendments to the Building Societies Act 1986

1. The Building Societies Act 1986(a) is amended in accordance with this Part of this Schedule.
2. In Schedule 10C (disclosure of auditor remuneration etc required in notes to accounts)(b)—
 - (a) in paragraph 1—
 - (i) in sub-paragraph (1)(a), after “auditor” insert “, or an associate of the society’s auditor,”;
 - (ii) for sub-paragraph (6)(b) substitute—

“(b) the notes to the individual accounts of—

 - (i) the society, and
 - (ii) a subsidiary of the society, where the subsidiary is included in the group accounts and the statutory auditor is the same for both the society and the subsidiary,

do not have to disclose the information required by that provision if the notes state that the group accounts are so required.”;
 - (b) for paragraph 2 substitute—

“2. The types of service in respect of which disclosure is required are—

 - (a) the auditing of accounts of any associate of the society;
 - (b) audit-related assurance services;
 - (c) taxation compliance services;
 - (d) any taxation advisory services not falling within paragraph (c);
 - (e) internal audit services;
 - (f) any assurance services not falling within paragraphs (a) to (e);
 - (g) any services relating to corporate finance transactions entered into, or proposed to be entered into, by or on behalf of the society or any of its associates not falling within paragraphs (a) to (f);
 - (h) any other non-audit services.”;
 - (c) in paragraph 3(1), for “2(j)” substitute “2(h)”.
3. In Schedule 11 (auditors: appointment, tenure)(c), after paragraph 3D insert—

“3DA.—(1) If—

 - (a) a building society appoints, or purports to appoint, an auditor or auditors, and
 - (b) the appointment or purported appointment is made in breach of paragraph 3B, 3C or 3D (requirements applying to appointment of auditors),

(a) 1986 c. 53.

(b) Schedule 10C was inserted by S.I. 2008/1519.

(c) Relevant amending instruments are S.I. 2008/519, 2013/496, 2016/649 and 2017/516.

the appropriate authority may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of paragraph 3B, 3C or 3D does not invalidate any report made under this Part by the auditor or auditors on the building society's annual reports or accounts before the auditor or auditors are replaced under sub-paragraph (1) of this paragraph.

(3) But where the breach in question is a breach of paragraph 3D, sections 1248 and 1249 of the Companies Act 2006 (Secretary of State's power to require second audit for companies)(a) apply as if—

- (a) the building society were a company;
- (b) references to the Secretary of State were to the appropriate audit authority;
- (c) references to the registrar of companies were to the FCA and, if the society is a PRA-authorised person, to the PRA;
- (d) the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted;
- (e) section 1248(9) was omitted.

(4) Within one week of becoming aware of the breach of paragraph 3B, 3C or 3D, the building society must give notice to the appropriate authority that the power under sub-paragraph (1) of this paragraph has become exercisable.

(5) If the building society fails to give the notice required by sub-paragraph (4), the society shall be liable on summary conviction—

- (a) to a fine not exceeding level 3 on the standard scale; and
- (b) in the case of a continuing offence, to an additional fine not exceeding £40 for every day during which the offence continues;

and so shall any officer who is also guilty of the offence.”.

PART 2

Amendments to the Friendly Societies Act 1992

Amendments to the Friendly Societies Act 1992

4. The Friendly Societies Act 1992(b) is amended is amended in accordance with this Part of this Schedule.

5. In Schedule 13F (disclosure of auditor remuneration etc)(c)—

- (a) in paragraph 1—
 - (i) in sub-paragraph(1)(a), after “auditor” insert “, or an associate of the society’s auditor,”;
 - (ii) for sub-paragraph (6)(b) substitute—

“(b) the notes to the individual accounts of—

 - (i) the society, and
 - (ii) a subsidiary of the society, where the subsidiary is included in the group accounts and the statutory auditor is the same for both the society and the subsidiary,

do not have to disclose the information required by that provision if the notes state that the group accounts are so required.”;

(a) 2006 c. 46. Section 1248 was amended by S.I. 2015/664.

(b) 1992 c. 40.

(c) Schedule 13F was inserted by S.I. 2008/1140.

(b) for paragraph 2 substitute—

“2. The types of service in respect of which disclosure is required are—

- (a) the auditing of accounts of any associate of the society;
- (b) audit-related assurance services;
- (c) taxation compliance services;
- (d) any taxation advisory services not falling within paragraph (c);
- (e) internal audit services;
- (f) any assurance services not falling within paragraphs (a) to (e);
- (g) any services relating to corporate finance transactions entered into, or proposed to be entered into, by or on behalf of the society or any of its associates not falling within paragraphs (a) to (f);
- (h) any other non-audit services.”;

(c) in paragraph 3(1), for “2(j)” substitute “2(h)”.

6. In Schedule 14A (appointment and removal of auditors: societies to which audit directive applies)(a), after paragraph 4 insert—

“4A.—(1) If—

- (a) a friendly society appoints, or purports to appoint, an auditor or auditors, and
- (b) the appointment or purported appointment is made in breach of paragraph 2, 3 or 4 (requirements applying to appointment of auditors),

the appropriate authority may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of paragraph 2, 3 or 4 does not invalidate any report made under this Part by the auditor or auditors on the society’s annual reports or accounts before the auditor or auditors are replaced under sub-paragraph (1) of this paragraph.

(3) But where the breach in question is a breach of paragraph 4, paragraph 9 of Schedule 14 (appropriate authority’s power to require second audit) applies as if the auditor was, or auditors were, ineligible for appointment to that office for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of paragraph 2, 3 or 4, the society must give notice to the appropriate authority that the power under sub-paragraph (1) of this paragraph has become exercisable.

(5) If a society fails to give the notice required by sub-paragraph (4), the society or branch shall be guilty of an offence and liable on summary conviction—

- (a) to a fine not exceeding level 3 on the standard scale; and
- (b) in the case of a continuing offence to an additional fine not exceeding one-tenth of that level for every day during which the offence continues;

and so shall any officer who is also guilty of the offence.”.

(a) Schedule 14A was inserted by S.I. 2017/516.

PART 3

Amendments to the Companies Act 2006

Amendments to the Companies Act 2006

- 7.** The Companies Act 2006(a) is amended in accordance with this Part of this Schedule.
- 8.** In section 444 (filing obligations of companies subject to small companies regime)(b), after subsection (7) insert—
- “(8) If more than one person is appointed as auditor, the references in subsections (5B)(d)(i) and (7)(a) to the name of the auditor are to be read as references to the names of all the auditors.”.
- 9.** In section 444A (filing obligations of companies entitled to small companies exemption in relation to directors’ report)(c), after subsection (4) insert—
- “(4A) If more than one person is appointed as auditor, the reference in subsection (4)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
- 10.** In section 445 (filing obligations of medium-sized companies)(d), after subsection (6) insert—
- “(6A) If more than one person is appointed as auditor, the reference in subsection (6)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
- 11.** In section 446 (filing obligations of unquoted companies)(e), after subsection (4) insert—
- “(4A) If more than one person is appointed as auditor, the reference in subsection (4)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
- 12.** In section 447 (filing obligations of quoted companies)(f), after subsection (4) insert—
- “(5) If more than one person is appointed as auditor, the reference in subsection (4)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
- 13.** In section 463 (liability for false or misleading statements in reports)(g)—
- (a) in subsection (1)—
- (i) after “The reports” insert “and statements”; and
- (ii) at the end insert—
- “(d) any separate corporate governance statement.”;
- (b) in subsections (2) and (4), after “a report” (in each place) insert “or statement”; and
- (c) in the heading, and in the italic heading before the section, after “reports” insert “and statements”.
- 14.** In section 485 (appointment of auditors of private company: general), in subsection (5)(b), after “section 486” insert “or 486A”.
- 15.** In section 486 (appointment of auditors of private company: default power of Secretary of State)(h), in subsection (1), omit “, 485A or 485B”.

(a) 2006 c. 46.
(b) Section 444 was amended by S.I. 2008/393, 2013/3008 and 2015/980.
(c) Section 444A was inserted by S.I. 2008/393 and amended by S.I. 2009/1581.
(d) Section 445 was amended by S.I. 2008/393, 2013/1970 and 2015/980.
(e) Section 446 was amended by S.I. 2008/393, 2009/1581 and 2013/1370.
(f) Section 447 was amended by S.I. 2009/1581 and 2013/1370.
(g) Section 463 was amended by S.I. 2013/1370.
(h) Section 486 was amended by S.I. 2016/649 and 2017/516.

16. After section 486 insert—

“Defective appointments: default power of Secretary of State

486A.—(1) If—

- (a) a private company appoints, or purports to appoint, an auditor or auditors, and
- (b) the appointment or purported appointment is made in breach of section 485A, 485B or 485C (requirements applying to appointment of auditors by public interest entities)(a),

the Secretary of State may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of section 485A, 485B or 485C does not invalidate any report made under Chapter 3 of this Part by the auditor or auditors on the company’s annual reports or accounts before the auditor or auditors are replaced under subsection (1) of this section.

(3) But where the breach in question is a breach of section 485C, sections 1248 and 1249 (Secretary of State’s power to require second audit) apply as if the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of section 485A, 485B or 485C, the company must give notice to the Secretary of State that the power under subsection (1) of this section has become exercisable.

(5) If the company fails to give the notice required by subsection (4), an offence is committed by—

- (a) the company, and
- (b) every officer of the company who is in default.

(6) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.”.

17. In section 489 (appointment of auditors of public company: general), in subsection (5)(b), after “section 490” insert “or 490A”.

18. In section 490 (appointment of auditors of public company: default power of Secretary of State)(b), in subsection (1), omit “, 489A or 489B”.

19. After section 490 insert—

“Defective appointments: default power of Secretary of State

490A.—(1) If—

- (a) a public company appoints, or purports to appoint, an auditor or auditors, and
- (b) the appointment or purported appointment is made in breach of section 489A, 489B or 489C (requirements applying to appointment of auditors by public interest entities)(c),

the Secretary of State may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(a) Sections 485A and 485B were inserted by S.I. 2016/649 and amended by S.I. 2017/516. Section 485C was inserted by S.I. 2017/516.
(b) Section 490 was amended by S.I. 2016/649 and 2017/516.
(c) Sections 489A and 489B were inserted by S.I. 2016/649 and amended by S.I. 2017/516. Section 489C was inserted by S.I. 2017/516.

(2) The breach of section 489A, 489B or 489C does not invalidate any report made under Chapter 3 of this Part by the auditor or auditors on the company's annual reports or accounts before the auditor or auditors are replaced under subsection (1) of this section.

(3) But where the breach in question is a breach of section 489C, sections 1248 and 1249 (Secretary of State's power to require second audit) apply as if the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of section 489A, 489B or 489C, the company must give notice to the Secretary of State that the power under subsection (1) of this section has become exercisable.

(5) If the company fails to give the notice required by subsection (4), an offence is committed by—

- (a) the company, and
- (b) every officer of the company who is in default.

(6) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.”.

20. In section 494ZA (the maximum engagement period)(a), in subsection (5), for “In this paragraph” substitute “In this section”.

21. In section 1221 (approval of third country qualifications)(b)—

(a) for subsection (1A) substitute—

“(1A) A declaration under subsection (1)(a) or (b) must contain provision to the effect that a person is not to be regarded as holding an approved third country qualification for the purposes of this Chapter unless the person—

- (a) already holds a professional qualification which covers all the subjects which are covered by a recognised professional qualification and which are subjects of which knowledge is essential for the pursuit of the profession of statutory auditor, or
- (b) holds a professional qualification which does not cover all those subjects and has met whichever of the requirements of subsection (1B) is specified in the declaration.

(1B) The declaration must specify that the condition in subsection (1A)(b) is satisfied in one of the following ways—

- (a) only by passing an aptitude test in accordance with subsection (7A),
- (b) only by completing an adaptation period in accordance with subsections (7C) and (7D), or
- (c) either by passing an aptitude test in accordance with subsection (7A) or by completing an adaptation period in accordance with subsections (7C) and (7D), according to the choice of the person.”;

(b) in subsection (3)—

- (i) in paragraph (a), after “third country, ” insert “taken with any requirement or requirements to be specified under subsection (1A).”;
- (ii) in paragraph (b), for “subsection (2)” substitute “subsections (1A) or (2)”;

(c) in subsection (7A), for “(1A)” substitute “(1B)”;

(d) omit subsection (7B);

(e) before subsection (8) insert—

(a) Section 494ZA was inserted by S.I. 2017/516.

(b) Section 1221 was amended by S.I. 2007/3494.

“(7C) An adaptation period is a period, not exceeding three years, in which the person (“the applicant”) pursues the profession of statutory auditor under the supervision of another person who holds an appropriate qualification, subject to an assessment (“the ability assessment”) of the applicant’s ability to pursue the profession of statutory auditor in the United Kingdom.

(7D) The adaptation period must be completed, and the ability assessment must be carried out, in accordance with the rules and practices of a recognised supervisory body (see paragraph 7A of Schedule 10).”.

22. In Schedule 10 (recognised supervisory bodies)(a), after paragraph 7 insert—

“**7A.—(1)** The body must have rules and practices governing the adaptation period and the ability assessment referred to in section 1221 (approval of third country qualifications), and the following provisions of this paragraph apply in any case within that section.

(2) The body must have regard to the circumstances of each applicant in relation to the adaptation period, and the ability assessment, to be required of the applicant.

(3) The applicant may be required to undergo further training during the adaptation period.

(4) The applicant’s performance during the adaptation period must be assessed by the body.

(5) The body must determine the applicant’s professional status during the adaptation period.”.

SCHEDULE 2

Regulation 4

Amendments to the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008

1. The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008**(b)** are amended in accordance with this Schedule.

2. In regulation 2 (interpretation)—

(a) in paragraph (1), in the definition of “registered society”, for paragraph (b) substitute—

“(b) a registered society within the meaning given by section 1A(1) of the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969(c).”;

(b) in paragraph (4), after “Article” insert “ 4.”;

(c) in paragraph (5), after “annual accounts, ” insert “the strategic report, ”.

3. In regulation 3 (preparation of accounts by insurance undertakings)—

(a) in paragraph (1)(a), after “annual accounts” insert “, strategic report”;

(b) in paragraph (3)—

(i) for sub-paragraphs (a) to (d), substitute—

“(da) Chapters 4, 4A**(d)** (apart from sections 414CA and 414CB) and 5 of Part 15 (accounts and reports) and Chapter 1 of Part 16 (requirement for audited accounts) of the Companies Act 2006.”;

(a) Schedule 10 was amended by S.I. 2016/649.

(b) S.I. 2008/565, amended by S.I. 2013/472, 2014/1815 and 2015/575.

(c) 1969 c. 24 (N.I.). Section 1A was inserted into the Industrial and Provident Societies Act (Northern Ireland) 1969 (c. 24), and that Act was renamed, by section 8 of the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016 (c. 16 (N.I.)).

(d) Chapter 4A was inserted by S.I. 2013/1970 and amended by S.I. 2015/980 and 2016/1245.

- (ii) in sub-paragraph (i), before “6” insert “1A(a),”.
- 4. In regulation 4 (publication of accounts), in paragraph (2)—**
- (a) for “section 39(5) of the Industrial and Provident Societies Act 1965(b)” substitute “section 90(1) of the Co-operative and Community Benefit Societies Act 2014(c)”;
 - (b) for “the Industrial and Provident Societies Act (Northern Ireland) 1969” substitute “the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969”.
- 5. In regulation 5 (penalties for non-compliance (accounts))—**
- (a) in paragraph (5), for “section” substitute “regulation”;
 - (b) omit paragraph (7).
- 6. In regulation 6 (appointment of auditors)—**
- (a) for paragraph (1) substitute—

“(1) The sections of the Companies Act 2006 listed in paragraph (1A) apply in relation to the appointment of auditors of an insurance undertaking as if the undertaking was a private company which is also a public interest entity, subject—

 - (a) where the undertaking concerned is unincorporated, to any necessary modifications to take account of that fact, and
 - (b) to the modifications made by paragraph (2).

(1A) The sections of the Companies Act 2006 are—

 - (a) 485 (appointment of auditors of private company: general),
 - (b) 485A (appointment of auditors of private company: additional requirements for public interest entities with audit committees),
 - (c) 485B (appointment of auditors of private company: additional requirements for public interest entities without audit committees),
 - (d) 485C (restriction on appointment of auditor of private company which is a public interest entity),
 - (e) 486 (appointment of auditors of private company: default power of Secretary of State)(d),
 - (f) 486A (defective appointments: default power of Secretary of State),
 - (g) 487 (term of office of auditors of private company)(e),
 - (h) 488 (prevention by members of deemed re-appointment of auditor), and
 - (i) 494ZA (the maximum engagement period)(f).”;
 - (b) in paragraph (2), after sub-paragraph (b) insert—
 - “(ba) in section 485A(4), the words after “Audit Regulation” are omitted;
 - (bb) in section 485B(4), the words after “must be drawn” are omitted;”;
 - (c) omit paragraphs (3) and (4).
- 7. In regulation 7 (functions of auditor)—**
- (a) in paragraph (1)—
 - (i) in the introductory words, before “company” insert “private”;
 - (ii) after sub-paragraph (a) insert—

(a) Paragraph 1A of Schedule 7 to S.I. 2008/410 was inserted by S.I. 2013/1970.
 (b) 1965 c. 12. The Act was repealed by the Co-operative and Community Benefit Societies Act 2014 (c. 14).
 (c) 2014 c. 14.
 (d) Section 486 was amended by S.I. 2016/649 and 2017/516.
 (e) Section 487 was amended by S.I. 2016/649 and 2017/516.
 (f) Section 494ZA was inserted by S.I. 2017/516.

- “(aa) section 496 (auditor’s report on strategic report and directors’ report)(a);”;
- (iii) omit sub-paragraph (c);
- (b) omit paragraph (3).

8. In regulation 8 (signature of auditor’s report), omit paragraph (3).

9. After regulation 8 insert—

“Offences in connection with auditor’s report and guidance

8A. Sections 507 to 509 of the Companies Act 2006(b) apply in relation to an auditor’s report on an insurance undertaking’s annual accounts as they apply to an auditor’s report on a private company’s annual accounts, subject to the modification that references in those sections to provisions of the Companies Act 2006 are to be construed as references to those provisions as applied by these Regulations.”.

10. After regulation 9 insert—

“Application to court to remove auditor from office

9A.—(1) The Financial Reporting Council Limited(c) may apply to the High Court for an order removing an auditor of an insurance undertaking from office if the Council considers that there are proper grounds for removing the auditor from office.

(2) The members of an insurance undertaking may apply to the High Court for an order removing an auditor of the undertaking from office if the applicant or applicants consider that there are proper grounds for removing the auditor from office.

(3) If the court is satisfied, on hearing an application under paragraph (1), that there are proper grounds for removing the auditor from office, it may make an order removing the auditor from office.

(4) If the court is satisfied, on hearing an application under paragraph (2), that—

(a) the applicants represent in total—

(i) not less than 5% of the voting rights of all the members for the time being entitled to vote at a general meeting of the insurance undertaking, or

(ii) not less than 5% in nominal value of any share capital of the insurance undertaking as shown by the latest balance sheet, and

(b) there are proper grounds for removing the auditor from office,

the court may make an order removing the auditor from office.

(5) For the purposes of this regulation, divergence of opinions on accounting treatments or audit procedures are not to be taken to be proper grounds for removing an auditor from office.

(6) In the application of this regulation to an insurance undertaking whose principal place of business is in Scotland or Northern Ireland, references to the High Court are to be read as references to the Court of Session or, as the case may be, the High Court in Northern Ireland.”.

11. In regulation 12 (penalties for non-compliance (notification of appropriate audit authority))—

(a) after paragraph (2) insert—

“(2A) In relation to an offence by a body under paragraph (1)—

(a) Section 496 was substituted by S.I. 2015/980 and amended by S.I. 2016/649.

(b) 2006 c. 46. Sections 508 and 509 were amended by S.I. 2016/649.

(c) A company registered in England and Wales with number 02486368.

- (a) any person who purports to act as director, manager or secretary of the body is treated as an officer of the body, and
 - (b) if the body is a company, any shadow director is treated as an officer of the company.”;
- (b) omit paragraphs (3) and (6).

12. For regulation 13 (summary proceedings: venue and time limit) substitute—

“**13.** The following provisions of the Companies Act 2006 apply in relation to an offence under these Regulations (or under a provision of the Act as applied by these Regulations) as they apply to offences under that Act—

- (a) section 1121 (liability of officer in default);
- (b) section 1122 (liability of company as officer in default);
- (c) section 1123 (application to bodies other than companies);
- (d) section 1125 (meaning of “daily default fine”);
- (e) section 1127 (summary proceedings: venue);
- (f) section 1128 (summary proceedings: time limit for proceedings);
- (g) section 1130 (proceedings against unincorporated bodies).”.

13. In regulation 14 (registered societies)—

- (a) in paragraph (1), for “the Friendly and Industrial and Provident Societies Act 1968(a)” substitute “the Co-operative and Community Benefit Societies Act 2014”;
- (b) in paragraph (2), for “the Industrial and Provident Societies (Northern Ireland) Act 1969” substitute “the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969”.

14. After regulation 16 insert—

“Review

17.—(1) The Secretary of State must from time to time—

- (a) carry out a review of the regulatory provision contained in these Regulations to which amendments have been made by Schedule 2 to the Statutory Auditors Regulations 2017, and
 - (b) publish a report setting out the conclusions of the review.
- (2) The first report must be published before 1st January 2023.
- (3) Subsequent reports must be published at intervals not exceeding 5 years.
- (4) Section 30(3) of the Small Business, Enterprise and Employment Act 2015(b) requires that a review carried out under this regulation must, so far as is reasonable, have regard to how—
- (a) Articles 28 and 38 of 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(c), and
 - (b) Articles 16, 17 and 41 of Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC(d),

(a) 1968 c. 55. The Act was partially repealed by the Friendly Societies Act 1974 (c. 46) and S.I. 2001/2617, and was wholly repealed by the Co-operative and Community Benefit Societies Act 2014 (c. 14).

(b) 2015 c. 26. Section 30(3) was amended by section 19 of the Enterprise Act 2016 (c. 12).

(c) OJ No L 157, 09.06.06, p.87, last amended by Directive 2014/56/EU (OJ No L 158, 27.05.14, p. 196).

(d) OJ No L 158, 27.05.14, p. 77.

are implemented in other member States.

(5) Section 30(4) of the Small Business, Enterprise and Employment Act 2015 requires that a report published under this regulation must, in particular—

- (a) set out the objectives intended to be achieved by the regulatory provision referred to in paragraph (1)(a),
- (b) assess the extent to which those objectives are achieved,
- (c) assess whether those objectives remain appropriate, and
- (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.

(6) In this regulation, “regulatory provision” has the same meaning as in sections 28 to 32 of the Small Business, Enterprise and Employment Act 2015 (see section 32 of that Act).”

15. For Schedule 1 substitute—

“SCHEDULE 1

Regulation 14(1)

Modification of the Co-operative and Community Benefit Societies Act 2014

1. In its application to registered societies that are insurance undertakings for the purposes of these Regulations, the Co-operative and Community Benefit Societies Act 2014 has effect subject to the following modifications.

2. Omit sections 79 (duty to prepare revenue accounts) and 80 (accounts and balance sheets to give a true and fair view).

3. For section 82 (restrictions on publication of accounts and balance sheets) substitute—

“82 Restrictions on publication of accounts and balance sheets

(1) A registered society must not publish—

- (a) a profit and loss account prepared under section 396 of the Companies Act 2006(a) as applied by regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008, or
- (b) a balance sheet,

unless the account or balance sheet is signed by the society’s secretary and is signed by two members of its committee acting on behalf of the committee.

(2) If a society publishes any of its statutory accounts, they must be accompanied by the relevant auditor’s report.

(3) A society which is required to prepare group accounts for a financial year must not publish its statutory individual accounts for that year without also publishing with them its statutory group accounts.

(4) If a society publishes non-statutory accounts, it must publish with them a statement indicating—

- (a) that they are not the society’s statutory accounts,
- (b) whether statutory accounts dealing with any financial year with which the non-statutory accounts purport to deal have been delivered to the FCA,
- (c) whether the society’s auditor has made a relevant auditor’s report,
- (d) whether any such auditor’s report—

(a) 2006 c. 46. Section 396 was amended by S.I. 2013/3008 and 2015/980.

- (i) was qualified or unqualified, or included a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, or
- (ii) contained a statement under section 498(2) or (3) of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008^(a) (accounting records or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations),

and it must not publish with the non-statutory accounts any auditor's report required by sections 496 and 497 of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.

(5) For the purposes of this section a society is regarded as publishing a document if it publishes, issues or circulates it or otherwise generally makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.

(6) In this section—

- (a) references to a society's statutory accounts are to its individual or group accounts for a financial year as required to be prepared by regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008;
- (b) references to the relevant auditor's report are to the report required to be prepared by sections 495 and 496 of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 in relation to the statutory accounts concerned;
- (c) references to the publication by a society of "non-statutory accounts" are to the publication of—
 - (i) any balance sheet or profit and loss account relating to, or purporting to deal with, a financial year of the society, or
 - (ii) an account in any form purporting to be a balance sheet or profit and loss account for the group consisting of the society and its subsidiary undertakings relating to, or purporting to deal with, a financial year of the society,

otherwise than as part of the society's statutory accounts."

4. Omit sections 83 to 88 (matters relating to appointment of an auditor and the auditor's report).

5. In section 89 (annual returns)—

- (a) in subsection (2)(a), for "the society's revenue account" to "section 79" substitute "the profit and loss account required to be prepared by section 396 of the Companies Act 2006 as applied by regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008";
- (b) for subsection (2)(b) substitute—

“(b) must not contain any other accounts.”;
- (c) for subsection (3) substitute—

“(3) “Relevant auditor's report” means the report required to be prepared by sections 495 and 496 of the Companies Act 2006 as applied by regulation 7 of the

(a) S.I. 2008/565, amended by S.I. 2013/472, 2014/1815 and 2015/575.

Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.”.

6. In section 90 (duty to provide copy of annual return on demand), omit subsection (2)(a)(ii) and the preceding “or”.

7. For section 91 (meaning of “qualified auditor”) substitute—

“91 Meaning of “qualified auditor”

References in this Part to a qualified auditor, in relation to a society, are to a person who—

- (a) is eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006, and
- (b) is not prohibited from acting as statutory auditor of the society by virtue of section 1214 of that Act (independence requirement).”.

8. Omit section 92 (persons ineligible for appointment as auditors etc).

9. In section 93 (re-appointment and removal of qualified auditors)—

- (a) in subsection (2)—
 - (i) at the end of paragraph (a) insert “or”;
 - (ii) omit paragraph (c) and the “or” preceding it;
- (b) in subsection (3)—
 - (i) in the introductory words, omit “the auditor”;
 - (ii) at the beginning of each of paragraphs (a) and (c), insert “the auditor”;
 - (iii) for paragraph (b) substitute—

“(b) the auditor is ineligible for appointment for the current year of account;”;
 - (iv) after paragraph (c) insert—

“(d) the auditor was appointed by the committee,
(e) the society’s rules require actual re-appointment, or
(f) the re-appointment is prevented by the members under section 93A.”;
- (c) in subsection (4)(b)(ii), for “ineligible for appointment” substitute “not a qualified auditor”;
- (d) omit subsection (5);
- (e) at the end insert—

“(6) A person who is not automatically re-appointed as auditor by virtue of subsection (3)(d) of this section may be re-appointed by the committee for the current year of account and for any subsequent year of account commencing before the next general meeting of the society. However, he may only be re-appointed for any year of account commencing on or after the date of that general meeting by a resolution of the society at that meeting.”.

10. After section 93 insert—

“93A Prevention by members of automatic re-appointment of auditor

(1) An auditor of a society is not automatically re-appointed under section 93 of this Act if the society has received notices under this section from members representing at least the requisite percentage of the total voting rights of all members who would be entitled to vote on a resolution that the auditor should not be re-appointed.

(2) The “requisite percentage” is 5%, or such lower percentage as is specified for this purpose in the society’s rules.

(3) A notice under this section—

- (a) may be in hard copy or electronic form,
- (b) must be authenticated by the person or persons giving it, and
- (c) must be received by the society before the end of the year of account immediately preceding the year of account for which the automatic re-appointment would have effect.”.

11. In section 97 (remuneration of qualified auditors)—

- (a) omit subsection (1)(b);
- (b) in subsection (3) omit—
 - (i) “or person appointed to make a relevant report”, and
 - (ii) “or person’s”.

12. In section 98 (group accounts), omit all subsections other than subsections (1) and (8).

13. Omit sections 99 to 101 (exceptions to section 98 and interpretation).

14. In section 102 (interpretation of Part 7)—

- (a) after the definition of “equity share capital” insert—

““group accounts” means the accounts required by regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 to be prepared in accordance with section 404 of the Companies Act 2006(a);”;
- (b) omit the definitions of—
 - (i) “small society”;
 - (ii) “subsidiary”.

15. In section 127 (general offences)—

- (a) subsection (1) were omitted;
- (b) in subsection (2)—
 - (i) in paragraph (a), after “Part 7” insert “as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008,”;
 - (ii) omit paragraph (b) and the “or” preceding it.”.

16. In Schedule 2 (modification of the Industrial and Provident Societies Act (Northern Ireland) 1969(b))—

- (a) in the heading to the Schedule, for “THE INDUSTRIAL AND PROVIDENT SOCIETIES ACT (NORTHERN IRELAND) 1969” substitute “THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT (NORTHERN IRELAND) 1969”;
- (b) in paragraph 1, for “the Industrial and Provident Societies Act (Northern Ireland) 1969” substitute “the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969”;
- (c) in paragraph 15, for sub-paragraphs (a) and (b) substitute—

“(a) for subsection (1A), substitute—
“(1A) “Relevant auditor’s report” means—

(a) Section 404 was amended by S.I. 2015/980.

(b) 1969 c. 24 (N.I.).

- (a) the auditor’s report required to be prepared by sections 495 and 496 of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008, and
- (b) any auditor’s report on a balance sheet made during the year;””.

SCHEDULE 3

Regulation 5

Amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

1. The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008(a) are amended in accordance with this Schedule.

2. In regulation 5A, in the modified version of section 384B (LLPs excluded from being treated as micro-entities), in subsection (2)(a), for “398” substitute “399(4)”.

3. In regulation 10—

- (a) omit the modified version of section 398 (option to prepare group accounts);
- (b) in the modified version of section 399 (duty to prepare group accounts)—

- (i) omit subsection (1);
- (ii) in subsection (2), for the first occurrence of “the LLP” substitute “an LLP”;
- (iii) after subsection (2) insert—

“(2A) An LLP is exempt from the requirement to prepare group accounts if—

- (a) at the end of the financial year, the LLP is subject to the small LLPs regime, and
- (b) is not a member of a group which, at any time during the financial year, has an undertaking falling within subsection (2B) as a member.

(2B) An undertaking falls within this subsection if—

- (a) it is established under the law of an EEA State,
- (b) it has to prepare accounts in accordance with 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(b), and

(c) it is—

- (i) an undertaking which has been designated by an EEA State as a public-interest entity under that Directive,
- (ii) an undertaking whose transferable securities are admitted to trading on a regulated market in an EEA State,
- (iii) 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 on prudential requirements for credit institutions and investment firms(c), 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 and the prudential supervision of credit institutions and investment firms(d), or

(a) S.I. 2008/1911; relevant amending instruments are S.I. 2009/1804, 2011/1043, 2012/1741, 2014/1815 and 2016/575.

(b) OJ No L 182, 29.06.13, p. 19, last amended by Council Directive 2014/102/EU (OJ No L 334, 21.11.14, p. 86).

(c) OJ No L 176, 27.06.13, p. 1.

(d) OJ No L 176, 27.06.2013, p. 338, last amended by Directive 2014/59/EU (OJ No L 173, 12.06.14, p. 190).

(iv) an insurance undertaking within the meaning given by Article 2(1) of Council Directive 91/674/EEC of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings^(a).”;

(iv) in subsection (4), omit “to which this section applies but”.

4. After regulation 12 (approval and signing of accounts) insert—

“Strategic report

12A. Sections 414A, 414C and 414D apply to LLPs, modified so that they read as follows—

“414A Duty to prepare strategic report

(1) The members of an LLP which is—

- (a) a traded LLP, or
- (b) a banking LLP,

must prepare a strategic report for each financial year of the LLP.

(2) For a financial year in which—

- (a) the LLP is a parent LLP, and
- (b) the members of the LLP prepare group accounts,

the strategic report must be a consolidated report (a “group strategic report”) relating to the undertakings included in the consolidation.

(3) A group strategic report may, where appropriate, give greater emphasis to the matters that are significant to the undertakings included in the consolidation, taken as a whole.

(4) In the case of failure to comply with the requirement to prepare a strategic report, an offence is committed by every person who—

- (a) was a member of the LLP immediately before the end of the period for filing accounts and reports for the financial year in question, and
- (b) failed to take all reasonable steps for securing compliance with that requirement.

(5) A person guilty of an offence under this section is liable—

- (a) on conviction on indictment, to a fine;
- (b) on summary conviction, to a fine not exceeding the statutory maximum.

414C Contents of strategic report

(1) The strategic report must contain—

- (a) a fair review of the LLP’s business, and
- (b) a description of the principal risks and uncertainties facing the LLP.

(2) The review required is a balanced and comprehensive analysis of—

- (a) the development and performance of the LLP’s business during the financial year, and
- (b) the position of the LLP’s business at the end of that year,

consistent with the size and complexity of the business.

(3) The review must, to the extent necessary for an understanding of the development, performance or position of the LLP’s business, include—

(a) OJ No L 374, 31.12.91, p. 7, last amended by Directive 2006/46/EC (OJ No L 224, 16.08.06, p. 1).

- (a) analysis using financial key performance indicators, and
- (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

(4) In subsection (3), “key performance indicators” means factors by reference to which the development, performance or position of the LLP’s business can be measured effectively.

(5) The report must, where appropriate, include references to, and additional explanations of, amounts included in the LLP’s annual accounts.

(6) In relation to a group strategic report this section has effect as if the references to the LLP were references to the undertakings included in the consolidation.

(7) Nothing in this section requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the members, be seriously prejudicial to the interests of the LLP.

414D Approval and signing of strategic report

(1) The strategic report must be approved by the members and signed on behalf of all the members by a designated member.

(2) If a strategic report is approved that does not comply with the requirements of this Act, every member who—

- (a) knew that it did not comply, or was reckless as to whether it complied, and
- (b) failed to take reasonable steps to secure compliance with those requirements or, as the case may be, to prevent the report from being approved,

commits an offence.

(3) A person guilty of an offence under this section is liable—

- (a) on conviction on indictment, to a fine;
- (b) on summary conviction, to a fine not exceeding the statutory maximum.”.

5. In regulation 17, in the modified version of section 444 (filing obligations of LLPs subject to small LLPs regime), after subsection (7) insert—

“(8) If more than one person is appointed as auditor, the references in subsections (5B)(d)(i) and (7)(a) to the name of the auditor are to be read as references to the names of all the auditors.”.

6. In regulation 18, in the modified version of section 445 (filing obligations of medium-sized LLPs), after subsection (6) insert—

“(6A) If more than one person is appointed as auditor, the reference in subsection (6)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.

7. In regulation 19, in the modified version of section 446 (filing obligations of large LLPs), after subsection (4) insert—

“(4A) If more than one person is appointed as auditor, the reference in subsection (4)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.

8. In regulation 24, in the modified version of section 461 (permitted disclosure of information obtained under compulsory powers), after subsection (4)(a) insert—

“(aa) for the purpose of assisting the competent authority to exercise its functions under the Statutory Auditors and Third Country Auditors Regulations 2016 and under the Audit Regulation;”.

9. Before regulation 25 insert—

“**24A.** Section 463 applies to LLPs, modified so that it reads as follows—

“Liability for false or misleading statements in strategic report

463.—(1) A member of an LLP is liable to compensate the LLP for any loss suffered by it as a result of—

- (a) any untrue or misleading statement in a strategic report, or
 - (b) the omission from a strategic report of anything required to be included in it.
- (2) The member is so liable only if—
- (a) the member knew the statement to be untrue or misleading or was reckless as to whether it was untrue or misleading, or
 - (b) the member knew the omission to be dishonest concealment of a material fact.
- (3) No person shall be subject to any liability to a person other than the LLP resulting from reliance, by that person or another, on information in a report to which this section applies.
- (4) The reference in subsection (3) to a person being subject to a liability includes a reference to another person being entitled as against him to be granted any civil remedy or to rescind or repudiate an agreement.
- (5) This section does not affect—
- (a) liability for a civil penalty, or
 - (b) liability for a criminal offence.”.

10. In regulation 29, in the modified version of section 471 (meaning of “annual accounts” and related expressions), in subsection (1)(b), for “sections 398 and” substitute “section”.

11. In regulation 36—

- (a) in the modified version of section 485 (appointment of auditors: general), in subsection (5)(b), after “section 486” insert “or section 486A”;
- (b) after the modified version of section 485 (appointment of auditors: general) insert—

“485A Appointment of auditors: additional requirements for public interest entities with audit committees

(1) This section applies to the appointment under section 485(4) of an auditor or auditors of an LLP—

- (a) which is also a public interest entity; and
- (b) which has an audit committee.

(2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the LLP.

(3) Before an appointment to which this section applies is made—

- (a) the audit committee of the LLP must make a recommendation to the designated members in connection with the appointment, and
- (b) the designated members must propose an auditor or auditors for appointment.

(4) Before the audit committee makes a recommendation or the designated members make a proposal under subsection (3), the committee must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation.

(5) The audit committee must in its recommendation—

- (a) identify its first and second choice candidates for appointment, drawn from those auditors who have participated in a selection procedure under subsection (4),
- (b) give reasons for the choices so identified,
- (c) state that—
 - (i) the recommendation is free from influence by a third party, and

(ii) no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the LLP.

(6) The designated members must include in their proposal—

- (a) the recommendation made by the audit committee in connection with the appointment, and
- (b) if the proposal of the designated members departs from the preference of the audit committee—
 - (i) a recommendation for a candidate or candidates for appointment drawn from those auditors who have participated in a selection procedure under subsection (4), and
 - (ii) the reasons for not following the audit committee’s recommendation.

(7) Where the audit committee recommends re-appointment of the LLP’s existing auditor or auditors, and the designated members are in agreement, subsections (4) and (5)(a) and (b) do not apply.

485B Appointment of auditors: additional requirements for public interest entities without audit committees

(1) This section applies to the appointment under section 485(4) of an auditor or auditors of an LLP—

- (a) which is also a public interest entity; and
- (b) which does not have an audit committee.

(2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the LLP.

(3) Before an appointment to which this section applies is made the designated members must propose an auditor or auditors for appointment.

(4) Before the designated members make a proposal under subsection (3), they must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, from which their proposed auditor or auditors must be drawn.

(5) Subsection (4) does not apply in relation to a proposal to re-appoint the LLP’s existing auditor or auditors.

485C Restriction on appointment of auditor of LLP which is a public interest entity

(1) A person who has been, or will have been, auditor of an LLP which is a public interest entity for every financial year comprised in the maximum engagement period (see section 494ZA) may not be appointed as auditor of the LLP for any financial year which begins within the period of 4 years beginning with the day after the last day of the last financial year of the maximum engagement period.

(2) A person who is a member of the same network as the auditor mentioned in subsection (1) may not be appointed as auditor of the LLP for any financial year which begins within the period of 4 years mentioned in that subsection.

(3) This section does not apply in relation to an Auditor General.”;

(c) after the modified version of section 486 (appointment of auditor: default power of Secretary of State) insert—

“Defective appointments: default power of Secretary of State

486A.—(1) If—

- (a) an LLP appoints, or purports to appoint, an auditor or auditors, and

- (b) the appointment or purported appointment is made in breach of section 485A, 485B or 485C (requirements applying to appointment of auditors by public interest entities),

the Secretary of State may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of section 485A, 485B or 485C does not invalidate any report made under Chapter 3 of this Part by the auditor or auditors on the LLP’s annual reports or accounts before the auditor or auditors are replaced under subsection (1) of this section.

(3) But where the breach in question is a breach of section 485C, sections 1248 and 1249 (Secretary of State’s power to require second audit for companies) apply as if—

- (a) the LLP was a company;
- (b) the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of section 485A, 485B or 485C, the LLP must give notice to the Secretary of State that the power under subsection (1) of this section has become exercisable.

(5) If the LLP fails to give the notice required by subsection (4), an offence is committed by—

- (a) the LLP, and
- (b) every member of the LLP who is in default.

(6) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.”;

(d) in the modified version of section 487 (term of office of auditors), at the end of subsection (2)(d) insert—

“, or

- (e) the auditor’s appointment would be in breach of section 485C.”.

12. After regulation 38 (disclosure of auditor remuneration), insert—

“The maximum engagement period

38A. Section 494ZA applies to LLPs, modified so that it reads as follows—

“494ZA.—(1) Where a person is auditor of an LLP for consecutive financial years, the maximum engagement period of the person as auditor of the LLP—

- (a) begins with the first of those years (see the appropriate entry in the first column of the following Table), and
- (b) ends with the financial year specified in the corresponding entry in the second column of the Table:

<i>First financial year of the maximum engagement period</i>	<i>Last financial year of the maximum engagement period</i>
A financial year of the LLP beginning before 17 June 1994.	The last financial year of the LLP to begin before 17 June 2020.
A financial year of the LLP beginning— (a) on or after 17 June 1994, and (b) before 17 June 2003.	The last financial year of the LLP to begin before 17 June 2023.
A financial year of the LLP beginning— (a) on or after 17 June 2003, and (b) before 17 June 2016.	<i>No qualifying selection procedure</i> Where neither the first financial year of the maximum engagement period nor any subsequent financial year is one for

which the auditor has been appointed following the carrying out of a qualifying selection procedure, the later of—

- (a) the last financial year of the LLP to begin before 17 June 2016, and
- (b) the last financial year of the LLP to begin within the period of 10 years beginning with the first day of the first financial year of the maximum engagement period.

No qualifying selection procedure within 10 years

Where the last day of the last financial year of the LLP to begin within the period of 10 years beginning with the first day of the last financial year of the LLP for which the auditor was appointed following a qualifying selection procedure is before 17 June 2016—

- (a) the last financial year of the LLP to begin before 17 June 2016, unless
- (b) the auditor is appointed following a qualifying selection procedure for the first financial year of the LLP to begin on or after 17 June 2016, in which case it is the last financial year of the LLP to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.

Qualifying selection procedure within 10 years

In any other case, the earlier of—

- (a) the last financial year of the LLP to begin within the period of 10 years beginning with the first day of the last financial year of the LLP for which the auditor was appointed following a qualifying selection procedure, and
- (b) the last financial year of the LLP to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.

A financial year of the LLP beginning on or after 17 June 2016.

The earlier of—

- (a) the last financial year of the LLP to begin within the period of 10 years beginning with the first day of the last financial year of the LLP for which the auditor was appointed following a qualifying selection procedure, and
- (b) the last financial year of the LLP to begin within the period of 20 years

beginning with the first day of the first financial year of the maximum engagement period.

(2) Where the first financial year of the maximum engagement period begins on or after 17 June 2003, the maximum engagement period may be extended by a period of no more than 2 years with the approval of the competent authority.

(3) Such approval may be given by the competent authority only if it is satisfied that exceptional circumstances exist.

(4) Where the competent authority gives its approval as mentioned in subsection (2)—

- (a) the second column of the Table in subsection (1) has effect with the necessary modifications, and
- (b) the first appointment to be made after the end of the period as so extended must be made following a qualifying selection procedure.

(5) In this section “qualifying selection procedure” means—

- (a) in the case of an appointment for a financial year beginning on or after 17 June 2016 made after the Statutory Auditors and Third Country Auditors Regulations 2017 come into force—
 - (i) if the LLP has an audit committee, a selection procedure that complies with the requirements of section 485A(4) and (5)(a) and (b), and
 - (ii) if the LLP does not have an audit committee, a selection procedure that complies with the requirements of Article 16(3) and (4) of the Audit Regulation;
- (b) in any other case, a selection procedure that substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the LLP had an audit committee).”

Interpretation

38B. Section 494A applies to LLPs, modified so that it reads as follows—

“494A Interpretation

In this Chapter—

“audit committee” means a body which performs the functions referred to in Article 39(6) of the Audit Directive or equivalent functions;

“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(a);

“Auditor General” means—

- (a) the Comptroller and Auditor General,
- (b) the Auditor General for Scotland,
- (c) the Auditor General for Wales, or
- (d) the Comptroller and Auditor General for Northern Ireland;

“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 102A(6)(b));

(a) OJ No L 157, 09.06.06, p.87, last amended by Directive 2014/56/EU (OJ No L 158, 27.05.14, p. 196).

(b) Section 102A was substituted by S.I. 2005/1433 and amended by S.I. 2015/1755.

“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;

“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^(a), 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^(b);

“regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1)(c));

“transferable securities” means anything which is a transferable security for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments^(d).””.

13. In regulation 39—

- (a) for “Section 495” to “reads” substitute “Sections 495 and 496 apply to LLPs, modified so that they read”;
- (b) in the modified version of section 495 (auditor’s report on LLP’s annual accounts)—
 - (i) for subsection (2) substitute—

“(2) The auditor’s report must include—

 - (a) the identity of the LLP whose annual accounts are the subject of the audit,
 - (b) a description of the annual accounts that are the subject of the audit (including the period covered by those accounts),
 - (c) a description of the financial reporting framework that has been applied in the preparation of those accounts, and
 - (d) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.”;
 - (ii) for subsection (4) substitute—

“(4) The auditor’s report—

 - (a) must be either unqualified or qualified,
 - (b) must include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report,
 - (c) must include a statement on any material uncertainty relating to events or conditions that may cast significant doubt about the LLP’s ability to continue to adopt the going concern basis of accounting, and

(a) OJ No L 176, 27.06.13, p. 1.

(b) OJ No L 176, 27.06.2013, p. 338, last amended by Directive 2014/59/EU (OJ No L 173, 12.06.14, p. 190).

(c) Section 103 was substituted by S.I. 2005/1433 and amended by paragraphs 1 and 11 of Schedule 15 to the Companies Act 2006 (c. 46). There are other amendments but none is relevant.

(d) OJ No L 145, 30.04.2004, p. 1, last amended by Directive 2010/78/EU (OJ No L 331, 15.12.10, p. 120).

- (d) must identify the auditor’s place of establishment.
- (5) Where more than one person is appointed as an auditor—
 - (a) all the persons appointed must jointly make a report under this section and the report must include a statement as to whether all the persons appointed agree on the matters contained in the report, and
 - (b) if all the persons appointed cannot agree on the matters contained in the report, the report must include the opinions of each person appointed and give reasons for the disagreement.”;
- (c) after the modified version of section 495 insert—

“496 Auditor’s report on strategic report

- (1) In his report on the LLP’s annual accounts, the auditor must—
 - (a) state whether, in his opinion, based on the work undertaken in the course of the audit—
 - (i) the information given in the strategic report (if any) for the financial year for which the accounts are prepared is consistent with those accounts, and
 - (ii) any such strategic report have been prepared in accordance with applicable legal requirements,
 - (b) state whether, in the light of the knowledge and understanding of the LLP and its environment obtained in the course of the audit, he has identified material misstatements in the strategic report (if any), and
 - (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b).

(2) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on the statements and indications given under subsection (1) and, if they cannot agree on those statements and indications, the report must include the opinions of each person appointed and give reasons for the disagreement.”.

14. In regulation 40, in modified section 498 (duties of auditor), after subsection (4) insert—

“(5) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on the statements given under subsections (2) to (5) and, if they cannot agree on those statements, the report must include the opinions of each person appointed and give reasons for the disagreement.”.

15. In regulation 41—

- (a) in the modified version of section 503 (signature of auditor’s report), after subsection (3) insert—
 - “(4) Where more than one person is appointed as auditor, the report must be signed by all those appointed.”;
- (b) in the modified version of section 504 (senior statutory auditor), for subsection (1)(b)(ii) substitute—
 - “(ii) the Financial Reporting Council Limited(a).”;
- (c) in the modified version of section 505 (names to be stated in published copies of auditor’s report), after subsection (1) insert—
 - “(1A) If more than one person is appointed as auditor, the reference in subsection (1)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”;

(a) A company registered in England and Wales with number 02486368.

- (d) in the modified version of section 506 (circumstances in which names may be omitted), in subsection (1) for “The auditor’s” substitute “An auditor’s”.

16. In regulation 43—

- (a) in the modified version of section 510 (removal of auditor), for subsection (3) substitute—

“(3) An auditor may not be removed from office before the expiration of his term of office except—

- (a) by resolution under this section, or
- (b) in accordance with section 511A.”;

- (b) after the modified version of section 511 (notice of removal of auditor) insert—

“Public interest LLP: application to court to remove auditor from office

511A.—(1) This section applies only to a public interest LLP.

(2) The competent authority may apply to the court for an order removing an auditor of an LLP from office if the authority considers that there are proper grounds for removing the auditor from office.

(3) The members of an LLP may apply to the court for an order removing an auditor of the LLP from office if the applicant or applicants consider that there are proper grounds for removing the auditor from office.

(4) If the court is satisfied, on hearing an application under subsection (2), that there are proper grounds for removing the auditor from office, it may make an order removing the auditor from office.

(5) If the court is satisfied, on hearing an application under subsection (3), that—

- (a) the applicants represent in total not less than 5% of the voting rights of all the members having a right to vote at a general meeting of the LLP, and
- (b) there are proper grounds for removing the auditor from office,

the court may make an order removing the auditor from office.

(6) For the purposes of this section, divergence of opinions on accounting treatments or audit procedures are not to be taken to be proper grounds for removing an auditor from office.”;

- (c) omit the modified version of section 512 (notice to registrar of determination removing auditor from office).

17. In regulation 44, in the modified version of section 513 (rights of auditor who has been removed from office), in subsection (1), after “removed” insert “by the members under section 510 or by order of the court under section 511A”;

18. In regulation 45—

- (a) in the modified version of section 515 (failure to re-appoint auditor: rights of auditor who is not re-appointed), for subsections (1) and (2) substitute—

“(1) If an LLP wishes to appoint a person as auditor in place of a person who is an auditor of the LLP and who is to cease to hold office at the end of a period for appointing auditors (the “outgoing auditor”), the LLP must give the outgoing auditor seven days’ notice; no person may be appointed as auditor in the absence of such notice.

But notice is not required under this subsection if the auditor is to cease to hold office by virtue of section 510, 511A or 516.

(2) The outgoing auditor may, in response to receipt of a notice given under subsection (1), make representations in writing to the LLP (not exceeding a reasonable length) and request their notification to members of the LLP.”;

- (b) in the modified version of section 516 (resignation of auditor)—

- (i) in subsection (1), for the words from “depositing” to the end of the subsection substitute “sending a notice to that effect to the LLP”;
- (ii) at the beginning of subsection (2), for “The” substitute “Where the LLP is a public interest LLP, the”;
- (iii) in subsection (3), for “deposited” substitute “received”;
- (c) omit the modified version of section 517 (notice to registrar of resignation of auditor);
- (d) in the modified version of section 518 (rights of resigning auditor)—
 - (i) for subsection (1) substitute—

“(1) This section applies where an auditor’s (A’s) notice of resignation is accompanied by a statement under section 519 except where—

 - (a) the LLP is a non-public interest LLP, and
 - (b) the statement includes a statement to the effect that A considers that none of the reasons for A’s ceasing to hold office, and no matters (if any) connected with A’s ceasing to hold office, need to be brought to the attention of members or creditors of the LLP (as required by section 519(2E)).”;
 - (ii) in subsection (2)—
 - (aa) for “deposit” substitute “send”;
 - (bb) for “a signed” substitute “an authenticated”;
 - (cc) for “circumstances connected with” substitute “reasons for, and matters connected with,”;
 - (iii) in subsection (3), for “circumstances connected with” substitute “reasons for, and matters connected with,”;
 - (iv) in subsection (5), for “of the deposit of” substitute “on which the LLP receives”.

19. In regulation 46—

- (a) in the modified version of section 519 (statement by auditor to be deposited with LLP)—
 - (i) in the heading, for “deposited with” substituted “sent to”;
 - (ii) for subsections (1) and (2) substitute—

“(1) An auditor of a public interest LLP who is ceasing to hold office (at any time and for any reason) must send to the LLP a statement of the reasons for doing so.

(2) An auditor (“A”) of a non-public interest LLP who is ceasing to hold office must send to the LLP a statement of the reasons for doing so unless A satisfies the first or second condition.

(2A) The first condition is that A is ceasing to hold office at the end of a period for appointing auditors.

(2B) The second condition is that—

 - (a) A’s reasons for ceasing to hold office are all exempt reasons (as to which see section 519A(3)), and
 - (b) there are no matters connected with A’s ceasing to hold office that A considers need to be brought to the attention of members or creditors of the LLP.

(2C) A statement under this section must include—

 - (a) the auditor’s name and address;
 - (b) the number allocated to the auditor on being entered in the register of auditors kept under section 1239;
 - (c) the LLP’s name and registered number.

(2D) Where there are matters connected with an auditor’s ceasing to hold office that the auditor considers need to be brought to the attention of members or creditors of the LLP, the statement under this section must include details of those matters.

(2E) Where—

- (a) an auditor (“A”) of a non-public interest LLP is required by subsection (2) to send a statement, and
- (b) A considers that none of the reasons for A’s ceasing to hold office, and no matters (if any) connected with A’s ceasing to hold office, need to be brought to the attention of members or creditors of the LLP,

A’s statement under this section must include a statement to that effect.”.

(iii) in subsection (3)—

- (aa) for “The statement required by this section” substitute “A statement under this section”;
- (bb) for “deposited” substitute “sent”;

(b) after the modified version of section 519 insert—

“Meaning of “public interest LLP”, “non-public interest LLP” and “exempt reasons”

519A.—(1) In this Chapter—

“public interest LLP” means an LLP—

- (a) an issuer whose transferable securities are admitted to trading on a regulated market; or
- (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, 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;

“non-public interest LLP” means an LLP that is not a public interest LLP.

(2) For the purposes of the definition of “public interest LLP”—

“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 102A(6)(a));

“regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1)(b));

“transferable securities” means anything which is a transferable security for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments(c).

(3) In the application of this Chapter to an auditor (“A”) of an LLP ceasing to hold office, the following are “exempt reasons”—

- (a) A is no longer to carry out statutory audit work within the meaning of Part 42 (see section 1210(1));
- (b) the LLP is, or is to become, exempt from audit under section 477, 479A or 480, and intends to include in its balance sheet a statement of the type described in section 475(2);
- (c) the LLP is a subsidiary undertaking of a parent undertaking that is incorporated in the United Kingdom and—
 - (i) the parent undertaking prepares group accounts, and
 - (ii) A is being replaced as auditor of the LLP by the auditor who is conducting, or is to conduct, an audit of the group accounts;

(a) Section 102A was substituted by S.I. 2005/1433 and amended by S.I. 2015/1755.

(b) Section 103 was substituted by S.I. 2005/1433 and amended by paragraphs 1 and 11 of Schedule 15 to the Companies Act 2006 (c. 46). There are other amendments but none is relevant.

(c) OJ No L 145, 30.04.2004, p. 1, last amended by Directive 2010/78/EU (OJ No L 331, 15.12.10, p. 120).

- (d) the LLP is being wound up under Part 4 of the Insolvency Act 1986 or Part 5 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), whether voluntarily or by the court, or a petition under Part 4 of that Act or Part 5 of that Order (as applied to LLPs) for the winding up of the LLP has been presented and not finally dealt with or withdrawn.

In this paragraph the references—

- (i) to Part 4 of the Insolvency Act 1986 are to that Part as applied to LLPs by the Limited Liability Partnerships Regulations 2001 (S.I. 2001/1090), and
- (ii) to Part 5 of the Insolvency (Northern Ireland) Order 1989 are to that Part as applied to LLPs by the Limited Liability Partnerships Regulations (Northern Ireland) 2004 (S.R. (NI) 2004 No 307).

(4) But the reason described in subsection (3)(c) is only an exempt reason if the auditor who is conducting, or is to conduct, an audit of the group accounts is also conducting, or is also to conduct, the audit (if any) of the accounts of each of the subsidiary undertakings (of the parent undertaking) that is incorporated in the United Kingdom and included in the consolidation.”;

- (c) in the modified version of section 520 (LLP’s duties in relation to statement)—

- (i) for subsection (1), substitute—

“(1) This section applies where an LLP receives from an auditor (“A”) who is ceasing to hold office a statement under section 519 except where—

- (a) the LLP is a non-public interest LLP, and
- (b) the statement includes a statement to the effect that A considers that none of the reasons for A’s ceasing to hold office, and no matters (if any) connected with A’s ceasing to hold office, need to be brought to the attention of members or creditors of the LLP (as required by section 519(2E)).”;

- (ii) in subsection (2)—

- (aa) at the beginning, for “The” substitute “Where this section applies, the”;
- (bb) for “deposit” substitute “receipt”;

- (d) in the modified version of section 521 (copy of statement to be sent to registrar)—

- (i) before subsection (1) insert—

“(A1) This section applies where an auditor (“A”) of an LLP sends a statement to the LLP under section 519 except where—

- (a) the LLP is a non-public interest LLP, and
- (b) the statement includes a statement to the effect that A considers that none of the reasons for A’s ceasing to hold office, and no matters (if any) connected with A’s ceasing to hold office, need to be brought to the attention of members or creditors of the LLP (as required by section 519(2E)).”;

- (ii) in subsection (1)—

- (aa) for “Unless” substitute “Where this section applies, unless”;
- (bb) for “deposited” substitute “sent”;

- (e) in the modified version of section 522 (duty of auditor to notify appropriate audit authority)—

- (i) in the heading, for “notify” substitute “send statement to”;
- (ii) for subsections (1) to (4) substitute—

“(1) Where an auditor of an LLP sends a statement under section 519, the auditor must at the same time send a copy of the statement to the appropriate audit authority.”;

- (f) in the modified version of section 523 (duty of LLP to notify appropriate audit authority), for subsections (1) to (3) substitute—

“(1) This section applies if an auditor is ceasing to hold office at any time other than at the end of a period for appointing auditors.

(1A) But this section does not apply if the LLP reasonably believes that the only reasons for the auditor’s ceasing to hold office are exempt reasons (as to which see section 519A(3)).

(2) Where this section applies, the LLP must give notice to the appropriate audit authority that the auditor is ceasing to hold office.

(2A) The notice is to take the form of a statement by the LLP of what the LLP believes to be the reasons for the auditor’s ceasing to hold office and must include the information listed in section 519(2C).

This is subject to subsection (2C).

(2B) Subsection (2C) applies where—

- (a) the LLP receives a statement from the auditor under section 519,
- (b) the statement is sent at the time required by section 519(3), and
- (c) the LLP agrees with the contents of the statement.

(2C) Where this subsection applies, the notice may instead take the form of a copy of the statement endorsed by the LLP to the effect that it agrees with the contents of the statement.

(3) A notice under this section must be given within the period of 28 days beginning with the day on which the auditor ceases to hold office.”;

(g) in the modified version of section 524 (information to be given to accounting authorities)—

- (i) in the heading, for “Information to be given” substitute “Provision of information”;
- (ii) for subsection (1) substitute—

“(1) Where the appropriate audit authority receives a statement under section 522 or a notice under section 523, the authority may forward to the accounting authorities—

- (a) a copy of the statement or notice, and
- (b) any other information the authority has received from the auditor or the LLP concerned in connection with the auditor’s ceasing to hold office.”;

(h) in the modified version of section 525 (meaning of “appropriate audit authority” and “major audit”)—

- (i) in the heading, omit “and “major audit””;
- (ii) in subsection (1)(a), for the words from the beginning to “Auditor General” substitute “in relation to an auditor of a public interest LLP (other than an Auditor General)”;
- (iii) in subsection (1)(b), for the words from the beginning to “a major audit” substitute “in relation to an auditor of a non-public interest LLP (other than an Auditor General)”;
- (iv) in subsection (1)(c), for “in the case of an audit conducted by” substitute “in relation to”;
- (v) omit subsections (2) and (3).

20. In regulation 55, in the modified version of section 1173 (minor definitions: general), at the appropriate places insert—

““the Audit Regulation” means Regulation 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public interest entities(a);”; and

““the competent authority” means the Financial Reporting Council Limited(b)”.

21. In regulation 59 (review)—

(a) for paragraph (1)(a) substitute—

“(a) carry out a review of the regulatory provision contained in these Regulations to which amendments have been made by—

- (i) Part 2 of the Limited Liability Partnerships, Partnerships and Groups (Accounts and Audit) Regulations 2016 (“the 2016 Regulations”), and
- (ii) Schedule 3 to the Statutory Auditors Regulations 2017;”;

(b) after paragraph (1) insert—

“(1A) Section 30(3) of the Small Business, Enterprise and Employment Act 2015(c) requires that a review carried out under paragraph (1)(a)(ii) of this regulation must, so far as is reasonable, have regard to how—

- (a) Articles 28 and 38 of 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(d), and
- (b) Articles 16, 17 and 41 of Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC,

are implemented in other member States.”;

(c) in paragraph (2), for “The report” substitute “Section 30(4) of the Small Business, Enterprise and Employment Act 2015 requires that a report published under this regulation”;

(d) in paragraph (5)—

- (i) for “meaning given by section 32(4)” substitute “same meaning as in sections 28 to 32”;
- (ii) after “Act 2015” insert “(see section 32 of that Act)”.

SCHEDULE 4

Regulation 19

Revocations and repeals

<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>
	Enactment revoked or repealed	References	Extent of revocation or repeal
1	The Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001	S.I. 2001/3649	Articles 417 and 450

(a) OJ No L 158, 27.05.14, p. 77.

(b) A company registered in England and Wales with number 02486368.

(c) 2015 c. 26. Section 30(3) was amended by section 19 of the Enterprise Act 2016 (c. 12).

(d) OJ No L 157, 09.06.06, p.87, last amended by Directive 2014/56/EU (OJ No L 158, 27.05.14, p. 196).

2	The Life Assurance Consolidation Directive (Consequential Amendments) Regulations 2004	S.I. 2004/3379	Regulation 8
3	The Bank Accounts Directive (Miscellaneous Banks) (Amendment) Regulations 2005	S.I. 2005/1984	The whole Regulations
4	Insurance Accounts Directive (Miscellaneous Insurance Undertakings) (Amendment) Regulations 2005	S.I. 2005/1985	The whole Regulations
5	The Companies Act 2006	2006 c. 46	Section 1210(1)(g)
6	The Bank Accounts Directive (Miscellaneous Banks) Regulations 2008	S.I. 2008/567	The whole Regulations
7	The Financial Services Act 2012 (Consequential Amendments and Transitional Provisions) Order 2013	S.I. 2013/472	Paragraph 138 of Schedule 2
8	The Statutory Auditors and Third Country Auditors Regulations 2016	S.I. 2016/649	Paragraph (e) of the definition of “audit reporting requirements” in regulation 2 Paragraph (g) of the definition of “relevant requirement” in regulation 5(11)

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations implement obligations in Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (OJ L 157, 09.06.06, p.87) and 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 (“the Audit Regulation”) (OJ L 158, 27.05.14, p.77). The amended Directive 2006/43/EC is known as “the Audit Directive”. The Audit Regulation is directly applicable, but changes have been made to domestic law to remove inconsistencies between domestic law and the Audit Regulation.

Previous transposing regulations were the Statutory Auditors and Third Country Auditors Regulations 2016 (S.I. 2016/649) and the Statutory Auditors and Third Country Auditors Regulations 2017 (S.I. 2017/516). This instrument completes the transposition for the United Kingdom.

Regulation 3 and Schedule 1 make amendments in respect of the transposition for building societies, friendly societies and companies, in particular to provide an effective enforcement mechanism for the rotation and retendering for statutory auditors, and also to provide consistency between the legislative frameworks for these entities.

Regulation 4 and Schedule 2 make amendments to the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (S.I. 2008/565) to implement requirements of the Audit Directive and the Audit Regulation in respect of miscellaneous forms of insurance undertaking. This includes insurers that are co-operative or community benefit societies (previously industrial and provident societies) in Great Britain, and industrial and provident

societies in Northern Ireland. However, from 6th April 2018, when certain amendments to the Industrial and Provident Societies Act (Northern Ireland) 1969 (c. 24) made by the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016 (c. 16) come into force, new societies in Northern Ireland will be co-operative or community benefit societies.

Regulation 5 and Schedule 3 make amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (S.I. 2008/1911). This is to give effect to requirements of the Audit Directive and the Audit Regulation for limited liability partnerships which are public-interest entities, and otherwise to mirror the legislative framework for companies to ensure consistency of requirements for the auditing of different types of business entities.

Regulations 6 to 13 make consequential amendments to the Companies (Revision of Defective Accounts and Reports) Regulations 2008 (S.I. 2008/373) to take account of the changes to the requirements in respect of audit reporting made by the Statutory Auditors and Third Country Auditors Regulations of both 2016 and 2017 and by these Regulations.

Regulations 15 and 16 make consequential amendments to the Statutory Auditors and Third Country Auditors Regulations 2016 (S.I. 2016/649). Regulations 17 and 18 make consequential amendments to the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012 (S.I. 2012/1741).

Regulation 19 and Schedule 4 give effect to a number of revocations and repeals. The Bank Accounts Directive (Miscellaneous Banks) Regulations 2008 (S.I. 2008/567) are revoked for accounting years beginning on or after 30th November 2018, as there will no longer be any miscellaneous banks in existence by that date. There are also consequential revocations and repeals, and the revocation of spent enactments.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

A transposition note is available alongside these Regulations at www.legislation.gov.uk.

A full regulatory impact assessment of the effect of transposition of the Audit Directive and the Audit Regulation on the costs of business and the voluntary sector is available from the Business Environment Directorate, Department for Business, Energy and Industrial Strategy, 1 Victoria Street, London SW1H 0ET or from www.gov.uk/beis, and is also available alongside the Statutory Auditors and Third Country Auditors Regulations 2016 at www.legislation.gov.uk.

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