

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(1) 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(2), 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(3), 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(4), or

(iv) an insurance undertaking within the meaning given by Article 2(1) of Council [Directive 91/674/EEC](#) of the European Parliament and

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

(2) 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).

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

(4) 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).

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of the Council on the annual accounts and consolidated accounts of insurance undertakings(5).”;

(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.

(5) 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).

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

- (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—

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“(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.

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- (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.

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(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—

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“, 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—	The last financial year of the LLP to begin before 17 June 2023.
(a) on or after 17 June 1994, and	
(b) before 17 June 2003.	
A financial year of the LLP beginning—	<i>No qualifying selection procedure</i>
(a) on or after 17 June 2003, and	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—
(b) before 17 June 2016.	(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.
	<i>No qualifying selection procedure within 10 years</i>
	Where the last day of the last financial year of the LLP to begin within the period of 10 years beginning with the

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<i>First financial year of the maximum engagement period</i>	<i>Last financial year of the maximum engagement period</i>
	<p>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—</p> <p>(a) the last financial year of the LLP to begin before 17 June 2016, unless</p> <p>(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.</p> <p><i>Qualifying selection procedure within 10 years</i></p> <p>In any other case, the earlier of—</p> <p>(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</p> <p>(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.</p>
<p>A financial year of the LLP beginning on or after 17 June 2016.</p>	<p>The earlier of—</p> <p>(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</p> <p>(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.</p>

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(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](#)(6);

“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;

(6) 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).

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“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 102A(6)(7));

“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(8), 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(9);

“regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1)(10));

“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(11).”

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,

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

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

(9) 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).

(10) 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.

(11) 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).

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- (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
 - (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—

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- “(ii) the Financial Reporting Council Limited(12).”;
- (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.”;
- (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—

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

“(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.

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(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”—

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“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 102A(6)(13));

“regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1)(14));

“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(15).

(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;
- (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

(13) Section 102A was substituted by [S.I. 2005/1433](#) and amended by [S.I. 2015/1755](#).

(14) 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.

(15) 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).

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- 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.

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(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⁽¹⁶⁾”;
and

““the competent authority” means the Financial Reporting Council Limited⁽¹⁷⁾

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—

⁽¹⁶⁾ OJ No L 158, 27.05.14, p. 77.

⁽¹⁷⁾ A company registered in England and Wales with number 02486368.

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“(1A) Section 30(3) of the Small Business, Enterprise and Employment Act 2015⁽¹⁸⁾ 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](#)⁽¹⁹⁾, 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)”.

⁽¹⁸⁾ [2015 c. 26](#). Section 30(3) was amended by section 19 of the Enterprise Act [2016 \(c. 12\)](#).

⁽¹⁹⁾ 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).