

SCHEDULES

SCHEDULE 5

Section 18

ELIGIBILITY AND REGULATION OF LOCAL AUDITORS

- 1 (1) Part 42 of the Companies Act 2006 (statutory auditors) applies in relation to local audits as it applies in relation to statutory audits within the meaning of that Part, subject to—
 - (a) the general modifications to that Part in paragraph 2, and
 - (b) the specific modifications to that Part in the rest of this Schedule.
- (2) For the purposes of this Schedule—
 - a “local audit” means an audit under this Act of the accounts of a relevant authority;
 - “local audit work” means work in connection with such audits.
- (3) The reference in sub-paragraph (1) to Part 42 of the Companies Act 2006 includes sections 1288, 1289, 1290 and 1292 of that Act (regulations and orders) as they apply in relation to that Part.
- 2 (1) The general modifications are that—
 - (a) references to a statutory auditor are to a local auditor,
 - (b) references to an audited person are to a relevant authority,
 - (c) references to a statutory audit are to a local audit,
 - (d) references to statutory audit work are to local audit work, and
 - (e) references (however expressed) to Part 42 of the Companies Act 2006 or any provision of that Part are to that Part or provision as it has effect by virtue of this Schedule.
- (2) Sub-paragraph (1) does not apply to a provision that—
 - (a) is treated as forming part of Part 42 of the Companies Act 2006 by virtue of any of the following provisions of this Schedule, and
 - (b) provides for an expression listed in sub-paragraph (1) to have the meaning it would have under that Part apart from its application by virtue of this Schedule.
- 3 Omit the following provisions—
 - (a) Chapter 1 (introductory);
 - (b) sections 1220 (qualifying bodies and recognised professional qualifications), 1221 (approval of third country qualifications) and 1222 (eligibility of individuals retaining only 1967 Act authorisation);
 - (c) section 1223A (notification of matters relevant to other EEA States);
 - (d) sections 1224A (restrictions on disclosure) and 1224B (offence of disclosure in contravention of section 1224A);
 - (e) Chapter 3 (Auditors General);
 - (f) Chapter 5 (registered third country auditors);

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- (g) sections 1253A to 1253F (co-operation with foreign competent authorities);
 - (h) section 1264 (consequential amendments);
 - (i) Schedule 11 (recognised professional qualifications);
 - (j) Schedule 11A (specified persons, descriptions, disclosures etc for purposes of section 1224A);
 - (k) Schedule 12 (arrangements in which registered third country auditors are required to participate);
 - (l) Schedule 14 (statutory auditors: consequential amendments).
- 4 In section 1212 (individuals and firms: eligibility for appointment as a statutory auditor) omit subsection (2).
- 5 For section 1214 (independence requirement) substitute—

“1214 Independence requirement

- (1) A person (“P”) may not act as local auditor of the accounts of a relevant authority if one or more of subsections (2), (3), (4) and (5) apply to P.
- (2) This subsection applies if—
 - (a) P is a member or officer of the relevant authority,
 - (b) where the relevant authority is a corporation sole, P is the holder of that office, or
 - (c) P is a partner or employee of a person within paragraph (a) or (b), or a partnership of which such a person is a partner.
- (3) This subsection applies if—
 - (a) the relevant authority is a clinical commissioning group, and
 - (b) P is a member of the group’s governing body (established pursuant to section 14L of the National Health Service Act 2006).
- (4) This subsection applies if—
 - (a) P is a person elected or appointed—
 - (i) as an entity connected with the relevant authority,
 - (ii) to such an entity, or
 - (iii) to an office of such an entity,
 - (b) P is an employee of such an entity, or
 - (c) P is a partner or employee of a person within paragraph (a) or (b), or a partnership of which such a person is a partner.
- (5) This subsection applies if there exists a connection of a prescribed description between—
 - (a) P or an associate of P, and
 - (b) the relevant authority or an entity connected with the relevant authority.
- (6) In subsection (5) “prescribed” means prescribed by regulations made by the Secretary of State.
- (7) Regulations under subsection (6) are subject to negative resolution procedure.”

- 6 In section 1215 (effect of lack of independence) omit subsections (2) to (7).
- 7 In section 1216 (effect of appointment of a partnership), after subsection (5) insert—
- “(5A) The consent or agreement of a parish meeting under subsection (5) must be given by the parish meeting itself (and not by its chairman on behalf of the parish meeting).”
- 8 In section 1217 (supervisory bodies), for subsection (1A) substitute—
- “(1A) The rules referred to in paragraph 9(3)(b) (confidentiality of information) of Schedule 10 must also be binding on persons who—
- (a) have sought appointment or acted as a local auditor, and
 - (b) have been members of the body at any time after the commencement of Schedule 5 to the Local Audit and Accountability Act 2014.”
- 9 For section 1219 (appropriate qualifications) substitute—

“1219 Appropriate qualifications

- (1) A person holds an appropriate qualification for the purposes of this Chapter only if—
- (a) the person holds a qualification that is an appropriate qualification by virtue of this section, or
 - (b) the person holds an appropriate qualification for the purposes of this Chapter as it has effect apart from its application by virtue of Schedule 5 to the Local Audit and Accountability Act 2014.
- (2) The Secretary of State may by regulations provide for a qualification to be an appropriate qualification for the purposes of this Chapter if—
- (a) it is a professional qualification in accountancy,
 - (b) it is obtained from a body established in the United Kingdom, and
 - (c) it meets, or the Secretary of State thinks that it meets, specified requirements.
- (3) Regulations under this section may, in particular, provide for a qualification to be an appropriate qualification if—
- (a) it is offered by a body (a “qualifying body”) established in the United Kingdom (whether a body corporate or an unincorporated association), and
 - (b) it is recognised by the Secretary of State in accordance with the regulations.
- (4) Regulations under this section that contain provision under subsection (3) may in particular—
- (a) provide for the Secretary of State to make an order (a “recognition order”) recognising a qualification offered by a qualifying body;
 - (b) make provision about the application by a qualifying body for a recognition order;
 - (c) provide for the Secretary of State to give directions or impose requirements in connection with the application;
 - (d) make provision about the circumstances in which the Secretary of State may or must make or refuse to make a recognition order;

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- (e) make provision about the steps to be taken by the Secretary of State on making or refusing to make a recognition order;
 - (f) provide for a recognition order to be revoked by a further order (a “revocation order”);
 - (g) make provision about the circumstances in which a revocation order may or must be made;
 - (h) make provision about the date on which a revocation order may or must take effect;
 - (i) provide for a revocation order to contain transitional provision;
 - (j) make provision about the steps to be taken by the Secretary of State before or on making a revocation order.
- (5) The requirements that may be specified for a qualification to be an appropriate qualification or to be the subject of a recognition order include, in particular, requirements as to—
 - (a) the persons to whom the qualification is open;
 - (b) the course of instruction undertaken by persons to whom the qualification is awarded;
 - (c) the professional experience of such persons;
 - (d) the examinations passed by such persons;
 - (e) the practical training undertaken by such persons;
 - (f) the rules and arrangements of the body offering the qualification for ensuring or monitoring compliance with other specified requirements.
- (6) Regulations under this section may in particular—
 - (a) provide for exceptions to a specified requirement;
 - (b) confer power on the Secretary of State to give or withhold recognition or approval for the purposes of a specified requirement.
- (7) A person holds an appropriate qualification for the purposes of this Chapter if, immediately before the relevant time, the person was qualified for appointment as an auditor under section 3 of the Audit Commission Act 1998 by virtue of the person’s membership of a body listed in subsection (7) of that section.
- (8) A person holds an appropriate qualification for the purposes of this Chapter if—
 - (a) before the relevant time, the person began a course of study or practical training leading to a professional qualification in accountancy offered by a body listed in section 3(7) of the Audit Commission Act 1998,
 - (b) the person would have been qualified for appointment as an auditor under section 3 of that Act by virtue of subsection (5)(b) of that section if that qualification had been obtained before that time, and
 - (c) the person obtained that qualification within the period of 6 years beginning with that time.
- (9) In subsections (7) and (8) “the relevant time” means the time at which paragraph 9 of Schedule 5 to the Local Audit and Accountability Act 2014 comes into force.

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- (10) Regulations under this section are subject to negative resolution procedure.
- (11) In this section “specified” means specified in regulations under this section.
- (12) In this Part “recognised professional qualification” means a professional qualification that is—
 - (a) offered by a qualifying body, and
 - (b) recognised by the Secretary of State in accordance with regulations under this section.
- (13) In this Part “recognised qualifying body” means a qualifying body offering a recognised professional qualification.”

10 After section 1224 insert—

“1224ZA Provision of documents to the Secretary of State

- (1) For the purpose of assisting a person listed in subsection (2) to maintain proper standards in the auditing of the accounts of a relevant authority, the person may require the authority to make available for inspection by that person—
 - (a) the accounts concerned, and
 - (b) the other documents relating to the relevant authority that might reasonably be required by a local auditor for the purposes of the audit.
- (2) Those persons are—
 - (a) the Secretary of State,
 - (b) a body designated by order under section 1252 (delegation of Secretary of State’s functions under this Part), and
 - (c) a recognised supervisory body.”

- 11 (1) Section 1225 (enforcement: general) applies with the following modifications.
 - (2) In subsection (1)(b), for “any requirement of Part 2 of Schedule 11 is not satisfied” substitute “any requirement under regulations under section 1219 applying to the qualification is not satisfied”.
 - (3) In subsection (3), for “paragraph 3 of Schedule 11 (revocation of recognition orders)” substitute “any power of the Secretary of State to make a revocation order under regulations under section 1219”.
- 12 In section 1225C(3) (compliance orders) omit “or, in Scotland, the Court of Session”.
- 13 In section 1225F(10) (appeals against financial penalties) omit “or, in Scotland, the Court of Session”.
- 14 (1) Section 1239 (the register of auditors) applies with the following modifications.
 - (2) In subsection (1) omit paragraph (b) and the “and” preceding it.
 - (3) In subsection (2)—
 - (a) at the end of paragraph (d) insert “, and”, and
 - (b) omit paragraph (f) and the “and” preceding it.

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(4) After subsection (4) insert—

“(4A) The regulations may provide for the register to be kept with the register under regulations under this section in its original form.”

(5) For subsection (5) substitute—

“(5) The regulations may impose such obligations as the Secretary of State thinks fit on—

- (a) recognised supervisory bodies,
- (b) recognised supervisory bodies within the meaning of this Part in its original form,
- (c) any body designated by order under section 1252 (delegation of Secretary of State’s functions under this Part),
- (d) any body designated by order under that section in its original form,
- (e) persons eligible for appointment as a local auditor,
- (f) persons eligible for appointment as a statutory auditor in accordance with this Part in its original form,
- (g) any person with whom arrangements are made by one or more recognised supervisory bodies, or by any body designated by order under section 1252, with respect to the keeping of the register, or
- (h) any person with whom arrangements are made by one or more recognised supervisory bodies within the meaning of this Part in its original form, or by any body designated by order under section 1252 in its original form, with respect to the keeping of the register under regulations under this section in its original form.”

(6) Omit subsection (7).

(7) In subsection (8)—

- (a) for “(5)(b) or (e)” substitute “(5)(c), (d), (g) or (h)”, and
- (b) omit “or, in Scotland, by an order under section 45 of the Court of Session Act 1988 (c. 36)”.

(8) After subsection (9) insert—

“(9A) References in subsections (4A) and (5) to this Part or a provision of this Part in its original form are to this Part or that provision as it has effect apart from its application by virtue of Schedule 5 to the Local Audit and Accountability Act 2014.”

15 In section 1240(1)(b) (information to be made available to public), for “audit work” substitute “local audit work”.

16 For section 1248 (Secretary of State’s power to require second audit of company) substitute—

“1248 Secretary of State’s power to require second audit

- (1) This section applies where a person appointed as a local auditor of the accounts of a relevant authority (“the first auditor”) was not an appropriate person for any part of the period during which the audit was conducted.

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- (2) The Secretary of State may direct the relevant authority to retain an appropriate person—
 - (a) to conduct a second audit of the accounts in question, or
 - (b) to review the first audit and to report (giving the appropriate person's reasons) whether a second audit of those accounts is needed.
- (3) For the purposes of subsections (1) and (2) a person is “appropriate” if the person—
 - (a) is eligible for appointment as a local auditor, and
 - (b) is not prohibited by section 1214(1) (independence requirement) from acting as a local auditor of the accounts of the relevant authority.
- (4) The Secretary of State must send a copy of a direction under subsection (2) to the recognised supervisory body (if any) of which the first auditor is or was a member.
- (5) The relevant authority must—
 - (a) send a copy of a report under subsection (2)(b) to the recognised supervisory body (if any) of which the first auditor is or was a member, and
 - (b) if the report states that a second audit is needed, take such steps as are necessary for the carrying out of that audit.
- (6) A direction under subsection (2) may specify when the authority must comply with—
 - (a) the requirements of the direction, or
 - (b) any requirement of subsection (5).
- (7) A person appointed under this section to conduct a second audit of the accounts of a parish meeting, or to review and report on the first audit of such accounts, must be appointed by the parish meeting itself (and not by its chairman on behalf of the parish meeting).”

17 For section 1249 (supplementary provision about second audits) substitute—

“1249 Supplementary provisions about second audits

- (1) If a person accepts an appointment, or continues to act, as a local auditor of the accounts of a relevant authority at a time when the person knows the person is not appropriate, the relevant authority may recover from the person any costs incurred by it in complying with the requirements of section 1248.

For this purpose “appropriate” is to be construed in accordance with subsection (3) of that section.

- (2) Where a second audit is carried out under section 1248, any statutory or other provision applying in relation to the first audit applies also, in so far as practicable, in relation to the second audit.”

18 (1) Section 1250 (misleading, false and deceptive statements) applies with the following modifications.

(2) Omit subsection (3).

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- (3) In subsection (5)(b)—
 - (a) in sub-paragraph (i) omit “in England and Wales,”, and
 - (b) omit sub-paragraph (ii).
- (4) In subsection (6)—
 - (a) omit “, (3)”,
 - (b) in paragraph (a) omit “in England and Wales,”, and
 - (c) omit paragraph (b).
- (5) In each of subsections (7) and (8) omit “, (3)”.
- 19 (1) Section 1251 (fees) applies with the following modifications.
- (2) In subsection (1), after “a recognition order under this Part” insert “or under regulations under this Part”.
- (3) In subsection (2)—
 - (a) at the end of paragraph (a) insert “and”, and
 - (b) omit paragraphs (c) and (d).
- 20 In section 1251A (duty of Secretary of State to report on inspections) omit paragraph (a).
- 21 (1) Section 1252 (delegation of the Secretary of State’s functions) applies with the following modifications.
- (2) For subsection (3) substitute—
 - “(3) A delegation order may provide that it has the effect of making the body designated under section 5 of the Freedom of Information Act 2000 (further power to designate public authorities), subject to subsection (3A).
 - (3A) A delegation order may only provide that the body is so designated to the extent that it is exercising functions transferred or conferred by the order (so that nothing in Parts 1 to 5 of that Act applies by virtue of the order to information held by the body which does not relate to the exercise of those functions).”
- (3) In subsection (4)(b) omit sub-paragraph (ii) and the “and” preceding it.
- (4) In subsection (6) omit paragraph (b).
- (5) Omit subsection (7).
- 22 In section 1253(5) (delegation of functions to an existing body)—
 - (a) for “to 22B” substitute “, 22”,
 - (b) omit “, 23A(1)”, and
 - (c) omit “or paragraph 1 or 2 of Schedule 12”.
- 23 (1) Section 1254 (directions to comply with international obligations) applies with the following modifications.
- (2) In subsection (1) omit “, the Independent Supervisor”.
- (3) For subsection (3) substitute—

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- “(3) A direction under this section given to a body designated by order under section 1252 is enforceable on the application of the Secretary of State by injunction.”
- 24 (1) Section 1256 (time limits for prosecution of offences) applies with the following modifications.
- (2) In subsection (1) omit “in England and Wales”.
- (3) Omit subsections (2) to (4).
- (4) For subsection (5) substitute—
- “(5) This section does not authorise the trial of an information laid more than 3 years after the commission of the offence.”
- (5) In subsection (6) omit “, the Lord Advocate, the Director of Public Prosecutions for Northern Ireland”.
- (6) In subsection (7) omit the words from “, section 331” to the end.
- 25 (1) Section 1257 (jurisdiction and procedure in respect of offences) applies with the following modifications.
- (2) In subsection (1), in each of paragraphs (a) and (b), after “at any place” insert “in England and Wales”.
- (3) Omit subsections (4) and (5).
- 26 (1) Section 1261 (minor definitions) applies with the following modifications.
- (2) In subsection (1) omit the following definitions—
- “audit working papers”;
- “company”;
- “parent undertaking” and “subsidiary undertaking”;
- “third country”;
- “third country auditor”;
- “third country competent authority”;
- “transfer”.
- (3) In subsection (1), in the definition of “officer”, after “a body corporate” insert “other than a relevant authority”.
- (4) After subsection (1) insert—
- “(1A) Expressions used in this Part that are defined in the Local Audit and Accountability Act 2014 have the same meaning as in that Act.”
- 27 (1) Section 1262 (index of defined expressions) applies with the following modifications.
- (2) Omit the following entries—
- “approved third country competent authority”;
- “audit working papers”;
- “audited person”;
- “Auditor General”;

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“company”;
“enactment”;
“main purposes of this Part”;
“parent undertaking”;
“recognised, in relation to a qualifying body”;
“registered third country auditor”;
“rules of a qualifying body”;
“statutory auditor, statutory audit and statutory audit work”;
“subsidiary undertaking”;
“third country”;
“third country auditor”;
“third country competent authority”;
“transfer (in relation to audit working papers)”;
“UK-traded non EEA company”.

(3) At the appropriate places insert—

“enactment	section 44(1) of the Local Audit and Accountability Act 2014”;
“local audit	paragraph 1(2) of Schedule 5 to the Local Audit and Accountability Act 2014”;
“local auditor	section 4(1)(b) of the Local Audit and Accountability Act 2014”;
“local audit work	paragraph 1(2) of Schedule 5 to the Local Audit and Accountability Act 2014”;
“officer, in relation to a relevant authority	section 44(1) of the Local Audit and Accountability Act 2014”;
“parish meeting	section 44(1) of the Local Audit and Accountability Act 2014”;
“recognised qualifying body	section 1219(13)”;
“relevant authority	section 2(1) of the Local Audit and Accountability Act 2014”.

(4) In the entry for “officer”, after “officer” insert “, in relation to a body corporate other than a relevant authority”.

(5) In the entry for “qualifying body” for “section 1220(1)” substitute “section 1219(3)(a)”.

(6) For the entry for “recognised, in relation to a professional qualification” substitute—

“recognised professional qualification	section 1219(12)”.
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28 (1) Schedule 10 (recognised supervisory bodies) applies with the following modifications.

(2) Omit the following paragraphs—

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- (a) paragraph 4 (recognition orders under old companies legislation to have effect under Schedule);
- (b) paragraphs 10B and 10C (public interest entity reporting and independence requirements);
- (c) paragraphs 16A to 16AB (transfer of papers to third countries);
- (d) paragraph 20A (definition of public interest entity etc);
- (e) paragraphs 22A and 22B (arrangements for setting standards relating to public interest entity reporting and independence requirements);
- (f) paragraph 23A (arrangements for independent monitoring of third country audits).

(3) For paragraph 6 (holding of appropriate qualification) substitute—

“Holding of appropriate qualification

- 6
- (1) The body must have rules to the effect that an individual is not eligible for appointment as a local auditor unless the individual—
 - (a) holds an appropriate qualification,
 - (b) is an EEA auditor who has passed an aptitude test in accordance with sub-paragraph (3), unless an aptitude test is not required (see sub-paragraphs (4) and (5)), or
 - (c) has been authorised to act as a local auditor by the body pursuant to the European Communities (Recognition of Professional Qualifications) Regulations 2007 (SI 2007/2781), and complies with the requirements of those Regulations that apply to a person acting as a local auditor.
 - (2) The body must have rules to the effect that a firm is not eligible for appointment as a local auditor unless—
 - (a) each individual responsible for local audit work on behalf of the firm is eligible for appointment as a local auditor, and
 - (b) the firm is controlled by qualified persons (see paragraph 7 below).
 - (3) The aptitude test—
 - (a) must test the individual’s knowledge of subjects—
 - (i) that are covered by a recognised professional qualification,
 - (ii) that are not covered by the professional qualification already held by that individual, and
 - (iii) the knowledge of which is essential for the pursuit of the profession of local auditor;
 - (b) may test the individual’s knowledge of rules of professional conduct;
 - (c) must not test the individual’s knowledge of any other matters.
 - (4) No aptitude test is required if—
 - (a) the individual is to provide services consisting of local audit work on a temporary and occasional basis, or
 - (b) the subjects that are covered by a recognised professional qualification and the knowledge of which is essential for the

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pursuit of the profession of local auditor are covered by the professional qualification already held by the individual.

- (5) Whether the provision of services is on a temporary and occasional basis is to be assessed on a case by case basis and in particular by reference to its duration, its frequency, its regularity and its continuity.
- (6) A firm which has ceased to comply with the conditions mentioned in sub-paragraph (2) may be permitted to remain eligible for appointment as a local auditor for a period of not more than three months.”
- (4) In paragraph 7 (meaning of control by qualified persons)—
 - (a) in sub-paragraph (1) (introductory), for “paragraph 6(1)(b)” substitute “paragraph 6(2)(b)”, and
 - (b) in sub-paragraph (2)(b)(i), (requirement for firm to be eligible for appointment as statutory auditor), for “statutory auditor” substitute “local auditor, or as a statutory auditor in accordance with this Part of this Act as it has effect apart from its application by virtue of Schedule 5 to the Local Audit and Accountability Act 2014”.
- (5) After paragraph 7 insert—

“Auditors to have sufficient skill and experience

- 7A (1) The body must have rules to the effect that a person is not eligible for appointment as a local auditor unless—
 - (a) in the case of a firm, the key audit partner, or each of the key audit partners, has an appropriate level of competence to carry out local audits, and
 - (b) in the case of an individual, the individual has an appropriate level of competence to carry out local audits.
- (2) Rules under sub-paragraph (1) must comply with guidance issued by the Secretary of State.
- (3) In sub-paragraph (1) “key audit partner” means an individual identified by the firm as being primarily responsible for local audits.”
- (6) For paragraph 10A substitute—

“Technical standards for group audit

- 10A (1) The body must have rules and practices as to technical standards ensuring that local auditors undertaking a group audit—
 - (a) review for the purposes of the audit the audit work conducted by other persons, and
 - (b) record that review.
- (2) The body must participate in arrangements within paragraph 22 (arrangements for setting standards), and the rules and practices mentioned in sub-paragraph (1) must include provision requiring compliance with any standards for the time being determined under those arrangements.

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(3) In this paragraph “group audit” means an audit that relates to the statement of accounts of a relevant authority, or, where the relevant authority is a health service body, the accounts of the body, in a case where, in accordance with proper practices, the financial transactions of an entity other than the authority must be consolidated into the statement or (as the case may be) the accounts.

(4) In sub-paragraph (3) “entity” means any entity, whether or not a legal person.”

(7) For paragraph 13 substitute—

“Monitoring of audits

13 (1) The body must—

- (a) have adequate arrangements for enabling the performance by its members of local audit functions, other than functions in respect of major local audits, to be monitored by means of inspections,
- (b) in the case of members of the body who perform any local audit functions in respect of major local audits—
 - (i) participate in arrangements within paragraph 23(1), and
 - (ii) have rules and practices designed to ensure that a sanction determined under paragraph 23(1)(b) is to be treated as if it were a sanction which the body had determined under arrangements for enforcement within paragraph 12(1A), and
- (c) have rules designed to ensure that members of the body take reasonable steps to enable their performance of any local audit functions to be monitored by means of inspections.

(2) Any monitoring of members of the body under the arrangements within paragraph 23(1) is to be regarded (so far as their performance of local audit functions in respect of major local audits is concerned) as monitoring of compliance with the body’s rules for the purposes of paragraph 12(1) and (1A).

(3) The arrangements referred to in sub-paragraph (1)(a) must include an inspection which is conducted in relation to each person eligible for appointment as a local auditor at least once every six years.

(4) The inspection must be conducted by persons who—

- (a) have an appropriate professional education,
- (b) have experience of—
 - (i) local audit work,
 - (ii) statutory audit work within the meaning of this Part of this Act as it has effect apart from its application by virtue of Schedule 5 to the Local Audit and Accountability Act 2014,
 - (iii) other audit work relating to any body whose accounts form part of a group for which the Treasury prepares accounts under section 9(1) of the Government Resources and Accounts Act 2000, or

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- (iv) work equivalent to that within any of sub-paragraphs (i) to (iii) on the audit of accounts under the law of an EEA State, or part of an EEA State, other than the United Kingdom,
 - (c) have received adequate training in the conduct of inspections concerning the audits of relevant authorities, and
 - (d) do not have any interests likely to conflict with the proper conduct of the inspection.
- (5) The inspection must review one or more local audits in which the person to whom the inspection relates has participated.
- (6) The inspection must include an assessment of—
 - (a) the person's compliance with the body's rules established for the purposes of paragraphs 9 (professional integrity and independence), 10 (technical standards) and 10A (technical standards for group audits),
 - (b) the resources allocated by the person to local audit work,
 - (c) in the case of an inspection in relation to a firm, its internal quality control system, and
 - (d) the remuneration received by the person in respect of local audit work.
- (7) An inspection conducted in relation to a firm may be treated as an inspection of all individuals responsible for local audit work on behalf of that firm, if the firm has a common quality assurance policy with which each of those individuals is required to comply.
- (8) The main conclusions of the inspection must be recorded in a report which is made available to—
 - (a) the person to whom the inspection relates, and
 - (b) the body.
- (9) The body must, at least once every calendar year, give to the Secretary of State a summary of the results of inspections conducted under this paragraph.
- (10) For the purposes of this Schedule a local audit of the accounts of a relevant authority is a "major local audit" if the authority is specified in, or of a description specified in—
 - (a) regulations made for the purposes of this sub-paragraph by the Secretary of State, or
 - (b) a direction (which has not been revoked) given by the Secretary of State to the body.
- (11) Regulations under sub-paragraph (10)(a) may in particular specify a description of relevant authority by reference to its income or expenditure.
- (12) Regulations under sub-paragraph (10)(a) are subject to negative resolution procedure.

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- (13) A direction may be given under sub-paragraph (10)(b) only if the Secretary of State thinks that there is significant public interest in the authority, or in authorities of the description, specified in the direction.
- (14) In this Schedule “local audit function” means any function performed as a local auditor.”
- (8) In paragraph 23 (arrangements for independent monitoring of audits of listed companies and other major bodies)—
- (a) in the heading, for “audits of listed companies and other major bodies” substitute “major local audits”,
 - (b) for “statutory audit functions” in each place substitute “local audit functions”,
 - (c) for “major audits” in each place substitute “major local audits”, and
 - (d) omit sub-paragraph (2).
- (9) In paragraph 24 (arrangements for independent investigation for disciplinary purposes of public interest cases)—
- (a) in sub-paragraph (1)(a) omit “or third country audit functions”, and
 - (b) in sub-paragraph (2) omit the definitions of “statutory audit function” and “third country audit function”.
- (10) In paragraph 25(1) (supplementary: arrangements to operate independently of body) —
- (a) at the end of paragraph (c) insert “, or”, and
 - (b) omit paragraph (ca).
- (11) In paragraph 26 (supplementary: funding of arrangements) omit “, 23A”.
- (12) In paragraph 27 (supplementary: scope of arrangement) omit “, 23A”.
- 29 In Schedule 13 (supplementary provision with respect to delegation order)—
- (a) in paragraph 9 (legislative functions) omit “(or, in Scotland, sufficient evidence)”, and
 - (b) in paragraph 10(6) (requirement for auditor of body established by order to be eligible for appointment as statutory auditor), for “a statutory auditor” substitute “a local auditor, or a statutory auditor in accordance with this Part of this Act as it has effect apart from its application by virtue of Schedule 5 to the Local Audit and Accountability Act 2014”.