
Changes to legislation: Local Audit and Accountability Act 2014, Paragraph 28 is up to date with all changes known to be in force on or before 28 February 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

SCHEDULES

SCHEDULE 5

ELIGIBILITY AND REGULATION OF LOCAL AUDITORS

28 (1) Schedule 10 (recognised supervisory bodies) applies with the following modifications.

(2) Omit the following paragraphs—

- (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) [^{F1}on or before 31 December 2020], unless an aptitude test is not required (see [^{F2}sub-paragraph (4)]), ^{F3}...
- [^{F4}(ba) is a specified state auditor who—
 - (i) holds professional qualifications obtained in a specified state that are comparable to an appropriate qualification; and
 - (ii) has met a requirement to take an aptitude test or to complete an adaptation period, or to undertake both, imposed on the individual by the body in accordance with Part 2 of the Recognition of Professional Qualifications and Implementation of International Recognition Agreements (Amendment) Regulations 2023, if such a requirement is so imposed, 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.

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- (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—
 - ^{F5}(a)
 - (b) the subjects that are covered by a recognised professional qualification and the knowledge of which is essential for the pursuit of the profession of local auditor are covered by the professional qualification already held by the individual.
- ^{F5}(5)
- (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) ”, ^{F6}...
 - [^{F7}(aa) in sub-paragraph (2)(a)(ii), omit “, other than the United Kingdom”.]
 - (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 ”[^{F8}, and]
 - [^{F8}(c) in sub-paragraph (2)(b)(ii), omit “, other than the United Kingdom”.]
- (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.

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- (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.
- (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

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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
 - [^{F9}(iv) work equivalent to that within any of sub-paragraphs (i) to (iii) on the audit of accounts under the law of—
 - (aa) an equivalent third country, or part of an equivalent third country, or
 - (bb) a transitional third country, or part of a transitional third country,]
 - (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.

[^{F10}(4A) For the purposes of sub-paragraph (4)—

“equivalent third country” means a third country granted approval or provisional approval as an equivalent third country in accordance with section 1240A(1), as that section applies in relation to statutory audits;

“third country” means a country or territory other than the United Kingdom;

“transitional third country” means a third country granted approval or provisional approval as a transitional third country in accordance with section 1240A(1), as that section applies in relation to statutory audits.]

- (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,

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- (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.
- (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”.

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(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”.

Textual Amendments

- F1** Words in Sch. 5 para. 28(3) inserted (31.12.2020) by The Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/504), regs. 1(2), **6(1)(a)(i)(aa)**; 2020 c. 1, Sch. 5 para. 1(1)
- F2** Words in Sch. 5 para. 28(3) substituted (1.1.2021) by The Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/504), regs. 1(3), **6(1)(a)(i)(bb)**
- F3** Word in Sch. 5 para. 28(3) omitted (1.12.2023) by virtue of The Recognition of Professional Qualifications and Implementation of International Recognition Agreements (Amendment) Regulations 2023 (S.I. 2023/1286), reg. 1, **Sch. 3 para. 91(4)(a)**
- F4** Words in Sch. 5 para. 28(3) inserted (1.12.2023) by The Recognition of Professional Qualifications and Implementation of International Recognition Agreements (Amendment) Regulations 2023 (S.I. 2023/1286), reg. 1, **Sch. 3 para. 91(4)(b)**
- F5** Words in Sch. 5 para. 28(3) omitted (1.1.2021) by virtue of The Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/504), regs. 1(3), **6(1)(a)(ii)**
- F6** Word in Sch. 5 para. 28(3) omitted (31.12.2020) by virtue of The Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/504), regs. 1(2), **6(1)(b)**; 2020 c. 1, Sch. 5 para. 1(1)
- F7** Words in Sch. 5 para. 28(3) inserted (31.12.2020) by The Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/504), regs. 1(2), **6(1)(c)**; 2020 c. 1, Sch. 5 para. 1(1)
- F8** Words in Sch. 5 para. 28(3) inserted (temp. until 1.1.2021) (31.12.2020) by The Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/504), regs. 1(2), **6(1)(d)** (with reg. 6(2)); 2020 c. 1, Sch. 5 para. 1(1)
- F9** Words in Sch. 5 para. 28(7) substituted (31.12.2020) by The Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/504), regs. 1(2), **6(1)(e)(i)** (with reg. 6(3)); 2020 c. 1, Sch. 5 para. 1(1)
- F10** Words in Sch. 5 para. 28(7) inserted (31.12.2020) by The Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/504), regs. 1(2), **6(1)(e)(ii)** (with reg. 6(3)); 2020 c. 1, Sch. 5 para. 1(1)

Commencement Information

- I1** Sch. 5 para. 28 in force at 16.12.2014 in so far as not already in force by S.I. 2014/3319, **art. 2(e)**

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Changes and effects yet to be applied to :

- specified provision(s) amendment to earlier commencing S.I. 2015/841 by [S.I. 2016/675 art. 2](#)