
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations concern third country auditors as defined in section 1261 of the Companies Act 2006 (“the 2006 Act”). These Regulations extend to the whole of the United Kingdom.

Regulations 6 to 12 make provision in respect of the statutory register of third country auditors and the requirements relating to registration. Regulation 6(1) requires the Financial Reporting Council Limited (“the FRC”) to keep the register and regulation 6(2) and (3) prescribes the information which the register must contain. Pursuant to regulation 6(4) and (5) the register must be kept in electronic form and be available for inspection. Regulations 7 and 8 set out matters with which a third country auditor must comply in order to become registered. Application is made to the FRC and regulation 9 provides for the circumstances in which the FRC may and will not register the applicant. Regulation 10 provides for the allocation by the FRC to a successful applicant of its “registered number”. Pursuant to regulation 11, a registered third country auditor has a duty to provide the FRC with updated information (e.g. to ensure that information on the register concerning the third country auditor remains correct). Regulation 12 concerns the removal of third country auditors from the register.

Regulations 6 to 12 consolidate (with some minor amendments) the existing law relating to the register of third country auditors and the registration process (see regulation 29 and regulations 34 to 40 of the Statutory Auditors and Third Country Auditors Regulations 2007 (S.I. 2007/3494); regulation 2(5) and (6) of the Statutory Auditors and Third Country Auditors (Amendment) Regulations 2008 (S.I. 2008/499); the Statutory Auditors and Third Country Auditors (Amendment) (No. 2) Regulations 2008 (S.I. 2008/2639); and regulation 7 of the Statutory Auditors and Third Country Auditors (Amendment) Regulations 2011 (S.I. 2011/1856)). Regulation 13 delays the coming into force of amendments to sections 1253D(2), 1253DE(1) and 1253E(8) of the 2006 Act. Regulation 13 implements Commission Decision 2013/280/EU (OJ L 161, 13.6.2013, p.4) pursuant to which the Public Company Accounting Oversight Board of the United States of America and the Securities and Exchange Commission of the United States of America are to remain, until 31 July 2016, bodies to which EU Member States may allow the transfer of audit working papers.

Regulations 14 to 17 amend the 2006 Act. These regulations re-implement obligations in Directive [2006/43/EC](#) of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts (OJ L 157, 9.6.2006, p.87) or else make provision for matters which arise out of or relate to these obligations.

Regulation 16 amends Schedule 10 to the 2006 Act to allow an entity carrying out inspections of “third country audit functions” performed by “statutory auditors” (see the definitions at, respectively, paragraph 13 of Schedule 10 to, and section 1210 of, the 2006 Act) to determine sanctions against such auditors where its inspections reveal breaches of the relevant rules of the auditor's professional body. In addition, it obliges the professional body to treat such sanctions as if they were sanctions which the professional body had itself imposed.

Regulation 17 amends Schedule 12 to the 2006 Act. It allows the waiving of hearings in connection with disciplinary proceedings involving registered third country auditors.

The Schedule contains revocations. Most of these revocations are being made because of the consolidation referred to above.

An impact assessment has not been produced for this instrument as it will only have a negligible impact on the costs of business, charities and the voluntary sector.

Changes to legislation:

There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2013.