
STATUTORY INSTRUMENTS

2016 No. 649

The Statutory Auditors and Third Country Auditors Regulations 2016

PART 2

The Competent Authority

Monitoring of audits by the competent authority

9.—(1) The competent authority must monitor the conduct of statutory audit work relating to public interest entities by means of a system of inspections that satisfies the requirements of Article 26 of the Audit Regulation.

(2) The competent authority must monitor the conduct of statutory audit work which does not relate to public interest entities in accordance with paragraphs (4) to (12).

(3) Paragraph (2) does not apply to the extent that the competent authority has delegated this task under regulation 3.

(4) The competent authority must have adequate arrangements for monitoring the conduct of statutory audit work and must ensure those arrangements operate independently of the persons monitored.

(5) The competent authority must have adequate resources for effectively monitoring the conduct of statutory audit work and ensure those resources may not be influenced improperly by the persons monitored.

(6) Monitoring the conduct of statutory audit work must be carried out by means of inspections which are conducted by persons who—

- (a) have an appropriate professional education;
- (b) have experience of—
 - (i) statutory audit work, or
 - (ii) equivalent work on the audit of accounts under the law of an EEA State, or part of and EEA State, other than the United Kingdom;
- (c) have received adequate training in the conduct of inspections;
- (d) have declared that they do not have any interests likely to conflict with the proper conduct of the inspection;
- (e) have not been an employee or partner or member of the management body of the person subject to inspection and have not been otherwise associated with that person for at least three years.

(7) An inspection must—

- (a) review one or more statutory audits in which the person to whom the inspection relates has participated;
- (b) in relation to the person to whom the inspection relates, include an assessment of—

- (i) that person's compliance with the standards set by the competent authority under these Regulations;
 - (ii) the resources allocated by that person to statutory audit work;
 - (iii) if that person is a firm, its internal quality control system;
 - (iv) the remuneration received by that person in respect of statutory audit work; and
 - (c) be appropriate and proportionate in view of the scale and complexity of the statutory audit work of the person subject to inspection.
- (8) An inspection conducted in relation to a firm may be treated as an inspection of all individuals responsible for statutory audit work on behalf of that firm, if the firm has a common quality assurance policy with which each such individual is required to comply.
- (9) 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 competent authority.
- (10) An inspection must be carried out in relation to each person eligible for appointment as a statutory auditor—
- (a) at such frequency as the competent authority considers appropriate given the risks arising from the statutory audit work undertaken by the person; and
 - (b) at least once every six years in the case of a person who, during any of the previous five years, has carried out a statutory audit of an audited person not subject to the small companies regime (within the meaning in section 381 of the Act).
- (11) The competent authority must, at least once every calendar year, publish a report containing a summary of the results of inspections conducted under this regulation (and must publish this report at the same time that it publishes the information it is required to publish under Article 28(d) of the Audit Regulation).
- (12) In relation to inspections of statutory audits of undertakings that qualify as small (by virtue of section 382 or 383 of the Act) or medium-sized (by virtue of section 465 or 466 of that Act), the competent authority must take account of the fact that the standards it has adopted under these Regulations are designed to be applied in a manner that is proportionate to the scale and complexity of the business of the audited person.