

---

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations implement obligations in [Directive 2014/56/EU](#) of the European Parliament and of the Council of 16 April 2014 amending [Directive 2006/43/EC](#) on statutory audits of annual accounts and consolidated accounts (OJ L 157, 09.06.06, p.87) and Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission [Decision 2005/909/EC](#) (“the Audit Regulation”) (OJ L 158, 27.05.14, p.77). The amended [Directive 2006/43/EC](#) is known as “the Audit Directive”. The Audit Regulation is directly applicable, but changes have been made to domestic law to remove inconsistencies between domestic law and the Audit Regulation.

Previous transposing regulations were the Statutory Auditors and Third Country Auditors Regulations 2016 ([S.I. 2016/649](#)) and the Statutory Auditors and Third Country Auditors Regulations 2017 ([S.I. 2017/516](#)). This instrument completes the transposition for the United Kingdom.

Regulation 3 and Schedule 1 make amendments in respect of the transposition for building societies, friendly societies and companies, in particular to provide an effective enforcement mechanism for the rotation and retendering for statutory auditors, and also to provide consistency between the legislative frameworks for these entities.

Regulation 4 and Schedule 2 make amendments to the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 ([S.I. 2008/565](#)) to implement requirements of the Audit Directive and the Audit Regulation in respect of miscellaneous forms of insurance undertaking. This includes insurers that are co-operative or community benefit societies (previously industrial and provident societies) in Great Britain, and industrial and provident societies in Northern Ireland. However, from 6th April 2018, when certain amendments to the Industrial and Provident Societies Act (Northern Ireland) 1969 ([c. 24](#)) made by the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016 ([c. 16](#)) come into force, new societies in Northern Ireland will be co-operative or community benefit societies.

Regulation 5 and Schedule 3 make amendments to the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ([S.I. 2008/1911](#)). This is to give effect to requirements of the Audit Directive and the Audit Regulation for limited liability partnerships which are public-interest entities, and otherwise to mirror the legislative framework for companies to ensure consistency of requirements for the auditing of different types of business entities.

Regulations 6 to 13 make consequential amendments to the Companies (Revision of Defective Accounts and Reports) Regulations 2008 ([S.I. 2008/373](#)) to take account of the changes to the requirements in respect of audit reporting made by the Statutory Auditors and Third Country Auditors Regulations of both 2016 and 2017 and by these Regulations.

Regulations 15 and 16 make consequential amendments to the Statutory Auditors and Third Country Auditors Regulations 2016 ([S.I. 2016/649](#)). Regulations 17 and 18 make consequential amendments to the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012 ([S.I. 2012/1741](#)).

Regulation 19 and Schedule 4 give effect to a number of revocations and repeals. The Bank Accounts Directive (Miscellaneous Banks) Regulations 2008 ([S.I. 2008/567](#)) are revoked for accounting years beginning on or after 30th November 2018, as there will no longer be any miscellaneous banks in

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

existence by that date. There are also consequential revocations and repeals, and the revocation of spent enactments.

On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

A transposition note is available alongside these Regulations at [www.legislation.gov.uk](http://www.legislation.gov.uk).

A full regulatory impact assessment of the effect of transposition of the Audit Directive and the Audit Regulation on the costs of business and the voluntary sector is available from the Business Environment Directorate, Department for Business, Energy and Industrial Strategy, 1 Victoria Street, London SW1H 0ET or from [www.gov.uk/beis](http://www.gov.uk/beis), and is also available alongside the Statutory Auditors and Third Country Auditors Regulations 2016 at [www.legislation.gov.uk](http://www.legislation.gov.uk).