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## STATUTORY INSTRUMENTS

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### 2017 No. 516

#### The Statutory Auditors and Third Country Auditors Regulations 2017

##### PART 5

##### Amendments to secondary legislation

##### **Amendments to the Statutory Auditors and Third Country Auditors Regulations 2016**

**14.**—(1) The Statutory Auditors and Third Country Auditors Regulations 2016<sup>(1)</sup> are amended as follows.

- (2) In regulation 5(11)(j), after “Schedule 14” insert “or Schedule 14A”.
- (3) For regulation 12 substitute—

“**12.**—(1) This regulation applies to any term in a contract which, in relation to the conduct of a statutory audit of an audited person other than a person which is a public interest entity, provides for the restriction of the audited person’s choice of statutory auditor to certain categories or lists of statutory auditors.

- (2) A term to which this regulation applies has no effect.”.

##### **Amendments to the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008**

**15.**—(1) The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008<sup>(2)</sup> are amended as follows.

- (2) For regulation 10 (auditor’s report) substitute—

##### **“Auditor’s report**

**10.**—(1) A syndicate’s auditor must make a written report to the syndicate’s members on all annual accounts of the syndicate of which copies are to be sent to the syndicate members during the auditor’s tenure of office.

- (2) The auditor’s report must include—
  - (a) the identity of the syndicate whose annual accounts are the subject of the audit,
  - (b) a description of the annual accounts that are the subject of the audit (including the period covered by those accounts),
  - (c) a description of the financial reporting framework that has been applied in the preparation of those accounts, and

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(1) [S.I. 2016/649](#).

(2) [S.I. 2008/1950](#), amended by [S.I. 2013/472](#).

- (d) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.
- (3) The report must state clearly the opinion of the auditor as to whether the annual accounts—
  - (a) give a true and fair view—
    - (i) in the case of an individual balance sheet, of the state of affairs of the syndicate as at the end of the financial year, and
    - (ii) in the case of an individual profit and loss account, of the profit or loss of the syndicate for the financial year;
  - (b) have been properly prepared in accordance with the relevant financial reporting framework, and
  - (c) have been prepared in accordance with the requirements of these Regulations.
- (4) The auditor must, in the auditor’s report on the syndicate’s annual accounts—
  - (a) state whether in the auditor’s opinion, based on the work undertaken in the course of the audit—
    - (i) the information given in the managing agent’s report for the financial year for which the annual accounts are prepared is consistent with those accounts;
    - (ii) that report has been prepared in accordance with these Regulations,
  - (b) state whether, in the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, the auditor has identified material misstatements in the managing agent’s report, and
  - (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b).
- (5) The auditor’s report must—
  - (a) be unqualified or qualified,
  - (b) include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report,
  - (c) include a statement on any material uncertainty relating to events or conditions that may cast doubt on the ability of the syndicate to continue to write future business, and
  - (d) identify the auditor’s place of establishment.”.
- (3) In regulation 11 (duties of auditors)—
  - (a) in paragraph (2), for the full-out words at the end substitute “the auditor must state that fact in the auditor’s report”.
  - (b) after paragraph (4) insert—
    - “(5) Where more than one person is appointed as an auditor—
      - (a) all the persons appointed must jointly make a report under this regulation and the report must include a statement as to whether all the persons appointed agree on—
        - (i) the matters contained in the report,
        - (ii) the statements under regulation 10(4) and paragraphs (2) and (3) of this regulation, and
        - (iii) the indications given under regulation 10(4), and
      - (b) if all the persons appointed cannot agree on—
        - (i) the matters contained in the report,

- (ii) the statements under regulations 10(4) and paragraphs (2) and (3) of this regulation, or
  - (iii) the indications given under regulation 10(4),

the report must include the opinions of each person appointed and give reasons for the disagreement.”.
- (4) In regulation 12 (signature of auditor’s report)—
  - (a) in paragraph (1), after “the auditor” insert “(or where more than one person is appointed as auditor, all of their names)”;
  - (b) after paragraph (3) insert—

“(4) Where more than one person is appointed as auditor, the report must be signed by all of them.”.
- (5) In regulation 13 (names to be stated in copies of auditor’s report published or filed) after paragraph (1) insert—

“(1A) If more than one person is appointed as auditor, the reference in paragraph (1)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
- (6) In regulation 14 (circumstances in which names may be omitted), at the beginning of paragraph (1), for “The” substitute “An”.
- (7) In regulation 18 (preparation of aggregate accounts by Council of Lloyd’s)—
  - (a) at the beginning of paragraph (4), insert “Subject to the modification in paragraph (4A),”;
  - (b) after paragraph (4) insert—

“(4A) Paragraph 16 of Schedule 3 to the 2008 Regulations applies in relation to the syndicates as if it read “The syndicates are presumed to continue to write future business.”.
- (8) For regulation 22 (auditor’s report) substitute—

**“22.—**(1) The members of the Council of Lloyd’s must obtain a written auditor’s report on the aggregate accounts.

(2) The auditor’s report must include—

  - (a) a statement that the subject of the review is the aggregate accounts which are an accumulation of the syndicates’ annual accounts prepared in accordance with these Regulations,
  - (b) a description of the aggregate accounts that are the subject of the review (including the period covered by those accounts),
  - (c) a description of the financial reporting framework that has been applied in the preparation of those accounts,
  - (d) a description of the scope of the review identifying the standards in accordance with which the review was conducted, and
  - (e) a clear statement as to whether, in the auditor’s opinion, the aggregate accounts have been properly prepared in accordance with the requirements of these Regulations, and whether those accounts are correctly aggregated.

(3) The auditor must in the auditor’s report—

  - (a) state whether, in the auditor’s opinion, based on the work undertaken in the course of the audit—
    - (i) the information given in the annual report of the Council of Lloyd’s for the financial year for which the aggregate accounts are prepared is consistent with those accounts, and

- (ii) that report has been prepared in accordance with these Regulations,
  - (b) state whether, in the light of the knowledge and understanding of the syndicates and their environment obtained in the course of the audit, the auditor has identified material misstatements in the annual report of the Council of Lloyd's, and
  - (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b).
- (4) The auditor's report must—
  - (a) be either unqualified or qualified,
  - (b) include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report, and
  - (c) identify the auditor's place of establishment.
- (5) Where more than one person is appointed as an auditor—
  - (a) all the persons appointed must jointly make a report under this regulation and the report must include a statement as to whether all the persons appointed agree on—
    - (i) the matters contained in the report,
    - (ii) the statements under paragraph (3), and
    - (iii) the indications given under paragraph (3), and
  - (b) if all the persons appointed cannot agree on—
    - (i) the matters contained in the report,
    - (ii) the statements under paragraph (3), or
    - (iii) the indications given under paragraph (3),

the report must include the opinions of each person appointed and give reasons for the disagreement.”.
- (9) In regulation 23 (signature of auditor's report)—
  - (a) in paragraph (1) after “the auditor” insert “(or, where more than one person is appointed as auditor, all of their names)”;
  - (b) after paragraph (3) insert—
 

“(4) Where more than one person is appointed as auditor, the report must be signed by all of them.”.
- (10) In regulation 24 (names to be stated in copies of auditor's report published or filed) after paragraph (1) insert—
 

“(1A) If more than one person is appointed as auditor, the reference in paragraph (1)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
- (11) In regulation 25 (circumstances in which names may be omitted), at the beginning of paragraph (1), for “The” substitute “An”.
- (12) In regulation 26 (duties of auditors), after paragraph (3) insert—
 

“(4) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on any statements given under paragraphs (2) and (3) and, if they cannot agree on those statements, the report must include the opinions of each person appointed and the reasons for the disagreement.”.
- (13) After regulation 31 (consequential amendment) insert—

## “Review

### 32.—(1) The Treasury must from time to time—

- (a) carry out a review of the provisions of these Regulations to which amendments have been made by the Statutory Auditors and Third Country Auditors Regulations 2017, and
- (b) publish a report setting out the conclusions of the review.

### (2) The first report must be published before 1st May 2022.

### (3) Subsequent reports must be published at intervals not exceeding 5 years.

(4) Section 30(3) of the Small Business, Enterprise and Employment Act 2015<sup>(3)</sup> requires that a review carried out under this regulation must, so far as is reasonable, have regard to how article 28 of [Directive 2006/43/EC](#) on statutory audits of annual accounts and consolidated accounts<sup>(4)</sup> is implemented in other member States.

(5) Section 30(4) of the Small Business, Enterprise and Employment Act 2015 requires that a report published under this regulation must, in particular—

- (a) set out the objectives intended to be achieved by the regulatory provision referred to in paragraph (1)(a),
- (b) assess the extent to which those objectives are achieved,
- (c) assess whether those objectives remain appropriate, and
- (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.

(6) In this regulation, “regulatory provision” has the same meaning as in sections 28 to 32 of the Small Business, Enterprise and Employment Act 2015 (see section 32 of that Act).”.

### (14) In Schedule 1 (syndicate accounts)—

- (a) in paragraph 1(4), for “sub-paragraph (5)” substitute “sub-paragraphs (4A) and (5)”; and
- (b) after paragraph 1(4) insert—

“(4A) Paragraph 16 of Schedule 3 to the 2008 Regulations applies in relation to a syndicate as if it read “The syndicate is presumed to continue to write future business.”.”.

## **Amendments to the Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012**

**16.—**(1) The Statutory Auditors (Amendment of Companies Act 2006 and Delegation of Functions etc) Order 2012<sup>(5)</sup> is amended as follows.

### (2) In regulation 7(6)—

- (a) in paragraph (a), after “the Statutory Auditors and Third Country Auditors Regulations 2016” insert “and the Statutory Auditors and Third Country Auditors Regulations 2017”; and
- (b) in paragraph (b), after “the Statutory Auditors and Third Country Auditors Regulations 2016” insert “and the Statutory Auditors and Third Country Auditors Regulations 2017”.

<sup>(3)</sup> [2015 c. 26](#). Section 30 was amended by section 19 of the Enterprise Act [2016 \(c. 12\)](#).

<sup>(4)</sup> OJ L 157, 09.06.06, p.87. This Directive was amended by Directives [2008/30/EC](#), 2013/34/EU and 2014/56/EU.

<sup>(5)</sup> [S.I. 2012/1741](#), amended by [S.I. 2016/649](#). There is another amending instrument but it is not relevant.

## Amendments to the Public Interest Disclosure (Prescribed Persons) Order 2014

17.—(1) The Schedule to the Public Interest Disclosure (Prescribed Persons) Order 2014<sup>(6)</sup> is amended as follows.

(2) In the entry relating to the Financial Reporting Council Limited and its conduct committee—

(a) in the first column, for “conduct committee” substitute “Conduct Committee”;

(b) in the second column—

(i) after “Matters relating to—” insert—

“(za) exercising the functions of the competent authority under the Statutory Auditors and Third Country Auditors Regulations 2016<sup>(7)</sup> and under Regulation (EU) 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities<sup>(8)</sup>”;

(ii) in paragraph (c)—

(aa) omit from “statutory audit functions” to “and of”; and

(bb) for “that paragraph” substitute “paragraph 13(10) of Schedule 10 to the Companies Act 2006<sup>(9)</sup>”;

(iii) for paragraph (d) substitute—

“(d) exercising, in relation to third country auditors (as defined by section 1261 of the Companies Act 2006<sup>(10)</sup>), functions—

(i) of the Secretary of State under Part 42 of that Act, delegated under that Part<sup>(11)</sup>,

(ii) under the arrangements within Schedule 12 to that Act, and

(iii) of the designated body<sup>(12)</sup> under the Statutory Auditors and Third Country Auditors Regulations 2013<sup>(13)</sup>”;

(iv) for paragraph (f) substitute—

“(f) the investigation of, and enforcement action in relation to, conduct of the persons listed below, and the holding of disciplinary hearings concerning those persons in matters which raise or appear to raise important issues affecting the public interest—

(i) accountants, and

(ii) actuaries”;

(v) after paragraph (f) insert—

“(g) the investigation of, and enforcement action in relation to, the conduct of local auditors (as defined by section 4(1)(b) of the Local Audit and Accountability Act 2014<sup>(14)</sup>), and the holding of disciplinary hearings concerning local auditors in public interest cases (as defined in

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<sup>(6)</sup> [S.I. 2014/2418](#), there are amending instruments but none is relevant.

<sup>(7)</sup> [S.I. 2016/649](#).

<sup>(8)</sup> OJ L 158, 27.5.2014, p.77.

<sup>(9)</sup> [2006 c.46](#). Paragraph 13(10) of Schedule 10 to the Companies Act 2006 was repealed by [S.I. 2016/649](#), subject to a saving in relation to local audit carried out under the Local Audit and Accountability Act 2014 ([2014 c.2](#)).

<sup>(10)</sup> The definition of third country auditor in section 1261 was inserted by [S.I. 2007/3494](#) and amended by [S.I. 2016/649](#). There are other amendments to section 1261 but none is relevant.

<sup>(11)</sup> See section 1252 of the Companies Act 2006 and [S.I. 2012/1741](#) made under that section.

<sup>(12)</sup> The designated body in [S.I. 2013/1672](#) is defined in regulation 5 as the Financial Reporting Council Limited, a company registered in England and Wales with number 02486368.

<sup>(13)</sup> [SI 2013/1672](#).

<sup>(14)</sup> [2014 c.2](#).

paragraph 24 of Schedule 10 to the Companies Act 2006 as applied by paragraph 28 of Schedule 5 of the Local Audit and Accountability Act 2014<sup>(15)</sup>).

### **Amendments to the Public Interest Disclosure (Prescribed Persons) Order (Northern Ireland) 1999**

**18.**—(1) The Schedule to the Public Interest Disclosure (Prescribed Persons) Order (Northern Ireland) 1999<sup>(16)</sup> is amended as follows.

(2) In the entry relating to the Financial Reporting Council Limited and its Conduct Committee, in the second column—

(a) after “Matters relating to—” insert—

“(za) exercising the functions of the competent authority under the Statutory Auditors and Third Country Auditors Regulations 2016 and under Regulation (EU) 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities;”;

(b) omit paragraph (c);

(c) for paragraph (d) substitute—

“(d) exercising, in relation to third country auditors (as defined by section 1261 of the Companies Act 2006), functions—

(i) of the Secretary of State under Part 42 of that Act, delegated under that Part,

(ii) under the arrangements within Schedule 12 to that Act, and

(iii) of the designated body under the Statutory Auditors and Third Country Auditors Regulations 2013;”;

(d) for paragraph (f) substitute—

“(f) the investigation of, and enforcement action in relation to, conduct of the persons listed below, and the holding of disciplinary hearings concerning those persons in matters which raise or appear to raise important issues affecting the public interest—

(i) accountants, and

(ii) actuaries;”;

(e) omit paragraph (g).

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<sup>(15)</sup> Paragraph 24 of Schedule 10 to the Companies Act 2006 was repealed by [S.I. 2016/649](#), however it was saved by that instrument in relation to local audit carried out under the Local Audit and Accountability Act 2014.

<sup>(16)</sup> S.R. (NI) [1999 No 401](#); the Schedule to that instrument was last substituted by S.R. (NI) [2014 No 48](#).