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SCHEDULES

SCHEDULE 10

Section 1217

RECOGNISED SUPERVISORY BODIES

PART 1

GRANT AND REVOCATION OF RECOGNITION OF A SUPERVISORY BODY

Application for recognition of supervisory body

- 1 (1) A supervisory body may apply to the Secretary of State for an order declaring it to be a recognised supervisory body for the purposes of this Part of this Act (“a recognition order”).
- (2) Any such application must be—
- (a) made in such manner as the Secretary of State may direct, and
 - (b) accompanied by such information as the Secretary of State may reasonably require for the purpose of determining the application.
- (3) At any time after receiving an application and before determining it the Secretary of State may require the applicant to furnish additional information.
- (4) The directions and requirements given or imposed under sub-paragraphs (2) and (3) may differ as between different applications.
- (5) The Secretary of State may require any information to be furnished under this paragraph to be in such form or verified in such manner as he may specify.
- (6) Every application must be accompanied by—
- (a) a copy of the applicant's rules, and
 - (b) a copy of any guidance issued by the applicant in writing.
- (7) The reference in sub-paragraph (6)(b) to guidance issued by the applicant is a reference to any guidance or recommendation—
- (a) issued or made by it to all or any class of its members or persons seeking to become members,
 - (b) relevant for the purposes of this Part, and
 - (c) intended to have continuing effect,
- including any guidance or recommendation relating to the admission or expulsion of members of the body, so far as relevant for the purposes of this Part.

Grant and refusal of recognition

- 2 (1) The Secretary of State may, on an application duly made in accordance with paragraph 1 and after being furnished with all such information as he may require

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under that paragraph, make or refuse to make a recognition order in respect of the applicant.

- (2) The Secretary of State may make a recognition order only if it appears to him, from the information furnished by the body and having regard to any other information in his possession, that the requirements of Part 2 of this Schedule are satisfied in the case of that body.
- (3) The Secretary of State may refuse to make a recognition order in respect of a body if he considers that its recognition is unnecessary having regard to the existence of one or more other bodies which—
 - (a) maintain and enforce rules as to the appointment and conduct of statutory auditors, and
 - (b) have been or are likely to be recognised.
- (4) Where the Secretary of State refuses an application for a recognition order he must give the applicant a written notice to that effect—
 - (a) specifying which requirements, in the opinion of the Secretary of State, are not satisfied, or
 - (b) stating that the application is refused on the ground mentioned in sub-paragraph (3).
- (5) A recognition order must state the date on which it takes effect.

Revocation of recognition

- 3 (1) A recognition order may be revoked by a further order made by the Secretary of State if at any time it appears to him—
 - (a) that any requirement of Part 2 of this Schedule is not satisfied in the case of the body to which the recognition order relates (“the recognised body”),
 - (b) that the body has failed to comply with any obligation imposed on it by or by virtue of this Part of this Act, or
 - (c) that the continued recognition of the body is undesirable having regard to the existence of one or more other bodies which have been or are to be recognised.
- (2) An order revoking a recognition order must state the date on which it takes effect, which must be after the period of three months beginning with the date on which the revocation order is made.
- (3) Before revoking a recognition order the Secretary of State must—
 - (a) give written notice of his intention to do so to the recognised body,
 - (b) take such steps as he considers reasonably practicable for bringing the notice to the attention of the members of the body, and
 - (c) publish the notice in such manner as he thinks appropriate for bringing it to the attention of any other persons who are in his opinion likely to be affected.
- (4) A notice under sub-paragraph (3) must—
 - (a) state the reasons for which the Secretary of State proposes to act, and
 - (b) give particulars of the rights conferred by sub-paragraph (5).

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- (5) A person within sub-paragraph (6) may, within the period of three months beginning with the date of service or publication of the notice under sub-paragraph (3) or such longer period as the Secretary of State may allow, make written representations to the Secretary of State and, if desired, oral representations to a person appointed for that purpose by the Secretary of State.
- (6) The persons within this sub-paragraph are—
 - (a) the recognised body on which a notice is served under sub-paragraph (3),
 - (b) any member of the body, and
 - (c) any other person who appears to the Secretary of State to be affected.
- (7) The Secretary of State must have regard to any representations made in accordance with sub-paragraph (5) in determining whether to revoke the recognition order.
- (8) If in any case the Secretary of State considers it essential to do so in the public interest he may revoke a recognition order without regard to the restriction imposed by sub-paragraph (2), even if—
 - (a) no notice has been given or published under sub-paragraph (3), or
 - (b) the period of time for making representations in pursuance of such a notice has not expired.
- (9) An order revoking a recognition order may contain such transitional provision as the Secretary of State thinks necessary or expedient.
- (10) A recognition order may be revoked at the request or with the consent of the recognised body and any such revocation is not subject to—
 - (a) the restrictions imposed by sub-paragraphs (1) and (2), or
 - (b) the requirements of sub-paragraphs (3) to (5) and (7).
- (11) On making an order revoking a recognition order in respect of a body the Secretary of State must—
 - (a) give written notice of the making of the order to the body,
 - (b) take such steps as he considers reasonably practicable for bringing the making of the order to the attention of the members of the body, and
 - (c) publish a notice of the making of the order in such manner as he thinks appropriate for bringing it to the attention of any other persons who are in his opinion likely to be affected.

Transitional provision

- 4 A recognition order made and not revoked under—
 - (a) paragraph 2(1) of Schedule 11 to the Companies Act 1989 (c. 40), or
 - (b) paragraph 2(1) of Schedule 11 to the Companies (Northern Ireland) Order 1990 (S.I. 1990/593 (N.I. 5)),before the commencement of this Chapter of this Part of this Act is to have effect after the commencement of this Chapter as a recognition order made under paragraph 2(1) of this Schedule.

Orders not statutory instruments

- 5 Orders under this Part of this Schedule shall not be made by statutory instrument.

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PART 2

REQUIREMENTS FOR RECOGNITION OF A SUPERVISORY BODY

Holding of appropriate qualification

- 6 (1) The body must have rules to the effect that a person is not eligible for appointment as a statutory auditor unless—
- (a) in the case of an individual^[F1] other than an EEA auditor], he holds an appropriate qualification,
 - [^{F2}(aa) in the case of an individual who is an EEA auditor—
 - (i) he holds an appropriate qualification,
 - (ii) he has been authorised on or before 5 April 2008 to practise the profession of company auditor pursuant to the European Communities (Recognition of Professional Qualifications) (First General System) Regulations 2005 (S.I. 2005/18) and has fulfilled any requirements imposed pursuant to regulation 6 of those Regulations, or
 - (iii) he has passed an aptitude test in accordance with sub-paragraph (2), unless an aptitude test is not required (see sub-paragraph (2A)).]
 - (b) in the case of a firm—
 - (i) each individual responsible for statutory audit work on behalf of the firm is eligible for appointment as a statutory auditor, and
 - (ii) the firm is controlled by qualified persons (see paragraph 7 below).
- [^{F3}(2) The aptitude test—
- (a) must test the person'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 the person, and
 - (iii) the knowledge of which is essential for the pursuit of the profession of statutory auditor;
 - (b) may test the person's knowledge of rules of professional conduct;
 - (c) must not test the person's knowledge of any other matters.
- (2A) No aptitude test is required if the subjects that are covered by a recognised professional qualification and the knowledge of which is essential for the pursuit of the profession of statutory auditor are covered by the professional qualification already held by the person.]
- (3) A firm which has ceased to comply with the conditions mentioned in sub-paragraph (1)(b) may be permitted to remain eligible for appointment as a statutory auditor for a period of not more than three months.

Textual Amendments

F1 Words in Sch. 10 para. 6(1)(a) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 17\(2\)](#)

F2 Sch. 10 para. 6(1)(aa) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 17\(3\)](#)

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F3 Sch. 10 para. 6(2)(2A) substituted (6.4.2008) for Sch. 10 para. 6(2) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 17\(4\)](#)

- 7 (1) This paragraph explains what is meant in paragraph 6(1)(b) by a firm being “controlled by qualified persons”.
- (2) In this paragraph references to a person being qualified are—
- (a) in relation to an individual, to his holding—
- (i) an appropriate qualification, or
- (ii) a corresponding qualification to audit accounts under the law of [^{F4}an EEA State] , or part of [^{F4}an EEA State] , other than the United Kingdom;
- (b) in relation to a firm, to its—
- (i) being eligible for appointment as a statutory auditor, or
- (ii) being eligible for a corresponding appointment as an auditor under the law of [^{F4}an EEA State] , or part of [^{F4}an EEA State] , other than the United Kingdom.
- (3) A firm is to be treated as controlled by qualified persons if, and only if—
- (a) a majority of the members of the firm are qualified persons, and
- (b) where the firm's affairs are managed by a board of directors, committee or other management body, a majority of that body are qualified persons or, if the body consists of two persons only, at least one of them is a qualified person.
- (4) A majority of the members of a firm means—
- (a) where under the firm's constitution matters are decided upon by the exercise of voting rights, members holding a majority of the rights to vote on all, or substantially all, matters;
- (b) in any other case, members having such rights under the constitution of the firm as enable them to direct its overall policy or alter its constitution.
- (5) A majority of the members of the management body of a firm means—
- (a) where matters are decided at meetings of the management body by the exercise of voting rights, members holding a majority of the rights to vote on all, or substantially all, matters at such meetings;
- (b) in any other case, members having such rights under the constitution of the firm as enable them to direct its overall policy or alter its constitution.
- (6) Paragraphs 5 to 11 of Schedule 7 to this Act (rights to be taken into account and attribution of rights) apply for the purposes of this paragraph.

Textual Amendments

F4 Words in Sch. 10 para. 7(2)(a)(ii)(b)(ii) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 18\(2\)](#)

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Auditors to be fit and proper persons

- 8 (1) The body must have adequate rules and practices designed to ensure that the persons eligible under its rules for appointment as a statutory auditor are fit and proper persons to be so appointed.
- (2) The matters which the body may take into account for this purpose in relation to a person must include—
- (a) any matter relating to any person who is or will be employed by or associated with him for the purposes of or in connection with statutory audit work;
 - (b) in the case of a body corporate, any matter relating to—
 - (i) any director or controller of the body,
 - (ii) any other body corporate in the same group, or
 - (iii) any director or controller of any such other body; and
 - (c) in the case of a partnership, any matter relating to—
 - (i) any of the partners,
 - (ii) any director or controller of any of the partners,
 - (iii) any body corporate in the same group as any of the partners, or
 - (iv) any director or controller of any such other body.
- (3) Where the person is a limited liability partnership, in sub-paragraph (2)(b) “director” is to be read as “member”.
- (4) In sub-paragraph (2)(b) and (c) “controller”, in relation to a body corporate, means a person who either alone or with an associate or associates is entitled to exercise or control the exercise of 15% or more of the rights to vote on all, or substantially all, matters at general meetings of the body or another body corporate of which it is a subsidiary.

Professional integrity and independence

- 9 (1) The body must have adequate rules and practices designed to ensure that—
- (a) statutory audit work is conducted properly and with integrity,^{F5} . . .
 - (b) persons are not appointed as statutory auditors in circumstances in which they have an interest likely to conflict with the proper conduct of the audit.
 - [^{F6}(c) persons appointed as statutory auditors take steps to safeguard their independence from any significant threats to it,
 - (d) persons appointed as statutory auditors record any such threats and the steps taken to safeguard the proper conduct of the audit from them, and
 - (e) remuneration received or receivable by a statutory auditor in respect of statutory audit work is not—
 - (i) influenced or determined by the statutory auditor providing other services to the audited person, or
 - (ii) on a contingent fee basis.]
- (2) The body must participate in arrangements within paragraph 21, and the rules and practices mentioned in sub-paragraph (1) must include provision requiring compliance with any standards for the time being determined under such arrangements.
- [^{F7}(3) The body must also have adequate rules and practices designed to ensure that—

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- (a) no firm is eligible under its rules for appointment as a statutory auditor unless the firm has arrangements to prevent any person from being able to exert any influence over the way in which a statutory audit is conducted in circumstances in which that influence would be likely to affect the independence or integrity of the audit;
- (b) any rule of law relating to the confidentiality of information received in the course of statutory audit work by persons appointed as statutory auditors is complied with; and
- (c) a person ceasing to hold office as a statutory auditor makes available to his successor in that office all relevant information which he holds in relation to that office.]

[^{F8}(4) The rules referred to in sub-paragraph (3)(b) (confidentiality of information) must apply to persons who are no longer members of the body as they apply to members and any fine imposed in the enforcement of those rules shall be recoverable by the body as a debt due to it from the person obliged to pay it.]

Textual Amendments

- F5** Word in Sch. 10 para. 9(1)(a) omitted (6.4.2008) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 19(2)**
- F6** Sch. 10 para. 9(1)(c)-(e) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 19(3)**
- F7** Sch. 10 para. 9(3) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 19(4)**
- F8** Sch. 10 para. 9(4) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 19(5)**

Technical standards

- 10 (1) The body must have rules and practices as to—
- (a) the technical standards to be applied in statutory audit work, and
 - (b) the manner in which those standards are to be applied in practice.
- (2) The body must participate in arrangements within paragraph 22, and the rules and practices mentioned in sub-paragraph (1) must include provision requiring compliance with any standards for the time being determined under such arrangements.

[^{F9}Technical standards for group audits

Textual Amendments

- F9** Sch. 10 para. 10A and preceding cross-heading inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 20**

- 10A (1) The body must have rules and practices as to technical standards ensuring that group auditors—

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- (a) review for the purposes of a group audit the audit work conducted by other persons, and
 - (b) record that review.
- (2) The body must participate in arrangements within paragraph 22, and the rules and practices mentioned in sub-paragraph (1) must include provision requiring compliance with any standards for the time being determined under such arrangements.
- (3) The body must also have rules and practices ensuring that group auditors—
- (a) retain copies of any documents necessary for the purposes of the review that they have received from third country auditors who are not covered by working arrangements under section 1253E, or
 - (b) agree with those third country auditors proper and unrestricted access to those documents on request.
- (4) The body's rules and practices must ensure that group auditors make those documents available on request to—
- (a) the body;
 - (b) any other body with which the body has entered into arrangements for the purposes of paragraph 23 or 24 (independent arrangements for monitoring and investigation);
 - (c) the Secretary of State.
- (5) The body may provide that the rules and practices referred to in sub-paragraphs (3) and (4) do not apply if, after taking all reasonable steps, a group auditor is unable to obtain the copies of the documents or the access to the documents necessary for the review.
- (6) If the body does so provide, its rules and practices must ensure that the group auditor records—
- (a) the steps taken to obtain copies of or access to those documents,
 - (b) the reasons why the copies or access could not be obtained, and
 - (c) any evidence of those steps or those reasons.
- (7) In this paragraph—
- “group auditor” means a person appointed as statutory auditor to conduct an audit of group accounts;
 - “group” has the same meaning as in Part 15 of this Act (see section 474).]

[^{F10}Public interest entity reporting requirements

Textual Amendments

F10 Sch. 10 paras. 10B, 10C and respective preceding cross-headings inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 21**

- 10B (1) The body must have adequate rules and practices designed to ensure that persons appointed as statutory auditors of public interest entities report to the entity's audit committee (if it has one) at least once in each calendar year at any time during which they hold the office of statutory auditor.

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- (2) The report must include—
- (a) a statement in writing confirming the person's independence from the public interest entity;
 - (b) a description of any services provided by the person to the public interest entity other than in his capacity as statutory auditor;
 - (c) a description of any significant threats to the person's independence;
 - (d) an explanation of the steps taken by the person to safeguard his independence from those threats;
 - (e) a description of any material weaknesses arising from the statutory audit in the public interest entity's internal control in relation to the preparation of accounts; and
 - (f) any other significant matters arising from the statutory audit.
- (3) The body must participate in arrangements within paragraph 22A (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 such arrangements.
- (4) In this paragraph, “audit committee” means a body which performs the functions referred to in Article 41.2 of the Audit Directive or equivalent functions.

Public interest entity independence requirements

- 10C (1) The body must have adequate rules and practices designed to ensure that—
- (a) an individual does not accept an appointment by a public interest entity as statutory auditor if—
 - (i) he has been the statutory auditor of the entity for a continuous period of more than seven years, and
 - (ii) less than two years have passed since he was last the statutory auditor of the entity;
 - (b) where a firm has been appointed by a public interest entity as statutory auditor, an individual may not be a key audit partner if—
 - (i) he has been a key audit partner in relation to audits of the entity for a continuous period of more than seven years, and
 - (ii) less than two years have passed since he was last the key audit partner in relation to an audit of the entity.
- (2) The body must participate in arrangements within paragraph 22B (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 such arrangements.
- (3) The body must also have adequate rules and practices designed to ensure that—
- (a) an individual who has been appointed by a public interest entity as statutory auditor may not be appointed as a director or other officer of the entity during a period of two years commencing on the date on which his appointment as statutory auditor ended;
 - (b) a key audit partner of a firm which has been appointed by a public interest entity as statutory auditor may not be appointed as a director or other officer of the entity during a period of two years commencing on the date on which his work as key audit partner ended.

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- (4) The rules referred to in sub-paragraph (3) must apply to persons who are no longer members of the body as they apply to members and any fine imposed in the enforcement of those rules shall be recoverable by the body as a debt due to it from the person obliged to pay it.
- (5) An auditor of a public interest entity is not to be regarded as an officer of the entity for the purposes of sub-paragraph (3)(a) and (b).
- (6) For the purposes of this paragraph—
 - (a) a “key audit partner” is an individual identified by a firm appointed as statutory auditor as being primarily responsible for the statutory audit; and
 - (b) a key audit partner of a firm appointed as statutory auditor of a parent undertaking or a material subsidiary undertaking of a public interest entity is to be treated as if he were a key audit partner of the firm appointed as statutory auditor of the public interest entity.]

Procedures for maintaining competence

- 11 The body must have rules and practices designed to ensure that persons eligible under its rules for appointment as a statutory auditor continue to maintain an appropriate level of competence in the conduct of statutory audits.

Monitoring and enforcement

- 12 [F11(1) The body must—
- (a) have adequate resources for the effective monitoring and enforcement of compliance with its rules, and
 - (b) ensure that those resources may not be influenced improperly by the persons monitored.
- (1A) The body must—
- (a) have adequate arrangements for the effective monitoring and enforcement of compliance with its rules, and
 - (b) ensure that those arrangements operate independently of the persons monitored.]
- (2) The arrangements for monitoring may make provision for that function to be performed on behalf of the body (and without affecting its responsibility) by any other body or person who is able and willing to perform it.
- [F12(3) The arrangements for enforcement must include provision for—
- (a) sanctions which include—
 - (i) the withdrawal of eligibility for appointment as a statutory auditor; and
 - (ii) any other disciplinary measures necessary to ensure the effective enforcement of the body's rules; and
 - (b) the body making available to the public information relating to steps it has taken to ensure the effective enforcement of its rules.]

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Textual Amendments

- F11** Sch. 10 para. 12(1)(1A) substituted for Sch. 10 para. 12(1) (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 22(2)**
- F12** Sch. 10 para. 12(3) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 22(3)**

[^{F13}Monitoring of audits]

Textual Amendments

- F13** Words in Sch. 10 para. 13 cross-heading substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 23**

- [^{F14}13 (1) The body must—
- (a) in the case of members of the body who do not perform any statutory audit functions in respect of major audits, have adequate arrangements for enabling the performance by its members of statutory audit functions to be monitored by means of inspections;
 - (b) in the case of members of the body who perform any statutory audit functions in respect of major audits, participate in arrangements within paragraph 23(1); and
 - (c) have rules designed to ensure that members of the body take such steps as may reasonably be required of them to enable their performance of any statutory 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 statutory audit functions in respect of major 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 statutory 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) statutory audit work, or
 - (ii) equivalent work on the audit of accounts under the law of an EEA State, or part of an EEA State, other than the United Kingdom;
 - (c) have received adequate training in the conduct of inspections;
 - (d) do not have any interests likely to conflict with the proper conduct of the inspection.
- (5) The inspection must review one or more statutory audits in which the person to whom the inspection relates has participated.
- (6) The inspection must include an assessment of—

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- (a) the person's compliance with the body's rules established for the purposes of paragraphs 9 (professional integrity and independence), 10 (technical standards), 10A (technical standards for group audits) and 10C (public interest entity independence requirements);
 - (b) the resources allocated by the person to statutory audit work;
 - (c) in the case of an inspection in relation to a firm, its internal quality control system;
 - (d) the remuneration received by the person in respect of statutory audit work.
- (7) 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.
- (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 in every calendar year, deliver to the Secretary of State a summary of the results of inspections conducted under this paragraph.
- (10) In this paragraph—
- “major audit” means a statutory audit conducted in respect of—
 - (a) a public interest entity, or
 - (b) any other person in whose financial condition there is a major public interest; - “statutory audit function” means any function performed as a statutory auditor.]

Textual Amendments

F14 Sch. 10 para. 13 substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 23](#)

Membership, eligibility and discipline

- 14 The rules and practices of the body relating to—
- (a) the admission and expulsion of members,
 - (b) the grant and withdrawal of eligibility for appointment as a statutory auditor, and
 - (c) the discipline it exercises over its members,
- must be fair and reasonable and include adequate provision for appeals.

Investigation of complaints

- 15 (1) The body must have effective arrangements for the investigation of complaints against—
- (a) persons who are eligible under its rules for appointment as a statutory auditor, and

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- (b) the body in respect of matters arising out of its functions as a supervisory body.
- (2) The arrangements mentioned in sub-paragraph (1) may make provision for the whole or part of that function to be performed by and to be the responsibility of a body or person independent of the body itself.

Independent investigation for disciplinary purposes of public interest cases

- 16 (1) The body must—
- (a) participate in arrangements within paragraph 24(1), and
 - (b) have rules and practices designed to ensure that, where the designated persons have decided that any particular disciplinary action should be taken against a member of the body following the conclusion of an investigation under such arrangements, that decision is to be treated as if it were a decision made by the body in disciplinary proceedings against the member.
- (2) In sub-paragraph (1) “the designated persons” means the persons who, under the arrangements, have the function of deciding whether (and if so, what) disciplinary action should be taken against a member of the body in the light of an investigation carried out under the arrangements.

Transfer of papers to third countries

- 16A (1) The body must have adequate rules and practices designed to ensure that persons eligible under its rules for appointment as a statutory auditor deliver audit working papers to a third country competent authority only if—
- (a) the authority has entered into arrangements with the Secretary of State in accordance with section 1253E (working arrangements); and
 - (b) the following four conditions are met.
- (2) The first condition is that the competent authority has requested the audit working papers for the purposes of an investigation.
- (3) The second condition is that the competent authority has given to the Secretary of State notice of its request.
- (4) The third condition is that the papers relate to the audit of a body which—
- (a) has issued securities in the country or territory in which the competent authority is established, or
 - (b) forms part of a group issuing statutory consolidated accounts in that country or territory.
- (5) The fourth condition is that no legal proceedings have been brought (whether continuing or not) in relation to the auditor or audit to which the working papers relate.
- (6) The body must also have adequate rules and practices designed to ensure that a person eligible under its rules for appointment as a statutory auditor may refuse to deliver audit working papers to a third country competent authority if the Secretary of State certifies that the delivery of the papers would adversely affect the sovereignty, security or public order of the United Kingdom.

Status: Point in time view as at 01/10/2009. This version of this schedule contains provisions that are not valid for this point in time.
Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, SCHEDULE 10. (See end of Document for details)

VALID FROM 15/11/2010

*[^{F15}Transfer to approved third country competent authority***Textual Amendments**

F15 Sch. 10 paras. 16A-16AB and respective cross-headings substituted for Sch. 10 para. 16A and cross-heading (15.11.2010) by [The Companies Act 2006 \(Transfer of Audit Working Papers to Third Countries\) Regulations 2010 \(S.I. 2010/2537\)](#), regs. 1(2), **5**

- 16AA The requirements of this paragraph are that—
- (a) the transfer is to an approved third country competent authority, and
 - (b) the Secretary of State has approved the transfer.

Modifications etc. (not altering text)

C1 Sch. 10 paras. 16A-16AB applied (15.11.2010) by [The Companies Act 2006 \(Transfer of Audit Working Paper to Third Countries\) Regulations 2010 \(S.I. 2010/2537\)](#), regs. 1(2), **8**

VALID FROM 15/11/2010

Transfer for purposes of investigation of auditor

- 16AB (1) The requirements of this paragraph are that—
- (a) the transfer to the third country competent authority is made for the purposes of an investigation of an auditor or audit firm, and
 - (b) the following conditions are met.
- (2) The first condition is that the authority has requested the audit working papers for the purposes of an investigation which has been initiated by itself or another third country competent authority established in the same third country.
 - (3) The second condition is that the audit working papers relate to audits of companies that—
 - (a) have issued securities in that third country, or
 - (b) form part of a group issuing statutory consolidated accounts in that third country.
 - (4) The third condition is that, where the authority has made the request for the audit working papers directly to the statutory auditor, the authority has given the Secretary of State advance notice of the request, indicating the reasons for it.
 - (5) The fourth condition is that the authority has entered into arrangements with the Secretary of State in accordance with section 1253E.]

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Modifications etc. (not altering text)

- C2** Sch. 10 paras. 16A-16AB applied (15.11.2010) by [The Companies Act 2006 \(Transfer of Audit Working Paper to Third Countries\) Regulations 2010 \(S.I. 2010/2537\)](#), regs. 1(2), **8**

Meeting of claims arising out of audit work

- 17 (1) The body must have adequate rules or arrangements designed to ensure that persons eligible under its rules for appointment as a statutory auditor take such steps as may reasonably be expected of them to secure that they are able to meet claims against them arising out of statutory audit work.
- (2) This may be achieved by professional indemnity insurance or other appropriate arrangements.

Register of auditors and other information to be made available

- 18 The body must have rules requiring persons eligible under its rules for appointment as a statutory auditor to comply with any obligations imposed on them by—
- (a) requirements under section 1224 (Secretary of State's power to call for information);
 - (b) regulations under section 1239 (the register of auditors);
 - (c) regulations under section 1240 (information to be made available to the public).

Taking account of costs of compliance

- 19 The body must have satisfactory arrangements for taking account, in framing its rules, of the cost to those to whom the rules would apply of complying with those rules and any other controls to which they are subject.

Promotion and maintenance of standards

- 20 The body must be able and willing—
- (a) to promote and maintain high standards of integrity in the conduct of statutory audit work, and
 - (b) to co-operate, by the sharing of information and otherwise, with the Secretary of State and any other authority, body or person having responsibility in the United Kingdom for the qualification, supervision or regulation of auditors.

^{F16} Interpretation

Textual Amendments

- F16** Sch. 10 para. 20A and preceding cross-heading inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), **reg. 25**

- 20A In this Part of this Schedule—

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“public interest entity” means an issuer—
(a) whose transferable securities are admitted to trading on a regulated market; and
(b) the audit of which is a statutory audit (see section 1210(1));
“issuer” and “regulated market” have the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see sections 102A to 103); and
“transferable securities” means anything which is a transferable security for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.]

PART 3

ARRANGEMENTS IN WHICH RECOGNISED SUPERVISORY BODIES ARE REQUIRED TO PARTICIPATE

Arrangements for setting standards relating to professional integrity and independence

- 21 The arrangements referred to in paragraph 9(2) are appropriate arrangements—
(a) for the determining of standards for the purposes of the rules and practices mentioned in paragraph 9(1), and
(b) for ensuring that the determination of those standards is done independently of the body.

Arrangements for setting technical standards

- 22 The arrangements referred to in [^{F17}paragraphs 10(2) and 10A(2)] are appropriate arrangements—
(a) for the determining of standards for the purposes of the rules and practices mentioned in [^{F18}paragraphs 10(1) and 10A(1) respectively] , and
(b) for ensuring that the determination of those standards is done independently of the body.

Textual Amendments

- F17** Words in Sch. 10 para. 22 substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 26\(2\)](#)
F18 Words in Sch. 10 para. 22(a) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 26\(3\)](#)

[^{F19}Arrangements for setting standards relating to public interest entity reporting requirements

Textual Amendments

- F19** Sch. 10 paras. 22A, 22B and respective preceding cross-headings inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 27](#)

- 22A The arrangements referred to in paragraph 10B(3) are appropriate arrangements—

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- (a) for the determining of standards for the purposes of the rules and practices mentioned in paragraph 10B(1), and
- (b) for ensuring that the determination of those standards is done independently of the body.

*Arrangements for setting standards relating to
public interest entity independence requirements*

- 22B The arrangements referred to in paragraph 10C(2) are appropriate arrangements—
- (a) for the determining of standards for the purposes of the rules and practices mentioned in paragraph 10C(1), and
 - (b) for ensuring that the determination of those standards is done independently of the body.]

*Arrangements for independent monitoring of
audits of listed companies and other major bodies*

- 23 (1) The arrangements referred to in [^{F20}paragraph 13(1)(b)] are appropriate arrangements—
- (a) for enabling the performance by members of the body of statutory audit functions in respect of major audits to be monitored by means of inspections carried out under the arrangements, and
 - (b) for ensuring that the carrying out of such monitoring and inspections is done independently of the body.

[^{F21}(1A) Subject to sub-paragraph (1C), the arrangements referred to in sub-paragraph (1) must include provision for an inspection conducted in relation to each person eligible for appointment as a statutory auditor at least once every three years.

(1B) Sub-paragraphs (4) to (9) of paragraph 13 apply in relation to inspections under sub-paragraph (1A) as they apply in relation to inspections under that paragraph.

(1C) The arrangements referred to in sub-paragraph (1) may provide that the body performing the inspections may decide that all or part of the inspection referred to in sub-paragraph (1A) is not required in the case of a member of a supervisory body who performs statutory audit functions in respect of ten or fewer major audits per year.

(1D) If—

- (a) the arrangements make the provision referred to in sub-paragraph (1C), and
- (b) the body performing the inspections decides that all of an inspection is not required in relation to a member,

the supervisory body must ensure that the arrangements referred to in paragraph 13(1)(a) apply in relation to that member, subject to the modification specified in sub-paragraph (1F).

(1E) If—

- (a) the arrangements make the provision referred to in sub-paragraph (1C), and
- (b) the body performing the inspections decides that part of an inspection is not required in relation to a member,

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the supervisory body must ensure that the arrangements referred to in paragraph 13(1)(a) apply in relation to that part of the inspection of that member, subject to the modification specified in sub-paragraph (1F).

- (1F) For the purposes of sub-paragraphs (1D) and (1E), paragraph 13(3) applies with the substitution of three years for “six years”.]
- (2) In this paragraph “major audit” and “statutory audit function” have the same meaning as in paragraph 13.

Textual Amendments

- F20** Words in Sch. 10 para. 23(1) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 28\(2\)](#)
- F21** Sch. 10 para. 23(1A)-(1F) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 28\(3\)](#)

VALID FROM 01/10/2011

^{F22}Arrangements for independent monitoring of third country audits

Textual Amendments

- F22** Sch. 10 para. 23A inserted (1.10.2011 with application in accordance with reg. 1(6)) by [The Statutory Auditors and Third Country Auditors \(Amendment\) Regulations 2011 \(S.I. 2011/1856\)](#), [reg. 5\(4\)](#)

- 23A (1) The arrangements referred to in paragraph 13(1)(ba) are appropriate arrangements—
- (a) for enabling the performance by members of the body of third country audit functions to be monitored by means of inspections carried out under the arrangements, and
 - (b) for ensuring that the carrying out of such monitoring and inspections is done independently of the body.
- (2) Those arrangements must provide that the body performing the inspections—
- (a) may decide that an inspection referred to in sub-paragraph (1) is not required, or that part of an inspection is not required, in relation to a member, and
 - (b) may direct that the arrangements referred to in sub-paragraph (3) apply in relation to the member or apply to such extent as may be specified in the direction.
- (3) The supervisory body must have adequate arrangements for enabling the performance by its members of third country audit functions to be monitored by means of inspections for cases where a direction is given under sub-paragraph (2) (b).
- (4) In this paragraph “third country audit function” means any function related to the audit of a UK-traded non-EEA company.]

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Arrangements for independent investigation for disciplinary purposes of public interest cases

- 24 (1) The arrangements referred to in paragraph 16(1) are appropriate arrangements—
- (a) for the carrying out of investigations into public interest cases arising in connection with the performance of statutory audit functions by members of the body,
 - (b) for the holding of disciplinary hearings relating to members of the body which appear to be desirable following the conclusion of such investigations,
 - (c) for requiring such hearings to be held in public except where the interests of justice otherwise require,
 - (d) for the persons before whom such hearings have taken place to decide whether (and, if so, what) disciplinary action should be taken against the members to whom the hearings related, and
 - (e) for ensuring that the carrying out of those investigations, the holding of those hearings and the taking of those decisions are done independently of the body.
- (2) In this paragraph—
- “public interest cases” means matters which raise or appear to raise important issues affecting the public interest;
 - “statutory audit function” means any function performed as a statutory auditor.

Supplementary: arrangements to operate independently of body

- 25 (1) This paragraph applies for the purposes of—
- (a) paragraph 21(b),
 - (b) paragraph 22(b),
 - (c) paragraph 23(1)(b), or
 - (d) paragraph 24(1)(e).
- (2) Arrangements are not to be regarded as appropriate for the purpose of ensuring that a thing is done independently of the body unless they are designed to ensure that the body—
- (a) will have no involvement in the appointment or selection of any of the persons who are to be responsible for doing that thing, and
 - (b) will not otherwise be involved in the doing of that thing.
- (3) Sub-paragraph (2) imposes a minimum requirement and does not preclude the possibility that additional criteria may need to be satisfied in order for the arrangements to be regarded as appropriate for the purpose in question.

Supplementary: funding of arrangements

- 26 The body must pay any of the costs of maintaining any arrangements within paragraph 21, 22, 23 or 24 which the arrangements provide are to be paid by it.

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Supplementary: scope of arrangement

- 27 Arrangements may qualify as arrangements within any of paragraphs 21, 22, 23 and 24 even though the matters for which they provide are more extensive in any respect than those mentioned in the applicable paragraph.

Status:

Point in time view as at 01/10/2009. This version of this schedule contains provisions that are not valid for this point in time.

Changes to legislation:

There are currently no known outstanding effects for the Companies Act 2006, SCHEDULE 10.