

## SCHEDULES

### SCHEDULE 12

Section 1242

#### ARRANGEMENTS IN WHICH REGISTERED THIRD COUNTRY AUDITORS ARE REQUIRED TO PARTICIPATE

##### *Arrangements for independent monitoring of audits of traded non-Community companies*

- 1 (1) The arrangements referred to in section 1242(1)(a) are appropriate arrangements—
- (a) for enabling the performance by the registered third country auditor 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 registered third country auditor.
- (2) In this paragraph “third country audit function” means any function performed as a third country auditor.

##### *Arrangements for independent investigations for disciplinary purposes*

- 2 (1) The arrangements referred to in section 1242(1)(b) are appropriate arrangements—
- (a) for the carrying out of investigations into matters arising in connection with the performance of third country audit functions by the registered third country auditor,
  - (b) for the holding of disciplinary hearings relating to the registered third country auditor 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 registered third country auditor, 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 registered third country auditor.
- (2) In this paragraph—
- “disciplinary action” includes the imposition of a fine; and
  - “third country audit function” means any function performed as a third country auditor.

##### *Supplementary: arrangements to operate independently of third country auditor*

- 3 (1) This paragraph applies for the purposes of—
- (a) paragraph 1(1)(b), or
  - (b) paragraph 2(1)(e).

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*Status: This is the original version (as it was originally enacted).*

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- (2) Arrangements are not to be regarded as appropriate for the purpose of ensuring that a thing is done independently of the registered third country auditor unless they are designed to ensure that the registered third country auditor—
  - (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*

- 4 (1) The registered third country auditor must pay any of the costs of maintaining any relevant arrangements which the arrangements provide are to be paid by it.
- (2) For this purpose “relevant arrangements” are arrangements within paragraph 1 or 2 in which the registered third country auditor is obliged to participate.

*Supplementary: scope of arrangements*

- 5 Arrangements may qualify as arrangements within either of paragraphs 1 and 2 even though the matters for which they provide are more extensive in any respect than those mentioned in the applicable paragraph.

*Specification of particular arrangements by the Secretary of State*

- 6 (1) If there exist two or more sets of arrangements within paragraph 1 or within paragraph 2, the obligation of a registered third country auditor under section 1242(1) (a) or (b), as the case may be, is to participate in such set of arrangements as the Secretary of State may by order specify.
- (2) An order under sub-paragraph (1) is subject to negative resolution procedure.