
STATUTORY INSTRUMENTS

2007 No. 3494

The Statutory Auditors and Third
Country Auditors Regulations 2007

PART 4

RECOGNISED SUPERVISORY BODIES

Public interest entity reporting and independence requirements

21. After paragraph 10A of Schedule 10 to the Companies Act 2006 (inserted by regulation 20 above) insert—

“Public interest entity reporting requirements

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.

(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.
- (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.”.

Changes to legislation:

There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2007, Section 21.