



# ICAEW LOCAL AUDIT REGULATIONS

EFFECTIVE FROM 1 JUNE 2023

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These Local Audit Regulations are based on the current (company) Audit Regulations. As far as possible changes have been minimised given the local auditor requirements draw heavily on the auditor requirements in the Companies Act 2006, with which firms should be familiar.

References to registered auditor have been amended to local auditor where relevant. Those parts of the audit regulations that relate only to the Institute of Chartered Accountants of Scotland and Chartered Accountants Ireland have been deleted entirely.

## CONTENTS

Abbreviations .....	4
Introduction .....	5
Section 1: General .....	6
Scope and status.....	6
Definitions and interpretation .....	6
Commencement .....	6
Notifications.....	6
Schedule 1: Definitions and interpretation .....	7
Definitions .....	7
Interpretation .....	12
Section 2: Eligibility, application for registration, continuing obligations and cessation of registration .....	13
Eligibility .....	13
Application for registration .....	14
Continuing obligations .....	14
Changes in circumstances.....	15
Fees .....	15
Dispensation.....	16
Cessation of registration .....	16
Section 3: Conduct of audit work.....	18
Independence and integrity .....	18
Technical standards .....	18
Audit Report .....	19
Maintaining competence.....	19
Monitoring .....	19
Section 4: Appropriate qualifications and key audit partners .....	20
Key audit partner .....	20
Cessation of key audit partner status.....	20
Section 5: Local audit affiliates.....	21
General .....	21
Granting of local audit affiliate status .....	21
Withdrawal of local audit affiliate status .....	21
Cessation of local audit affiliate status.....	22
Changes in circumstances.....	22
Review of regulatory decisions .....	22
Implementation of decisions .....	22
Fees .....	22
Disciplinary arrangements .....	23
Section 6: The committees .....	24
Registration Committee .....	24
Notification to committees.....	26
Review Committee .....	26
Appeal Committee .....	26
Procedures of the committees .....	26
Section 7: Regulatory action .....	27
Sanctions under the auditor sanctions procedure .....	27
Restrictions and conditions.....	27
Withdrawal of registration .....	27

Suspension .....	28
Urgent orders .....	28
Implementation of committee decisions and orders .....	28
Section 8: Representation before committees, review and appeal .....	29
Representation before committees .....	29
Review of regulatory decisions .....	29
Appeal .....	30
Section 9: Disciplinary arrangements .....	31
Application of disciplinary arrangements.....	31
Regulatory penalties.....	31

# ***Abbreviations***

The following abbreviations are used in these regulations and accompanying guidance.

Act	Local Audit and Accountability Act 2014
2006 Act	Companies Act 2006
ICAEW	Institute of Chartered Accountants in England and Wales
ICAI	The Institute of Chartered Accountants in Ireland operating as Chartered Accountants Ireland
ICAS	The Institute of Chartered Accountants of Scotland
FRC	Financial Reporting Council
ACCA	Association of Chartered Certified Accountants
CPD	Continuing professional development
ISA	International Standards on Auditing (UK and Ireland)
ISQC 1	International Standard on Quality Control (UK and Ireland) 1
PII	Professional indemnity insurance
RSB	Recognised supervisory body
RQB	Recognised qualifying body

# Introduction

1. ICAEW is a Recognised Supervisory Body (RSB) for the purposes of regulating company (under the Companies Act 2006) and local auditors (under the Local Audit and Accountability Act 2014). As a RSB, ICAEW must have rules setting out how local auditors are regulated. Guidance is provided on how these should be followed.
2. ICAEW has issued the Local Audit Regulations to ensure:
  - local auditors maintain high standards of audit work;
  - the reputation of local auditors with the public is maintained;
  - the application of the regulations is fair but firm;
  - the regulations are clear; and
  - the regulations apply to all sizes of firm.
3. local auditors must comply with the regulations, which require them to:
  - carry out audit work with integrity;
  - be and be seen to be independent;
  - comply with auditing standards;
  - make sure that all principals and employees are fit and proper persons; and
  - make sure that all principals and employees are competent and continue to be competent to carry out audit work.
4. Separate guidance is given in a separate document to help firms apply the regulations.
5. As each firm is different, no guidance can be sufficiently comprehensive to cover all firms. Firms may develop other procedures to comply with these regulations, but it is compliance with the regulations that is important.
6. The regulations should be read in conjunction with:
  - ICAEW's Code of Ethics (including the fundamental principles);
  - publications issued by the Financial Reporting Council:
    - *International Standards on Auditing (UK and Ireland)*;
    - *International Standards on Quality Control (UK and Ireland)*;
    - *Ethical Standards*;
    - *Guidance to Recognised Supervisory Bodies on the Approval of Key Audit Partners for Local Audit*.
  - the Code of Audit Practice issued by the comptroller and auditor general;
  - relevant financial reporting standards issued under section 32 of the Act;
  - relevant parts of local audit legislation; and
  - the Professional Indemnity Insurance (PII) Regulations.
7. ICAEW publishes *Regulatory & Conduct News* which often covers articles on audit related matters. In addition, *Audit News*, an email update, is issued by ICAEW and contains information for local auditors, including changes to the regulations.
8. Schedule 1 to section 1 contains definitions and interpretation of these regulations which apply to the regulations and the related guidance. A word or phrase which is defined in schedule 1 is printed in *italics* when used in the regulations.

# Section 1: General

## SCOPE AND STATUS

- 1.01 These *regulations* apply to *firms* seeking registration and to *firms* registered by ICAEW as eligible for appointment as a *local auditor* under the *Act*. The *regulations* also apply to *principals* and *key audit partners* of the *firm*. In certain instances, the *regulations* continue to apply notwithstanding that registration has ceased.
- 1.02 These *regulations* are issued by authority of *Council*.

## DEFINITIONS AND INTERPRETATION

- 1.03 The definitions of terms used in the *regulations* and the rules of interpretation are in schedule 1 to this section. Sub-headings are not part of the *regulations* and are for guidance only.

## COMMENCEMENT

- 1.04 These *regulations* come into force on 1 June 2023.
- These *regulations* apply to the *audits of relevant authorities* for accounting periods commencing on or after:
- 1 April 2017 for health audits (in accordance with Department of Health announcements (October 2015); and
  - 1 April 2018 for local government audits (in accordance with Department for Communities and Local Government announcements (October 2015).

1.04 A [Not used]

1.05 [Not used]

1.06 [Not used]

## NOTIFICATIONS

- 1.07 Any notice or document may be served on ICAEW by sending it to:

ICAEW  
Professional Conduct Department  
Metropolitan House  
321 Avebury Boulevard  
Milton Keynes  
MK9 2FZ UK

or as otherwise notified to *firms*.

- 1.08 Any notice, decision, order or other document which needs to be served on a *firm* or other person under these *regulations* will be delivered by hand, sent by fax or post, or email:
- a if it is delivered by hand to the addressee service will take effect immediately;
  - b if sent by fax, it will be sent to the latest fax number given by the addressee and service will take effect immediately;
  - c if sent by post, it will be sent to the latest address given by the addressee and service will take effect two business days after posting; or
  - d if sent by email it must be sent to the latest email address notified by the addressee and service will take effect immediately.

# Schedule 1: Definitions and interpretation

## DEFINITIONS

In the regulations the following words have the following meanings.

the Act	<p><b>The Local Audit and Accountability Act 2014 and every other enactment which is made under or is to be read together with that Act.</b></p> <p>(Note: The Act incorporates Part 42 and schedule 10 of the 2006 Act with changes in relation to local audits made by virtue of Schedule 5 to the Act. Therefore, references to sections of the Act in these regulations are to the equivalent 2006 Act section as it is applied in relation to local audits by Schedule 5 to the Act.)</p>
the 2006 Act	<p><b>The Companies Act 2006.</b></p>
affiliate	<p><b>A person who holds affiliate status under ICAEW's <i>Audit Regulations</i>, DPB (investment business) handbook, Insolvency Regulations, Probate Regulations or regulations governing the use of the description 'Chartered Accountants' and general affiliates.</b></p>
Appeal Committee	<p><b>The committee appointed under ICAEW's <i>bye-laws</i> with responsibility for hearing appeals against a decision of the <i>Review Committee</i> under these <i>regulations</i>. When a committee discharges these functions, its members are to be treated as officers of ICAEW for the purpose of regulation 2.04e.</b></p>
appropriate qualification	<p><b>In relation to the <i>audit of relevant authorities</i>, an individual holds an appropriate qualification if the individual:</b></p> <ul style="list-style-type: none"><li>• holds a qualification awarded by a recognised qualifying body under section 1219(1)a of the <i>Act</i>;</li><li>• holds a qualification awarded by a recognised qualifying body under section 1219 of the <i>2006 Act</i>; or</li><li>• was a member of an <i>institute</i>, ACCA or the Chartered Institute of Public Finance and Accountancy before 1 November 2015 or had started a course of study leading to a professional qualification in accountancy with one of those bodies before 1 November 2015 and became a member before 1 November 2021.</li></ul>
audit	<p><b>Any function in respect of a <i>relevant authority</i> which is required by the <i>Act</i> to be performed by a <i>local auditor</i>;</b></p>
audit client	<p><b>Any <i>relevant authority</i> whose accounts are being audited under these <i>regulations</i> by a <i>local auditor</i>.</b></p>



audit compliance principal	<p><b>An individual who holds an <i>appropriate qualification</i> and who is either a <i>principal of the local auditor</i> (or a sole practitioner where the <i>local auditor</i> is a sole practice) or a member of its <i>management board</i> who is responsible for monitoring that the <i>local auditor</i> has complied, and is likely to continue to comply, with these <i>regulations</i>, and whose identity is notified in writing to ICAEW and who is the first point of contact with ICAEW in connection with these <i>regulations</i>.</b></p> <p>The audit compliance principal for these regulations and under ICAEW's audit regulations can be the same individual.</p>
audit report	<b>A report by a <i>local auditor</i> which relates to an <i>audit</i>.</b>
audit regulations	<b>ICAEW's regulations dealing with the registration and regulation of company auditors under the 2006 Act.</b>
auditing standards	<b>The basic principles and essential procedures (shown in bold type) in the International Standards on Auditing (UK and Ireland) which are to be construed and applied having regard to the explanatory text and other material in those standards; issued by, or with the authority of, the Financial Reporting Council.</b>
audit work	<b>Any work done by or on behalf of the <i>local auditor</i> in respect of an <i>audit</i>.</b>
audit working papers	<p><b>Material (whether in the form of data stored on paper, film, electronic media or other media or otherwise) prepared by or for, or obtained by the <i>local auditor</i> in connection with the performance of the <i>audit</i> concerned and includes:</b></p> <ul style="list-style-type: none"> <li><b>a the record of audit procedures performed;</b></li> <li><b>b relevant audit evidence obtained; and</b></li> <li><b>c conclusions reached.</b></li> </ul>
auditor sanctions procedure	<b>The rules and practices of the <i>FRC</i> (the Auditors Regulatory Sanctions Procedure) provide for a <i>sanction</i> determined by it arising from independent monitoring of <i>major local audits</i> under UK law to be treated as if it were a <i>sanction</i> which ICAEW, acting as a <i>recognised supervisory body (RSB)</i>, had itself determined.</b>
body corporate	<b>An entity that has a legal personality (including a limited liability partnership) and a similar body constituted under the laws of a country or territory outside the United Kingdom.</b>
business day	<b>A day excluding weekends and public holidays.</b>
bye-laws	<b><i>The bye-laws of ICAEW.</i></b>
Code of Audit Practice	<b>The code (or codes) prepared by the comptroller and auditor general under schedule 6 of the <i>Act</i> prescribe the way in which <i>local auditors</i> are to carry out their functions under the <i>Act</i>.</b>
Conduct Committee	<b>The committee appointed under ICAEW <i>bye-laws</i>, with responsibility for considering allegations against members, firms and others as specified in the <i>bye-laws</i>. When a committee discharges these functions, its members are to be treated as officers of ICAEW for the purpose of <i>regulation 2.04 e</i>.</b>

corporate  
practice

***A body corporate, excluding a limited liability partnership.***

Council

**The Council of ICAEW under Clause 2 of the Supplemental Royal Charter of 21 December 1948.**

director	<b>Any person occupying the position of director (called by whatever name) in a <i>corporate practice</i>. Also, any person under whose directions or instructions the directors of the <i>corporate practice</i> are used to acting.</b>
employee	<b>Anyone who carries out audit work for a <i>local auditor</i>, including a sub-contractor or a consultant.</b>
ethical standards	<b>The basic principles and essential procedures (shown in bold type) in the Ethical Standards issued by the Financial Reporting Council which are to be construed and applied having regard to the explanatory text and other material in those standards.</b>
EEA auditor	<b>An individual who holds a qualification to audit accounts under the law of an EEA member state other than the UK.</b>
EEA audit firm	<b>A <i>firm</i> eligible for appointment as an auditor under the law of an EEA member state.</b> An EEA member state is any country that is a signatory to the European Union and European Community Treaties (i.e., EU member states) and Iceland, Liechtenstein, Norway. Gibraltar is also treated as an EEA member state by the 2006 Act.
Financial Reporting Council (FRC)	<b>The Financial Reporting Council Limited, a company limited by guarantee incorporated in England and Wales, number 2486368 and any other body which takes over its functions under the <i>auditor sanctions procedure</i> and which, pursuant to the <i>Act</i>, is responsible for the supervision of <i>recognised supervisory bodies</i>.</b>
firm	<ul style="list-style-type: none"> <li><b>a an individual who engages in the profession of accountancy as a sole practitioner;</b></li> <li><b>b a partnership which engages in the profession of accountancy;</b></li> <li><b>c a limited liability partnership which engages in the profession of accountancy; or</b></li> <li><b>d a <i>corporate practice</i> which engages in the profession of accountancy.</b></li> </ul>
ICAEW	<b>The Institute of Chartered Accountants in England and Wales.</b>
institute(s)	<ul style="list-style-type: none"> <li><b>a the Institute of Chartered Accountants in England and Wales (ICAEW);</b></li> <li><b>b the Institute of Chartered Accountants of Scotland (ICAS); or</b></li> <li><b>c the Institute of Chartered Accountants in Ireland (ICAI) operating as Chartered Accountants Ireland.</b></li> </ul>

key audit partner	<b>A <i>principal</i> or employee responsible for <i>audit work</i> and designated as such under <i>regulation</i> 4.01.</b>
local auditor	<b>A <i>firm</i> entered on the <i>register</i> as eligible for appointment as a <i>local auditor</i> under section 1239 of the <i>Act</i>.</b>
local audit affiliate	<b>A person granted local audit affiliate status by ICAEW for the purposes of these <i>regulations</i>.</b>
major local audit	<b>An audit conducted in respect of a <i>relevant authority</i> is defined as a major local audit in the Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014.</b>
management board	<b>Any committee, board or other management body that is responsible for setting and directing the implementation of the <i>firm's</i> policies.</b>
monitoring unit	<b>ICAEW or any body undertaking monitoring in accordance with paragraph 12 or paragraph 23 of schedule 10 of the <i>Act</i></b>
PII regulations	<b>the Professional Indemnity Insurance Regulations of ICAEW.</b>
practice notes	<b>Practice notes and bulletins issued by, or with the authority of, the Financial Reporting Council.</b>
principal	<b>An individual in sole practice, (where the <i>firm</i> is a sole practice), a person who is a partner (including both salaried and equity partners) (where the <i>firm</i> is a partnership), a member of a limited liability partnership (where the <i>firm</i> is a limited liability partnership) a <i>director</i> (where the <i>firm</i> is a company) or any individual who is held out as being a company director, partner or member.</b>
quality control standards	<b>The basic principles and essential procedures (shown in bold type) in the International Standards on Quality Control (UK and Ireland) which are to be construed and applied having regard to the explanatory text and other material in those standards, as issued by the Financial Reporting Council.</b>
recognised supervisory body	<b>A body recognised under the <i>Act</i> for the purposes of the registration and supervision of <i>local auditors</i>.</b>
register	<b>The register of <i>local auditors</i> compiled under section 1239 of the <i>Act</i>.</b>
registered auditor	<b>A <i>firm</i> entered on the <i>register</i> as eligible for appointment as a statutory auditor under section 1239 of the <i>2006 Act</i>.</b>

Registration Committee	<b>The committee appointed under ICAEW’s bye-laws with responsibility for discharging the functions set out in section 6 or any sub-committee of that committee. When a committee discharges these functions, its members are to be treated as officers of ICAEW for the purpose of regulation 2.04e.</b>
regulations	<b>These regulations as modified or amended.</b>
regulatory penalty	<b>An amount imposed with the consent of a <i>local auditor</i> as a penalty for breaches of these <i>regulations</i> which the <i>local auditor</i> agrees have been committed.</b>
relevant authority	<b>A person or body listed in schedule 2 of the <i>Act</i>.</b>
Review Committee	<b>Any committee appointed under <i>ICAEW’s</i> bye-laws with responsibility for reviewing decisions made by the <i>Registration Committee</i> as specified in these <i>regulations</i>. When a committee discharges these functions, its members are to be treated as officers of ICAEW for the purpose of regulation 2.04e.</b>
Sanction	<b>Any regulatory action including the imposition of conditions or restrictions, suspension or withdrawal of registration, and imposition of a <i>regulatory penalty</i>.</b>
Tribunals Committee	<b>The committee appointed under <i>ICAEW’s</i> bye-laws with responsibility for disciplining members, firms, and others in accordance with the <i>bye-laws</i>. When a committee discharges these functions, its members are to be treated as officers of ICAEW for the purpose of <i>regulation 2.04e</i>.</b>
voting rights	<b>The rights to vote on all or substantially all matters at meetings of principals or shareholders of the body in question. In deciding what voting rights are to be taken into account, paragraphs 5 to 11 of schedule 7 to the <i>2006 Act</i> apply to <i>corporate practices</i> and limited liability partnerships, and paragraphs 5 to 7 and 11 of that schedule apply to partnerships.</b>

## INTERPRETATION

Words and expressions have the meanings given by the Act and the Interpretation Act 1978 unless defined in these regulations. The definitions in these regulations take precedence.

In these regulations words importing the singular number include the plural number and vice versa. Words importing the masculine gender include the feminine. Headings do not affect the interpretation of these regulations. These regulations will be governed by, and interpreted according to, English law.

Any references to legislation, regulations, bye-laws, rules, standards, or other documents, will apply to any re-enactment, re-issue or amendment.

# **Section 2: Eligibility, application for registration, continuing obligations and cessation of registration**

2.01 No ICAEW member or *firm* may accept an *audit* appointment unless registered by a recognised supervisory body.

## **ELIGIBILITY**

2.02 The *Registration Committee* may register a *firm* only if the committee is satisfied that:

- a the *firm* is fit and proper to be appointed as a *local auditor*;
- b the *firm* has professional indemnity insurance or other appropriate arrangements as required by the *PII regulations*;
- c the *firm* has appointed an *audit compliance principal* whose name has been given to ICAEW;
- d each *key audit partner* has been designated in accordance with *regulation 4.01*;
- e if the *firm* is a sole practice, the sole practitioner is a *key audit partner* and the *audit compliance principal* (and if not a member of an *institute* or a member of the Association of Chartered Certified Accountants is a *local audit affiliate*); and
- f if the *firm* is not a sole practice, the *firm* meets the additional requirements of *regulation 2.03*.

2.03 The additional requirements for a *firm* which is not a sole practice are:

- a each *principal* is either:
  - 1) a member of an *institute*;
  - 2) a member of ACCA;
  - 3) an *affiliate* or a *local audit affiliate*;
  - 4) a *registered auditor* or a *local auditor*;
  - 5) an *EEA auditor* who is also an *affiliate* or *local audit affiliate*; or
  - 6) an *EEA audit firm* which is also an *affiliate* or *local audit affiliate*.
- b individuals who have an appropriate qualification, registered auditors, local auditors, EEA auditors, EEA audit firms or a combination of these hold at least a majority of the voting rights or hold such rights under the firm's constitution as enable them to direct its overall policy or alter its constitution;
- c individuals who have an appropriate qualification, registered auditors, local auditors, EEA auditors, EEA audit firms or a combination of these hold at least a majority of the voting rights in the management board or hold such rights under the firm's constitution as enable them to direct its overall policy or alter its constitution; and
- d where the *firm* is a *corporate practice* the Articles of Association:
  - 1) require its shareholders to notify it of any changes in the number of shares held in the *corporate practice*, whether the shares are held directly or indirectly;
  - 2) enable the board of *directors* to require shareholders to supply information about their shareholdings in the *corporate practice* over the previous three years;
  - 3) enable the board of *directors* to require any non-shareholder whom the *directors* know or have reasonable cause to believe has or had an interest in the shares of the *corporate practice* to supply information about their interests in the previous three years;
  - 4) enable the board of *directors* to deprive any shareholder of the right to vote if the information asked for in *regulation 2.03d.2* or *2.03d.3* is not given in the time specified in the request;

- 5) enable the board of *directors* to deprive any shareholder of the right to vote if the *corporate practice's* application for registration is rejected under *regulation 2.05*, or registration has been withdrawn under *regulation 7.03*, and the *corporate practice* has been told that the refusal or withdrawal relates to the ownership of any shareholding; and
- 6) require the board of *directors* to approve any transfer of shares which would result in a shareholder having an interest representing more than 3% of the aggregate nominal value of the issued share capital.

Note: A firm that is a registered auditor would meet the requirements of regulations 2.02 and 2.03 other than in relation to key audit partners (regulation 2.02d). However, it would have to apply for registration as a local auditor.

## APPLICATION FOR REGISTRATION

- 2.04** A *firm* that wishes to register must apply in the manner that the *Registration Committee* decides. The application must include the following:
- a any information that the *Registration Committee* may require to assess the ability of the *firm* to carry out *audit work*;
  - b a declaration made with the authority of the *firm* that it agrees to be bound by these *regulations* and will make sure that it complies with these *regulations* at all times;
  - c a declaration made with the authority of the *firm* that it will deal with ICAEW in an open and cooperative manner and inform ICAEW promptly about anything concerning the *firm* that these *regulations* require;
  - d the name and address of the *audit compliance principal*; and
  - e an acknowledgement by the *firm* that none of ICAEW, its officers or staff, members of its *Council* or a *monitoring unit* or the Committees or staff of the *Financial Reporting Council*, can be held liable in damages for anything done or not done in dealing with any of the functions connected with registration under the *Act* or under these *regulations* or enforcing the terms of either or the monitoring of compliance with these *regulations* in any respect, unless the act or omission is shown to have been in bad faith.
- 2.05** The Registration Committee may:
- a grant the application;
  - b reject the application;
  - c grant the application subject to restrictions or conditions; or
  - d postpone consideration of the application.

## CONTINUING OBLIGATIONS

- 2.06** A *local auditor* must continue to meet the requirements of these *regulations*.
- 2.07** Subject to *regulations 2.17* to *2.20*, a *local auditor* must not continue as an auditor if it ceases to meet one or more of the eligibility requirements of *regulation 2.02* or *2.03*.
- 2.08** A *local auditor* must cooperate with ICAEW, its staff, committees, a *monitoring unit* or a *disciplinary scheme*.
- 2.09** A *local auditor* or former *local auditor* on whom ICAEW serves a notice requesting information or notice of a visit under *regulation 2.23* or *6.02k* (or upon whom a notice is served requesting information under the *Act*) must comply with such notice within such period as ICAEW may allow (or in the case of a notice served under the *Act*, as the notice provides).
- 2.10** Where a registered auditor, local auditor or an EEA audit firm is a principal or shareholder in another local auditor, then its interests at meetings of principals, the management board or shareholders must be represented by an individual who is either the holder of an appropriate qualification or is an EEA auditor.

**2.10a** A *local auditor* must provide such returns, statements or other information as considered necessary and in a form decided by the *Registration Committee*.

## CHANGES IN CIRCUMSTANCES

**2.11** A *local auditor* must inform ICAEW in writing as soon as practicable, but not later than ten *business days* after the event:

- a of any matter, whether relating to the *firm* or to any of its *principals* or *employees*, which could mean that the *firm* is no longer fit and proper to be appointed as a *local auditor*;
- b if the *firm* is no longer complying with the *PII regulations*;
- c of any other changes which might affect a *firm's* eligibility to be registered or its ability to conduct *audit work*;
- d of any change in:
  - 1) the name or trading names of the *firm*;
  - 2) the addresses of the *firm's* offices;
  - 3) the names or principal business address of any of the *firm's principals* or *key audit partners* including new *principals* or *key audit partners*; or
  - 4) the name or address of the *audit compliance principal*;
- e if a *key audit partner* leaves the firm or ceases to be a *key audit partner*;
- f in the case of a *corporate practice*, of any change in:
  - 1) the name or address of a shareholder or anyone with any interest in the shares; and
  - 2) any change in the number of shares held by a shareholder or in the number of shares in which anyone has an interest;
- g of any change in the website address of the *firm*; or
- h of any change in the name or business address of any member of the *management board*.

**2.12** A *local auditor* which is a member of a network must:

- a maintain a list of the names and addresses of all:
  - 1) other *firms* in the network and their affiliates; and
  - 2) its own affiliates;
- b make that list available to members of the public;
- c update the list with any changes no later than ten *business days* after the change; and
- d inform *ICAEW* of the location of the list and of any change to the location no later than ten *business days* after the change.

Note: For the purposes of this regulation a network is a larger structure aimed at cooperation which a *local auditor* belongs to and which is:

- controlled by the local auditor;
- clearly aimed at profit or cost sharing;
- under common ownership, control or management; or
- affiliated or associated with the local auditor through common quality control policies and procedures, a common business strategy, the use of a common brand-name or through the sharing of significant common resources.

For the purposes of this regulation an affiliate means any entity, regardless of legal form, which is connected to a firm by means of common ownership, control or management.

## FEES

**2.13** A *local auditor* must pay such registration fees (to include any costs that ICAEW has required or has agreed to pay to any other person or body exercising a regulatory or



supervisory role in relation to it) as *ICAEW* determines, at the times and at the rates set by it.

- 2.14 The first registration fee is due when a *firm* applies for registration. An application fee is also payable with this first fee.
- 2.15 *ICAEW* may charge a *local auditor* to which its representatives have made a second or subsequent visit as a result of an earlier visit. The *Registration Committee* will decide how much the fee will be.
- 2.16 If a *local auditor* has not paid any fees under *regulation 2.13* or *regulation 2.15*, within 60 days of the invoice date, *ICAEW* may withdraw its registration.

## DISPENSATION

- 2.17 If a *local auditor* ceases to meet one or more of the eligibility requirements of *regulation 2.02* or *2.03* (where appropriate), or if it considers that it is impossible or impractical to comply with any other *regulation*, it must notify the *Registration Committee* in writing. The notification must be within ten *business days* of the situation arising and must say what has happened and the action which the *local auditor* proposes to take.
- 2.18 The *Registration Committee* will review the information provided under *regulation 2.17*. If the committee considers the *local auditor* is taking all practical steps and that these will remedy the position, it may grant the *local auditor* a dispensation from the requirement to comply with any *regulation*.
- 2.19 In the case of a matter relating to the additional eligibility requirements for a *local auditor* (set out in *regulation 2.03*) the dispensation will not last for more than 90 days, starting from the date that the situation first arose. In any other case the period will be set by the *Registration Committee*.
- 2.20 The *Registration Committee* will not grant a dispensation under *regulation 2.18* unless the *local auditor* can satisfy the committee that its continued registration during the dispensation period would not adversely affect an *audit client* or any other person.

## CESSATION OF REGISTRATION

- 2.21 A *firm* will cease to be a *local auditor* if:
- a the *Registration Committee* accepts an application from the *firm* to cancel its registration;
  - b the *firm* ceases to exist; or
  - c the *Registration Committee* withdraws registration under *regulation 7.03*.
- 2.22 The *Registration Committee* may require a *firm* which has ceased to be registered to provide evidence that it has resigned from all *audit* appointments.
- 2.23 If a *firm* is no longer a *local auditor*:
- a it must still respond to enquiries (made in writing or by visiting a *firm's* office or offices) from the *Registration Committee* in connection with any circumstance that relates to these *regulations* during the time the *firm* was registered;
  - b it must still respond to enquiries made by another *local auditor* in accordance with *regulation 3.09*;
  - c disciplinary action (including the imposition of a *regulatory penalty*) may still be taken for:
    - 1) any failure to comply with these *regulations* during the time it was registered;
    - 2) any failure to comply with any *regulation* continuing to have effect notwithstanding that registration has ceased;
    - 3) any failure to keep confidential any information received in the course of *audit work*.

**2.24 ICAEW's right to recover any unpaid fees or other amounts due from a *firm* under these regulations does not end when a *firm* is no longer registered.**

# Section 3: Conduct of audit work

## INDEPENDENCE AND INTEGRITY

- 3.01 A *local auditor* must not accept an appointment or continue as an auditor if the *firm* has any interest likely to conflict with the proper conduct of the *audit*.
- 3.02 A *local auditor* must act in accordance with the fundamental principles set out in the Code of Ethics, issued by *Council*, and the *ethical standards*.
- 3.03 A *local auditor* must consider its independence and ability to perform the *audit* properly and record this before it accepts appointment or reappointment as auditor.
- 3.04 A *local auditor* must not accept or continue an *audit* appointment of an entity where:
- a there exists between the *local auditor* and the entity a relationship where the law prohibits the *local auditor* auditing that entity;
  - b the entity is a shareholder in the *local auditor*;
  - c the entity can be influenced by a shareholder in the *local auditor*;
  - d the entity is a principal in the *local auditor*;
  - e the entity, being neither a shareholder or principal in the *local auditor* has the ability to influence the affairs of the *local auditor*;
  - f the *local auditor* is in a position to exercise influence over the entity.
- 3.05 A *local auditor* must always conduct *audit work* properly and with integrity.
- 3.06 A *local auditor* must make arrangements so that each *principal* and anyone the *firm* employs to do *audit work* or permits to be involved in its *audit work* is, and continues to be, a fit and proper person.
- 3.07 A *local auditor* must make arrangements to prevent anyone who is not a *key audit partner* in the *firm* from having any influence which would be likely to affect the independence or integrity of the *audit*.

## TECHNICAL STANDARDS

- 3.08 A *local auditor* must comply with the requirements of the *Act* and other relevant legislation.
- 3.09 When a *local auditor* (the predecessor) ceases to hold a local audit appointment and another *local auditor* (the successor) is appointed, the predecessor must, if requested in writing by the successor, allow the successor access to all relevant information held by the predecessor in respect of its *audit work*. If relevant information is to be sought by the successor, it should be sought and provided in accordance with the guidance for this regulation. Any information obtained by the successor is for the purposes of its *audit* and must not be disclosed to a third party unless the successor is required to do so by a legal or professional obligation.
- 3.10 A *local auditor* must comply with the auditing standards, the quality control standards and the *Code of Audit Practice*.
- 3.11 A *local auditor* must keep all *audit working papers*, which *auditing standards* require for an *audit*, for a period of at least six years. The period starts with the end of the accounting period to which the papers relate.
- 3.12 A *local auditor* must make arrangements so that if any of its *audit work* is carried out by another *firm*, then:
- a all the *audit working papers* created by that *firm* are returned to the *local auditor*; or
  - b the other *firm* agrees to keep those papers as required by *regulation* 3.11 and allows the *local auditor* unrestricted access to the papers for whatever reason.
- 3.13 [Not used]

3.14 [Not used]

3.15 If a *local auditor* is appointed to a *major local audit* client (or a *local auditor* becomes aware that an existing *audit client* is now a *major local audit* client) it must inform the *Registration Committee* in writing as soon as practicable, but not later than 21 *business days* after the event, of the name of the *audit client*, unless the *Registration Committee* has given the *local auditor* a waiver from compliance with this *regulation*.

## AUDIT REPORT

3.16 An *audit report* must:

- a state the name of the *firm* as it appears in the *Register*;
- b include the words '*local auditor*' or '*local auditors*' after the name of the *firm*; and
- c state the name of the *key audit partner* who was in charge of the *audit*, be signed by this person in his own name and in the name of the *firm* and include the words '*key audit partner*' after the name of the *key audit partner*.

3.16 A [Not used]

## MAINTAINING COMPETENCE

3.17 A *local auditor* must make arrangements so that all *principals* and *employees* doing *audit work* are, and continue to be, competent to carry out the *audits* for which they are responsible or employed.

3.18 A *local auditor* must maintain an appropriate level of competence in the conduct of *audits*.

3.19 A *local auditor* must make sure all *principals* and *employees* involved in *audit work* are aware of and comply with these *regulations*, the *Act*, any relevant rules and *regulations* issued under the *Act* and any procedures established by the *firm*.

## MONITORING

3.20 A *local auditor* must monitor, at least once a year, how effectively it is complying with these *regulations* and take action to deal with any issues found and communicate any changes in procedures to *principals* and *employees* on a prompt basis.

3.21 Each *local auditor* (other than a sole practice) must appoint an *audit compliance principal*. A sole practitioner will be the *audit compliance principal*.

# Section 4: Appropriate qualifications and key audit partners

## KEY AUDIT PARTNER

- 4.01** Subject to regulation 4.02 and regulation 4.05 the audit compliance principal may designate as a key audit partner any of the local auditor's principals or employees who:
- a** has an appropriate qualification; or
    - is authorised to act as a local auditor pursuant to the European Communities (Recognition of Professional Qualifications) Regulations 2007;
    - holds an EEA qualification and has passed an aptitude test, if required, in accordance with paragraph 6 of schedule 10 to the 2006 Act; or
    - holds an approved non-EEA qualification and has passed an aptitude test, if required, in accordance with sections 1219 and 1221 of the 2006 Act;
  - b** is competent to conduct *audit work*; and
  - c** is allowed to sign *audit reports* in their name on behalf of the *firm*.
- 4.02** Before a *principal* or *employee* can be designated as a *key audit partner*, the individual must be:
- a** a member of an *institute* and hold a practising certificate;
  - b** a member of ACCA and hold its equivalent of a practising certificate; or
  - c** satisfy the *Registration Committee* of similar experience of *audit work* as would be required of a member of ICAEW and have been granted either *affiliate status* or *local audit affiliate status* under section 5 of these *regulations*.
- Note: for the purposes of this regulation, a practising certificate is a certificate issued to a member by an Institute authorising the member to engage in public practice.
- 4.03** Consultants and sub-contractors cannot be designated as *key audit partners*.
- 4.04** Only *key audit partners* can be responsible for an *audit* and sign an *audit report*.
- 4.05** Any designation in accordance with *regulation* 4.01 shall not be effective until application has been made to the *Registration Committee* in a form specified by it and the application has been approved and the *Registration Committee* may approve the application with conditions or restrictions.
- 4.06** [Not used]
- 4.07** The disciplinary arrangements of ICAEW will apply to breaches of these *regulations* by a *key audit partner* in the same way as they apply to breaches by a member.

## CESSATION OF KEY AUDIT PARTNER STATUS

- 4.08** *Key audit partner* status will cease if:
- a** the *firm* in which the individual is a *key audit partner* ceases to be a *local auditor*;
  - b** the individual ceases to be a *principal* or *employee* in the *local auditor* to which the grant of *key audit partner* status related;
  - c** an event occurs which under the Royal Charters, *bye-laws* or other regulations of ICAEW the individual would cease to be a member, an *affiliate* or a *local audit affiliate*;
  - d** the *audit compliance principal* notifies ICAEW the individual is no longer a *key audit partner*; or
  - e** the *Registration Committee* withdraws *key audit partner* status.
- 4.09** If an individual is no longer a *key audit partner* disciplinary action (including the imposition of a *regulatory penalty*) may still be taken for any failure to keep confidential any information received in the course of *audit work*.

# Section 5: Local audit affiliates

## GENERAL

For the purposes of regulation 2.03, if a principal is not:

- a member of an institute or the ACCA;
- a local auditor or a registered auditor; or
- an affiliate under:
  - the Audit Regulations, DPB Handbook, Insolvency Regulations, the regulations governing the use of the description 'Chartered Accountants' and general affiliates, or the probate regulations of ICAEW.

the person must be a local audit affiliate under these regulations.

If a principal or employee, who is to be designated as a key audit partner, is not a member of an institute or the ACCA the person must be either an affiliate or a local audit affiliate under these regulations.

**5.01 A local audit affiliate can only be responsible for an audit and sign an audit report if designated as a key audit partner under regulation 4.01.**

## GRANTING OF LOCAL AUDIT AFFILIATE STATUS

**5.02 Local audit affiliate status does not give the local audit affiliate any rights other than those contained in these regulations. A local audit affiliate must not make any public statement that they have any such rights.**

**5.03 Persons applying for local audit affiliate status must do so in the manner that the Registration Committee decides.**

**5.04 The Registration Committee may grant local audit affiliate status if the committee is satisfied that the applicant:**

- a is a fit and proper person to be granted local audit affiliate status;
- b has agreed to comply with these regulations;
- c has agreed to observe and uphold the ICAEW Code of Ethics; and
- d has agreed to provide the ICAEW with all the information it requires.

**5.05 The Registration Committee may:**

- a grant the application;
- b reject the application;
- c grant the application subject to restrictions or conditions; or
- d postpone consideration of the application.

## WITHDRAWAL OF LOCAL AUDIT AFFILIATE STATUS

**5.06 The Registration Committee may withdraw a person's local audit affiliate status if, in the opinion of the committee, the local audit affiliate:**

- a is no longer a fit and proper person;
- b has failed to pay on time any fines or costs ordered by the Registration Committee, Review Committee, Tribunals Committee, Appeal Committee or by any committee appointed under the Disciplinary Scheme;
- c becomes subject to a decision by the Tribunals Committee that they should no longer be a local audit affiliate;
- d fails to pay the annual fee within 30 days of the date of a notice to renew local audit affiliate status; or
- e fails or ceases to comply with any of these regulations and, in the circumstances, withdrawal is justified.

## CESSATION OF LOCAL AUDIT AFFILIATE STATUS

**5.07** *Local audit affiliate* status will end if:

- a the *firm* in which the *local audit affiliate* is a *principal* ceases to be a *local auditor*, except where *regulation 5.08* applies;
- b the *local audit affiliate* ceases to be a *principal* in the *local auditor* to which the grant of *local audit affiliate* status related, except where *regulation 5.08* applies;
- c the *local audit affiliate* is an individual and an event occurs which under the Royal Charters, *bye-laws* or other regulations of ICAEW would cause the membership of a member to cease; or
- d the *local audit affiliate* is a body corporate which:
  - 1) has been the subject of an effective resolution passed by the shareholders (or in the case of a limited liability partnership, by its members) for it to be wound up or has had a winding-up order made against it on grounds of insolvency; or
  - 2) has had an administration order made against it on grounds of insolvency; or
  - 3) has had a receiver appointed by a creditor or by a court on the application of a creditor.

**5.08** *Local audit affiliate* status will not end under *regulation 5.07a* or *5.07b* if:

- a the *firm* in which the *local audit affiliate* is a *principal* merges with or is acquired by another *local auditor* registered by ICAEW; or
- b the *local audit affiliate* leaves the *local auditor* in which he is a *principal* and immediately becomes a *principal* in another *local auditor* registered by ICAEW.

This regulation will only apply if ICAEW is notified in writing within ten business days of the change occurring.

## CHANGES IN CIRCUMSTANCES

**5.09** A *local audit affiliate* or the *audit compliance principal* must notify ICAEW in writing within ten *business days* of any changes that are relevant to the matters considered by the *Registration Committee* under *regulation 5.04*, including details of any voluntary insolvency arrangement that the *local audit affiliate* has entered into.

## REVIEW OF REGULATORY DECISIONS

**5.10** A *local audit affiliate* may apply for a review of a decision made under *regulation 5.05* or *5.06* using the same procedures as a *firm* in section 8.

## IMPLEMENTATION OF DECISIONS

**5.11** A decision made under *regulation 5.05* will come into effect as soon as notice of it is served on the *local audit affiliate*. A decision made under *regulation 5.06* will come into effect ten *business days* after notice of it is served on the *local audit affiliate*, except that:

- a if the *local audit affiliate* has applied for a review under *regulation 8.05*, or a hearing under *regulation 8.15*, the decision will not take effect until a decision under *regulation 8.06* or *8.16* has been put into effect; or
- b if the *local audit affiliate* appealed under *regulation 8.08* or *8.19*, the decision will not take effect until an *Appeal Committee* decision under *regulation 8.09* or *8.20* has been put into effect.

## FEES

**5.12** A *local audit affiliate* must pay an annual fee at the time and at the rate set by ICAEW.

- 5.13 The first annual fee is due when an application is made for *local audit affiliate* status. An application fee is also due with this first annual fee.

## **DISCIPLINARY ARRANGEMENTS**

- 5.14 The disciplinary arrangements of ICAEW will apply to breaches of these *regulations* by a *local audit affiliate* in the same way as they apply to breaches by a member.
- 5.15 A *local audit affiliate* will be liable to disciplinary action under these *regulations* for any failure to observe and uphold the fundamental principles set out in the Code of Ethics issued by *Council*.
- 5.16 A *local audit affiliate* will remain liable to disciplinary action under these *regulations* for any acts or omissions during the period in which *local audit affiliate* status was held, even if no longer a *local audit affiliate*.



# Section 6: The committees

## REGISTRATION COMMITTEE

6.01 The *Registration Committee* must:

- a comprise at least eight people;
- b have non-accountants forming at least half of its membership; and
- c have a quorum of four members of which two must be accountants and two non-accountants.

6.02 Subject to the *auditor sanctions procedure*, the *Registration Committee* is responsible for:

- a granting registration;
- b granting registration subject to restrictions or conditions;
- c rejecting applications for registration;
- d withdrawing registration;
- e suspending registration;
- f imposing restrictions or conditions it considers appropriate on how a *local auditor* carries out *audit work*;
- g proposing a *regulatory penalty* it considers appropriate to a *local auditor*;
- h granting or refusing dispensation from the requirements of *regulation 2.02* or *regulation 2.03*;
- i reviewing the returns and reports made under these *regulations*, and investigating failure to make returns or reports;
- j making appropriate enquiries into the eligibility of applicants for: registration; *key audit partner* status; or *local audit affiliate* status (by writing, visiting the office or offices of a *firm*, or in any other way);
- k making appropriate enquiries to confirm that a *local auditor*, *key audit partner*; an *affiliate* or a *local audit affiliate* is complying with these *regulations* (by writing, visiting a *firm's* office or offices, using a periodic return, or in any other way);
- l publishing, in any manner it decides, its orders or decisions if it considers this appropriate;
- m compiling and maintaining the *Register* ;
- n granting applications for *key audit partner* status, with or without restrictions or conditions or rejecting such applications;
- o withdrawing *key audit partner* status; and
- p implementing decisions in accordance with *sanctions* issued against a *firm* or an individual determined under the *auditor sanctions procedure*.

6.03 Except where *regulation 6.04* applies, the *Registration Committee* may delegate its duties to sub-committees, ICAEW staff, a *monitoring unit*, or another duly appointed agent.

6.04 If the matters to be considered by the *Registration Committee* include:

- rejecting applications for registration under *regulation 2.05b*;
- granting applications for registration subject to restrictions under *regulation 2.05c*;
- rejecting applications for *key audit partner* status under *regulation 4.05*;
- granting applications for *key audit partner* status subject to restrictions under *regulation 4.05*;
- withdrawing *key audit partner* status under *regulation 4.08e*;
- rejecting applications for *local audit affiliate* status under *regulation 5.05b*;
- granting applications for *local audit affiliate* status subject to restrictions under *regulation 5.05c*;
- withdrawing *local audit affiliate* status under *regulation 5.06a* or *5.06e*;
- imposing restrictions on registration under *regulation 7.01*;
- withdrawing registration under *regulations 7.03a*, *7.03g*, *7.03h*, or *7.03i*;

- suspending a *firm's* registration under *regulation 7.04*; or
- proposing a *regulatory penalty* under *regulation 7.11* or *9.02*;

then:

- a the committee cannot delegate the decision;
- b at least one half of the committee members present must be accountants; and
- c at least one member of the committee present must not be an accountant.

- 6.05** When the Registration Committee has to decide if a *local auditor* has complied with a regulation, auditing standard, a quality control standard or Code of Audit Practice it must consider any relevant guidance in the regulations, standards, practice notes and any guidance that accompanies the Code of Audit Practice or any issued by Council.
- 6.06** In carrying out its responsibilities under *regulation 6.02*, the *Registration Committee*, any sub-committee, *ICAEW* staff, or a *monitoring unit* may, to the extent necessary for the review of a *firm's* audit work or how it is complying or intends to comply with these *regulations*, require a *local auditor* or an applicant for registration to provide any information, held in whatever form (including electronic), about the *firm* or its clients and to allow access to the *firm's* systems and personnel.
- 6.07** The *Registration Committee* may, for the purposes of these *regulations*, treat as *audit work* any work carried out by a *local auditor* if such status is a requirement for that work.
- 6.08** All information obtained under *regulation 6.06* will be confidential but may be disclosed by *ICAEW* or a *monitoring unit* (directly or indirectly) to any person or body undertaking regulatory, disciplinary or law enforcement responsibilities for the purpose of assisting that person or body to undertake those responsibilities or as otherwise required or allowed by law.
- 6.09** A *firm* which is no longer a *local auditor* will continue to be subject to *regulations 6.02j*, *6.02k* and *6.06* if the enquiries or information relate to any period in which the *firm* was registered.
- 6.10** In carrying out its responsibilities under *regulation 6.02*, the *Registration Committee* may consider any disciplinary findings, orders, on-going investigations or any other information concerning or affecting the fit and proper status of any *key audit partner*, *local audit affiliate* or applicant for *local audit affiliate* status, the *firm* or its *principals*. In particular the *Registration Committee* may take into account the following:
- a any matter relating to any individual who is or will be employed by or associated with the *firm* in connection with *audit work*;
  - b in the case of a *firm* that is a partnership, any matter relating to any:
    - 1) partner;
    - 2) *director* or *controller* of any of the partners;
    - 3) *body corporate* in the same *group* as of any of the partners; or
    - 4) any *controller* of any such body;
  - c if a *principal* in the *firm* is a *body corporate*, any matter relating to any:
    - 1) *principal* or *controller* of that *body corporate*;
    - 2) *body corporate* in the same *group* as the *body corporate*; or
    - 3) *principal* or *controller* of any *body corporate* in that *group*; and
  - d in the case of a *firm* that is a *body corporate*, any matter relating to any:
    - 1) *principal* or *controller* of that *firm*;
    - 2) person having any interest in shares of the *firm*;
    - 3) *body corporate* in the same *group* as the *firm*; or
    - 4) *directors* or *controllers* of any *body corporate* in that *group*.

Note; for the purposes of this regulation:

- a controller is a person who, alone or with any associate or associates, is entitled to exercise or control 15% or more of the rights to vote on all or substantially all matters at

- general meetings of a body corporate, or of another body corporate of which it is a subsidiary undertaking.
- an associate is, in relation to an entity, another entity in which it holds an interest on a long-term basis for the purpose of securing a contribution to its own activities by the exercise of control or influence arising from or related to that interest, or which holds such an interest in it. A holding of 20% or more is presumed to create an associate relationship.
  - a group is a corporate practice, any parent or subsidiary undertakings and any parent or subsidiary undertakings of any of them.

## NOTIFICATION TO COMMITTEES

- 6.11 The *Registration Committee* must notify the *Conduct Committee* about any fact or matter which:
- a suggests that a *local auditor*, member, *affiliate* or *local audit affiliate* may be liable to disciplinary action under these *regulations*, the *bye-laws* or any other regulations of *ICAEW*; and
  - b in the opinion of the *Registration Committee* needs to be investigated.
- 6.12 The *Conduct Committee* must inform the *Registration Committee* about any fact or matter which appears to it to be relevant to the powers and duties of the *Registration Committee* under these *regulations*.

## REVIEW COMMITTEE

- 6.13 Certain matters decided by the *Registration Committee* may be considered afresh by the *Review Committee* (as described in *regulation 8.06*). It may then carry out any of the responsibilities of the *Registration Committee* under *regulation 6.02* and may make any order that the *Registration Committee* may make. In carrying out these duties, *regulation 6.06* applies to the *Review Committee* as it applies to the *Registration Committee*.

## APPEAL COMMITTEE

- 6.14 Appeals against decisions of the *Review Committee* will be decided by the *Appeal Committee*.

## PROCEDURES OF THE COMMITTEES

- 6.15 When considering any matter before it, the *Registration Committee*, the *Review Committee* or the *Appeal Committee* shall, for the purposes of these *regulations*, accept any previous disciplinary finding, conviction, decision, sentence or judgement (including criminal and civil court decisions) as conclusive evidence of that prior matter.
- 6.16 Subject to the *Act*, the *bye-Laws* or these *regulations*, the *Registration Committee*, the *Review Committee* or the *Appeal Committee* may, in carrying out their duties under these *regulations*, decide on their own procedures.

# Section 7: Regulatory action

## SANCTIONS UNDER THE AUDITOR SANCTIONS PROCEDURE

- 7.00 Where, pursuant to an inspection by its monitoring unit of a *firm* which performs statutory audit functions in respect of *major local audits*, the *FRC* has determined a *sanction* in accordance with the *auditor sanctions procedure*, any such *sanction* shall take effect in accordance with the said procedure but shall be treated for the purposes of enforcement as though it had been determined by ICAEW.
- 7.00A The *auditor sanctions procedure* shall apply in respect of any *firm* which performs local audit functions in respect of *major local audits* and is subject to monitoring by the *FRC*.

## RESTRICTIONS AND CONDITIONS

- 7.01 The *Registration Committee* may impose restrictions or conditions on a *local auditor* if it considers that:
- a any of the circumstances mentioned in *regulation 7.03a* to *7.03f* exist, or may exist, and the restrictions or conditions are justified;
  - b the *firm* has not or may not have complied with these *regulations* in the past, and the restrictions or conditions are justified;
  - c the *firm* may not comply with these *regulations* and the restrictions or conditions are justified;
  - d being registered or continuing *audit work* without restrictions or conditions could adversely affect an *audit client* or any other person; or
  - e it is appropriate to do so to ensure that *audit work* is undertaken, supervised and managed effectively.
- 7.02 The *Registration Committee* may at any time vary or end a restriction or condition made under *regulation 7.01*. Where a restriction or condition was made under the *auditor sanctions procedure* and the *firm* has subsequently ceased to perform *major local audits*, the *Registration Committee* may at any time vary or end that restriction or condition after consulting with the *FRC*.

## WITHDRAWAL OF REGISTRATION

- 7.03 The *Registration Committee* may withdraw a *firm's* registration if:
- a it considers that the *firm* no longer meets one or more of the eligibility requirements of *regulations 2.02* or *2.03* (additional criteria for firms that are not sole practices);
  - b it considers that the *firm* is not complying with the *PII regulations*;
  - c the *firm* is over 30 days late submitting the required returns or reports;
  - d the *firm* has not paid the registration fees due under *regulation 2.13* or a charge due under *regulation 2.15* (charge for a monitoring visit) within 60 days of the date of an invoice under *regulation 2.16*;
  - e the *firm* has not paid the costs in the time set by the *Review Committee* under *regulation 8.07*;
  - f the *firm* has not paid in the time set any fines or costs ordered by the *Conduct Committee*, the *Tribunals Committee*, or the *Appeal Committee* or under the *auditor sanctions procedure*, or under the *FRC's* enforcement procedure;
  - g it considers that the *firm* has not complied with any restriction or condition under *regulation 7.01* or any written undertaking that the *firm* has given to ICAEW;
  - h it considers that the *firm* has not complied with any other *regulation* and, in the circumstances, withdrawal is justified;
  - i it considers that the continued registration of the *firm* may adversely affect an *audit client* or any other person; or
  - j it considers that the *firm* has not complied with any restriction, condition or obligation imposed under the *auditor sanctions procedure*.

## SUSPENSION

- 7.04** The *Registration Committee* may suspend a *local auditor's* registration for a period if it considers that:
- a any of the circumstances mentioned in *regulation 7.03a to 7.03g* exists or may exist;
  - b the *firm* is, or may, no longer be complying with these *regulations*; or
  - c the continuation of the *firm's audit* activities could adversely affect an *audit client* or any other person.
- 7.05** During a period of suspension a *local auditor*:
- a need not resign from any appointment as auditor under the *Act*;
  - b may accept re-appointment as auditor;
  - c must not accept any new appointments; and
  - d may only sign *audit reports* with the permission of the *Registration Committee*.
- 7.06** The *Registration Committee* may vary or end a suspension made under *regulation 7.04*. Where a suspension was made under the *auditor sanctions procedure* and the *firm* has subsequently ceased to perform *major local audits*, the *Registration Committee* may at any time vary or end that suspension after consulting with the *FRC*.

## URGENT ORDERS

- 7.07** The *Registration Committee* may impose restrictions or conditions or suspend a *firm's* registration in the terms permitted by *regulation 7.01 or 7.04* by means of an urgent order if it considers that there is a need to do so.
- 7.08** *Regulation 7.07* is subject to the *Registration Committee* allowing the *firm* an opportunity to make oral or written representations within ten *business days* of the urgent order being made. Having considered any representations the committee may:
- a end the order; or
  - b continue the order.

## IMPLEMENTATION OF COMMITTEE DECISIONS AND ORDERS

- 7.09** A decision made under *regulations 2.05, 2.18, 4.05, 7.04, 7.07 or 8.09* will come into effect as soon as notice of it is served on the *firm*.
- 7.10** A decision made under *regulations 7.01, 7.03 or 4.08e* will come into effect ten *business days* after notice of it is served on the *firm* or *key audit partner* or any later time that the committee specifies, except:
- a if a *firm* or *key audit partner* has applied for a review or hearing under *regulation 8.05*, the order will be postponed until an order under *regulation 8.06* has been put into effect; or
  - b if a *firm* or *key audit partner* has appealed under *regulation 8.08 or 8.19*, the order will be postponed until an *Appeal Committee* order under *regulation 8.09* has been put into effect.

# Section 8: Representation before committees, review and appeal

The regulations in this section are not applicable in respect of any sanction determined under the auditor sanctions procedure. The review and appeal process for those sanctions is set out in the FRC's Auditor Regulatory Sanctions Procedure, a copy of which is available on the FRC website at [www.frc.org.uk](http://www.frc.org.uk).

**8.01** In regulations 8.02 to 8.10, "affected party" means a *firm*, an applicant for *key audit partner* status, a *key audit partner*, an applicant for *local audit affiliate* status or a *local audit affiliate*.

## REPRESENTATION BEFORE COMMITTEES

**8.02** Only the following may attend a meeting of the *Registration Committee*:

- a members of the *Registration Committee*;
- b the secretary to the committee;
- c any member of ICAEW staff whose role is to advise or inform the committee on its responsibilities, duties, powers or procedures, including the bye-laws, regulations or the law; and
- d anyone else the committee permits.

**8.03** At meetings of the *Review Committee* and the *Appeal Committee*, the affected party, a representative or agent of *ICAEW*, or a *monitoring unit* may attend and be represented. Witnesses may be present at the *Review Committee* and the *Appeal Committee* in accordance with the committees' procedures or *regulations*.

**8.04** The *Registration Committee*, the *Review Committee* and the *Appeal Committee* may ask the affected party, *ICAEW*, a *monitoring unit*, any employee or agent of *ICAEW* to clarify relevant points. The affected party must be given the opportunity to comment on any clarification made by others.

## REVIEW OF REGULATORY DECISIONS

**8.05** Within ten *business days* of the *Registration Committee* serving a decision or order on the affected party, it can apply to the *Review Committee* for a review of that decision or order. The affected party must apply in writing to *ICAEW*. This applies to the following *regulations*:

- Regulation 2.05b* refusing to grant registration;
- Regulation 2.05c* granting of registration subject to conditions or restrictions;
- Regulation 2.18* granting or refusing to grant a dispensation from the *regulations*;
- Regulation 4.05* refusing to grant *key audit partner* status or granting such status subject to conditions or restrictions;
- Regulation 4.08e* withdrawing *key audit partner* status;
- Regulation 5.05b* refusing to grant *local audit affiliate* status;
- Regulation 5.05c* granting *local audit affiliate status* subject to conditions or restrictions;
- Regulation 5.06* withdrawing *local audit affiliate* status;
- Regulation 7.01* imposing restrictions or conditions;
- Regulation 7.03* withdrawing registration;
- Regulation 7.04* suspending registration; or
- Regulation 7.07* an urgent order.

- 8.06** A meeting of the *Review Committee* will be arranged as soon as is practical after an affected party has applied under *regulation 8.05*. The *Review Committee* will consider the matter afresh and will hear new material put forward by the affected party. The *Review Committee* may make any decision which the *Registration Committee* could have made.
- 8.07** The *Review Committee* may order an affected party to contribute to the costs of the review.

## **APPEAL**

- 8.08** Within ten *business days* of the *Review Committee* serving its decision on an affected party under *regulation 8.06* the affected party can appeal to the *Appeal Committee* by writing to *ICAEW*. An appeal can only be made on one or more of the following grounds:
- a that the *Review Committee*:
    - 1) was wrong in law;
    - 2) wrongly interpreted any relevant *regulation, bye-law, auditing standard, quality control standard, Code of Audit Practice* or associated guidance; or
    - 3) did not comply with these *regulations*, or procedures decided by the *Review Committee* under *regulation 6.16*;
  - b that the *Review Committee* made an order which no tribunal, correctly applying the law to the facts before it and acting reasonably, would have made; or
  - c that there was evidence which the *Review Committee* had not considered and which:
    - 1) could reasonably have led the *Review Committee* to make a different order; and
    - 2) could not have been put before the *Review Committee* even if those concerned had done their best to produce it.
- 8.09** As soon as is practical after notice of appeal has been received under *regulation 8.08*, the *Appeal Committee* will consider the appeal and may:
- a allow the appeal;
  - b make a different decision;
  - c send the matter back to the *Review Committee* to be considered again; or
  - d dismiss the appeal.
- 8.10** If the *Appeal Committee* sends a matter back to the *Review Committee* under *regulation 8.09* then *regulation 8.06* will apply when the *Review Committee* reconsiders. The meeting of the *Review Committee* to reconsider the matter will be arranged as soon as is practical.

# Section 9: Disciplinary arrangements

## APPLICATION OF DISCIPLINARY ARRANGEMENTS

9.01 [Not used]

9.01a Save as provided below, the Disciplinary Bye-laws apply to breaches of these regulations:

- a as if references in those bye-laws to a *Registered Auditor* are construed as references to a *local auditor*; and
- b as if references in those bye-laws to a member are construed as references to a *key audit partner*.

9.01b In addition to the powers of a tribunal set out in the Disciplinary Bye-laws, if the *Tribunals Committee* considers a formal allegation brought by the *Conduct Committee* under this section is proved, it will make a finding to that effect. The *Tribunals Committee* will take the seriousness, the type of allegation and any other relevant circumstances into account and may make any of the following orders:

- a that the *local auditor* or *key audit partner* be reprimanded or severely reprimanded;
- b that the *local auditor* or *key audit partner* be fined; or
- c that status as a *local auditor* or *key audit partner* be withdrawn.

## REGULATORY PENALTIES

9.02 The *Registration Committee* may propose a regulatory penalty to a local auditor subject to the following:

- a the *local auditor* must have agreed that the breach of these *regulations* has been committed;
- b the *Registration Committee* will decide the amount of the penalty and when it is to be paid. ICAEW will set this out in the letter to the *local auditor* proposing the penalty; and
- c if the *local auditor* wishes to accept the terms on which the penalty is proposed, it must notify ICAEW within ten *business days* of the date of service of the letter from ICAEW containing the proposal.

9.03 There are no rights of review or appeal under *regulations* 8.05 to 8.10 against a *regulatory penalty*.

9.04 The *Registration Committee* will take account of any comments a *local auditor* makes about the terms of the *regulatory penalty*. It may then reduce the amount of the penalty.

9.05 If the *local auditor* accepts the penalty under *regulation* 9.02c, the *Registration Committee*, as soon as is practical:

- a will make an order; and
- b may publish the order in any way it decides.

9.06 Details of any penalty accepted, and the order made, will be kept by ICAEW and the *Registration Committee* may, if it wishes, use that information in the future.

9.07 Where the *Registration Committee* has proposed a *regulatory penalty* in accordance with 9.02, but the *local auditor* does not agree the breach has been committed, or does not agree to the terms of the penalty proposed or fails to comply with the terms of the penalty, the matter may be dealt with under the Disciplinary Bye-laws.

9.08 If a *local auditor* fails to comply with the terms of a *regulatory penalty* made under the *auditor sanctions procedure*, the matter may be dealt with under the Disciplinary Bye-laws.



## Our role as an improvement regulator

Our role is to strengthen trust in ICAEW Chartered Accountants and firms. We do this by enabling, evaluating and enforcing the highest standards in the profession.

ICAEW's regulatory and conduct roles are separated from ICAEW's other activities so that we can monitor, support or take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department (PSD) and overseen by the ICAEW Regulatory Board (IRB).

Our role is to:

- **authorise** ICAEW firms, members and affiliates to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** the highest professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** ICAEW firms and insolvency practitioners to ensure they operate correctly and to the highest standards;
- **investigate** complaints and hold ICAEW firms and members to account where they fall short of standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **educate** through guidance and advice to help stakeholders comply with laws, regulations and professional standards.

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Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 202,450 members and students around the world. All of the top 100 global brands employ ICAEW Chartered Accountants.\*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor around 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

ICAEW is the first major professional body to be carbon neutral, demonstrating our commitment to tackle climate change and supporting UN Sustainable Development Goal 13.

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.

[www.charteredaccountantsworldwide.com](http://www.charteredaccountantsworldwide.com)  
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\*includes parent companies. Source: ICAEW member data  
March 2023, Interbrand, Best Global Brands 2022



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