



# Audit Regulations and Guidance

Effective from 1 April 2013

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Institute of Chartered Accountants in England and Wales  
Institute of Chartered Accountants of Scotland  
Institute of Chartered Accountants in Ireland

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## Abbreviations

The following abbreviations are used in this booklet:

ICAEW	The 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
APB	Auditing Practices Board
ACCA	Association of Chartered Certified Accountants
CPD	Continuing professional development
ISA	International Standards on Auditing (UK and Ireland)
ISQC1	International Standard on Quality Control (UK and Ireland) 1
PII	Professional indemnity insurance
RSB	Recognised Supervisory Body

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## Introduction

1. The Institutes are all Recognised Supervisory Bodies in the UK and Recognised Accountancy Bodies in Ireland for the purposes of regulating auditors. The Institute of Chartered Accountants in Ireland, pursuant to Bye-Law 41 of its Bye-Laws, has established the Chartered Accountants Regulatory Board which carries out the functions of the ICAI as a registering Institute. The Institutes must have rules setting out how auditors are regulated and they have provided guidance on how they should be followed.
2. The Institutes are also Recognised Qualifying Bodies in the UK. This means that membership of an Institute, provided it is accompanied by practical audit experience, would qualify a member as the holder of an 'appropriate qualification' (see chapter 4). This in turn allows a member to apply to become a registered auditor. There are other routes to obtaining the appropriate qualification and these are set out in chapter 4.
3. The objectives of the Institutes in issuing these audit regulations are to make sure that:
  - registered auditors maintain high standards of audit work;
  - the reputation of registered 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.
4. Registered 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.
5. Guidance is given to help firms apply the regulations. This is printed in light type and the regulations are in **bold** type. There is additional guidance in part 2 of the booklet.
6. 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.
7. The regulations should be read in conjunction with:
  - the Institutes' Code of Ethics (including the fundamental principles);
  - publications issued by the Auditing Practices Board:
    - International Standards on Auditing (UK and Ireland);
    - International Standards on Quality Control (UK and Ireland);
    - Ethical Standards;
  - relevant financial reporting standards: issued by the Accounting Standards Board: IFRS as endorsed/adopted by the EU;
  - relevant parts of company legislation in the United Kingdom and Ireland; and
  - the Professional Indemnity Insurance Regulations.
8. Each Institute issues a magazine which often has new material on audit related matters. The ICAEW publishes *economia*, ICAS, The CA magazine and ICAI Accountancy Ireland. One of these should also be read. In addition, Audit News is issued by ICAEW and ICAS and contains information for registered auditors, including changes to the regulations. ICAI members should read the CARB Regulatory Bulletin.
9. Schedule 1 to chapter 1 contains definitions and interpretation of these regulations which apply both 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.

# Audit Regulations

## Chapter 1

### General

#### Scope and status

- 1.01 These *regulations* apply to *firms* seeking registration and to *firms* registered by the *Institute* as eligible for appointment as a registered auditor under the *Act*. The *regulations* also apply to *principals* and *responsible individuals* 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 chapter. Section headings are not part of the *regulations* and are for guidance only.

#### Transitional arrangements

- 1.04 In respect of the audits of UK entities these *regulations* come into force on 6 April 2008 subject to regulation 1.05. From this date the Audit Regulations (December 1995 edition, as amended) are no longer in force, subject to *regulations* 1.05 and 1.06.
- 1.04 A In respect of the audit of Irish entities these *regulations* come into force on 1 June 2012 subject to *regulation* 1.05. From this date the Audit Regulations (December 1995 edition, as amended) are no longer in force, subject to *regulations* 1.05 and 1.06.
- 1.05 *Regulations* 3.09, 3.13, 3.14 and 3.16 come into effect as specified in those *regulations*.
- 1.06 The liability of a *principal*, *audit affiliate* or *registered auditor* to regulatory or disciplinary action is to be determined in accordance with the regulations in force at the time that the matter now the subject of regulatory or disciplinary action occurred, but the regulatory or disciplinary proceedings shall be conducted in accordance with these regulations (including any subsequent amendments).

#### Notifications

- 1.07 Any notice or document may be served on the relevant *registering Institute* by sending it to the appropriate address as follows:

The Institute of Chartered Accountants in England and Wales:  
Professional Conduct Department, Metropolitan House, 321 Avebury  
Boulevard, Milton Keynes, MK9 2FZ.

The Institute of Chartered Accountants of Scotland:  
CA House, 21 Haymarket Yards, Edinburgh, EH12 5BH.

The Institute of Chartered Accountants in Ireland:

Chartered Accountants Regulatory Board, The Linenhall, 32-38 Linenhall Street, Belfast, BT1 8BG.

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, or sent by fax or post:
- 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

If a term has more than one meaning defined, the one to use will depend on the country of the registering Institute, or the country of the client being audited as appropriate.

In the regulations the following words have the following meanings.

the Act	<b>The Companies Act 2006 of the United Kingdom or the Companies Acts 1963 to 2009 of Ireland and every other enactment which is made under, or is to be read together with or as one with, any of those Acts.</b>
the 2006 Act	<b>The Companies Act 2006 of the UK.</b>
The 1990 Act	<b>The Companies Act 1990 of Ireland.</b>
Appeal Committee	<b>The committee of the <i>registering Institute</i> appointed under the <i>Institute's Bye-laws</i>, regulations or <i>Rules</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 the <i>Institute</i> for the purpose of regulation 2.04e.</b>
appropriate qualification	<b>a) In relation to the audit of UK entities, a person holds an appropriate qualification if it is:</b> <ul style="list-style-type: none"><li>• a qualification awarded by a recognised qualifying body under section 1219 of the 2006 Act;</li><li>• an EEA qualification and an aptitude test if required under paragraph 6 of schedule 10 of the 2006 Act;</li><li>• an approved non-EEA qualification and an aptitude test, if required under sections 1219 and 1221 of the 2006 Act.</li></ul> <b>b) In relation to the audit of Irish entities, a person holds an appropriate qualification if it is:</b> <ul style="list-style-type: none"><li>• a qualification awarded by a recognised accountancy body under regulation 26 of <i>S.I. No.220 of 2010</i>;</li><li>• an EEA qualification and if required, the person has passed an aptitude test under regulation 30 of <i>S.I. No.220 of 2010</i>;</li><li>• an approved non-EEA qualification and if required, the person has passed an aptitude test under regulations 30 of <i>S.I. No. 220 of 2010</i> and complies with regulation 112 of <i>S.I. No. 220 of 2010</i></li></ul>

Note. The Institutes and the ACCA are 'recognised qualifying bodies' for the purposes of UK legislation and 'recognised accountancy bodies' for the purposes of Irish legislation. So the appropriate qualification they award is recognised in both jurisdictions.

For EEA qualifications the aptitude test is different in the UK and Ireland, so passing the aptitude test in one country does not give audit rights in the other. For overseas qualifications, the approval process is different in each country, so a qualification approved in one country may not be approved in the other. Even if approved in both countries, the aptitude test will be different so audit rights will only be obtained in the country of the aptitude test.

Holding a qualification under b) above will meet the qualification requirement under S187 of *the 1990 Act* for a public auditor

associate	<b>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.</b>
associated undertaking	<p><b>In relation to a <i>body corporate</i>:</b></p> <ul style="list-style-type: none"> <li>• a parent undertaking or subsidiary undertaking of the <i>body corporate</i> referred to; or</li> <li>• a subsidiary undertaking of a parent undertaking of the <i>body corporate</i>.</li> </ul>
audit	<p>a) (i) any function in respect of a company incorporated in the United Kingdom or Ireland which is required to be performed by a <i>Registered Auditor</i> as auditor of that company;</p> <p>(ii) any function in respect of any of the following entities constituted in the United Kingdom or Ireland which is required to be performed by a <i>Registered Auditor</i> as auditor of that entity:</p> <ul style="list-style-type: none"> <li>• a building society;</li> <li>• a credit union;</li> <li>• a charity;</li> <li>• an industrial and provident society;</li> <li>• a friendly society;</li> <li>• a pension scheme;</li> <li>• a limited liability partnership;</li> <li>• a partnership;</li> <li>• an open ended investment company;</li> <li>• a unit trust;</li> <li>• a Lloyds' syndicate;</li> <li>• a mutual life office; and</li> <li>• a person authorised under legislation relating to the conduct of investment, insurance or mortgage business;</li> </ul> <p>where such function is expressly required to be discharged either by or under United Kingdom or Ireland legislation.</p> <p>(iii) any function in respect of a United Kingdom traded non-EEA company which is required to be performed by an auditor and which is performed by a <i>Registered Auditor</i> as auditor of that company.</p> <p>b) any function in respect of a company incorporated in the United Kingdom or Ireland which is included on the official list which is performed by a <i>Registered Auditor</i> following appointment as auditor of that company in relation to its financial statements or extracts of financial statements as required by a listing authority or a recognised company stock exchange in either of those jurisdictions.</p>
audit affiliate	<p>a) a person granted affiliate status by the ICAEW under clause 12A of the Supplemental Royal Charter of 21 December 1948 for the purposes of these <i>regulations</i>;</p> <p>b) a person granted status as an affiliate by the ICAI under Bye-law 41 for</p>

- the purposes of these *regulations*; or
- c) an individual granted Affiliate status by ICAS under Rule 2.2.1 or a Firm under Rule 2.2.2 of the ICAS Rules for the purposes of these *regulations*.

audit client	<b>Any person whose accounts are being audited under these <i>regulations</i> by a <i>Registered Auditor</i>.</b>
audit compliance principal	<b>A <i>responsible individual</i> who is either a <i>principal</i> of the <i>Registered Auditor</i> (or a sole practitioner where the <i>Registered Auditor</i> is a sole practice) or a member of its <i>management board</i> who is responsible for monitoring that the <i>Registered Auditor</i> has complied, and is likely to continue to comply, with these <i>regulations</i>, and whose identity is notified in writing to the <i>registering Institute</i> and who is the first point of contact with the <i>registering Institute</i> in connection with these <i>regulations</i>.</b>
audit report	<b>A report by a <i>Registered Auditor</i> which relates to an audit.</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 the Auditing Practices Board.</b>
audit work	<b>Any work done by or on behalf of the <i>Registered Auditor</i> in respect of an <i>audit</i>.</b>
audit working papers	<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>Registered Auditor</i> in connection with the performance of the audit concerned and includes –</b> <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>
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 or Ireland.</b>
business day	<b>A day excluding weekends and public holidays.</b>
Bye-laws	<b>The bye-laws of the ICAEW, the ICAS or the ICAI.</b>
Charter Amendment Acts of 1966	<b>The Institute of Chartered Accountants in Ireland (Charter Amendment) Act 1966 and The Institute of Chartered Accountants in Ireland (Charter Amendment) Act (Northern Ireland) 1966.</b>
Controller	<b>A person who, alone or with any <i>associate</i> or <i>associates</i>, 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 <i>body corporate</i>, or of another <i>body corporate</i> of which it is a subsidiary undertaking.</b>
corporate practice	<b>A <i>body corporate</i>, excluding a limited liability partnership.</b>
Council	<b>a) the Council of the ICAEW under Clause 2 of the Supplemental Royal Charter of 21 December 1948;</b> <b>b) the Council of the ICAS under Rule 45; or</b> <b>c) the Council of the ICAI under section 3 of the Charter Amendment</b>

## Acts of 1966.

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>
Disciplinary Committee	<b>The committee of the <i>registering Institute</i> appointed under the <i>Institute's Bye-laws, regulations or Rules</i> with responsibility for disciplining members, firms and others in accordance with the <i>Bye-laws, regulations or Rules</i>. When a committee discharges these functions its members are to be treated as officers of the <i>Institute</i> for the purpose of <i>regulation 2.04e</i>.</b>
Disciplinary Scheme	<b>Any investigation and discipline scheme in which the <i>registering Institute</i> participates for the purposes of the independent investigation of matters concerning members and firms.</b>
employee	<b>Anyone who carries out audit work for a <i>Registered 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 Auditing Practices Board 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 <i>EEA member state</i> other than the UK and Ireland.</b>
EEA audit firm	<b>A <i>firm</i> eligible for appointment as an auditor under the law of an <i>EEA member state</i>.</b>
EEA member state	<b>Any country that is a signatory to the European Union and European Community Treaties (ie EU member states) and Iceland, Liechtenstein, Norway. Gibraltar is also treated as an EEA member state by the 2006 Act.</b>
firm	<b>a) an individual who engages in the profession of accountancy as a sole practitioner; b) a partnership which engages in the profession of accountancy; c) a limited liability partnership which engages in the profession of accountancy; or d) a <i>corporate practice</i> which engages in the profession of accountancy.</b>
Group	<b>A <i>corporate practice</i>, any parent or subsidiary undertakings and any parent or subsidiary undertakings of any of them.</b>
Institute	<b>a) the Institute of Chartered Accountants in England and Wales (ICAEW); b) the Institute of Chartered Accountants of Scotland (ICAS); or c) the Institute of Chartered Accountants in Ireland (ICAI) operating as Chartered Accountants Ireland.</b>
Investigation Committee	<b>The committee of the <i>registering Institute</i> appointed under the <i>Institute's Bye-laws, regulations or Rules</i> with responsibility for considering complaints against members, firms and others as specified in the <i>Bye-laws, regulations or Rules</i>. When a committee discharges these functions its members are to be treated as officers of the <i>Institute</i> for the purpose of <i>regulation 2.04 e</i>.</b>
management	<b>Any committee, board or other management body that is responsible for</b>

board	<b>setting and directing the implementation of the <i>firm's</i> policies.</b>
monitoring unit	<b>The <i>registering Institute</i> or any body undertaking monitoring in accordance with paragraph 12 or paragraph 23 of schedule 10 of the 2006 Act or <i>regulation 83 of S.I. No. 220 of 2010.</i></b>
oversight body	<b>A body which pursuant to the Act is responsible for the regulation and/or supervision of Recognised Supervisory Bodies.</b>
Panel	<b>A sub-committee of the <i>Registration Committee</i> of the ICAS.</b>
Pll regulations	<b>a) the Professional Indemnity Insurance Regulations of the ICAEW; b) the Professional Indemnity Insurance Regulations of the ICAI; or c) the Professional Indemnity Insurance Bye-laws of the ICAS.</b>
practising certificate	<b>A certificate issued to a member by an <i>Institute</i> authorising the member to engage in public practice.</b>
practice notes	<b>Practice notes and bulletins issued by, or with the authority of, the Auditing Practices Board.</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 Auditing Practices Board.</b>
Recognised Supervisory Body	<b>A body recognised under the 2006 Act, or the 1990 Act or the Companies (Audit and Accounting) Act 2003 for the purposes of the registration and supervision of Registered Auditors.</b>
Register	<b>The register of auditors compiled under section 1239 of the 2006 Act or regulation 63 of <i>S.I. No. 220 of 2010</i> or section 198 of the 1990 Act.</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 2006 Act or under regulation 63 of <i>S.I. No. 220 of 2010</i> or section 198 of the 1990 Act.</b>  The <i>register</i> maintained under S198 is the Register of Public Auditors.
registering Institute	<b>The <i>Institute</i> to which the <i>firm</i> is applying for or from which it has obtained registration. In the case of ICAI these functions are carried out by the Chartered Accountants Regulatory Board (CARB) established in accordance with the provisions of Bye-Law 41.</b>
Registration Committee	<b>The committee of the <i>registering Institute</i> appointed under the <i>Institute's</i> Bye-laws, regulations or <i>Rules</i> with responsibility for discharging the functions set out in Chapter 6 or any sub-committee of that committee. When a committee discharges these functions its members are to be treated as officers of the <i>Institute</i> 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>Registered Auditor</i> as a penalty for breaches of these <i>regulations</i> which the <i>Registered Auditor</i> agrees have been committed.</b>
responsible individual	<b>A <i>principal</i> or employee responsible for <i>audit work</i> and designated as such under <i>regulation</i> 4.01.</b>
Review Committee	<b>Any committee appointed under a <i>registering Institute's</i> Bye-laws, regulations or <i>Rules</i> 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 the <i>Institute</i> for the purpose of regulation 2.04e.</b>
Rules	<b>The rules of the ICAS.</b>
S.I. No. 220 of 2010	<b>European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 of Ireland.</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, the law of the country of the registering Institute.

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

## Chapter 2

### Eligibility, application for registration, continuing obligations and cessation of registration

- 2.01 No *Institute* 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 *Registered Auditor*;
- b the *firm* has professional indemnity insurance or other appropriate arrangements as required either by the *PII regulations*, or in the case of a *firm* which is an employee of an Auditor General under the *Act*, has the benefit of a statutory indemnity;
- c the *firm* has appointed an *audit compliance principal* whose name has been given to the *registering Institute*;
- d each *responsible individual* has been designated in accordance with *regulation 4.01*;
- e if the *firm* is a sole practice, the sole practitioner is a *responsible individual* and the *audit compliance principal* (and if not a member of an *Institute* or a member of the Association of Chartered Certified Accountants is an *audit affiliate* of the *registering Institute*); 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 the Association of Chartered Certified Accountants;
  - 3) an *audit affiliate* of the *registering Institute*;
  - 4) a *Registered Auditor*;
  - 5) an *EEA auditor* who is also an *audit affiliate* of the *registering Institute*; or
  - 6) an *EEA audit firm* which is also an *audit affiliate* of the *registering Institute*;
- b individuals who have an *appropriate qualification*, *Registered 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*, *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: For the purposes of this regulation, in Ireland, in the case of the audits of credit unions, industrial and provident societies or friendly societies, the law still does not allow the audit to be carried out by a body corporate. In other cases in Ireland where Registered Auditor status is required, the particular law may still not permit the auditor to be a body corporate. Firms are advised to check the status required for audits other than those listed above.

Note: The Institutes and the ACCA are 'recognised qualifying bodies' for the purposes of UK legislation and 'recognised accountancy bodies' for the purposes of Irish legislation. So the appropriate qualification they award is recognised in both jurisdictions and can be used to count towards the control percentage of the firm for audit purposes, as can an EEA qualification (regardless of whether the holder has taken an aptitude test). However for non-EEA qualifications, the approval process is different in each country, so a qualification approved in one country may not be approved in the other. So if you hold an appropriate qualification obtained by this latter route, you can only count towards the control percentage for audit registration purposes in the jurisdiction that the aptitude test relates to. You are advised to consult the registering Institute if clarification is required.

### **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 the *registering Institute* in an open and cooperative manner and inform the *registering Institute* 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 the *registering Institute*, its officers or staff, members of its *Council* or a *monitoring unit* or the Committees or staff of the *Disciplinary Scheme*, 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 *Registered Auditor* must continue to meet the requirements of these *regulations*.
- 2.07 Subject to *regulations* 2.17 to 2.20, a *Registered 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 *Registered Auditor* must cooperate with the *registering Institute*, its staff, Committees, a *monitoring unit* or a *disciplinary scheme*.
- 2.09 A *Registered Auditor* or former *Registered Auditor* on whom the *registering Institute* 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 the *registering Institute* may allow (or in the case of a notice served under the *Act*, as the notice provides).
- 2.10 Where a *Registered Auditor* or an *EEA audit firm* is a *principal* or shareholder in another *Registered 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*.
- 2.10 A A registered *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 *Registered Auditor* must inform the *registering Institute* 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 *Registered 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 *responsible individuals* including new *principals* or *responsible individuals*;
  - 4) the details of any other audit registration that any *responsible individual* has in another country, the name of the registering body and any registration number; or
  - 5) the name or address of the *audit compliance principal*;
- e if a *responsible individual* leaves the firm or ceases to be a *responsible individual*;
- 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*;
- h of any change in the name or business address of any member of the *management board*; or
- i of any change in details of any other audit registration that the *Registered Auditor* has in another country, the name of the registering body and any registration number.

**2.12 A Registered 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 the *registering Institute* 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 registered auditor belongs to and which is

- controlled by the registered auditor;
- clearly aimed at profit or cost sharing;
- under common ownership, control or management; or

- affiliated or associated with the registered 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 *Registered Auditor* must pay such registration fees (to include any costs that the *registering Institute* is required or has agreed to pay to any other person or body exercising a regulatory or supervisory role in relation to it) as the *registering Institute* 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 The *registering Institute* may charge a *Registered 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 *Registered Auditor* has not paid any fees under *regulation 2.13* or *regulation 2.15*, within 60 days of the invoice date, the *registering Institute* may withdraw its registration.

### Dispensation

- 2.17 If a *Registered 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 *Registered Auditor* proposes to take.
- 2.18 The *Registration Committee* will review the information provided under *regulation 2.17*. If the committee considers that the *Registered Auditor* is taking all practical steps and that these will remedy the position, it may grant the *Registered 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 *Registered 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 *Registered 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 *Registered 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 and provide details of any audit registrations it has in any other *EEA member state*.
- 2.23 If a *firm* is no longer a *Registered 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 *Registered 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 The *registering Institute'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.

## Chapter 3

### Conduct of audit work

#### Independence and Integrity

- 3.01 A *Registered 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 *Registered 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 *Registered 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 *Registered Auditor* must not accept or continue an *audit* appointment of an entity where:
- a there exists between the *Registered Auditor* and the entity a relationship where the law prohibits the *Registered Auditor* auditing that entity;
  - b the entity is a shareholder in the *Registered Auditor*;
  - c the entity can be influenced by a shareholder in the *Registered Auditor*;
  - d the entity is a *principal* in the *Registered Auditor*;
  - e the entity, being neither a shareholder or *principal* in the *Registered Auditor* has the ability to influence the affairs of the *Registered Auditor*;
  - f the *Registered Auditor* is a shareholder in the entity;
  - g the *Registered Auditor* is a *principal* in the entity; or
  - h the *Registered Auditor* is in a position to exercise influence over the entity.
- 3.05 A *Registered Auditor* must always conduct *audit work* properly and with integrity.
- 3.06 A *Registered 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 *Registered Auditor* must make arrangements to prevent anyone who is not a *responsible individual* 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 *Registered Auditor* must comply with the requirements of the *2006 Act*, the *1990 Act* and other relevant legislation.
- 3.09 When a *Registered Auditor* (the 'predecessor') ceases to hold an audit appointment and another *Registered 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.

Note: This regulation only applies in respect of appointments for the audit of UK entities. In Ireland, this regulation is set out in company law, under regulation 47 of S.I.No.220 of 2010, and is not replicated in these regulations.

- 3.10** A *Registered Auditor* must comply with the *auditing standards* and the *quality control standards*.
- 3.11** A *Registered 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 *Registered 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 *Registered Auditor*; or
  - b the other *firm* agrees to keep those papers as required by *regulation 3.11* and allows the *Registered Auditor* unrestricted access to the papers for whatever reason.
- 3.13** In the case of a group audit where part of the group is audited by a *firm* from a non-*EEA member state*, a *Registered Auditor* must make arrangements so that, if requested by a *monitoring unit* or an *oversight body*, it can obtain from that *firm* all the *audit working papers* necessary for a review of that *firm's audit work*.

Note: This regulation applies in respect of audits of:

- UK entities with financial years starting on or after 6 April 2008; and
  - Irish entities with financial years starting on or after 20 May 2010.
- 3.14** If requested by a competent authority of a country that is not an *EEA member state*, a *Registered Auditor* may transfer to that body its *audit working papers* provided:
- a. the papers relate to the *audit* of a body that either:
    - 1) has listed securities in the country of the competent authority; or
    - 2) forms part of a group issuing statutory consolidated accounts in the country of the competent authority;
  - b. the competent authority has requested the transfer of the *audit working papers* for the purposes of:
    - 1) carrying out its functions in respect of quality assurance or public oversight; or
    - 2) an investigation initiated by itself or another competent authority established in the same country;
  - c. the competent authority has given the *oversight body* notice of its request;
  - d. there is an agreement between that competent authority and the *oversight body*; and

- e. the **oversight body** has confirmed in writing that where the request is for the purposes of:
- 1) paragraph b(1) above, that it approves the transfer;
  - 2) paragraph b(2) above, that it is not prohibiting the transfer on the grounds set out in section 1253E(7) of the 2006 Act.

Note: This regulation only applies in respect of appointments for the audit of UK entities and only for requests received after 15<sup>th</sup> November 2010. In Ireland, this requirement is set out in company law, under regulation 109 of S.I.No.220 of 2010, and is not replicated in these regulations.

For the purposes of this regulation a competent authority is a body that is designated in the law of the relevant country as having responsibility for the regulation or oversight of auditors; in most cases the body would be the equivalent of an RSB or an oversight body.

For the purposes of this regulation transfer means the physical or electronic transfer of audit working papers (or a copy) or allowing access to such papers.

**3.15 If a *Registered Auditor* is appointed to a ‘major audit’ client (or a *Registered Auditor* becomes aware that an existing *audit client* is now a major 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 *Registered Auditor* a waiver from compliance with this regulation.**

Note: This regulation only applies in respect of the audit of UK entities. The current list of entities for the purpose of this regulation can be viewed at [www.frc-pob.org.uk](http://www.frc-pob.org.uk).

### **Audit Report**

**3.16 An *audit report* in respect of the audit of UK entities must:**

- a state the name of the *firm* as it appears in the *Register*;
- b include the words ‘Statutory Auditor’ or ‘Statutory Auditors’ after the name of the *firm*; and
- c if required by law, state the name of the *responsible individual* who was in charge of the *audit*, be signed by this person in his own name and include the words ‘Senior Statutory Auditor’ after the name of the *responsible individual*.

Note: The requirements of this regulation apply to audit reports for financial years beginning on or after 6 April 2008. For entities listed in Section 1210 of the 2006 Act the requirement applies as follows:

- companies, banks, insurers, certain partnerships (see definition of an audit) – audit reports for financial years beginning on or after 6 April 2008.
- building societies – audit reports for financial years beginning on or after 29 June 2008
- friendly and industrial and provident societies that are insurers – audit reports for financial years beginning on or after 29 June 2008.
- Limited liability partnerships– audit reports for financial years beginning on or after 1 October 2008.
- Lloyd’s syndicates – audit reports for financial years beginning on or after 1 January 2009.

**3.16 A An *audit report* in respect of the audit of Irish entities must:**

- a state the name of the *firm* as it appears in the *Register*;
- b if required by law, state the name of the *responsible individual* who was in charge of the *audit*, be signed by this person in his own name and include the words 'for and on behalf of' before the name of the *audit firm*.

Note: The requirements of this regulation apply to audit reports for financial years beginning on or after 20 May 2010.

### **Maintaining competence**

- 3.17 A *Registered 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 *Registered Auditor* must maintain an appropriate level of competence in the conduct of *audits*.
- 3.19 A *Registered 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 *Registered 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 *Registered Auditor* (other than a sole practice) must appoint an *audit compliance principal*. A sole practitioner will be the *audit compliance principal*.



## Chapter 4

### Appropriate qualifications and responsible individuals

#### Responsible individual

**4.01** Subject to *regulation 4.02* and *regulation 4.05* the *audit compliance principal* may designate as a *responsible individual* any of the *Registered Auditor's principals* or *employees* who:

- a** has an *appropriate qualification* ;
- b** is competent to conduct *audit work*; and
- c** is allowed to sign *audit reports* in their name on behalf of the *firm*.

Note: The Institutes and the ACCA are 'recognised qualifying bodies' for the purposes of UK legislation and 'recognised accountancy bodies' for the purposes of Irish legislation. So the appropriate qualification they award is recognised in both jurisdictions and the holder of these qualifications can be appointed as a responsible individual for the UK and Ireland.

For EEA qualifications and those holding audit qualifications from outside the EEA the position is different. The UK and Ireland have approved different overseas qualifications and the aptitude tests for EEA and non EEA qualifications are different for UK and Ireland. So responsible individual status can only be granted in the country that the aptitude test relates to. You are advised to consult the registering Institute if clarification is required.

**4.02** Before a *principal* or *employee* can be designated as a *responsible individual*, the individual must be:

- a** a member of an *Institute* and hold a *practising certificate*;
- b** a member of the Association of Chartered Certified Accountants 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 the *registering Institute* and have been granted *audit affiliate* status under chapter 5 of these *regulations*.

**4.03** Consultants and sub-contractors cannot be designated as *responsible individuals*.

**4.04** Only *responsible individuals* 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** A *responsible individual* may not accept appointment in a key management position in a public interest entity if, at any time during the two years preceding the date of the proposed appointment, the *responsible individual* acted in the capacity of *responsible individual* for that public interest entity, or for a material subsidiary if the public interest entity is a group.

Note: For the purposes of this regulation a key management position is a director (including a shadow director) or other officer.

4.07 The disciplinary arrangements of the *registering Institute* will apply to breaches of these *regulations* by a *responsible individual* in the same way as they apply to breaches by a member.

**Cessation of responsible individual status**

4.08 *Responsible individual* status will cease if:

- a the *firm* in which the individual is a *responsible individual* ceases to be a *Registered Auditor*;
- b the individual ceases to be a *principal* or *employee* in the *Registered Auditor* to which the grant of *responsible individual* status related;
- c an event occurs which under the *Royal Charters*, the *Rules*, *Bye-laws* or other regulations of the appropriate *Institute* the individual would cease to be a member or an *audit affiliate*;
- d the *audit compliance principal* notifies the *registering Institute* that the individual is no longer a *responsible individual*; or
- e the *Registration Committee* withdraws *responsible individual* status.

4.09 If an individual is no longer a *responsible individual* 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* and for any failure to comply with *regulation 4.06*.

## Chapter 5

### Audit affiliates

#### General

5.01 An *audit affiliate* can only be responsible for an *audit* and sign an *audit report* if designated as a *responsible individual* under *regulation 4.01*.

#### Granting of audit affiliate status

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

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

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

- a is a fit and proper person to be granted *audit affiliate* status;
- b has agreed to comply with these *regulations*;
- c has agreed to observe and uphold the Code of Ethics of the *Institute*; and
- d has agreed to provide the *registering Institute* 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 audit affiliate status

5.06 The *Registration Committee* may withdraw a person's *audit affiliate* status if, in the opinion of the committee, the *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*, *Disciplinary Committee*, *Appeal Committee* or by any committee appointed under the *Disciplinary Scheme*;
- c becomes subject to a decision by the *Disciplinary Committee* that they should no longer be an *audit affiliate*;
- d fails to pay the annual fee within 30 days of the date of a notice to renew *audit affiliate* status; or
- e fails or ceases to comply with any of these *regulations* and, in the circumstances, withdrawal is justified.

## Cessation of audit affiliate status

**5.07** *Audit affiliate* status will end if:

- a the *firm* in which the *audit affiliate* is a *principal* ceases to be a *Registered Auditor*, except where *regulation 5.08* applies;
- b the *audit affiliate* ceases to be a *principal* in the *Registered Auditor* to which the grant of *audit affiliate* status related, except where *regulation 5.08* applies;
- c the *audit affiliate* is an individual and an event occurs which under the *Royal Charters*, the *Rules*, *Bye-laws* or other *regulations* of the appropriate *Institute* would cause the membership of a member to cease; or
- d the *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** *Audit affiliate* status will not end under *regulation 5.07a* or *5.07b* if:

- a the *firm* in which the *audit affiliate* is a *principal* merges with or is acquired by another *Registered Auditor* registered by the same *registering Institute*; or
- b the *audit affiliate* leaves the *Registered Auditor* in which he is a *principal* and immediately becomes a *principal* in another *Registered Auditor* registered by the same *registering Institute*.

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

## Changes in circumstances

**5.09** An *audit affiliate* or the *audit compliance principal* must notify the *registering Institute* 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 *audit affiliate* has entered into.

## Review of regulatory decisions

**5.10** An *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 chapter 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 *audit affiliate*. A decision made under *regulation 5.06* will come into effect ten business days after notice of it is served on the *audit affiliate*, except that:

- a if the *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 *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 An *audit affiliate* must pay an annual fee at the time and at the rate set by the *registering Institute*.
- 5.13 The first annual fee is due when an application is made for *audit affiliate* status. An application fee is also due with this first annual fee.

### Disciplinary arrangements

- 5.14 The disciplinary arrangements of the *registering Institute* will apply to breaches of these *regulations* by an *audit affiliate* in the same way as they apply to breaches by a member.
- 5.15 An *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 An *audit affiliate* will remain liable to disciplinary action under these *regulations* for any acts or omissions during the period in which *audit affiliate* status was held, even if no longer an *audit affiliate*.

## Chapter 6

### The Committees

#### Registration Committee

6.01 The *Registration Committee* must:

- a comprise at least eight people;
- b include at least two members who are not accountants; and
- c have a quorum of three members.

6.02 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 *Registered Auditor* carries out *audit work*;
- g proposing a *regulatory penalty* it considers appropriate to a *Registered 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; *responsible individual* status; or *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 *Registered Auditor*, *responsible individual* or an *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* and supplying information to the Registrar of Companies in Ireland;
- n granting applications for *responsible individual* status, with or without restrictions or conditions or rejecting such applications; and
- o withdrawing *responsible individual* status.

- 6.03 Except where *regulation* 6.04 applies, the *Registration Committee* may delegate its duties to sub-committees, the *registering Institute's* 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 *responsible individual* status under *regulation* 4.05;
  - granting applications for *responsible individual* status subject to restrictions under *regulation* 4.05;
  - withdrawing *responsible individual* status under *regulation* 4.08e;
  - rejecting applications for *audit affiliate* status under *regulation* 5.05b;
  - granting applications for *audit affiliate* status subject to restrictions under *regulation* 5.05c;
  - withdrawing *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 *Registered Auditor* has complied with a *regulation*, *auditing standard*, or a *quality control standard* it must consider any relevant guidance in the *regulations*, standards, *practice notes* and any guidance issued by *Council*.
- 6.06 In carrying out its responsibilities under *regulation* 6.02, the *Registration Committee*, any sub-committee, the *registering Institute's* 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 *Registered 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 *Registered 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 the *registering Institute* 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 *Registered 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, ongoing investigations or any other information concerning or affecting the fit and proper status of any *responsible*

*individual, audit affiliate* or applicant for *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*;
- 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*.

#### **Notification to committees**

6.11 The *Registration Committee* must notify the *Investigation Committee* about any fact or matter which:

- a suggests that a *Registered Auditor*, member or *audit affiliate* may be liable to disciplinary action under these *regulations*, the *Bye-laws* or *Rules*, or any other regulations or bye-laws of the *registering Institute*; and
- b in the opinion of the *Registration Committee* needs to be investigated.

6.12 The *Investigation 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 and Panel**

6.13 Certain matters decided by the *Registration Committee* may be considered afresh by the *Review Committee* (as described in *regulation 8.06*) or *Panel* (as described in *regulation 8.15*). 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* or *Panel* as it applies to the *Registration Committee*.

#### **Appeal Committee**

6.14 Appeals against decisions of the *Review Committee* or *Panel* 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 *Panel* 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 *Rules* and these *regulations*, the *Registration Committee*, the *Review Committee* or *Panel* and the *Appeal Committee* may, in carrying out their duties under these *regulations*, decide on their own procedures.**

## Chapter 7

### Regulatory action

#### Section 7A

Firms registered by the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland

#### Restrictions and conditions

- 7.01 The *Registration Committee* may impose restrictions or conditions on a *Registered 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*.

#### 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* or *Panel* under *regulation 8.07* or *8.18*;
  - f the *firm* has not paid in the time set any fines or costs ordered by the *Investigation Committee*, the *Disciplinary Committee*, the *Appeal Committee* or by any committee appointed under the *Disciplinary Scheme*;
  - 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 the *registering Institute*;

- h it considers that the *firm* has not complied with any other *regulation* and, in the circumstances, withdrawal is justified; or
- i it considers that the continued registration of the *firm* may adversely affect an *audit client* or any other person.

### Suspension

- 7.04 The *Registration Committee* may suspend a *Registered 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 *Registered 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*.

### 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, 8.09 or 8.20* 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 *responsible individual* or any later time that the committee specifies, except:

- a** if a *firm or responsible individual* has applied for a review or hearing under *regulation 8.05 or 8.15b*, the order will be postponed until an order under *regulation 8.06 or 8.15d* has been put into effect; or
- b** if a *firm or responsible individual* has appealed under *regulation 8.08 or 8.19*, the order will be postponed until an *Appeal Committee* order under *regulation 8.09 or 8.20* has been put into effect.

## Section 7B

Firms registered by the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland

### Regulatory penalties

- 7.11 The *Registration Committee* may propose a *regulatory penalty* to a *Registered Auditor* subject to the following:
- a the *Registered 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. The *registering Institute* will set this out in the letter to the *Registered Auditor* proposing the penalty; and
  - c if the *Registered Auditor* wishes to accept the terms on which the penalty is proposed, it must notify the *registering Institute* within ten *business days* of the date of service of the letter from the *registering Institute* containing the proposal.
- 7.12 There are no rights of review or appeal under *regulations* 8.05 to 8.10 (applicable to *Registered Auditors* registered by the *ICA*) or *regulations* 8.15 to 8.21 (applicable to *Registered Auditors* registered by the *ICAS*) against a *regulatory penalty*.
- 7.13 The *Registration Committee* will take account of any comments a *Registered Auditor* makes about the terms of the *regulatory penalty*. It may then reduce the amount of the penalty.
- 7.14 If the *Registered Auditor* accepts the penalty under *regulation* 7.11c, the *Registration Committee*, as soon as is practical:
- a will make an order; and
  - b may publish the order in any way it decides.
- 7.15 Details of any penalty accepted, and the order made, will be kept by the *registering Institute* and the committee may, if it wishes, use that information in the future.
- 7.16 If a *Registered Auditor* does not agree that 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 as set out in Chapter 9.

## Chapter 8

### Representation before committees, review and appeal

#### Section 8A

#### Firms registered by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants in Ireland

- 8.01 In *regulations* 8.02 to 8.10, “affected party” means a *firm*, an applicant for *responsible individual* status, a *responsible individual*, an applicant for *audit affiliate* status or an *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 the *registering Institute’s* 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 the *registering Institute*, 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, the *registering Institute*, a *monitoring unit*, any employee or agent of the *registering Institute* 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 the *registering Institute*. 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 *responsible individual* status or granting such status subject to conditions or restrictions;
  - regulation 4.08e* - withdrawing *responsible individual* status;
  - regulation 5.05b* - refusing to grant *audit affiliate* status;
  - regulation 5.05c* - granting *audit affiliate status* subject to conditions or restrictions;
  - regulation 5.06* - withdrawing *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 the *registering Institute*. 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* 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 8B

### Firms registered by the Institute of Chartered Accountants of Scotland

- 8.11 In *regulations* 8.12 to 8.21, “affected party” means a *firm*, an applicant for *responsible individual* status, a *responsible individual*, an applicant for *audit affiliate* status or an *audit affiliate*.

### Procedures

- 8.12 No affected party has the right to attend or be represented at *Registration Committee* meetings, other than for a hearing.
- 8.13 Except for urgent orders under *regulation* 7.07, the *Registration Committee* must be satisfied that an affected party has been given a reasonable opportunity to make written submissions before the committee considers any matters.
- 8.14 When it first considers a matter, except urgent orders under *regulation* 7.07, the *Registration Committee* will:
- a decide the matter in favour of the affected party;
  - b postpone a decision; or
  - c give written notice to the affected party of the order that the *Registration Committee* proposes and the factors taken into account.
- 8.15
- a An affected party objecting to a proposed order is entitled to a hearing. The hearing will be before a *Panel* specifically appointed by the *Registration Committee*. At least 25% of the *Panel* members must not be accountants.
  - b If an affected party wants a hearing, it must notify the *Institute* in writing within ten *business days* of the proposed order being served.
  - c An affected party is entitled to attend a hearing and to be legally represented. The *Registration Committee* can appoint anyone to present the case against the affected party.
  - d As soon as is practical after an affected party has asked for a hearing, a *Panel* will consider the matters afresh and can make any order which the *Registration Committee* could have made.
- 8.16 If the affected party has not asked for a hearing within the time allowed, the order comes into force at the end of that time.
- 8.17 The *Registration Committee* may waive requirements of *regulations* 8.15 and 8.16, in favour of the affected party.
- 8.18 The *Panel* may order an affected party to contribute to the costs of the hearing.



## Appeal

**8.19** Within ten *business days* of the *Registration Committee* serving an order following a hearing, the affected party can appeal to the *Appeal Committee* by writing to the *Institute*. An appeal can only be made on one or more of the following grounds:

- a that the *Registration Committee*:
  - 1) was wrong in law;
  - 2) wrongly interpreted any relevant *regulation, Bye-law, Rule or auditing standard, quality control standard* or associated guidance; or
  - 3) did not comply with these *regulations*, or procedures decided by the *Registration Committee* under *regulation 6.16*;
- b that the *Registration Committee* made an order no tribunal, correctly applying the law to the facts of the case before it and acting reasonably, would have made; or
- c that there was evidence which the *Panel* had not considered and which:
  - 1) could reasonably have led the *Panel* to make a different order; and
  - 2) could not have been put before the *Panel* even if those concerned had done their best to produce it.

**8.20** As soon as is practical after notice of appeal has been received under *regulation 8.19*, the *Appeal Committee* will consider the appeal and may:

- a allow the appeal;
- b send the matter back to the *Registration Committee* to be considered again; or
- c dismiss the appeal.

**8.21** If the *Appeal Committee* sends the matter back to the *Registration Committee* under *regulation 8.20*, the *Appeal Committee* will inform that committee how to proceed.

## Chapter 9

### Disciplinary arrangements

#### Section 9A

Firms registered by the Institute of Chartered Accountants in England and Wales, the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland

#### Application of disciplinary arrangements

9.01 The disciplinary arrangements of the *registering Institute* apply to complaints of breaches of these *regulations* by a *Registered Auditor*.

#### Section 9B

Firms registered by the Institute of Chartered Accountants in England and Wales

#### Regulatory penalties

9.02 The *Registration Committee* may propose a *regulatory penalty* to a *Registered Auditor* subject to the following:

- a the *Registered 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. The *Institute* will set this out in the letter to the *Registered Auditor* proposing the penalty; and
- c if the *Registered Auditor* wishes to accept the terms on which the penalty is proposed, it must notify the *Institute* within ten *business days* of the date of service of the letter from the *Institute* 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 *Registered Auditor* makes about the terms of the *regulatory penalty*. It may then reduce the amount of the penalty.

9.05 If the *Registered 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 the *Institute* and the *Registration Committee* may, if it wishes, use that information in the future.

9.07 If a *Registered Auditor* does not agree that 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.