

Audit Regulations

2008 edition (printed booklet)

Changes

The following lists all the amendments that have been made to the 2008 printed edition of the Audit Regulations up to those notified in Audit News number 46, December 2009. A copy of the regulations with these amendments incorporated can be obtained from www.icaew.com/auditnews.

		Effective from
1.	Chapter 2 - amendment to guidance concerning disclosure of registered auditor status.	28 December 2009, Audit News No 46
2.	Regulation 3.07 – amendment to guidance.	6 April 2008, Audit News No 44.
3.	Regulation 3.16 – signing audit reports – amendment to scope.	6 April 2008, Audit News No 44.
4.	Appeals by a responsible individual	6 April 2008, Audit News No 44.

1. Chapter 2 - amendment to guidance concerning disclosure of registered auditor status

The opening guidance to chapter 2 included some material about the disclosure of registered auditor status. Following the implementation of the EU's Services Directive, certain disclosure requirements became a legal requirement, necessitating a change to the guidance.

The following guidance replaces that paragraphs just above audit regulation 2.01 (the first paragraph of guidance is unchanged and is not repeated below).

While there is no requirement in the regulations for a firm's notepaper to carry a legend stating that it is a registered or statutory auditor, the EU's Services Directive, as enacted into UK law, requires such a disclosure to clients and potential clients, together with the name of the member state that the registration is for. A firm is also required to give the name of the register that its details are contained on, with a reference so that the entry can be found. This information can be supplied on a firm's website, as a note on a firm's letterhead or in documents available to the client or potential client.

A suggested wording for disclosure of the registering Institute is:
'registered to carry on audit work in the UK by the [Institute name in full]'

For the disclosure about the audit register, a suggested wording is:
'details about our audit registration can be viewed at www.auditregister.org.uk, under reference number [this is the firm number provided by the registering Institute]'

In addition a firm may describe itself as a firm of registered or statutory auditors.

2. Regulation 3.07 – amendment to guidance

This regulation is about the prevention of undue influence by non-auditors over the audit process. However, the guidance with this regulation could be interpreted to mean that only responsible individuals could exercise judgement in relation to an audit. This is clearly not the case so the guidance has been amended to remove this inference.

Regulation 3.07 is particularly important for mixed practices or associated firms whose principals are not responsible individuals, whatever their qualification. The regulation does not prevent such people from taking part in audit work. However, responsibility for the overall direction of the audit, its supervision, performance and reaching a conclusion

that sufficient and appropriate audit evidence has been obtained prior to signing the audit report must always be in the hands of responsible individuals.

3. Regulation 3.16 – signing audit reports

The original version of this regulation required disclosure of the name of the responsible individual in charge of an audit (known for this purpose as the ‘senior statutory auditor’) to be disclosed on the audit report. In addition, the report had to be signed by the individual in his or her own name. However, this is only a requirement of company law and although the law extends this requirement to some other entities, the scope is smaller than the definition of audit used in the audit regulations. Therefore the scope of this regulation, as regards the disclosure of the senior statutory auditor, has been reduced to be the same as required by law. The revised regulation and guidance follows.

3.16 **An audit report 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*.**

Guidance to regulation 3.16

An audit report has to be signed by the firm with the added description ‘Statutory Auditor’. There is nothing to prevent a firm adding any other appropriate description, such as ‘chartered accountants’.

In certain cases the law requires that the responsible individual in charge of the audit (known as the senior statutory auditor) should sign the audit report. The individual’s name must also be given. This is only required if the audit report is a report on the annual accounts for a financial year of a ‘section 1210’ entity (see below), a special report on abbreviated accounts or when accounts are voluntarily revised by the directors. The individual’s name need not be given in the case of other reports required under the Act (for example a report under section 714 – redemption of shares out of capital) or reports on other entities included in the definition of an audit.

The APB has published guidance ([Bulletin 2008/6](#)) on how firms should decide which responsible individual is the senior statutory auditor in relation to a particular audit.

The Act allows, where there is a serious risk of violence or intimidation to the registered auditor or responsible individual, for their names not to be given in published copies of the audit report or the copy filed at Companies House etc. If these provisions, which only apply to the ‘section 1210’ entities listed below, are to be invoked, it may be advisable for the entity and the firm to seek legal advice.

Other legislation that is not included in the definition of audit, or the constitution of an entity, may call for a report from an auditor. A firm may choose to sign these reports as a statutory auditor. For example, a client may require a report about it to be given to a trade association. That trade association may require the report to be given and signed by a statutory auditor. There is nothing to prevent a firm doing this and the work would not come under these regulations. However, if the Institute receives a complaint about this work, enquiries may be made into the general standard of the firm’s audit work. If necessary, enquiries may be made into other work which the firm is signing as a registered auditor or conducting in accordance with auditing standards. Regulation 6.07

gives the Registration Committee the power to enquire into other work undertaken by the firm.

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.

There is nothing to stop firms adding the name of the responsible individual who was in charge of the audit and having the audit report signed by this person in his own name where this is not required by law. However, the statutory protection against any additional civil liability (if such a liability exists) is not extended in these situations. If a firm intends to do this, the engagement letter should make it clear that if any claim arises it would be against the audit firm and that the individual, by reason of being named and by signing the auditor's report, is not subject to any civil liability to which he would not otherwise be subject.

Audit reports for financial periods starting before 6 April 2008, or the implementation date given above, should be signed in accordance with regulation 3.10 of the Audit Regulations (December 1995 edition, as amended).

4. Appeals by a responsible individual

Under company law, responsible individuals are statutory auditors in their own right. However, statutory auditors can only accept an audit appointment in accordance with the rules of a Recognised Supervisory Body, such as an Institute. The regulations as originally drafted did not allow for a review of a decision to withdraw responsible individual status. The amended regulations 7.10 and 8.05 now allow either the firm or the responsible individual to apply for a review or an appeal.

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.**

Guidance to regulation 7.10

Except for decisions made under regulation 7.09, decisions come into effect ten business days after the firm has been given the decision. However, the decisions listed in regulation 7.10 are postponed if an application for review or appeal is made. The decision of the Review or Appeal Committee is the one that will come into effect.

The regulations quoted in regulation 7.10 relate to the following:

- withdrawal of responsible individual status under regulation 4.08e;
- conditions or restrictions imposed under regulation 7.01; and
- withdrawal of a firm's registration under regulation 7.03.

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 *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.

[Note, the affected party is defined as firm, an applicant for responsible individual status, a responsible individual, an applicant for audit affiliate status or an audit affiliate.]