

# **Additional Practising Regulations for the United Kingdom, Jersey, Guernsey and Dependencies and the Isle of Man**

## **Annex 1 to The Chartered Certified Accountants' Global Practising Regulations 2003**

### **1. Application**

The regulations contained in this annex form part of The Chartered Certified Accountants' Global Practising Regulations 2003, and shall apply to all members and to all persons who otherwise agree to be bound by them.

### **2. Interpretation**

(1) In these regulations, unless the context otherwise requires:

*ACCA student* means a registered student who is undertaking the ACCA Qualification examinations;

*agent*, in relation to a person, means any person (including an employee) who acts on that person's behalf;

*appropriate qualification* means a qualification in accordance with section 1219 of the Companies Act 2006 of the United Kingdom;

*Audit Directive* means Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts;

*audit qualification* means an audit qualification to the practising certificate issued by the Association to individuals holding the Association's recognised professional qualification and referred to in regulation 5, which authorises the individual to hold himself out as an auditor and to carry on audit work;

*audit report* means a report on accounts or financial statements which is described as an audit report or having been made by an auditor or is given in true and fair terms or which states that the accounts present fairly the financial position;

*audit working papers and investigation reports* means:

- (a) any documents which are or have been held by a statutory auditor, an EEA auditor or a third country auditor and which are related to the conduct of an audit conducted by that auditor,
- (b) any report of an inspection into the conduct of an audit by a statutory auditor, an EEA auditor or a third country auditor, or
- (c) any report of an investigation into the conduct of a statutory auditor, and EEA auditor or a third country auditor;

*auditing certificate* means an auditing certificate issued by the Association to firms and referred to in regulation 5 of Appendix 1;

*auditor* means a person who signs or holds himself out as being available to sign an audit report whether or not that report is required by statute;

*controller* has the meaning given in paragraph 8(4) of Schedule 10 of the Companies Act 2006 of the United Kingdom;

*EEA auditor* means an individual who is approved in accordance with the Audit Directive by an EEA competent authority to carry on audit work;

*EEA competent authority* means a competent authority within the meaning of article 2.10 of the Audit Directive of an EEA state other than the United Kingdom;

*EEA state* means a state which is a Contracting Party to the Agreement on the European Economic Area signed at Oporto on 2 May 1992 (as it has effect from time to time);

*exempt regulated activities* has the meaning given in The Chartered Certified Accountants' Designated Professional Body Regulations 2001;

*group* means a parent undertaking and its subsidiary undertakings;

*group auditor* means a person appointed as auditor to conduct an audit of group accounts;

*insolvency licence* means the licence issued by the Association referred to in regulation 7 and which authorises the holder in accordance with section 390(2) of the Insolvency Act 1986 of the United Kingdom to act as an insolvency practitioner;

*insolvency practitioner* means a person acting as such in accordance with section 388 of the Insolvency Act 1986 of the United Kingdom;

*major audit* means a statutory audit conducted in respect of:

(a) a company any of whose securities have been admitted to the official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000 of the United Kingdom); or

(b) any other person in whose financial condition there is a major public interest;

*non-member* means a person who is not registered as a student, affiliate or member of the Association;

*public interest entity* means:

(a) an issuer whose transferable securities are admitted to trading on a regulated market;

(b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms; or

(c) an insurance undertaking within the meaning given by Article 2(1) of Council Directive 1991/674/EEC of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings.

*qualified person* means:

(a) in relation to an individual a person qualified to hold:

(i) a practising certificate with an audit qualification; or

(ii) a corresponding qualification to audit accounts under the law of an EEA state, or part of an EEA state, other than the United Kingdom; and

(b) in relation to a firm:

(i) a firm that is eligible to be appointed as an auditor; or

(ii) a firm that is eligible for a corresponding appointment as an auditor under the laws of an EEA state, or part of an EEA state, other than the United Kingdom;

*recognised professional qualification* means a qualification declared as such for the purpose of Part 2 of Schedule 11 of the Companies Act 2006 of the United Kingdom;

*regulated work* means work conducted under an insolvency licence, or an auditing certificate;

*senior statutory auditor* means a person acting as such in accordance with section 504 of the Companies Act 2006 of the United Kingdom;

*statutory auditor* has the meaning given by section 1210 of the Companies Act 2006 of the United Kingdom;

*supervisory body* has the meaning given by section 1217(1) of the Companies Act 2006 of the United Kingdom;

*third country* means a country or territory that is not an EEA state or part of an EEA state;

*third country auditor* means a person, other than a person eligible for appointment as a statutory auditor, who is eligible to conduct audits of the accounts of bodies corporate incorporated or formed under the law of a third country in accordance with the law of that country;

*third country competent authority* means a body established in a third country exercising functions related to the regulation or oversight of auditors;

*UK competent authority* means the Financial Reporting Council Limited.

(2) For the purposes of these regulations, unless the context otherwise requires, a reference to the Companies Act 2006 of the United Kingdom or any of the provisions of that Act shall, in relation to the carrying on of public practice in Northern Ireland, the eligibility, the qualifications and other conditions in relation thereto and the functions of the Association as a supervisory body (or corresponding concept) in Northern Ireland, be deemed to be a reference to the corresponding legislation or provision of the law of Northern Ireland.

(3) Words importing the masculine gender include the feminine and words in the singular include the plural and vice versa.

(4) Any reference to a statutory provision shall include where the context permits the subordinate legislation made from time to time under that provision and any reference to a statutory provision or regulation shall include that provision or regulation as from time to time modified or re-enacted so far as such modification or re-enactment applies or is capable of applying to such reference.

(5) The Interpretation Act 1978 of the United Kingdom shall apply to these regulations in the same way as it applies to an enactment.

### **3. Meaning of public practice**

#### *(1) Activities*

Public practice has the meaning described by regulation 4 of the Global Practising Regulations.

#### *(2) Insolvency practice*

Insofar as practitioners carrying on their professional activities in the United Kingdom are concerned, any activity carried on by a person acting as an insolvency practitioner shall constitute public practice. A member acting as an insolvency practitioner shall be deemed to be a member in practice for the purposes of the bye-laws concerning elections to Council.

#### *(3) Supervision for anti-money laundering*

Members who provide accountancy services within the terms of the Money Laundering Regulations 2007 by way of business which fall outside the meaning described by regulation 4 of the Global Practising Regulations (for example book-keeping) will be subject to supervision for compliance with the anti-money laundering provisions under the Money Laundering Regulations 2007. In such cases, eligible members should consider obtaining a practising certificate from the Association in order to be supervised by the Association. Alternatively, members must register with HM Revenue and Customs or another body recognised for such purposes.

### **4. Restrictions on carrying on public practice**

#### *(1) Members*

- (a) Subject to regulation 3(1)(b), a member holding an insolvency licence may not carry on an activity constituting public practice which is outside the practice of acting as an insolvency practitioner unless he holds a practising certificate.
- (b) A member who holds an insolvency licence who does not carry on an activity constituting public practice which is outside the practice of acting as an insolvency practitioner, but who is a partner or director of a firm where such an activity is carried on, is not required to hold a practising certificate.

#### *(2) Members and firms*

Firms that wish to accept an appointment as statutory auditor, or to be held out as available to accept such an appointment, and members who intend to be responsible for a firm's statutory audit work are required to comply with the requirements of Appendix 1.

### **5. Qualifications**

#### *(1) Qualifications required to hold a practising certificate*

To be qualified to hold a practising certificate, members will need to meet the requirements of regulation 7 of the Global Practising Regulations.

#### *(2) Qualifications required to obtain an audit qualification*

To be qualified to hold an audit qualification, an individual must meet one of the following requirements:

- (a) where the audit qualification is to relate to the United Kingdom, the requirements of regulation 6 in Appendix 1;
- (b) where the audit qualification is to relate to Jersey, Guernsey and Dependencies, or the Isle of Man:
  - (i) comply with the relevant requirements in Appendix 3 of these regulations; or
  - (ii) have previously held an equivalent certificate issued by the Association. However, individuals will be required, prior to the audit qualification being granted, to demonstrate adequate competence in audit work by:
    - (aa) providing to the Association details of recent audit experience; and/or
    - (bb) providing to the Association details of recent audit-related CPD; and/or
    - (cc) attendance at an approved practical audit workshop.

## **6. Restriction on carrying on insolvency practice**

### *(1) Members*

No member shall act as an insolvency practitioner unless he holds an insolvency licence issued by the Association or he is otherwise authorised so to act in accordance with section 390(2) of the Insolvency Act 1986 of the United Kingdom. Where the individual acts as an insolvency practitioner but does not hold an insolvency licence issued by the Association, he must hold a practising certificate and may not carry on any activity constituting public practice which is outside the practice of acting as an insolvency practitioner.

### *(2) Non-members*

Persons who are non-members may be regulated by the Association solely to act as an insolvency practitioner.

(3) A person shall only be regarded as holding an insolvency licence where it is current and valid.

## **7. Eligibility for an insolvency licence**

### *(1) Members and non-members*

A person shall be eligible for an insolvency licence if:

- (a) he is qualified in accordance with regulation 8;
- (b) he is fit and proper within the meaning of regulation 10;
- (c) he holds the necessary PII in accordance with regulation 11; and
- (d) he has made arrangements for the continuity of his practice in accordance with regulation 13.

### *(2) Additional requirements for non-members*

In addition to complying with regulation 7(1), non-members shall be required to provide undertakings to be bound by the following regulations as if they were members of the Association:

- (a) the Global Practising Regulations;
- (b) the continuing professional development requirements of Membership Regulation 4(4);
- (c) the Authorisation Regulations, including the requirement at Authorisation Regulation 3(1)(a) to pay such fees as Council may from time to time require when applying for an insolvency licence;
- (d) the Charter, bye-laws and regulations of the Association insofar as they are appropriate and applicable (other than those relating to members' rights to attend and vote at meetings of the Association and obligations to pay subscriptions); and
- (e) the disciplinary procedures of the Association and penalties which may be imposed under such provisions insofar as such penalties could be applicable to a person who is not a member of the Association.

## **8. Qualification requirements for an insolvency licence**

### *(1) Qualifications and experience*

To be qualified for the purposes of regulation 7(1)(a), an individual must:

- (a) if he is a member of the Association:
  - (i) have been a member of the Association for a continuous period of not less than two years; and
  - (ii) have passed the examinations set by the Joint Insolvency Examination Board; and
  - (iii) have completed three years of practical experience in a firm of accountants or insolvency practitioners, under the supervision of a licensed insolvency practitioner, or in an Official Receiver's office, of which two years must have been obtained subsequent to his admission as a member or as a member of another accountancy body recognised under section 391 Insolvency Act 1986 of the United Kingdom; and
  - (iv) have obtained a minimum of 600 hours' insolvency experience in the three years immediately preceding the application for an insolvency licence, of which at least 150 hours must have been gained in each of three calendar years within such period; or
- (b) if he is a non-member:
  - (i) have passed the examinations set by the Joint Insolvency Examination Board; and
  - (ii) have completed three years of practical experience under the supervision of a licensed insolvency practitioner or in an Official Receiver's office; and
  - (iii) have obtained a minimum of 600 hours' insolvency experience in the three years immediately preceding the application for an insolvency licence, of which at least 150 hours must have been gained in each of three calendar years within such period; or

- (c) have the right to practise in the United Kingdom as an insolvency practitioner pursuant to regulation 29 of the European Communities (Recognition of Professional Qualifications) Regulations 2015 (S.I. 2015/2059) and have fulfilled any requirements imposed pursuant to regulation 30 thereof; or
- (d) hold, or be eligible to hold, an insolvency licence issued by another recognised professional body or by the competent authority under sections 391 and 393 respectively of the Insolvency Act 1986 of the United Kingdom.

*(2) Insolvency experience*

The insolvency experience referred to in regulations 8(1)(a)(iv) and 8(1)(b)(iii) must have been gained in the course of:

- (a) assisting an insolvency practitioner acting as such; or
- (b) assisting or being an Official Receiver in accordance with section 399 Insolvency Act 1986 of the United Kingdom; or
- (c) where the individual was authorised to act as an insolvency practitioner at the relevant time, acting as an insolvency practitioner.

*(3) Experience on renewal*

A licensed insolvency practitioner wishing to renew his insolvency licence must continue to meet, as an appointment holder, joint appointment holder or as an assistant to an appointment holder, the number of hours of relevant insolvency experience as follows:

- (a) 600 hours' experience gained over a period of more than three but less than or equal to five years immediately preceding the renewal application of which at least 150 hours must have been gained in each of three calendar years within such period; or
- (b) 750 hours' experience gained over a period of more than five but less than or equal to eight years immediately preceding the renewal application of which at least 100 hours must have been gained in each of four calendar years within such period; or
- (c) 900 hours' experience gained over a period of more than eight years immediately preceding the renewal application of which at least 75 hours must have been gained in each of six calendar years within such period

save that any licensed insolvency practitioner who fails to meet the relevant insolvency experience requirement for any one calendar year shall be eligible for an insolvency licence provided he can demonstrate that he has undertaken an adequate programme of additional continuing professional development during that year.

*(4) Waiver*

In exceptional circumstances, the requirements of regulations 8(1)(a)(iv) and 8(1)(b)(iii) may be waived, varied or suspended at the direction of the Admissions and Licensing Committee in its absolute discretion.

## **9. Restriction on carrying on exempt regulated activities**

No member, nor any firm in relation to which he is a sole proprietor, partner or director, may carry on, or purport to carry on, exempt regulated activities in the United Kingdom unless he or, as the case may be, it is registered by the Association to carry on exempt regulated activities or is otherwise authorised, or exempted from the need for authorisation, in respect of such exempt regulated activities for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom. However, any member, or firm, satisfying the eligibility requirements contained in regulation 3 of the Designated Professional Body Regulations can register to conduct exempt regulated activities in accordance with and from the effective date of those regulations. The exempt regulated activities must be the only regulated activities carried out, other than regulated activities in relation to which the member or firm is an exempted person. Exempt regulated activities are as defined in the Designated Professional Body Regulations.

## **10. Fit and proper persons**

Regulation 8 of the Global Practising Regulations applies to members. Additionally, where insolvency licences are concerned, this regulation 10 shall apply to the Admissions and Licensing Committee's determination.

In determining whether a person is "fit and proper", the Admissions and Licensing Committee:

- (a) may take into account whether that person has contravened any provision of law relating to the seeking appointment or acting as auditor or insolvency practitioner or to the carrying on of exempt regulated activities or the provision of investment business services or investment advice;
- (b) shall take into account whether that person has contravened any law or regulation or undertaken any practices or conduct referred to in relevant law, regulation or guidance issued by a body with responsibility for the regulation of the activities of the holder of the certificate or of the Association in its regulation of such activities, including without limitation in the case of holders of insolvency licences regulation 4 of the Insolvency Practitioners

Regulations 2005 and the Guidance Notes for Persons seeking Authorisation to Act as an Insolvency Practitioner issued by the DTI;

- (c) may take into account any matter which relates to him or it and any matter relating to any person who is or will be employed by or associated with him or it for the purposes of or in connection with public practice, insolvency work, exempt regulated activities or investment business services or investment advice.

## **11. Professional indemnity insurance**

### *(1) Practising certificates and insolvency licences held by firms*

Regulation 9 of the Global Practising Regulations applies to applicants for and holders of

- (a) practising certificates; and
- (b) insolvency licences.

### *(2) Continuity following cessation*

Regulation 9(5) of the Global Practising Regulations applies to persons subject to regulation 11(1) in respect of their ceasing to engage in public practice, insolvency work, exempt regulated activities or investment business services or investment advice.

### *(3) Insolvency licences*

- (a) In addition to holding PII, a holder of an insolvency licence must hold a bond by way of security or, in Scotland, a caution for the proper performance of his functions that complies with regulation 10 of, and Part 2 of Schedule 2 to, the Insolvency Practitioners Regulations 2005 of the United Kingdom (the “enabling bond”).
- (b) A holder of an insolvency licence shall comply with section 390(3) Insolvency Act 1986 of the United Kingdom and the Insolvency Practitioners Regulations 2005 of the United Kingdom as regards the enabling bond and shall ensure that:
  - (i) the enabling bond is in force at a time when he is appointed to act as an insolvency practitioner in relation to a person; and
  - (ii) there is in force in relation to the enabling bond with effect from the time when he is appointed so to act in relation to that person, specific penalty as required by the provisions of the Insolvency Practitioners Regulations 2005 of the United Kingdom.
- (c) The enabling bond shall be lodged with the Association on application for or renewal of an insolvency licence issued by the Association.

### *(4) Insurance mediation*

Regulation 9 of the Global Practising Regulations sets out the limits of indemnity in respect of all holders of practising certificates. In addition, firms wishing to carry on insurance mediation activities must comply with the special requirements set out in regulation 4(3) of The Chartered Certified Accountants’ Designated Professional Body Regulations 2001.

## **12. Continuing professional development**

Firms which carry on exempt regulated activities must require the individuals who are partners or directors or agents of the firm who are not members but who carry on exempt regulated activities in the United Kingdom on behalf of the firm to comply with Membership Regulation 4(4) as if they were members.

## **13. Continuity of practice**

Regulation 11 of the Global Practising Regulations shall be applicable to all holders of an insolvency licence and firms carrying on exempt regulated activities. The nominee providing continuity of practice for a holder of an insolvency licence may be any person licensed to act as an insolvency practitioner and need not be an accountant.

## **14. Notification**

Holders of an insolvency licence must comply with regulation 12 of the Global Practising Regulations.

Additionally, they shall give written notice forthwith of the commencing of proceedings against the holder or any actions for damages, injunctions or restitution orders connected with regulated work carried on by the individual in question.

## **15. Conduct**

### *(1) Accountants' reports*

Members reporting on an entity which is a member of a regulatory body shall comply with the requirements of that regulatory body and adhere to any guidance issued by it for the preparation and presentation of their reports.

### *(2) Insolvency work*

In the conduct of insolvency appointments, a holder of an insolvency licence shall comply with the Insolvency Act 1986 of the United Kingdom and all subordinate legislation made thereunder and in particular, but without limitation, the Insolvency Regulations 1994 of the United Kingdom and the Insolvency Practitioners Regulations 2005 of the United Kingdom and the Statements of Insolvency Practice and shall have due regard to any other guidelines issued under the procedures agreed between the insolvency regulatory authorities acting through the Joint Insolvency Committee ("JIC"), approved by the JIC, and adopted by the Association.

### *(3) Exempt regulated activities*

Members and firms conducting exempt regulated activities under the Designated Professional Body Regulations shall comply with the Association's Code of Ethics and Conduct in the conduct of that work.

## **16. Disclosure of information**

### *(1) Conduct of insolvency work*

In the case of individuals holding an insolvency licence, such persons must supply the Association with all necessary information to enable the Association to comply with its obligations to the Insolvency Service and other bodies in its capacity as a recognised professional body under the Insolvency Act 1986 of the United Kingdom.

### *(2) Conduct of exempt regulated activities*

In the case of firms eligible to conduct exempt regulated activities under the Designated Professional Body Regulations, firms must supply the Association with all the necessary information to enable the Association to comply with its obligations to the Financial Conduct Authority and other bodies in its capacity as a designated professional body.

## **17. Monitoring**

Individuals holding a practising certificate and/or an insolvency licence shall be subject to monitoring by the Association in accordance with regulation 14 of the Global Practising Regulations.

# Appendix 1

## United Kingdom Audit Regulations 2016

### 1. Application

The regulations contained in this Appendix form part of Annex 1 to The Chartered Certified Accountants' Global Practising Regulations 2003.

### 2. Restrictions on carrying on public practice

#### *(1) Members and firms*

Where public practice is carried on in the name of a firm, or otherwise in the course of a firm's business, and that public practice involves the accepting of an appointment as an auditor, or the holding out of the firm as being available to accept such an appointment, no member shall be a sole proprietor, partner or director of that firm unless the firm holds an auditing certificate issued by the Association and is thereby authorised by the Association to carry on audit work.

(2) A firm required by regulation 2(1) to hold an auditing certificate may instead hold another certificate or authorisation which is in the opinion of the Admissions and Licensing Committee equivalent.

### 3. Where public practice is carried on

Where the public practice consists of accepting an appointment as statutory auditor, or holding oneself out as available to do so, it shall be taken to be carried on in the United Kingdom, whose laws apply to the appointment, or would apply to the potential appointment, in question.

### 4. Eligibility for an audit qualification

Members responsible for a firm's audit work shall be required to obtain the Association's recognised professional qualification in accordance with regulation 6 in addition to complying with regulation 5 of the Global Practising Regulations as regards their practising certificate. The audit qualification will convey to the holder the necessary authorisation to carry on audit work.

### 5. Eligibility for an auditing certificate

(1) A firm that is not an EEA auditor shall be eligible for an auditing certificate if:

- (a) each of the individuals responsible for the firm's audit work holds an audit qualification, or, in the case of non-members of the Association, holds an equivalent certificate;
- (b) it is controlled by qualified persons within the meaning of regulation 7;
- (c) it is fit and proper within the meaning of regulation 8;
- (d) it holds the necessary PII in accordance with regulation 9;
- (e) it has made arrangements for the continuity of its practice in accordance with regulation 11;
- (f) it undertakes to be bound by the Global Practising Regulations including this Annex 1, the Complaints and Disciplinary Regulations, the Membership Regulations and the Charter and bye-laws insofar as they are applicable to it;
- (g) it has arrangements to prevent individuals who do not hold an appropriate qualification for the purposes of Part 42 of the Companies Act 2006 and persons who are not members of the firm from being able to exert any influence over the way in which an audit is conducted in circumstances in which that influence would be likely to affect the independence or integrity of the audit; and
- (h) it satisfies any other eligibility criteria set by the UK competent authority.

(2) A firm that is an EEA auditor shall be eligible for an auditing certificate if:

- (a) each of the individuals responsible for the firm's audit work holds an audit qualification, or, in the case of non-members of the Association, holds an equivalent certificate;
- (b) the firm would be eligible for appointment as a statutory auditor if it were not an EEA auditor or is eligible for a corresponding appointment as an auditor under the law of an EEA state or part of an EEA state, other than the United Kingdom;



- (c) if the firm is eligible for a corresponding appointment as an auditor under the law of an EEA state or part of an EEA state other than the United Kingdom, the firm provides proof of its eligibility in the form of a certificate, dated not more than three months before it is provided by the firm, from the competent authority of the EEA state concerned;
- (d) it is fit and proper within the meaning of regulation 8;
- (e) it holds the necessary PII in accordance with regulation 9;
- (f) it has made arrangements for the continuity of its practice in accordance with regulation 11; and
- (g) it undertakes to be bound by the Global Practising Regulations including this Annex 1, the Complaints and Disciplinary Regulations, the Membership Regulations and the Charter and bye-laws insofar as they are applicable to it.

A firm which has ceased to comply with the conditions under (1)(a), (1)(b) or (2)(a) above may be permitted to remain eligible for appointment as an auditor for a period of not more than three months.

## 6. Qualifications

### *(1) Qualifications required to hold a practising certificate*

To be qualified to hold a practising certificate, members will need to meet the requirements of regulation 7 of the Global Practising Regulations.

### *(2) Qualifications required to obtain an audit qualification*

To be qualified to hold an audit qualification:

- (a) an individual (other than an EEA auditor) must:
  - (i) have obtained the Association's recognised professional qualification (in accordance with regulation 6(5) below); or
  - (ii) have a third country qualification approved by the Secretary of State under section 1221 of the Companies Act 2006 and have passed the Association's aptitude test in accordance with 6(3) below unless an aptitude test is not required (see 6(4) below); or
  - (iii) have previously held an equivalent certificate issued by the Association. However, individuals will be required, prior to the audit qualification being granted, to demonstrate adequate competence in audit work by:
    - (aa) providing to the Association details of recent audit experience; and/or
    - (bb) providing to the Association details of recent audit-related CPD; and/or
    - (cc) attendance at an approved practical audit workshop; or
- (b) an individual who is an EEA auditor must:
  - (i) hold an appropriate qualification; or
  - (ii) have been authorised to practise the profession of statutory auditor pursuant to Regulation 29 of the European Communities (Recognition of Professional Qualifications) Regulations 2015 (S.I. 2015/2059) and have fulfilled any requirements imposed pursuant to regulation 32 of those Regulations; and have passed an aptitude test in accordance with 6(3) below unless an aptitude test is not required (see 6(4) below).

### *(3) The aptitude test*

The aptitude test:

- (a) must test the person's knowledge of subjects:
  - (i) that are covered by a recognised professional qualification;
  - (ii) that are not covered by the recognised professional qualification already held by the person; and
  - (iii) the knowledge of which is essential to the pursuit of the profession of statutory auditor;
- (b) may test the person's knowledge of rules of professional conduct;
- (c) must not test the person's knowledge of any other matters.

### *(4) Aptitude test not required*

No aptitude test is required if the subjects that are covered by a recognised professional qualification and the knowledge of which is essential in the pursuit of the profession of statutory auditor are covered by the professional qualification already held by the person.

#### *(5) Recognised professional qualification of the Association*

To obtain the Association's recognised professional qualification, members must:

- (a) have completed three years' practical training in an ACCA approved employer, working either as an employee or sub-contractor, of which at least two years must have been under the supervision of:
  - (i) a member who is authorised to carry on audit work by way of an audit qualification; or
  - (ii) any other person having in the opinion of Council adequate qualifications and experience and who is a fully qualified statutory auditor under paragraph 9(4) of Schedule 11 to the Companies Act 2006, such as statutory auditors practising in EEA states (or equivalent persons in relation to applicants for certificates relating to countries other than the United Kingdom);and must comply with the requirements set out in Part 1 of Appendix 2;
- (b) have successfully completed the English or Scottish paper F4, Corporate and Business Law, of the Association's examinations, or equivalent paper from a previous syllabus;
- (c) have successfully completed UK papers F6, Taxation, and P7, Advanced Audit and Assurance, of the Association's examinations, or equivalent papers from a previous syllabus;
- (d) have successfully completed the UK paper P2, Corporate Reporting, if this paper P2 was completed on or after 1 January 2011;
- (e) if the member registered for the ACCA qualification on or after 1 January 2016, have successfully completed all the relevant Professional Level examinations within five years from the date on which the member completed the Fundamentals Level examinations (and, for the removal of doubt, completion of the Fundamentals Level examinations may include receiving exemption from any or all of the papers in that Level); and
- (f) have been a member of the Association continuously for a period of not less than two years.

If the member accepted exemptions from all or part of the Fundamentals Level of the Association's syllabus on the basis of qualifications gained more than five years previously (at the date of initially submitting the qualifications as an ACCA student), the member will be required to pass those exempted papers by examination.

If the member registered for the ACCA Qualification on or after 1 January 2016, the member must have successfully completed all the relevant Fundamentals Level examinations within five years of becoming eligible to sit that part.

Additional requirements are in place for those members whose route to membership of the Association was from another qualifying body. These are set out in Appendix 2 Part 2.

#### *(6) Waiver*

In exceptional circumstances, to the extent permitted by the provisions of the Companies Act 2006 and the UK competent authority, the Admissions and Licensing Committee may waive, vary or suspend the requirements of regulation 6(5)(a) and/or regulation 6(5)(f) in its absolute discretion.

### **7. Meaning of firm controlled by qualified persons**

Firms controlled by qualified persons are authorised for carrying on audit work in accordance with regulation 5.

- (a) A firm shall only be regarded as controlled by qualified persons for the purposes of regulation 5 where:
  - (i) a majority of the partners or a majority of the directors and shareholders of the firm are qualified persons; and
  - (ii) if the firm's affairs are managed by a board of directors, committee or other management body, a majority of that body are qualified persons, or if the body consists of only two persons, at least one of them is a qualified person and has a casting vote.
- (b) References in regulation 7(a) above to a person being qualified are, in relation to an individual, to his being qualified to hold an audit qualification in accordance with regulation 6(2) and that he spends a material amount of his time working in the firm concerned, or being otherwise eligible to be appointed as an auditor.
- (c) A majority of the partners or a majority of the directors and shareholders of the firm in regulation 7(a)(i) means:
  - (i) where under the firm's constitution matters are decided on by the exercise of voting rights, partners or directors and shareholders holding a majority of the rights to vote on all, or substantially all, matters;
  - (ii) in any other case, partners or directors and shareholders having such rights under the constitution of the firm as enable them to direct its overall policy or alter its constitution.
- (d) A majority of the members of the management body of a firm in regulation 7(a)(ii) means:
  - (i) where matters are decided at meetings of the management body by the exercise of voting rights, members holding a majority of the rights to vote on all, or substantially all, matters at such meetings;

- (ii) in any other case, members having such rights under the constitution of the firm as enable them to direct its overall policy or alter its constitution.
- (e) The provisions of paragraphs 5 to 7 of Schedule 7 to the Companies Act 2006 (rights to be taken into account and attribution of rights) apply for the purposes of this regulation 8.

## **8. Fit and proper persons**

Regulation 8 of the Global Practising Regulations applies to members. Additionally, where auditing certificates are concerned, this regulation 8 shall apply to the Admissions and Licensing Committee's determination.

In determining whether a person is "fit and proper", the Admissions and Licensing Committee:

- (a) may take into account whether that person has contravened any provision of law relating to the seeking appointment or acting as auditor;
- (b) shall take into account whether that person has contravened any law or regulation or undertaken any practices or conduct referred to in relevant law, regulation or guidance issued by a body with responsibility for the regulation of the activities of the holder of the certificate or of the Association in its regulation of such activities;
- (c) may take into account any matter which relates to him or it and any matter relating to any person who is or will be employed by or associated with him or it for the purposes of or in connection with public practice.

## **9. Professional indemnity insurance**

### *(1) Auditing certificates held by firms*

Regulation 9 of the Global Practising Regulations applies to applicants for and holders of auditing certificates by firms.

### *(2) Continuity following cessation*

Regulation 9(5) of the Global Practising Regulations applies to persons subject to regulation 9(1) in respect of their ceasing to engage in public practice.

## **10. Continuing professional development**

- (1) Firms holding an auditing certificate must require the individuals who are partners or directors or agents of the firm who are not members but who are responsible for the firm's audit work to comply with Membership Regulation 4(4) as if they were members. This includes compliance with regulation 10(2) below.
- (2) Members holding the recognised professional qualification must maintain competence in the area of audit, and obtain an appropriate proportion of CPD units in that area.

## **11. Continuity of practice**

Regulation 11 of the Global Practising Regulations shall be applicable to all firms holding an auditing certificate.

## **12. Notification**

Firms holding an auditing certificate must comply with regulation 12 of the Global Practising Regulations.

Additionally, they shall give written notice forthwith of the commencing of proceedings against any partner or director or controller of a firm or any actions for damages, injunctions or restitution orders connected with regulated work carried on by the individual in question.

Firms holding an auditing certificate shall notify the Association in writing within 28 days after their acceptance of an appointment as auditor to a public interest entity whose audits are within the scope of the Audit Quality Review team of the UK competent authority.

## **13. Conduct of audit work**

- (1) In the conduct of audit work, holders of an audit qualification and firms holding an auditing certificate shall comply with all the applicable sections of the Association's Rulebook and in particular the ACCA Code of Ethics and Conduct, the International Standards on Auditing issued by the International Auditing and Assurance Standards Board and the technical, ethical and quality control standards issued by the UK competent authority under the Statutory Auditors and Third Country Auditors Regulations 2016.
- (2) For accounting periods commencing on or after 6 April 2008, the audit report shall:
  - (a) state the name of the auditor and be signed and dated;
  - (b) where the auditor is an individual, be signed by him;

- (c) where the auditor is a firm, be signed by the senior statutory auditor in his own name, for and on behalf of the auditor and use the designation “Senior Statutory Auditor” after his name;
- (d) state the name of the firm as it appears on the register; and
- (e) use the designation “Statutory Auditor” or “Statutory Auditors” after the name of the firm.

The auditor’s name and, where the auditor is a firm, the name of the person who signed the report as senior statutory auditor may be omitted from published copies of the report and the copy of the report to be delivered to the registrar of companies if the conditions set out in section 506 of the Companies Act 2006 are met.

- (3) In the case of a major audit, an auditor ceasing to hold office for any reason must notify the Financial Reporting Council. In the case of an audit which is not a major audit, an auditor ceasing to hold office before the end of his term in office must notify the Association. In each case the notice must inform the appropriate audit authority that he has ceased to hold office and be accompanied by a copy of the statement deposited by him at the company’s registered office in accordance with section 519 of the Companies Act 2006.
- (4) A person ceasing to hold office as a statutory auditor shall make available to his successor in that office all relevant information which he holds in relation to that audit.
- (5) In the conduct of group audit work, the group auditor shall:
  - (a) review for the purposes of a group audit the audit work conducted by other persons and record that review;
  - (b) retain copies of any documents necessary for the purposes of the review that it has received from third country auditors who are not covered by the working arrangements under section 1253E of the Companies Act 2006;
  - (c) agree with those third country auditors proper and unrestricted access to those documents on request.

## **14. Disclosure of information**

### *(1) Register of auditors and available information*

Holders of an audit qualification and firms holding an auditing certificate must supply the Association with all necessary information in accordance with, and to enable the Association to comply with any other obligations imposed upon it by regulations made under, sections 1239 and 1240 of the Companies Act 2006. This requirement shall apply for the duration of time that an audit qualification and auditing certificate are held.

### *(2) Responsibility of group auditor*

In the case of a group audit where part of the group is audited by a third country auditor, an auditor must make arrangements so that, if requested by the Association or by a competent authority, it can obtain from that third country auditor all audit working papers and investigation reports necessary for a review of that third country auditor’s audit work. An auditor shall make those documents available to:

- (a) the Association;
- (b) the UK competent authority or any recognised supervisory body to which the UK competent authority has delegated tasks in accordance with regulation 3 of the Statutory Auditors and Third Country Auditors Regulations 2016;
- (c) the Secretary of State.

If, after taking all reasonable steps, a group auditor is unable to obtain copies of the documents or the access to the documents necessary for the review, the group auditor shall record:

- (a) the steps taken to obtain copies of or access to those documents;
- (b) the reasons why the copies or access could not be obtained; and
- (c) any evidence of those steps or those reasons.

### *(3) Transfer of audit documentation to third country competent authorities*

In the case of a request by a third country competent authority, an auditor must provide that body with a copy of its audit working papers and investigation reports as soon as practicable, provided:

- (a) the transfer is to an approved third country competent authority;
- (b) the Secretary of State has approved the transfer;
- (c) the transfer to the third country competent authority is made for the purpose of an investigation of an auditor or audit firm;
- (d) the following conditions are met:
  - (i) the third country competent authority has requested the audit working papers and investigation reports for the purposes of an investigation, which has been initiated by itself or another third country competent authority established in that same third country;

- (ii) the audit working papers and investigation reports relate to audits of companies that:
  - (aa) have issued securities in that third country; or
  - (bb) form part of a group issuing statutory consolidated accounts in that third country;
- (iii) where the authority has made the request for the audit working papers and investigation reports directly to the statutory auditor, the authority has given the Secretary of State advance notice of the request, indicating the reasons for it;
- (iv) the authority has entered into arrangements with the Secretary of State in accordance with section 1253E of the Companies Act 2006.

The statutory auditor must refuse to transfer audit working papers and investigation reports to a third country competent authority if the Secretary of State directs under section 1253E(6) of the Companies Act 2006.

The auditor must also inform the Association of the request.

## **15. Monitoring**

(1) Individuals holding a practising certificate and firms holding an auditing certificate shall be subject to monitoring by the Association in accordance with regulation 14 of the Global Practising Regulations.

(2) Firms holding audit certificates must comply with the Association's monitoring arrangements, which may be performed by the UK competent authority or any recognised supervisory body to which the UK competent authority has delegated tasks in accordance with regulation 3 of the Statutory Auditors and Third Country Auditors Regulations 2016.

(3) Firms holding an auditing certificate shall be subject to monitoring by the Audit Quality Review team of the UK competent authority (AQR) if they hold an appointment as auditor to a public interest entity whose audits are within the scope of AQR. Such firms must supply AQR with any information AQR requires to enable it to complete its monitoring process.

(4) An order imposed by the UK competent authority in accordance with the Statutory Auditors and Third Country Auditors Regulations 2016 is to be treated as if it were an order imposed by the Association under the Chartered Certified Accountants' Authorisation Regulations 2014.

## **16. Investigation of complaints**

Holders of the Association's recognised professional qualification and firms holding audit certificates must comply with the Association's investigation arrangements, which may be performed by the UK competent authority or any recognised supervisory body to which the UK competent authority has delegated tasks in accordance with regulation 3 of the Statutory Auditors and Third Country Auditors Regulations 2016.

## **17. Enforcement**

(1) Sanctions available to the Disciplinary Committee are set out in the Chartered Certified Accountants' Complaints and Disciplinary Regulations 2014. For the avoidance of doubt, the sanctions available to the Disciplinary Committee include all those set out in paragraph 12(3)(b) of schedule 10 to the Companies Act 2006.

(2) A sanction imposed by the UK competent authority following the conclusion of an investigation in accordance with the Statutory Auditors and Third Country Auditors Regulations 2016 is to be treated as if it were a sanction imposed by the Association under the Chartered Certified Accountants' Complaints and Disciplinary Regulations 2014.

## **18. General**

(1) In circumstances where and to the extent that a task delegated to the Association is reclaimed by the UK competent authority under regulation 3 of the Statutory Auditors and Third Country Auditors Regulations 2016, the UK competent authority may apply rules (and may vary the rules it applies) made by the Association in accordance with the requirements of Part 2 of Schedule 10 to the Companies Act 2006.

(2) In circumstances where and to the extent that a task delegated to the Association is reclaimed by the UK competent authority under regulation 3 of the Statutory Auditors and Third Country Auditors Regulations 2016, and is delegated by the UK competent authority to another recognised supervisory body, that other recognised supervisory body may apply rules (and may vary the rules it applies) made by the Association in accordance with the requirements of Part 2 of Schedule 10 to the Companies Act 2006.

## Appendix 2

### Requirements for the recognised professional qualification

#### Part 1: Training requirements

To obtain the Association's recognised professional qualification (i.e. the UK audit qualification), members must have completed three years' (i.e. 132 weeks based on 44 weeks per annum) practical training in an ACCA approved employer.

Training in an ACCA approved employer must cover all the following key areas of competence as set out in Appendix 1 to the Global Practising Regulations:

- (a) Audit (key area 7 – see below);
- (b) Professional Conduct (key area 1);
- (c) Technical (key areas 2–5: Accounting; Business advice, development and measurement; Taxation; Business assurance and internal review);
- (d) Management (key area 6).

Candidates for the Association's recognised professional qualification must:

- (a) be proficient in all the competences shown for audit (key area 7) as described in more detail in the competences of practising certificate holders reproduced in Appendix 1 to the Global Practising Regulations;
- (b) be proficient in:
  - (i) all 5 mandatory elements of competence in relation to Professional Conduct; and
  - (ii) at least 8 elements of competence in relation to Technical skills, 6 of which must be key elements taken from at least 2 key areas; and
  - (iii) at least 2 elements of competence in relation to Management skills, 1 of which must be a key element.

At least 44 weeks of the training must be in audit work. This should include:

- (a) at least 22 weeks specifically in statutory audit, and
- (b) a further 22 weeks which is either:
  - (i) audit work of companies established under the Companies Acts, or
  - (ii) audit work in respect of either:
    - (aa) organisations whose financial reporting requirements are laid down in statutes other than the Companies Acts (or equivalent provisions of the laws of the country to which the qualification is to relate), for example:
      - nationalised industries;
      - local councils, health authorities and self-governing trusts (excluding value for money audits and parish accounts);
      - housing associations;
      - insurance companies;
      - trade unions;
      - friendly or industrial and provident societies;
      - building societies, or
    - (bb) other entities where the provisions of the Auditing Standards issued by the UK competent authority or the International Standards on Auditing issued by the International Auditing and Assurance Standards Board apply and where an opinion or certificate is placed on accounts stating that they give a true and fair view of the financial position of the entity or that they present fairly the financial position of the entity. The turnover of the entity must exceed the VAT threshold ruling at the date to which the accounts are made up. Examples of non-statutory audits include:
      - partnerships or sole traders whose external reporting obligations are governed by legislation or regulatory bodies;
      - professional bodies (e.g. the Association);
      - charities;
      - UK branches of overseas corporations;
      - private partnerships and sole traders (subject to partnership agreements or bankers'/other third party demands).

The length of time to be spent on the other areas is not fixed, but candidates must be able to demonstrate competence in each of the three specified areas.

Members whose audit experience is achieved some time before their application for the audit qualification will be required, prior to the award of the audit qualification, to demonstrate adequate competence in audit work by:

- (a) providing to the Association details of recent audit experience; and/or
- (b) providing to the Association details of recent audit-related CPD; and/or
- (c) attendance at an approved practical audit workshop.

## **Part 2: Additional requirements for certain members**

- (a) A person who was admitted to membership of the Association under Membership Regulation 3(e) as a member of the Chartered Institute of Management Accountants (before 1 January 2012) or the Chartered Institute of Public Finance and Accountancy (unless he has completed the papers specified within the Chartered Institute of Public Finance and Accountancy's professional accountancy qualification to be eligible for its audit qualification) must in addition to satisfying any other conditions laid down in these regulations pass the UK paper P7, Advanced Audit and Assurance, of the Association's examinations to be eligible for the recognised professional qualification.
- (b) A person who was admitted to membership of the Association as the holder of a qualification recognised under Membership Regulation 3(c), (d) or (f) (or the former bye-law 7) must in addition to satisfying any other conditions laid down in these regulations successfully complete the UK paper P7, Advanced Audit and Assurance, of the Association's examinations to be eligible for the recognised professional qualification.

The above requirements are without prejudice to the rights under Directive (89/48/EEC) of certain members admitted under Membership Regulation 3(e) to complete the Association's Aptitude Test to be eligible for the recognised professional qualification.

The above requirements shall not apply where an applicant holds a qualification approved by the Secretary of State under section 1221 of the Companies Act 2006 of the United Kingdom and has successfully completed the Association's Aptitude Test.

In addition to meeting the above requirements, a person admitted under Membership Regulation 3(d) or (f) shall be required to successfully complete the Association's Aptitude Test.

## **Appendix 3**

### **Qualification requirements for an audit qualification**

#### **Jersey, Guernsey and Dependencies and the Isle of Man**

1. The requirements referred to in regulation 5(2)(b)(i) are:

- (a) the member has been a member of the Association continuously for a period of not less than two years; and
- (b) the member must have completed three years' practical training in an ACCA approved employer, working either as an employee or sub-contractor, under the supervision of:
  - (i) a member holding an audit qualification; or
  - (ii) any other person having in the opinion of Council adequate qualifications and experience and who is a fully qualified statutory auditor under paragraph 9(4) of Schedule 11 to the Companies Act 2006 of the United Kingdom;

and must comply with the requirements set out in Part 1 of Appendix 2.

2. The member shall have passed such local equivalents in the country of the examinations specified in Part 2 of Appendix 2 of these regulations as the Admissions and Licensing Committee shall from time to time specify as acceptable.

3. In exceptional circumstances, the requirements of paragraphs 1 and 2 of this Appendix 3 may be waived, varied or suspended at the direction of the Admissions and Licensing Committee in its absolute discretion.