

**2019 No. 504**

**EXITING THE EUROPEAN UNION, ENGLAND AND  
WALES**

**LOCAL GOVERNMENT, ENGLAND AND WALES**

**AUDITORS, ENGLAND AND WALES**

**The Local Audit (England and Wales) (Amendment) (EU Exit)  
Regulations 2019**

<i>Sift requirements satisfied</i>	<i>6th March 2019</i>
<i>Made - - - -</i>	<i>7th March 2019</i>
<i>Laid before Parliament</i>	<i>8th March 2019</i>
<i>Coming into force in accordance with regulation 1(2) and (3)</i>	

The Secretary of State makes these Regulations in exercise of the powers conferred by section 8(1) of, and paragraph 21 of Schedule 7 to, the European Union (Withdrawal) Act 2018<sup>(a)</sup>.

The requirements of paragraph 3(2) of Schedule 7 to that Act (relating to the appropriate Parliamentary procedure for these Regulations) have been satisfied.

**PART 1**

**Introduction**

**Citation, commencement and extent**

**1.**—(1) These Regulations may be cited as the Local Audit (England and Wales) (Amendment) (EU Exit) Regulations 2019.

(2) These Regulations come into force on exit day<sup>(b)</sup>, subject to paragraph (3).

(3) Regulations 2 and 6(1)(a)(i)(bb) and (ii) come into force on 1st January 2021.

(4) These Regulations extend to England and Wales.

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<sup>(a)</sup> 2018 c. 16.

<sup>(b)</sup> See section 20(1) of the European Union (Withdrawal) Act 2018 for the meaning of “exit day”.

## PART 2

### Amendment of primary legislation

#### **Amendment of the Companies Act 2006**

**2.** In Schedule 10 to the Companies Act 2006(a), in paragraph 7, omit sub-paragraph (2)(b)(ii)(b) and the “or” before it (so far as not already omitted).

#### **Amendment of the Local Audit and Accountability Act 2014**

**3.** Schedule 5 to the Local Audit and Accountability Act 2014(c) is amended in accordance with regulations 4 to 6.

**4.** In paragraph 23, in sub-paragraph (2)—

- (a) for “subsection (1)” substitute “subsection (1)(a)”;
- (b) the words after “subsection (1)(a)” become paragraph (a);
- (c) after paragraph (a), insert—
  - “, and
  - (b) for “EU obligations” substitute “retained EU obligations”.”.

**5.** In paragraph 26—

- (a) in sub-paragraph (3), after “subsection (1)” insert—
  - “—
  - (a) in the definition of “EEA competent authority”, omit “other than the United Kingdom”, and
  - (b) ”;
- (b) after sub-paragraph (4) insert—
  - “(5) In subsection (2A), after “EEA State” insert “and subject to the Audit Directive(d).”.

**6.—(1)** In paragraph 28—

- (a) in sub-paragraph (3), in the substituted paragraph 6—
  - (i) in sub-paragraph (1)(b)—
    - (aa) after “sub-paragraph (3)” insert “on or before 31 December 2020”; and
    - (bb) for “sub-paragraphs (4) and (5)” substitute “sub-paragraph (4)”;
  - (ii) omit sub-paragraphs (4)(a) and (5);
- (b) at the end of sub-paragraph (4)(a), omit “and”;
- (c) after sub-paragraph (4)(a), insert—
  - “(aa) in sub-paragraph (2)(a)(ii), omit “, other than the United Kingdom”.”;
- (d) after sub-paragraph (4)(b), insert—

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(a) 2006 c. 46. Paragraph 7(2)(b)(ii) of Schedule 10 was amended by regulation 18(2) of the Statutory Auditors and Third Country Auditors Regulations 2007 (S.I. 2007/3494).

(b) Paragraph 7(2)(b)(ii) ceases to apply, in relation to statutory audit, on 1 January 2021 under paragraph 7(2A) of Schedule 10 which is inserted by regulation 29(b) of S.I. 2019/177. The amendment made by paragraph 7(2A) does not apply to local audit by virtue of regulation 45 of S.I. 2019/177.

(c) 2014 c. 2. Schedule 5 was amended by paragraph 2(2) of Schedule 5 to the Statutory Auditors and Third Country Auditors Regulations 2016 (S.I. 2016/649) and by regulation 45 of the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/177).

(d) Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, as amended at any time before 1st January 2009.

- “, and
- (c) in sub-paragraph (2)(b)(ii), omit “, other than the United Kingdom”.”;
- (e) in sub-paragraph (7), in the substituted paragraph 13—
- (i) for sub-paragraph (4)(b)(iv) substitute—
- “(iv) work equivalent to that within any of sub-paragraphs (i) to (iii) on the audit of accounts under the law of—
- (aa) an equivalent third country, or part of an equivalent third country, or
- (bb) a transitional third country, or part of a transitional third country,”;
- (ii) after sub-paragraph (4), insert—
- “(4A) For the purposes of sub-paragraph (4)—
- “equivalent third country” means a third country granted approval or provisional approval as an equivalent third country in accordance with section 1240A(1)(a), as that section applies in relation to statutory audits;
- “third country” means a country or territory other than the United Kingdom;
- “transitional third country” means a third country granted approval or provisional approval as a transitional third country in accordance with section 1240A(1), as that section applies in relation to statutory audits.”.
- (2) The amendment made by paragraph (1)(d) ceases to have effect on 1st January 2021.
- (3) The amendments made by paragraph (1)(e) do not affect the ability of a person appointed before exit day to conduct inspections on or after exit day.

## PART 3

### Amendment of secondary legislation

#### **Amendment of the Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014**

**7.** The Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014(b) are amended in accordance with regulation 8.

**8.** In regulation 9—

(a) for paragraph (2), substitute—

“(2) For the purposes of paragraph (1), “local audit work” includes equivalent work on the audit of the accounts of a public authority, and “statutory audit work” includes equivalent work on the audit of accounts, under the law of—

- (a) in relation to work which took place prior to exit day, an EEA state or part of an EEA state, other than the United Kingdom or part of the United Kingdom;
- (b) an equivalent third country or part of an equivalent third country; or
- (c) a transitional third country or part of a transitional third country.

(2A) In paragraph (2)—

“equivalent third country” means a third country granted approval or provisional approval as an equivalent third country in accordance with section 1240A(1) of the Companies Act 2006;

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(a) Section 1240A(1) was inserted into Part 42 of the Companies Act 2006 by regulation 14 of the Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/177).

(b) S.I. 2014/1627.

“transitional third country” means a third country granted approval or provisional approval as a transitional third country in accordance with section 1240A(1) of the Companies Act 2006.”;

(b) in paragraph (4)(c), omit “, other than the United Kingdom”;

(c) after paragraph (4), insert—

“(5) For the purposes of paragraph (4), Gibraltar is to be treated as if it were an EEA State.”.

Signed by authority of the Secretary of State for Housing, Communities and Local Government

*Rishi Sunak*

Parliamentary Under Secretary of State

Ministry of Housing, Communities and Local Government

7th March 2019

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations are made in exercise of the powers conferred by section 8(1) of the European Union (Withdrawal) Act 2018 (c. 16) in order to address failures of retained EU law to operate effectively and other deficiencies (in particular under section 8(2)(d) and (e) of that Act) arising from the withdrawal of the UK from the European Union.

These Regulations make amendments to legislation in the field of local audit and, in particular, amend legislation relating to eligibility for appointment as local auditors and other requirements for the local audit of relevant authorities. Part 2 amends Schedule 10 of the Companies Act 2006 (c. 46) and Schedule 5 to the Local Audit and Accountability Act 2014 (c. 2). Part 3 amends the Local Audit (Professional Qualifications and Major Local Audit) Regulations 2014 (S.I. 2014/1627).

An impact assessment has not been produced for this instrument as no, or no significant, impact on the private or voluntary sector is foreseen.

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