



August 2023

Proposed changes to the Joint UK Audit Regulations 2023

GENERAL

1. Amendments to the joint UK Audit Regulations are proposed to address policy matters which the three institutes consider necessary to reflect changes in the regulatory environment around ongoing competence and consumer protection. These amendments do not include proposed changes under the government white paper published in December 2021. (It should be noted that regulations in respect of audit in Ireland are now contained in a separate document which was issued by CAI in April 2022.)
2. The changes made are set out below in more detail but can be summarised as;
 - The rules around CPD have been amended to reflect latest best practice
 - The introduction for a requirement to have an alternate appointed where the audit firm is a sole practitioner
 - The clarification that the Registration Committee has powers to sanction individuals as well as firms
3. The regulations for the most part will take effect from early 2024 (date to be confirmed), but the requirements associated with the appointment of an alternate allow a further six months to enable compliance.

APPOINTMENT OF ALTERNATE REGISTERED AUDITOR

4. In April 2022 the Audit Regulations in respect of the Republic of Ireland were issued by Chartered Accountants Ireland which introduced the requirement for sole practitioners fulfilling the role of a Responsible Individual to have an alternate registered auditor appointed. The alternate is an appointment that enables a practitioner to step in promptly where a sole practitioner is incapacitated by illness or other major event that would disrupt and disadvantage the service to their clients.
5. The appointment of alternates is currently compulsory across all three institutes for firms holding client monies, but this new regulation extends its application to audit. IAASA had been increasingly uncomfortable about this area of risk from a public interest perspective in Ireland, and an increasing number of cases now being reported to the institutes has led them to the conclusion that in the public interest this client protection needs to be applied for audit in the UK as well as Ireland. The additional requirement is set out at 2.03(f) and the definition of alternate registered auditor set out in the table of definitions.
6. As it is recognised that arrangements for the appointment of an alternate may take some time a transitional period of six month is allowed before the obligation becomes compulsory. Guidance on the appointment is set out [here](#) and [here](#).

CPD

- Both IAASA in Ireland and the Financial Reporting Council (FRC) in the UK have asked for more rigorous regulation around continuing competence in the form of CPD and the record keeping of this by audit staff and audit principals. In addition ICAEW has updated its CPD regulations across all forms of practice to meet higher expected quality standards. The UK Audit Regulations have therefore been amended to emphasise the need for relevant documented CPD by individuals and firms. This includes a more broadly expressed regulation 3.17A and specific reference to regulatory penalties and restrictions in the guidance under regulations 7.01 and 7.16.

REGULATORY PENALTIES AND RESTRICTIONS FOR RESPONSIBLE INDIVIDUALS

- Historically the Audit Registration Committee (ARC) has applied regulatory penalties and restrictions purely to firms and not responsible individuals (RI). The only options currently available to the ARC in relation to an RI's actions are removal of RI status or referral of the matter to the Conduct Department for a disciplinary investigation – both of these options will still be available to the ARC under the updated audit regulations.
- However there is an implicit requirement in the FRC delegation agreement for the powers of the FRC set out in SATCAR to be mirrored in those of the RSBs, and as the FRC often apply penalties and restrictions to RIs as well as firms, this is a power which should be clearly recognised in the audit regulations. In addition the new requirements on CPD where the responsibility falls equally on firm and individual require that the individual as well as the firm is held to account through the sanctions available. Definitions and references in chapter 6 have been updated accordingly.

CHANGES IN THE NAMING OF COMMITTEES

- The audit regulations were updated on 1 June 2023 (as were other ICAEW regulations) for changes to regulatory committees and tribunals as a consequence of the Disciplinary Bye Law changes approved by the Privy Council earlier in 2023. The Investigation Committee has been renamed the Conduct Committee and the Disciplinary Committee the Tribunals Committee. The changes arising from this have been included in this summary for completeness of record.

DETAILED CHANGES

- The amendments are described individually in the table below. They are set out in the order in which they arise in the document.

Reference	Change and reason for change
Cover page	Updated effective date to TBC - early 2024 Updated year of copyright reference to 2024
Chapter 1: Transitional arrangements 1.04	Amended as appropriate for the current revision of the Audit Regulations – new effective date TBC - early 2024 included. Regulations introduced 1 June 2023 no longer in force from TBC - early 2024.

Chapter 1: Transitional arrangements 1.05	Amended as appropriate for the current revision of the Audit Regulations – recognition of additional time needed to secure alternates – date TBC – will be six months from when new regulation 2.02(f) comes into effect.
Chapter 1: Notice 1.08(b)	Reference to serving notice by fax deleted as technology now outdated.
Chapter 1: Sch 1: Definitions 'Alternate registered auditor'	Inclusion of definition explaining the role of the alternate registered auditor.
Chapter 1: Sch 1: Definitions 'Conduct Committee'	Amended to reflect the new title of the former Investigation Committee within ICAEW and ICAI.
Chapter 1: Sch 1: Definitions 'Disciplinary Committee'	Amended to reflect that this definition only applies to ICAI and ICAS and cross-refers to the Tribunals Committee definition.
Chapter 1: Sch 1: Definitions 'Investigation Committee'	Amended to reflect that this definition only applies to ICAS and cross-refers to the Conduct Committee definition.
Chapter 1: Sch 1: Definitions 'Regulatory Penalty'	Augmented to make clear these penalties can extend to individuals as well as firms.
Chapter 1: Sch 1: Definitions 'Sole practice'	Introduced to make clear which practices would be required to appoint an alternate.
Chapter 1: Sch 1: Definitions 'Tribunals Committee'	Amended to reflect the new title of the former Disciplinary Committee within ICAEW.
Chapter 2: 2.02 (f)	Introduction of requirement for sole practices to appoint alternates in accordance with revision of policy to align with best practice.
Chapter 2: 2.11 (d)(6)	Regulation added setting out the reporting obligation for sole practitioners with respect to the appointment of alternates and their replacement.
Chapter 3: 3.17	Regulation regarding CPD augmented to set responsibility on firms to ensure that those they put forward as responsible individuals maintain the appropriate CPD records.
Chapter 3: 3.17 guidance	Guidance expanded to include reference to ICAEW's revision to requirements around CPD and the introduction of three risk categories.
Chapter 3: 3.17A	Regulation regarding CPD updated to keep pace with developments within the institutes and align with the approach in the Irish Republic. Additional guidance notes have been added aligning also with the Irish Audit Regulations.
Chapter 4: 4.08(f)	Regulation concerning when responsible individual status cross-referenced to regulations 7.01 and 7.03 where the specific circumstances that could lead to cessation are listed.
Chapter 5: 5.06(b) and (c)	'Disciplinary Committee' amended to 'Tribunals Committee' and 'Investigation Committee' amended to 'Conduct Committee'.

Chapter 6: 6.02(f) and (g)	Paragraphs amended to make clear the powers to issue a regulatory penalty and impose restrictions or conditions relate to responsible individuals as well as firms.
Chapter 6: 6.04 guidance	Paragraphs amended to make clear the powers to issue a regulatory penalty and impose restrictions or conditions relate to responsible individuals as well as firms and lie with the committee.
Chapter 6: 6.11,12 and 12A	'Investigation Committee' amended to 'Conduct Committee'.
Chapter 7: 7.01	Words added to make clear responsible individuals as well as registered auditors are subject to restrictions and conditions.
Chapter 7: 7.01 guidance	Paragraphs moved from below 7.02A to underneath 7.01 and updated to reflect current practice.
Chapter 7: 7.03	Introduction to regulation amended to make clear the relevant parts of this regulation could apply to a responsible individual as well as their firm.
Chapter 7: 7.03(f)	'Disciplinary Committee' amended to 'Tribunals Committee' and 'Investigation Committee' amended to 'Conduct Committee'.
Chapter 7: 7.09	Regulation 7.03A added to the list of regulations that come into effect as soon as notice is served on the firm.
Chapter 7: 7.09 guidance	Wording added to explain that regulation 7.03A deals with withdrawal notices issued by the Competent Authority.
Chapter 7: 7.03A	Sentence added to make clear the competent authority's requirement to withdraw registration applies to responsible individuals as well as firms.
Chapter 7: 7.11A,12,13,14,16 & guidance	Words added to make clear responsible individuals as well as registered auditors are subject to the regulatory penalty regime.
Chapter 7: 7.16 guidance	Examples extended to include shortfalls on CPD records.
Chapter 9: 9.01	Wording added to make clear powers to issue a regulatory penalty relate to responsible individuals as well as firms.
Chapter 9: 9.02 intro	'Investigation Committee' amended to 'Conduct Committee'.
Chapter 9: 9.02, 9.04, 9.07 and guidance	Wording added to make clear responsible individuals as well as registered auditors are subject to the regulatory penalty regime.
Chapter 9: 9.07 guidance	Examples extended to include shortfalls on CPD records.