

# *Crown Dependencies’ Audit Rules and Guidance*

## **CHANGES FROM 2010 TO 15 MARCH 2020**

The Crown Dependencies Audit Rules and Guidance were first introduced on 5 April 2010. The rules were based upon those applicable for the audit of UK companies under UK Company law, adjusted for the relevant legislation in the three Crown Dependencies of Guernsey, Jersey and the Isle of Man.

The rules were amended for two items in 2010 and in 2015 for changes in the sanctions procedure to align with FRC powers in the UK.

A third revision occurred in 2020 to reflect changes in the structure of the FRC and in the identity of the standards that are relevant to the delivery of the audit opinion.

The changes made are set out in the appendices to this page as follows;

**Appendix A**            **Changes made in 2010 and 2015**

**Appendix B**            **Changes made in 2020**

## Crown Dependencies' Audit Rules and Guidance

5 April 2010 edition

### Changes up to 31 January 2015

The following lists all the amendments made to the original 5 April 2010 edition of the Crown Dependencies' Audit Rules and Guidance up until 31 January 2015..

Two amendments (1 and 2 below) were made up till 5 April 2011; the remaining changes were made 31 January 2015.

UK Audit Regulations (on which the Crown Dependencies' Audit Rules are based) were amended in November 2013 to provide for UK registered auditors to be subject to the Financial Reporting Council's (FRC) new Auditor Regulatory Sanctions Procedure (ARSP). The changes to the UK Audit Regulations were highlighted in ICAEW Audit News 53 published in November 2013.

The Crown Dependencies' Recognised Auditor regimes have "equivalent" status under the European Union's Statutory Audit Directive. As their regimes are based on the UK model, in order to ensure parity therewith, the relevant authorities in each of the dependencies agreed in June 2013 to implement a parallel regulatory process through the "Crown Dependencies' Recognised Auditor Regulatory Sanctions Procedure" (CD RARSP). This step was advised to relevant firms in July 2014 and the CD RARSP was finally approved as a document in December 2014.

In order for the FRC sanctions process to dovetail with the regulatory processes of ICAEW, it was necessary to amend certain of the audit rules. The amended rules came into effect on 1 February 2015 and were notified to audit firms through Audit News 54. The changes of January 2015 accordingly reflect the modifications.

The opportunity was also taken to update the rules for minor additional changes also listed below.

Item	Change	Effective from
1.	Definition of Companies law	5 April 2010
2.	Rule 3.20 - compliance reviews	For reviews of accounting periods ending on or after 15 December 2010
3.	Rule 1.09 - electronic notifications	1 February 2015
4.	Definitions associated with the CD RARSP	1 February 2015
5.	Rule 3.14 – Responding to requests from competent authorities	1 February 2015
6.	Rule 3.17 – Maintaining competence	1 February 2015
7.	Rule 6.02 – Description of role of the Registration Committee	1 February 2015
8.	Introduction to Chapter 7	1 February 2015
9.	Rules 7.00 & 7.00A - Sanctions under the <i>recognised auditor sanctions procedure</i>	1 February 2015
10.	Rule 7.03 – Withdrawal of registration	1 February 2015
11.	Rules 7.02 and 7.06 – Discretion of the ARC to vary decisions	1 February 2015
12.	Introduction to Chapter 8	1 February 2015
13.	Rules 9.07 & 9.08 – non-compliance with regulatory penalties	1 February 2015

## 1. Definition of Companies law

The part of the definition of companies law was amended in respect of the Isle of Man to include all relevant acts. For the Isle of Man the definition now reads:

the Companies Acts 1931-2004, the Limited Liability Companies Act 1996 and the Companies Act 2006 as amended from time to time.

## 2. Rule 3.20 – compliance reviews

Audit rule 3.20 requires firms to undertake an annual compliance review and part of that is a review of a sample of completed audits. In addition, audit rule 3.10 requires firms to comply with in the International Standards on Quality Control (UK and Ireland) 1 (ISQC1). This standard also deals with compliance reviews and does not allow the engagement partner or engagement quality control reviewer for an audit to undertake a cold file review on an audit that they were involved with.

This means that a firm with a single responsible individual (or with two responsible individuals where, on a particular audit, one is the engagement partner and the other is the engagement quality control reviewer) would need to use an external reviewer to undertake cold file reviews needed as part of the annual compliance review.

While cold file reviews are required as part of each annual compliance review, ISQC1 does not explicitly refer to a review cycle. It does make reference to a cycle of three years, which is the same as the guidance under audit rule 3.20. To provide assistance to smaller firms the guidance in the audit rules is amended to say:

- the engagement partner or engagement quality control reviewer cannot do the cold file review for an audit that they are responsible for;
- there may be someone else in the firm who is not a responsible individual who could do the review;
- where this is not possible, cold file reviews should be conducted by someone external to the firm at least once every three years; and

Further guidance, which is applicable to all firms, notes that whoever the firm uses to do the cold file review should be technically up to date and have experience of assignments similar to those being reviewed.

The revised guidance follows:

New guidance paragraph added to the guidance under rule 3.20:

In addition, such firms should note that ISQC1 (effective for reviews of audits for periods ending on or after 15 December 2010) does not permit the responsible individual or the engagement quality control reviewer for a particular audit to undertake a cold file review on that audit. It may be that there is another individual in the firm who, although not a responsible individual, is very experienced in current auditing requirements. Assuming that this individual did not take part in the audit, the firm may decide this individual would be a suitable person to undertake the review. If this is not possible, then the firm should use an external reviewer at least once every three years.

Additional guidance added to existing paragraph:

There is no need for the firm to conduct the review itself. Some firms may find it more practical and cost-effective to use a service provided by the Institute or some other organisation. In choosing a reviewer, it is important that the firm is satisfied that the reviewer has sufficient experience to undertake the review.

In guidance chapter 2 of the audit rules, a new paragraph 16 is inserted, the subsequent paragraphs are renumbered and there are minor changes (shown underlined below) to renumbered paragraphs 18, 19 and 20.

16. Sole practitioners, firms with only one responsible individual and other small firms should note that ISQC1 does not permit the responsible individual or the engagement quality control reviewer for a particular audit to undertake a cold file review of that audit. It may be that there is another individual in the firm who, although not a responsible individual, is very experienced in current auditing requirements. Assuming that this individual did not take part in the audit, the firm may decide this individual would be a suitable person to undertake the review. If this is not possible, then the firm should use an external reviewer at least once every three years.
17. Each Institute can offer direct assistance with audit compliance and cold file reviews.
18. The whole firm aspects of the review could be dealt with completing the annual return. However, an individual practitioner might find it difficult to remain objective in cold reviewing his or her own completed assignments. The tendency will be to fill gaps in the audit process from memory and not to see that the audit evidence or process is deficient. Therefore, it is better to use someone independent of the assignment for the cold file review. As mentioned above, this may be necessary for small firms on a periodic basis.
19. Qualified employees within the firm can do the detailed cold file reviews. Some firms feel that, as a principal approved the issue of the audit opinion, only principals should do cold file reviews. There is an obvious anxiety for an employee in criticising the work of the person who decides future salaries. The most common approach is to have a combined team of principals and staff. However, it may be more helpful to the person being reviewed if the feedback is given by someone of equal standing and authority. A person who has had experience of being a responsible individual can add those touches of practicality which come from dealing with clients and add further benefits to the process. Also, the individual should not have had any previous involvement in the particular audit.
20. If an ACR is to add value, those doing the review must be technically up to date and have experience of assignments similar to those being reviewed. It can also save time if that person knows how the firm carries out its audits. For a sole practitioner, a suitable person may be the alternate or consultant for technical matters, provided they had not been consulted on the particular audit.

This change is effective for reviews of accounting periods ending on or after 15 December 2010.

### 3. Rule 1.09 Electronic Notifications

The rule relating to notifications has been updated for electronic transmissions. This adds a sub-paragraph d and now reads as follows;

- 1.09 Any notice, decision, order or other document which needs to be served on a firm or other person under the rules will be delivered by hand, or sent by fax, email 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; or**
  - 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.**
  - d if sent by email, it will be sent to the latest email address notified by the addressee and service will take effect immediately**

### 4. Definitions

The changes in the definitions are threefold in nature;

- They amend the definition of working papers to align with the UK Audit Regulations
- They introduce terms required to articulate the new Crown Dependency sanctions regime applicable through the FRC from 1 February 2015.
- They modify references to the Financial Supervision Commission of the Isle of Man

The changes made are set out below

audit work	<b>Any work done by or on behalf of the <i>recognised 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>recognised auditor</i> in connection with the performance of the audit concerned and includes – (a) the record of audit procedures performed; (b) relevant audit evidence obtained; and (c) conclusions reached.</b>
Financial Reporting Council (FRC)	<b>The Financial Reporting Council Limited, a company limited by guarantee incorporated in England and Wales, number 2486368 and any other body which takes over its functions under the <i>recognised auditor sanctions procedure</i>.</b>
recognised auditor sanctions procedure	<b>The rules and practices of the <i>Financial Reporting Council</i> (the Crown Dependencies' Recognised Auditor Regulatory Sanctions Procedure) which provide for a <i>sanction</i> determined by it arising from independent monitoring of <i>market traded company</i> audits to be treated as if it were a <i>sanction</i> which the <i>Institute</i> had itself determined.</b>

register	<p>In Jersey - the register of recognized auditors maintained by the Jersey Financial Services Commission pursuant to the Companies (Jersey) Law 1991;</p> <p>In Guernsey - the register of recognised auditors maintained by the Guernsey Registrar of Companies pursuant to the Companies (Guernsey) Law, 2008;</p> <p>In the Isle of Man - the register of recognised auditors maintained by the <del>Isle of Man</del> Financial Supervision Commission <b>of the Isle of Man</b> pursuant to the Companies Act 1982 of the Isle of Man.</p>
registrar	<p>In respect of a firm entered on:</p> <ul style="list-style-type: none"> <li>- the register of recognized auditors in Jersey, the Jersey Financial Services Commission;</li> <li>- the register of recognised auditors in Guernsey, the Guernsey Registrar of Companies;</li> <li>- the register of recognised auditors in the Isle of Man, the <del>Isle of Man</del> Financial Supervision Commission <b>of the Isle of Man</b>.</li> </ul>
sanction	<p>Any regulatory action including the imposition of conditions or restrictions, a recommendation that the relevant <i>registrar</i> suspends or withdraws a <i>recognised auditor's</i> registration, and imposition of a regulatory penalty.</p>

## 5. Rule 3.14 – Responding to requests from competent authorities

The rule has been updated for new definitions and the treatment of working papers.

**3.14** If requested by an overseas competent authority a *recognised auditor* must provide that body with a copy of its audit working papers in relation to one or more specified *market traded companies* that it audits as soon as practicable, provided:

- a there is an *agreement* between that competent authority and the oversight body **registrar**;
- b the competent authority has requested the audit working papers for the purposes of an investigation;
- c the competent authority has given the oversight body **registrar** notice of its request;
- d no legal proceedings have been brought in relation to the recognised auditor or the *audit* to which the working papers relate; and
- e the oversight body **registrar** has raised no objection to the transfer.

~~The *recognised auditor* must also inform the *registrar* of the fact of the request.~~

For the purposes of this regulation:

- ~~audit working papers~~ are any documents which are held by the recognised auditor and are related to its audit of the financial statements of the relevant market traded company;
- a 'competent authority' is a body that is designated in the law of the relevant jurisdiction as having responsibility for the rule or oversight of auditors.
- 'transfer' means the physical or electronic transfer of audit working papers (or a copy) or allowing access to such papers;

Before any papers are transferred the recognised auditor should check with the oversight body **registrar** that it:

- has an agreement with the other competent authority to allow for the transfer of papers;
- has received a copy of the request; and
- ~~has not certified that the transfer of the papers will affect the constitutional arrangements, security or public order of the relevant Crown Dependency~~ **has raised no objection to the transfer.**

## 6 Rule 3.17 – Maintaining competence

The Professional Qualifications Directive currently under debate in the European Committees will provide greater mobility of professionals within Europe cross-border. However there need to be safeguards to ensure that the work they perform is of the appropriate standard in the country they deliver those services. The guidance notes relating to the rules governing competence need to be modified to be clearer about CPD requirements in these circumstances. Accordingly the guidance notes on competence under rule 3.17 (maintaining competence) have been adjusted (new areas in yellow) drawing attention to ICAEW guidance on the matter as follows;

### 3.17 ***A recognised 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.***

The Institute has issued 'Continuing professional development' guidelines on how individuals may maintain their competence. This is in 'Regulations, standards and guidance' on the ICAEW's website at [icaew.com/cpd](http://icaew.com/cpd).

Responsible individuals who are not Institute members should follow the guidance on continuing professional development of the professional body of which they are a member.

## 7 Rule 6.02 – Description of role of the Registration Committee

Description of role of the Registration Committee

As the auditor sanctions procedure will in part replace some of the functions of the Registration Committee, the role description in rule 6.02 has to be accordingly modified to recognise this exception. The revised rule now reads as follows;

### 6.02 **Subject to the recognised auditor sanctions procedure**, the Registration Committee is responsible for:

- [items (a) to (o)]
- **(p) implementing decisions in accordance with sanctions issued against a firm or an individual determined under the recognised auditor sanction procedure**

The new wording has been shaded for ease of reference

## 8 Introduction to Chapter 7

Two additional paragraphs have been inserted in the introductory notes to clarify the role of the Crown Dependencies' recognised auditor sanctions procedure in the context of the regulatory actions set out in this chapter. The new paragraphs are set out as follows;

Where, following monitoring by the FRC of the conduct of a market traded company audit, a sanction is imposed by the FRC in accordance with the recognised auditor sanctions regulatory procedure, then that sanction is to be treated as if it were a sanction determined by the Institute and will be enforceable as such.

The processes to be followed are set out in the FRC's Crown Dependencies' Recognised Auditor Regulatory Sanctions Procedure, a copy of which is available on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk).

## 9 Rules 7.00 & 7.00A - Sanctions under the *recognised auditor sanctions procedure*

Two new rules have been introduced at the beginning of Chapter 7 which give effect to the introductory paragraph noted above.

**7.00** Where pursuant to an inspection by its monitoring unit of a *firm's audit work* the *FRC* has determined a *sanction* in accordance with the *recognised auditor sanctions procedure*, any such *sanction* shall take effect in accordance with the said procedure but shall be treated for the purposes of enforcement as though it had been determined by the Institute:

**7.00A** The *recognised auditor sanctions procedure* shall apply in respect of any *firm* which carries out *audit work* and is subject to monitoring by the *FRC*.

## 10 Rule 7.03 – Withdrawal of registration

At rule 7.03 a series of events are listed where the Registration Committee has the right to withdraw a firm's registration. This list needs to be updated to deal with the situation where a firm has failed to comply with sanctions determined under the recognised auditor's sanction procedure. A new sub-paragraph j is duly added to this effect;

**7.03** The *Registration Committee* may withdraw a *firm's* registration if:

[(a) to (i)]

**j** it considers that the *firm* has not complied with any restriction, condition or obligation imposed under the *recognised auditor sanctions procedure*

Equally rule (7.03(f)) requires modification. The reference to "any committee" is deleted and reference to the recognised auditor sanctions procedure added.

**7.03(f)** the *firm* has not paid in the time set any fines or costs ordered by the *Investigation Committee*, the *Disciplinary Committee* or the *Appeal Committee* or ~~or by any committee appointed~~ under the *auditor sanctions procedure*;

## 11 Rules 7.02 and 7.06 – Discretion of the ARC to vary decisions

There are two rules which provide discretion to the ARC to vary regulatory decisions. These have to be qualified now to take account of the new auditor sanctions procedures, where the FRC determines the sanction and only have themselves the discretion to vary it. The amendments, showing the changed words highlighted in yellow are as follows;

**7.02** The *Registration Committee* may at any time vary or end a restriction or condition made under *Rule 7.01*. Where a restriction or condition was made under the *recognised auditor sanction procedure*, the *Registration Committee* may only vary or end that restriction or condition after consulting with the *FRC*.

**7.06** The *Registration Committee* may make a decision to recommend that the *registrar* vary or end the suspension of a *recognised auditor* that had been imposed following a recommendation under *rule 7.04*. Where a recommendation to the *registrar* to suspend a *recognised auditor's* registration was made under the *recognised auditor sanctions procedure*, the *Registration Committee* may only recommend to the *Registrar* the varying or ending of the suspension with the agreement of the *FRC*.

Similar reverse provisions apply where the committee makes a restriction or a suspension, and the firm subsequently falls under the jurisdiction of the FRC as a result of undertaking market traded company audits; in these instances the FRC may seek to vary the restrictions in consultation with the registering body. This is clarified in the guidance notes below each of the above rules as follows;

7.02 Where the committee imposes a restriction or condition and the firm subsequently comes into the monitoring jurisdiction of the FRC, the FRC may seek to vary the restriction or condition in consultation with the committee.

7.06 Where the committee had recommended to the registrar the suspension of a registration (and which the registrar had agreed to) and the firm subsequently comes into the monitoring jurisdiction of the FRC, the FRC may seek to recommend to the registrar the ending of the suspension in consultation with the committee.

## 12 Introduction to Chapter 8

The appeal process around the application of the FRC sanctions is set out in their guidance booklet which is available to members on the FRC website. Accordingly section 8 is not applicable for those appeals, and a reminder to this effect has been included at the commencement of the chapter on the appeals and review process. The reminder takes the shape of a heading and summary paragraph as follows;

## Chapter 8

### Representation before committees, review and appeal

This chapter explains how a firm can apply for a review and appeal against a regulatory decision or proposed order of the Registration Committee. It also explains when a firm can be represented before a committee.

The rules in this chapter are not applicable in respect of any sanction determined under the recognised auditor sanctions procedure. The review and appeal process for those sanctions is set out in the FRC's Crown Dependencies' Recognised Auditor Regulatory Sanctions Procedure, a copy of which is available on the FRC's website at [www.frc.org.uk](http://www.frc.org.uk)

#### 13 Rules 9.07 & 9.08 – non-compliance with regulatory penalties

The institute is required to ensure that sanctions determined by the FRC under the audit sanctions procedure are followed by members. Chapter 9 sets down disciplinary arrangements associated with the institute's own sanctions arrangements, and therefore some additional cognisance is required to firstly recognise that there is a separate appeal process for the FRC sanctions, and secondly to enable the institute's own rules to cover failure to comply with the FRC sanctions. rule 9.07 has accordingly been modified with the addition of text, and rule 9.08 added to effect this. The revised rules with amended text in yellow, are shown below.

- 9.07** ~~If a~~ **Where the *Registration Committee* has proposed a regulatory penalty in accordance with rule 9.02 but the *recognised 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.**
- 9.08** **If a *recognised auditor* fails to comply with the terms of a regulatory penalty made under the *recognised auditor sanctions procedure* the matter may be dealt with under the Disciplinary Bye-laws.**

End of document

## Crown Dependencies' Audit Rules and Guidance

1 September 2018 edition

### CHANGES BETWEEN 2015 AND 15 MARCH 2020

The changes made at 31 August can be summarised under the following headings;

No	Heading	Outline description	Regulation reference
1	Name changes	Changes in UK Standard setters	Various
2	Standard setting in the UK and Ireland	Renaming of standards to UK only	Various
3	EU Audit Regulation	Cross-referencing to UK 2016 regulations	Various
4	Transitional arrangements	Removing arrangements relating to 2010	1.04
5	Definition – Ethical Standards	Determining definition of PIE for the Crown Dependencies	Definitions
6	Interpretation	Introducing gender neutral terms	Definitions
7	Annual Returns and inspection visits	Makes these a regulatory requirement	2.09A & 2.10A
8	ISA's	Recognition of changes in title	3.04
9	Technical Standards - opinion	Nature of opinion expressed differently	3.08
10	Working papers	Definition widened to include audit committee and competent authority papers	3.09
11	Maintaining Competence	Changes in references to source material	3.17
12	Monitoring – ISQC1	Removal of effective date and removal of a resource option	3.20
13	Restrictions and suspensions	Modification of rules to accommodate practice discontinuance of licence	7.02 & 7.06

#### 1 Name changes

When the regulations were introduced in 2010 the Public Oversight Board (POB) was the oversight body for audit in the UK, and the Accounting Standards Board (ASB) set the accounting standards. Both were subsidiary activities of the Financial Reporting Council (FRC). In 2012 the FRC reorganised its structure and directly took over these functions. The rules still had references to the POB and ASB and therefore part of the changes is to reflect this change in structure.

#### 2 Standard setting in the UK and Ireland

The ASB and associated boards represented both the UK and Ireland in the setting of standards for audit, accounting and ethics. In 2015, partly as a result of the 2012 reorganisation, the Irish government and the Irish regulator, IAASA, decided they could not continue participation in the FRC delegated structure as the control was increasingly UK centric. Accordingly their participation ceased as at 31 December 2016 and since then

standards have been issued for the UK only. The naming conventions associated with the relevant standards has now changed to (UK) rather than (UK and Ireland).

Paragraphs affected by these two factors include;

Introduction paragraph **6**

Definitions;

- Auditing Standards
- Ethical Standards
- Monitoring Unit
- Practice Notes
- quality control standards

Rule **3.04** – guidance

Rule **3.09** – guidance

Rule **6.05**

Part 2 Guidance paragraph **19**

### **3 EU Audit Regulation changes**

In 2016 the UK enacted the 2014 EU Regulation and Directive in the Statutory Auditors and Third Country Auditors Regulations (SATCAR). These new amendments, expressed as changes to the Companies Act 2006, gave the FRC extra powers and the relationship between the FRC and the Recognised Supervisory Bodies (RSB) changed. The UK audit regulations were changed to reflect these, and some amendments have been made to the CD rules to align with the UK rules where the CD authorities have deemed it appropriate.

Changes relating to structure are not relevant, but the placeholder paragraphs have been added for reference. These include;

**1.02A, 1.02B, 2.03A, 7.01A, 7.03A, 7.04A, 7.11A, 9.00,**

### **4 Transitional arrangements**

The complicated initiation of the arrangements in 2010 are no longer relevant and therefore rule **1.04** has largely been deleted and replaced with a simple note of date of effective commencement.

### **5 Definition – ethical standards**

In addition to the name changes associated with the ethical standards setting, the Crown Dependencies have elected to extend the definition of companies within the CD scheme to include all market traded companies. The previous definition had only included those deemed to be public interest entities under the EU Directive.. The basis for the definition is the EU's list of regulated markets at <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2010:348:0009:0015:EN:PDF>

### **6 Interpretation**

The gender references in the paragraph on interpretation that follows the definitions table have been amended to reflect the wider definitions of gender now operating in society. This meets best diversity practice.

### **7 Annual Returns and inspection visits**

Rules **2.09A** and **2.10A** have been added with requirements to file annual return *das ta* and comply with the directions of a monitoring unit. These practices have evolved since 2010 so in practical terms they mean little change. However they were required in the UK rules under SATCAR and it has been deemed appropriate to include them in these rules.

## 8 ISA's

The names of the ISA's have changed over time so the reference to ISA600, 610 and 620- have been updated to reflect the titles now afforded these standards in the guidance to rule **3.06** and in **Part 2 Chapter 1 at paragraph 7**.

## 9 Technical Standards – Opinion

The guidance to rule **3.08** has been changed from “report” on whether financial statements have been properly prepared to “express an opinion”.

## 10 Working papers

The guidance on working papers under rule **3.09** has been updated to include documentation shared with the audit committee and competent authorities. The following paragraph has been added;

In addition to providing access to all relevant information held about its audit work, the predecessor must provide any reports made to the market traded company's audit committee and any reports made to competent authorities who exercise a supervisory role over the market traded company.

## 11 Maintaining competence

The references to guidance on CPD have been amended in the guidance to rule **3.17** from;

The Institute has issued 'Continuing professional development' guidelines on how individuals may maintain their competence. This is in 'regulations, standards and guidance' on the ICAEW's website at [icaew.com/cpd](http://icaew.com/cpd).

To now read as follows;

The Institute has issued guidance on how individuals may maintain their competence. This is on the ICAEW's website at [icaew.com/cpd](http://icaew.com/cpd)

## 12 Monitoring – ISQC1

The reference to the effective date for ISQC1 (15 December 2010) in the guidance to rule **3.20** has been deleted as no longer relevant.

Also ICAEW does not now provide ISQC1 services so this option has been removed from the guidance to 3.20. The relevant paragraph has been amended as follows;

There is no need for the firm to conduct the review itself. Some firms may find it more practical and cost-effective to use a service provided by the institute, another a professional body, or a third party, such as another recognised auditor or some other organisation. In choosing a reviewer, it is important that the firm is satisfied that the reviewer has sufficient experience to undertake the review.

### 13 Restrictions and suspensions

It has been recognised that firms which receive a restriction or a suspension from the FRC could drop outside the FRC's remit the following year and there would not be a process to vary or end those sanctions. The wording in rules 7.02 and 7.06 have accordingly been augmented to make clear that such changes can be made by the Audit Registration Committee but would need the agreement of the FRC. The wording changes are as follows;

**7.02** The *Registration Committee* may at any time vary or end a restriction or condition made under *rule 7.01*. Where a restriction or condition was made under the *recognised auditor sanctions procedure* and the *firm has subsequently ceased to perform audit work* the *Registration Committee* may only vary or end a restriction or condition with the agreement of the *FRC*

**7.06** The *Registration Committee* may make a decision to recommend that the *registrar* vary or end the suspension of a *recognised auditor* that had been imposed following a recommendation under *rule 7.04*. Where a recommendation to the *registrar* to suspend a *recognised auditor's* registration was made under the *recognised auditor sanctions procedure* and the *firm has subsequently ceased to perform audit work* the *Registration Committee* may only recommend to the *Registrar* the varying or ending of the suspension with the agreement of the *FRC*