



COMPANIES ACT 1982
COMPANIES ACT 2006

**PUBLIC OVERSIGHT OF
RECOGNISED AUDITORS
REGULATIONS 2009**

Approved by Tynwald

Coming into operation

The Financial Supervision Commission makes these Regulations under section 17B of the Companies Act 1982¹ and section 80D of the Companies Act 2006².

1 Title

The title of these Regulations is the Public Oversight of Recognised Auditors Regulations 2009.

2 Commencement

If approved by Tynwald³, these Regulations come into operation on XXXXX.

3 Interpretation

In these Regulations —

“the Act” means the Companies Act 1982;

“the Commission” means the Financial Supervision Commission;

¹ 1982 c.2

² 2006 c.13

³ As required by section 17B(9) of the Act and section 80D(9) of the Companies Act 2006

“the cost of oversight” means any fees payable by the recognised auditor to the ICAEW, POB or the Commission in relation to its oversight, monitoring or registration as a recognised auditor, including but not limited to the annual scale fees;

“exempt company” means a company which is an issuer exclusively of debt securities admitted to trading on a regulated market, the denomination per unit of which is at least Euro 50,000 (or the equivalent at the date of issue denominated in another currency);

“the ICAEW” means the Institute of Chartered Accountants in England and Wales;

“incorporated in the Island” includes companies incorporated, formed and registered or capable of being wound up under the Companies Act 1931⁴, and companies incorporated or continued under the Companies Act 2006 and limited liability companies formed under the Limited Liability Companies Act 1996⁵;

“market traded company” means a company incorporated in the Island the transferable securities of which are admitted to trading on a regulated market, except where that company is an exempt company;

“the POB” means the Professional Oversight Board of the UK’s Financial Reporting Council;

“recognised auditor” has the same meaning as in regulation 3 of the Register of Recognised Auditors Regulations 2009⁶;

“the register” means the register of recognised auditors to be kept under section 14G of the Act;

“regulated market” has the same meaning as in Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (see Article 4.1(14) of the Directive);

“responsible individual” has the same meaning as in regulation 3 of the Register of Recognised Auditors Regulations 2009;

⁴ X111 p.235

⁵ 1996 c.19

⁶ SD XXX/09

“the Rules” means the Crown Dependencies’ Audit Rules and Guidance issued by the ICAEW from time to time (that is after as well as before the making of these Regulations), and which are issued for the purpose of ensuring that a recognised auditor, when auditing a market traded company, is subject in the Island to a system of oversight, quality assurance, investigation and penalties;

“transferable securities” has the same meaning as in Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments (see Article 4.1(18) of the Directive).

4 Qualification for appointment as auditor of a market traded company

Notwithstanding sections 14 to 14H of the Companies Act 1982, or section 80C of the Companies Act 2006, only an auditor qualified for appointment of a market traded company by virtue of regulation 4 of the Accounting (Recognised Auditors) Regulations 2009⁷ may audit a market traded company, or may describe itself or hold itself out in any manner that it is so qualified.

5 Appointment of the Professional Oversight Board of the UK’s Financial Reporting Council

- (1) The Commission appoints the POB as a body which provides the public oversight of recognised auditors on the Commission’s behalf.
- (2) For the purposes of paragraph (1) the public oversight of recognised auditors includes -
 - (a) subjecting recognised auditors to the POB’s systems of quality assurance, investigations and penalties;
 - (b) overseeing the monitoring work of the ICAEW as specified at regulation 6;
 - (c) reporting to the Commission annually in writing on XXXX (date) specifying, inter alia,
 - (i) the work it has undertaken in relation to the public oversight of recognised auditors during the year up to and including XXXX (date);
 - (ii) the outcome of any inspections during that period;

⁷ SD XXXX

- (iii) details of any penalties it has applied to recognised auditors.

6 Appointment of the Institute of Chartered Accountants in England and Wales

- (1) The Commission appoints the ICAEW as a body which will provide the monitoring of recognised auditors' compliance with the Rules on the Commission's behalf.
- (2) For the purposes of paragraph (1) the monitoring of recognised auditors includes -
 - (a) monitoring of recognised auditors' compliance with the Rules;
 - (b) conducting inspections of recognised auditors;
 - (c) taking disciplinary action, including the application of penalties, where necessary against recognised auditors or responsible individuals;
 - (d) reporting to the Commission annually in writing on XXXX (date) specifying, inter alia,
 - (i) the work it has undertaken in relation to the monitoring of recognised auditors during the year up to and including XXXX (date);
 - (ii) the outcome of any inspections during that period;
 - (iii) details of any penalties it has applied to recognised auditors or responsible individuals.
- (3) Despite paragraphs (1) and (2)(c) the Commission may direct the ICAEW to apply penalties.

7 Requirements of recognised auditors

- (1) Recognised auditors are subject to the public oversight of the POB, and must comply with its requirements, including the payment of its fees and its disciplinary procedures.
- (2) Recognised auditors are subject to the monitoring of the ICAEW, and must comply with its requirements, including the payment of its fees and its disciplinary procedures.
- (3) Recognised auditors when auditing the accounts of a market traded company –
 - (a) are bound by and must comply with the Rules;
 - (b) must maintain the working papers relating to the audit of the company in English; and
 - (c) must make those working papers available to the Commission, ICAEW or POB on demand.

- (4) Recognised auditors must pay the costs of oversight.

8 Matters to be notified by the POB or ICAEW

- (1) The ICAEW and POB must notify the Commission immediately in writing of –
- (a) any loss of a recognised auditor's or responsible individual's eligibility (to the extent that it has knowledge thereof) to be entered on the register; and
 - (b) the reasons (to the best of its knowledge) for the loss; and
 - (c) any reasonable grounds it has for suspecting that a recognised auditor or responsible individual has contravened the law of the Island or of the United Kingdom, or of any other EEA State or part of an EEA State which has implemented Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments;
- (2) Despite paragraph (1), the Commission may by notice in writing require the POB or ICAEW to notify it of any other information as it may reasonably require for the exercise of the functions conferred by section 17B of the Act or section 80D of the Companies Act 2006, within such reasonable time, in respect of such periods, given in such form and verified in such manner as it may specify in that written notice.

Made XX XXXXXXXXXXXX 2009

Commissioner

Chief Executive

EXPLANATORY NOTE
(This note is not part of the Regulations)

These Regulations provide for the appointment of the POB and ICAEW by the
Financial Supervision Commission XXXXXXXXX