



**ISLE OF MAN  
FINANCIAL SERVICES AUTHORITY**

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*Lught-Reill Shirveishyn Argidoil Ellan Vannin*

**Consultation Paper**  
**Audit Working Papers Regulations 2023**  
**CP23-01**

**Issue Date: 21 March 2023**

**Closing Date: 21 April 2023**

## Consultation Paper – CP23-01

This Consultation Paper is issued by the Isle of Man Financial Services Authority in respect of its residual companies law functions.

The purpose of the consultation is to obtain views and evidence in relation to draft Regulations regarding the sharing of audit working papers. The consultation is relevant to auditors of IoM companies. The proposals are NOT specifically related to regulated entities, designated businesses, or Recognised Auditors<sup>1</sup>.

The closing date for comments is **21 April 2023**, after which comments will be considered.

Please send comments in writing and preferably by email to:

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### Confidentiality and Data Protection

The information you send may be published in full or in a summary of responses. All information in responses, including personal data, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2015 and the Data Protection Act 2018). If you want your response to remain confidential, you should explain why confidentiality is necessary. Your request will be acceded to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding. The Authority is registered with the Information Commissioner as a data controller under Isle of Man data protection legislation. It collects and processes personal data to carry out its functions under relevant legislation and may share personal data with other parties where there is a legal basis for doing so. Further information on how the Authority collects and processes personal data can be found in the Privacy Policy on the Authority's website: <https://www.iomfsa.im/terms-conditions/privacy-policy/>.

If you have a query in relation to how this consultation has been carried out, please contact the Authority's Policy and Authorisations Division by email at [Policy@iomfsa.im](mailto:Policy@iomfsa.im) or by telephone on +44 (0) 1624 646000.

<sup>1</sup> <https://www.iomfsa.im/auditors/register-of-recognised-auditors/>

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## Glossary

<b>Authority</b>	Isle of Man Financial Services Authority
<b>CA06</b>	<a href="#">Companies Act 2006</a>
<b>CA31</b>	<a href="#">Companies Act 1931</a>
<b>CA82</b>	<a href="#">Companies Act 1982</a>
<b>FSA08</b>	<a href="#">Financial Services Act 2008</a>
<b>ICAEW</b>	Institute of Chartered Accountants in England and Wales
<b>IoM</b>	Isle of Man
<b>IoMSCA</b>	Isle of Man Society of Chartered Accountants
<b>The draft Regulations</b>	The draft Audit Working Papers Regulations 2023
<b>UK</b>	United Kingdom

## 1. Executive Summary

### 1.1 Overview

It is proposed to require auditors of IoM companies to share audit working papers with successor auditors. This proposal is the result of an approach made to the Authority from local auditors seeking the addition of this requirement.

### 1.2 What is the purpose of this Consultation Paper?

The consultation seeks views on the draft Audit Working Papers Regulations 2023.

### 1.3 Who may be affected by this Consultation Paper?

The proposals affect all auditors of IoM companies. The proposals are NOT specifically related to regulated entities, designated businesses, or Recognised Auditors.

## 2. Consultation Process

### 2.1 The Authority's regulatory objectives

Per paragraph 2 of Schedule 1 to the FSA08, the Authority's functions include certain functions conferred on it by company law, notably CA06 and CA82<sup>2</sup>.

The Authority is required to give consideration to certain factors when discharging its functions in accordance with paragraph 3 of Schedule 1 to the FSA08. The most relevant factors for this consultation are considered as follows:

Factor	Information
The need for the regulatory, supervisory and registration regimes to be effective, responsive to commercial developments and proportionate to the benefits which are expected to result from the imposition of any regulatory burden	The draft Regulations will be consistent with requirements elsewhere and have been requested by local auditors, despite them imposing a small burden on auditors
The desirability of implementing and applying recognised international standards	The proposals reflect a requirement in the EU Statutory Audit Directive and in the UK Companies Act
The need to safeguard the reputation of the Island	The absence of the proposed requirement in law creates a contingent liability for auditors that already share these papers as best practice

<sup>2</sup> CA82 relates to companies incorporated under CA31

## 2.2 Responding to the Consultation Paper

Open dialogue with stakeholders is an essential element for successful development of the Authority's proposals. Constructive feedback will help the Authority reach an informed decision on the content of the proposals and manner of implementation. Respondents should note the following when responding to this Consultation Paper:

- As responses to the consultation may be subject to publication or disclosure in accordance with access to information regimes, respondents should state if they wish their response to remain confidential and, if so, the reasons for this.
- Submissions received by the closing date of the consultation will be considered but may not necessarily result in a change to the proposals following a review of all responses received.
- Professional bodies, trade associations and other representative groups should provide a summary of the people and organisations they represent when responding to a consultation as well as the methodology used to gain members' input.
- The Authority requests that submissions are not made anonymously as they will not be considered or included in the Consultation Response.

This Consultation Paper has been published on the Isle of Man Government's Consultation Hub<sup>3</sup>. A list of specific representative groups to which this Consultation Paper has been sent is shown in Appendix A.

## 3. Proposals

### 3.1 Background

Local accountancy body IoMSCA and the Finance Agency of IoM Government's Department for Enterprise together asked the Authority to make Regulations to require auditors of IoM companies share audit working papers with successor auditors, as is required in UK law. The Authority has powers under company law (CA06 and CA82) to make such Regulations – see Appendix B.

The Treasury supported the drafting of such Regulations.

The draft Regulations do not relate to the Authority's regulatory functions.

### 3.2 Requirements elsewhere

The UK's Audit Regulations ('AR') apply to auditors of all UK companies and were issued by the ICAEW and its equivalent bodies in Scotland and Ireland<sup>4</sup>. AR 3.09 (see below) reflects a

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<sup>3</sup> <https://consult.gov.im/>

<sup>4</sup> The Institute of Chartered Accountants in England and Wales, Institute of Chartered Accountants of Scotland and Institute of Chartered Accountants in Ireland issued the [audit-regulations-and-guidance-effective-from-1-january-2021.ashx](https://www.icaew.com/~/media/Files/Regulatory/audit-regulations-and-guidance-effective-from-1-january-2021.ashx) ([icaew.com](https://www.icaew.com/))

The ICAEW's Access to Information by Successor Auditors guidance (AAF 01/08 [ICAEW](https://www.icaew.com/~/media/Files/Regulatory/audit-regulations-and-guidance-effective-from-1-january-2021.ashx)) states that the "Institutes have taken leading counsel's advice in the drafting of Audit Regulation 3.09 and the associated

requirement in EU Statutory Audit Directive, Article 23(3)<sup>5</sup> to require predecessor auditors to share audit working papers with successor auditors; this was implemented in the UK by Schedule 10 to the Companies Act 2006 (of Parliament)<sup>6</sup>.

*AR 3.09: “When a Registered Auditor (the ‘predecessor’) ceases to hold an audit appointment and another Registered Auditor (the ‘successor’) is appointed the predecessor must, if requested in writing by the successor, allow the successor access to all relevant information held by the predecessor in respect of its audit work. If relevant information is to be sought by the successor, it should be sought and provided in accordance with the following guidance. Any information obtained by the successor is for the purposes of its audit and must not be disclosed to a third party unless the successor is required to do so by a legal or professional obligation”.*  
(See Appendix C for the associated guidance)

### 3.3 Draft legislation

The draft *Audit Working Papers Regulations 2023* are in Appendix D to this paper. The Regulations should be read in association with the appended (non-statutory) guidance. The draft Regulations and guidance are together based on AR 3.09.

In the UK’s ‘Audit Regulations and Guidance’ the guidance is linked to each rule. That guidance is given “to help firms apply the regulations” and specifies “how they [the rules] should be followed”.

To align with the standard format of IoM legislation, if the UK’s guidance appears (more or less) obligatory, it has been incorporated within the draft IoM Regulations rather than left to guidance (which is not mandatory). However, where the UK’s guidance is less prescriptive, it has been incorporated in guidance that will accompany the draft IoM Regulations.

## 4. Impact Assessment

The draft Regulations are facilitative – they will assist auditors of IoM companies by removing the existing liability risk the firms incur if they act outside legislative obligations. Currently, auditors that share audit working papers (for reasons of practicality and equivalence with UK practices) may not be protected by their professional indemnity insurance and may be liable for any issues that arise. It is this liability concern that led to a request for an amendment to IoM law to make sharing the information compulsory.

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*Guidance” and “The combination of the Directive, legislation and Audit Regulation creates a mandatory framework for the provision of access to relevant information in respect of the predecessor’s audit work”.*

<sup>5</sup> [EUR-Lex - 32014L0056 - EN - EUR-Lex \(europa.eu\)](#) Article 23(3): “Where a statutory auditor or audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or audit firm with access to all relevant information concerning the audited entity and the most recent audit of that entity.”

<sup>6</sup> UK [Companies Act 2006 \(legislation.gov.uk\)](#) para 9(3): “The body must also have adequate rules and practices designed to ensure that ... (c) a person ceasing to hold office as statutory auditor makes available to his successor in that office all relevant information which he holds in relation to that office.”

As there is an equivalent statutory obligation in both the EU and the UK, introducing this requirement in the IoM will mean the IoM's legislation will be more up to date and consistent with that of its close neighbours.

The draft Regulations only affect auditors and no impact on parties other than auditors of IoM companies is anticipated. We do not envisage that the draft Regulations will have any adverse impact on the companies whose accounts are audited.

## 5. Question

### Question

Do you have any views on the draft *Audit Working Papers Regulations 2023* and associated guidance? If so, please provide your comments.

## 6. Next Steps

Following closure of the consultation period, the Authority will review the responses received and publish a Consultation Response document on the IoM Government's Consultation Hub.

Subject to the agreement of relevant stakeholders, it is intended that the draft Regulations will be made and come into operation as soon as practicable.

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## Appendix A – List of groups, bodies and organisations to which this Consultation Paper has been sent

- IoMSCA – for circulation to all their members
- ICAEW (as oversight body)
- Association of Chartered Certified Accountants (IoM branch) – for circulation to their members in IoM
- Association of Chartered Certified Accountants (as oversight body)
- Audit firms on the IoM's [Register of Recognised Auditors \(iomfsa.im\)](https://iomfsa.im)
- Audit firms authorised under section 14E of [Companies Act 1982 \(gov.im\)](https://gov.im)
- The Institute of Chartered Accountants in Ireland
- The Institute of Chartered Accountants of Scotland
- Guernsey Financial Services Commission
- Guernsey Registry
- Jersey Financial Services Commission
- IoM Treasury
- Finance Agency of IoM Department for Enterprise
- Association of Corporate Service Providers



## Appendix B – Companies Act 1931 and 2006 powers

### Section 17C [Companies Act 1982 \(gov.im\)](#)

(1) The Isle of Man Financial Services Authority may by regulations (in this section referred to as “accounting regulations”) make such provisions as appear to it to be appropriate in connection with the accounting records and accounts of companies to which this Act applies and their audit.

(2) Accounting regulations may make provision as to —

- (a) the keeping of accounting records and accounts;
- (b) the form, preparation, publication and certification of accounts;
- (c) the accounting standards to be complied with when preparing accounts;
- (d) the form, preparation and publication of statements of, and information relating to, the accounts;
- (e) the time at which, and the manner and form in which, the accounts and information relating to them shall be provided to the auditor;
- (f) the qualifications of auditors;
- (g) the jurisdictions in which auditors must or may be based or resident;
- (h) the duties of auditors;
- (i) the practices to be adopted by auditors; and
- (j) the time within which the accounts must be prepared.

(3) Accounting regulations may appoint one or more bodies (whether or not based in the Island) to perform prescribed functions in respect of any of the matters referred to in subsections (1) or (2).

(4) Accounting regulations may require compliance with standards or the adoption of practices recommended by a body specified in the regulations, and may in particular require compliance with standards or the adoption of practices recommended by that body from time to time (that is, as well after as before the making of the regulations).

(5) Accounting regulations may add to, modify or repeal provisions of the Companies Acts 1931 to 2004 and may provide for any such provision to have effect subject to such adaptations and modifications as appear to the Isle of Man Financial Services Authority to be appropriate.

(6) Accounting regulations may contain such supplementary, incidental and transitional provisions as appear to the Isle of Man Financial Services Authority to be appropriate.

(7) Subsections (2) to (6) are without prejudice to the generality of subsection (1).

(8) Regulations under subsection (1) shall not come into operation unless they are approved by Tynwald.

### Section 80E [Companies Act 2006 \(gov.im\)](#)

(1) The Authority may by regulations (in this section referred to as “accounting regulations”) make such provisions as appear to it to be appropriate in connection with the accounting records and financial statements of companies to which this Act applies and their audit.

(2) Accounting regulations may make provision as to —

- (a) the keeping of accounting records and financial statements;
- (b) the form, preparation, publication and certification of financial statements;
- (c) the accounting standards to be complied with when preparing financial statements;

- (d) the form, preparation and publication of statements of, and information relating to, the financial statements;
  - (e) the time at which, and the manner and form in which, the financial statements and information relating to them shall be provided to the auditor;
  - (f) the qualifications of auditors;
  - (g) the jurisdictions in which auditors must or may be based or resident;
  - (h) the duties of auditors;
  - (i) the practices to be adopted by auditors; and
  - (j) the time within which the financial statements must be prepared.
- (3) Accounting regulations may appoint one or more bodies (whether or not based in the Island) to perform prescribed functions in respect of any of the matters referred to in subsections (1) or (2).
- (4) Accounting regulations may require compliance with standards or the adoption of practices recommended by a body specified in the regulations, and may in particular require compliance with standards or the adoption of practices recommended by that body from time to time (that is, as well after as before the making of the regulations).
- (5) Accounting regulations may add to, modify or repeal provisions of this Act and may provide for any such provision to have effect subject to such adaptations and modifications as appear to the Authority to be appropriate.
- (6) Accounting regulations may contain such supplementary, incidental and transitional provisions as appear to the Authority to be appropriate.
- (7) Subsections (2) to (6) are without prejudice to the generality of subsection (1).
- (8) Regulations under subsection (1) shall not come into operation unless they are approved by Tynwald.

## Appendix C – UK’s Audit Regulation 3.09 - regulation and guidance

**“3.09 When a Registered Auditor (the ‘predecessor’) ceases to hold an audit appointment and another Registered Auditor (the ‘successor’) is appointed the predecessor must, if requested in writing by the successor, allow the successor access to all relevant information held by the predecessor in respect of its audit work. If relevant information is to be sought by the successor, it should be sought and provided in accordance with the following guidance. Any information obtained by the successor is for the purposes of its audit and must not be disclosed to a third party unless the successor is required to do so by a legal or professional obligation.**

### **Guidance**

#### Origin and purpose

This audit regulation (“the Regulation”) gives effect to the obligation in the 2006 Act that RSBs must have adequate rules and practices designed to ensure that a person ceasing to hold office as a statutory auditor makes available to his successor in that office all relevant information which he holds in relation to that office. The requirement derives from Article 23(3) of the EU Audit Directive. The then Department for Business, Enterprise and Regulatory Reform (now the Department for Business, Energy and Industrial Strategy) stated that the Regulation should provide “the most appropriate minimum requirement in relation to access to relevant information”.

The purpose of the Regulation is to assist in maintaining the effectiveness (including cost effectiveness) and the efficiency of the audit process in the context of a change of auditor. The Regulation is intended to reduce the (actual or perceived) risk of changing auditors.

It takes time for a successor to develop a comprehensive understanding of the business of an audit client. A wide variety of different arrangements have existed to facilitate an effective handover between successor and predecessor, including exchanges of letters, discussion, exchange of audit committee papers and minutes, and shadowing of the predecessor at key meetings such as the final audit committee meeting. Before the Regulation it was however unusual for a predecessor to share audit working papers. This was due mainly to liability concerns.

Liability concerns formerly arose in the context of access to audit working papers being allowed voluntarily, but any access will now be compulsory. Further it is no part of the purpose or object of the Regulation to involve one auditor in liability for another’s audit. Also the Department for Business, Innovation & Skills confirmed its view that Article 23(3) and the 2006 Act provision implementing it do not alter the existing liability of each auditor in relation to its respective audit.

Provision is already made separately by statute for the making of representations, for the attendance and hearing at meetings, and for the making of a statement of circumstances, where the predecessor has been removed as auditor, where there has been a failure to reappoint the predecessor as auditor, where the predecessor has resigned as auditor, and where the predecessor has ceased to hold office. The Regulation and guidance do not seek to duplicate that framework, and are framed in recognition of the fact that that framework already exists.

This guidance is separate from and additional to the Institute’s Code of Ethics which sets out procedures to be followed before accepting a professional appointment.

#### Timing

A request for relevant information may be made by a successor once the successor has been formally appointed to the audit client. In all cases the provision of information should be on a timely basis.

“Audit”

It should be borne in mind that the 2006 Act sets out a number of functions that are required of the registered auditor in specific circumstances. These are within the definition of an audit (and so fall within the definitions of audit report and audit work). The situations in which they arise currently include the following:

- section 92 a company applying to re-register as a public company;
- section 428 statement on summary financial statements issued by a quoted company;
- section 449 abbreviated accounts;
- section 714 when a private company makes a payment out of capital for the redemption or purchase of its own shares;
- section 837 when a distribution is to be made by a company and the audit report was qualified; or
- section 838 when initial accounts are prepared for a proposed distribution by a public company.

(Where the registered auditor is appointed to an entity that is not a company similar reporting requirements may apply.)

Procedure

Before making a request for relevant information the successor should as part of its planning consider the need to make a request to the predecessor under the Regulation, and the extent of that request. This will involve judgement by the successor in each case, so as to ensure that necessary request is made and an unnecessary request is not. It is also important to assess what information will be relevant in each case and what will not.

It does not follow that a successor is required or expected to request information in every case, or to request extensive information in a case in which only limited information is necessary. The successor’s consideration will include consideration of what work it would do with any information provided to it pursuant to a request. There are specific references to reviewing the predecessor’s audit work in ISA 510 (opening balances), ISA 710 (comparatives) and ISA 300 (planning). Accordingly, information is likely to be necessary in particular for such purposes.

The provision of information under this regulation will be achieved more efficiently where the successor auditor is as specific as possible as to the nature of the information being sought. The successor should therefore, wherever possible, avoid a request framed simply as a request for “all relevant information held by the predecessor and concerning the audited entity” or “all relevant information held by the predecessor in relation to the office of auditor”.

Thus the successor should strive to identify the information required, or the type of information required, as precisely as possible.

For example, where relevant information is requested by the successor, the information will normally be that contained in the working papers produced by the predecessor, and the appropriate request may therefore be for some or all of those working papers. In some audits there will be Institute or FRC guidance indicating the working papers expected for such an audit. For example in the case of a financial statement audit, ISAs will indicate the audit working papers to be prepared. In other cases, where there is no guidance, the predecessor will have determined the working papers to be prepared.

Where the information related to audit work is requested by the successor but is not filed on the current audit file but, for example, on a ‘permanent’ or ‘systems’ file, or there is a reference to a prior audit file, access should be provided by the predecessor to this information.

The predecessor should be prepared to assist the successor by providing oral or written explanations on a timely basis to assist the latter’s understanding of the audit working papers.

In addition to providing access to all relevant information held about its audit work, the predecessor must provide additional information where the client is a public interest entity, namely any reports to the audit committee, any reports to competent authorities who exercise a supervisory role over the entity and the firm's own transparency reports.

#### Period

Normally the period for which relevant information is requested would be in respect of any audit report relating to a period falling between the beginning of the last financial statements on which the predecessor reported and the date of cessation of the predecessor's audit appointment. The request would include any subsequent review conducted by the predecessor in accordance with guidance published by the FRC in relation to published interim reports.

A successor may consider that it needs to have information in addition to that within the period mentioned above. In the normal case, in the interests of cost and efficiency, the successor should first review the information already provided. If after that review a judgment is made that additional information is needed, the additional information sought should be described in writing, as precisely as possible. The successor should be prepared to provide reasons which demonstrate that the additional information is "relevant" information and therefore within the Regulation. Here as elsewhere the successor should be prepared to confirm that the information is needed to aid its audit work for the audit client and not for some other purpose.

#### Other points

The request for information may be made of the immediate predecessor only.

Because (as indicated above) it is no part of the purpose or object of the Regulation to involve one auditor in liability for another's audit, it would be usual for the basis on which the information is to be provided to be documented in writing by an exchange of letters between the two registered auditors, copied to the audited entity. Guidance on suitable letters is available on each Institute's website as part of a technical release.

There is no obligation to allow the copying of working papers but it would be usual to allow copying of extracts of the books and records of the audit client that are contained in the audit working papers. Generally speaking, where access to relevant information is necessary, the practical arrangements to allow that access to be provided in a cost effective and efficient way should be discussed and agreed between the successor and the predecessor.

A request for information under the Regulation should not be made other than in connection with the successor's audit. The successor should refuse to accept an additional engagement, such as to act as an expert witness or to review the quality of the predecessor's audit work, where the engagement would involve the use of the information obtained by it under the Regulation. In any event, the successor should not comment on the quality of the predecessor's audit work unless required to do so by a legal or professional obligation.

The reference in the Regulation to the information not being disclosed to a third party includes to the audit client. This does not prevent the successor discussing the information with the client where to do so is a necessary part of its audit work. Nor does it prevent the provision of this information to any third party if that is required of the successor by a legal or professional obligation.

Section 1210 of the 2006 Act sets out a list of appointments to which this Regulation and guidance apply. Section 1210(h) allows additional types of appointments to be added to the list. Registered auditors are not required to allow access to their working papers in respect of other appointments."

## Appendix D – Draft *Audit Working Papers Regulations 2023*

COMPANIES ACT 1982

COMPANIES ACT 2006

### AUDIT WORKING PAPERS REGULATIONS 2023

*Approved by Tynwald*                      *XX 2023*

*Coming into operation*                      *XX 2023*

The Isle of Man Financial Services Authority makes these Regulations under section 17C of the Companies Act 1982 and section 80E of the Companies Act 2006.

#### **1 Title**

These Regulations are the Audit Working Papers Regulations 2023.

#### **2 Commencement**

If approved by Tynwald<sup>7</sup>, these Regulations come into operation on xx 2023.

#### **3 Interpretation**

In these Regulations -

“**audit**” means the audit of financial statements of the company by a person qualified for appointment as an auditor under section 14 of the Companies Act 1982 or section 80C of the Companies Act 2006, as applicable;

“**audit work**” means any work done by or on behalf of the auditor in respect of an audit;

“**audit working papers**” means 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 auditor 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;

“**auditor**” means a person or body qualified for appointment as an auditor under section 14 of the Companies Act 1982 or section 80C of the Companies Act 2006, as applicable;

“**company**” means the body corporate that is the subject of the audit; and

“**financial statements**” means a profit and loss account and balance sheet as required by section 2 of the Companies Act 1982 or has the meaning given in section 80(3) of the Companies Act 2006, as applicable.

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<sup>7</sup> Section 17C(8) of the Act and section 80E(8) of the Companies Act 2006 require that the Regulations shall not come into operation unless they are approved by Tynwald

#### **4 Access to audit working papers**

- (1) This regulation applies when an auditor (the 'predecessor') ceases to hold a company's audit appointment and another auditor (the 'successor') has been formally appointed as auditor to that company.
  - (2) This regulation applies to information that is held on the predecessor's current audit file, a 'permanent' or 'systems' file, or elsewhere.
  - (3) If requested in writing by the successor, the predecessor must allow the successor access to the audit working papers and all associated relevant information in respect of its last audit of the company.
  - (4) The request for relevant information may relate to any audit report made between the beginning of the period covered by the last financial statements on which the predecessor reported and the date of cessation of the predecessor's audit appointment. It may also include any subsequent interim review conducted by the predecessor in accordance with the applicable interim review standard.
  - (5) The successor must be prepared to justify why any relevant information is relevant to its audit work for the audit client concerned and therefore within the regulation. The successor must confirm that the information is not for another purpose.
  - (6) A request for audit working papers and relevant information must be made, and the information provided, on a timely basis.
  - (7) The request for information may be made of the immediate predecessor only.
  - (8) Any audit working papers and information obtained under this regulation must only be used for the purposes of the successor's audit work of the company concerned and must not be disclosed to a third party unless the successor is required to do so by a legal or professional obligation.
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## Guidance

**(This guidance relates to the Audit Working Papers Regulations 2023 ('the Regulations') but is not part of the Regulations)**

The purpose of the Regulations is to assist in maintaining the effectiveness (including cost effectiveness) and the efficiency of the audit process in the context of a change of auditor. The Regulations are intended to reduce the (actual or perceived) risk of changing auditor.

Before requesting the audit working papers and relevant information the successor should consider the need to make a request to the predecessor under the Regulations, and the extent of that request. Relevant information may be wider than "audit working papers" and can include other information that can be confirmed by the successor to be necessary.

If auditing standards do not indicate the audit working papers to be prepared, this will have been determined by the predecessor.

If required, the predecessor should assist the successor by providing timely explanations to assist the latter's understanding of the audit working papers.

A successor may request information in addition to that within the period mentioned in section 4(3) of the Regulations. Any such additional information sought should be justified and described in writing, as precisely as possible.

Any written agreement between the successor and the predecessor regarding the audit working papers should be copied to the audited company.

A predecessor may allow the copying of working papers and would be expected to allow copying of extracts of the books and records of the audit client that are contained in the audit working papers.

A request for information should only be in connection with the successor's audit. The successor should not accept an additional engagement that would involve the use of the information obtained by it under the Regulations (such as to act as an expert witness or to review the quality of the predecessor's audit work). The successor should not comment on the quality of the predecessor's audit work unless required to do so by a legal or professional obligation.

The reference in the Regulations to the information not being disclosed to a third party includes to the company. This does not prevent the successor discussing the information with the company where to do so is a necessary part of its audit work. Nor does it prevent the successor providing the information to a third party if that is required by a legal or professional obligation.

For the avoidance of doubt, the Regulations apply only to audits of companies within the meaning of the Companies Act 1982 and the Companies Act 2006. Auditors are not required to allow access to audit working papers in respect of other audits.