

## **The Audit Inspection Unit:** **Scope of Independent Inspection 2008/9**

*(Note: This constitutes the list of “major audits” for the purposes of audit inspection and the requirement placed on audit firms under Regulation 3.15 of the Audit Regulations and Guidance 2008 to notify new “major audit” appointments to the relevant Audit Registration Committee. The Professional Oversight Board has issued separate statutory guidance on the meaning of the term “major audit” for the purposes of the statutory requirements placed on audit firms and companies, under sections 522 to 525 of the Companies Act 2006, to notify changes of auditors to the Appropriate Audit Authority: <http://www.frc.org.uk/pob/regulation/notification.cfm>)*

Audits of the following entities are within the scope of the work of the Audit Inspection Unit (AIU) of the Professional Oversight Board in 2008/9. The AIU will review a sample of relevant audit engagements at each firm selected for an inspection visit. The AIU will normally review the last completed audit of an entity. In 2008/9, the relevant financial year is likely to have ended in either 2007 or 2008.

- All UK incorporated companies with listed equity and / or listed debt. *(Note 1)*
- AIM or Plus markets companies incorporated in the UK with a market capitalisation in excess of £100million *(Note 2)*
- Unquoted companies, groups of companies or limited liability partnerships or industrial and provident societies in the UK which have either:
  - a) Group turnover in excess of £500million; or
  - b) Group long term debt in excess of £250million and turnover in excess of £100million. *(Notes 3 and 4)*
- Unquoted companies or groups which are subsidiaries of foreign parent companies where the turnover of the UK group or company is in excess of £1,000 million. *(Notes 3 and 5)*
- Private sector pension schemes with either more than £1,000 million of assets or more than 20,000 members. *(Note 3)*
- Charities with income exceeding £100million. *(Note 3)*
- Friendly Societies with total net assets in excess of £1,000 million. *(Note 3)*
- Building Societies with assets exceeding £1,000 million. *(Note 3)*
- Open-Ended Investment Companies and Unit Trusts managed by a fund manager with more than £1,000 million of UK funds under management. *(Note 2)*
- Lloyd’s Syndicates with an underwriting capacity in excess of £250million. *(Note 3)*

- Mutual Life Offices whose “With-Profits” fund exceeds £1,000 million. (Note 3)

If the AIU receives a request from an overseas audit regulator to review the audit of a UK entity or a UK subsidiary of an entity within that regulator’s scope, the audit of the UK entity will be deemed to be within the AIU’s scope for this purpose. (Note 6)

In addition, the scope of the AIU’s work at an individual audit firm may be extended by agreement with the professional accountancy body with which the firm is registered. (Note 7)

### **Notes**

*Note 1: This refers to any UK incorporated companies with equity and / or debt securities admitted to the official list (within the meaning of part 6 of the Financial Services and Markets Act 2000) at either 29 February 2008 or, if later, the date of the last published set of accounts.*

*Where the listed equity or listed debt has been issued by a separate entity within a group structure, the group as a whole will be considered to be within the AIU scope.*

*Note 2: These measures will be applied as at the previous 29 February 2008*

*Note 3: These measures will apply as at the date of the last published set of accounts.*

*Note 4: This category is intended to include companies or groups of companies that are privately owned, whether directly or through another investment vehicle, trust or overseas holding company. It is also intended to include those companies owned by private equity funds or other institutions. It is not intended to include subsidiaries of any other category in this list.*

*Note 5: This category is intended to cover major subsidiaries of overseas groups. If there are a number of separate subsidiaries trading in the UK and group consolidated accounts are not produced, this measure will be applied on an individual company basis.*

*Note 6: This provision is to enable the AIU to respond to requests from overseas regulators should it be considered appropriate to do so, thereby facilitating cost effective regulation and helping to address client confidentiality concerns expressed by audit firms. Such requests are likely to be rare and will be considered individually by the AIU in consultation with the audit firm concerned. Where they occur, and result in a review of the relevant audit being carried out by the AIU, the AIU will seek to agree the form of reporting with both the overseas regulator and the audit firm concerned.*

*Note 7: This provision is to enable the AIU to agree a different scope with the relevant professional body if, in a particular case, both parties consider this to be appropriate.*

*For the avoidance of doubt, UK incorporated companies excludes companies incorporated in the Crown Dependencies.*