



# Companies Act 2006

## 2006 CHAPTER 46

### PART 16

#### AUDIT

### CHAPTER 3

#### FUNCTIONS OF AUDITOR

#### *Duties and rights of auditors*

#### **498 Duties of auditor**

- (1) A company's auditor, in preparing his report, must carry out such investigations as will enable him to form an opinion as to—
  - (a) whether adequate accounting records have been kept by the company and returns adequate for their audit have been received from branches not visited by him, and
  - (b) whether the company's individual accounts are in agreement with the accounting records and returns, and
  - (c) in the case of a quoted company, whether the auditable part of the company's directors' remuneration report is in agreement with the accounting records and returns.
- (2) If the auditor is of the opinion—
  - (a) that adequate accounting records have not been kept, or that returns adequate for their audit have not been received from branches not visited by him, or
  - (b) that the company's individual accounts are not in agreement with the accounting records and returns, or
  - (c) in the case of a quoted company, that the auditable part of its directors' remuneration report is not in agreement with the accounting records and returns,

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the auditor shall state that fact in his report.

(3) If the auditor fails to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purposes of his audit, he shall state that fact in his report.

(4) If—

- (a) the requirements of regulations under section 412 (disclosure of directors' benefits: remuneration, pensions and compensation for loss of office) are not complied with in the annual accounts, or
- (b) in the case of a quoted company, the requirements of regulations under section 421 as to information forming the auditable part of the directors' remuneration report are not complied with in that report,

the auditor must include in his report, so far as he is reasonably able to do so, a statement giving the required particulars.

[<sup>F1</sup>(5) If the directors of the company—

- (a) have prepared accounts in accordance with the small companies regime, or
- (b) have taken advantage of small companies exemption [<sup>F2</sup>from the requirement to prepare a strategic report or] in preparing the directors' report,

and in the auditor's opinion they were not entitled to do so, the auditor shall state that fact in his report.]

[<sup>F3</sup>(6) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on the statements given under subsections (2) to (5) and, if they cannot agree on those statements, the report must include the opinions of each person appointed and give reasons for the disagreement.]

#### Textual Amendments

- F1** S. 498(5) substituted (6.4.2008 with effect as mentioned in reg. 2(2) of the amending Regulations) by The Companies Act 2006 (Amendment) (Accounts and Reports) Regulations 2008 (2008/393), reg. 6(10)
- F2** Words in s. 498(5)(b) inserted (with effect in accordance with reg. 1(4) of the amending S.I.) by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (S.I. 2013/1970), reg. 1(2)(3), **Sch. para. 22**
- F3** S. 498(6) inserted (17.6.2016) by The Statutory Auditors and Third Country Auditors Regulations 2016 (S.I. 2016/649), reg. 1(1)(a), **Sch. 3 para. 16(2)** (with reg. 1(12))

#### Modifications etc. (not altering text)

- C1** S. 498 applied (with modifications) (6.4.2008 with application as mentioned in reg. 1(2) of the affecting Regulations) by The Companies (Revision of Defective Accounts and Reports) Regulations 2008 (S.I. 2008/373), **reg. 7(1)(a)**
- C2** S. 498 applied (with modifications) (6.4.2008 with application as mentioned in reg. 1(2) of the affecting Regulations) by The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (S.I. 2008/565), **reg. 3**
- C3** S. 498 applied (6.4.2008 with application as mentioned in reg. 1(2) of the affecting Regulations) by The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 (S.I. 2008/565), **reg. 7(1)(b)** (as amended (with effect in accordance with reg. 2(4) of the amending S.I.) by The Statutory Auditors Regulations 2017 (S.I. 2017/1164), reg. 1(2)(3), **Sch. 2 para. 7** (with reg. 2(6)(7)))

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- C4** S. 498 applied (6.4.2008 with application as mentioned in reg. 1(2) of the affecting Regulations) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), regs. 4, **8(1)(b)**, Sch. para. 1 (with Sch. para. 11)
- C5** S. 498 applied (6.4.2008 with application as mentioned in reg. 1(2) of the affecting Regulations) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 9(b)**
- C6** Ss. 498-502 applied (with modifications) (1.10.2008 with application as mentioned in reg. 2 of the affecting Regulations) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 40** (as amended (1.10.2009) by [The Limited Liability Partnerships \(Application of Companies Act 2006\) Regulations 2009 \(S.I. 2009/1804\)](#), regs. 2, 85, **Sch. 3 para. 16**) (as amended (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 14** (with reg. 2(6)(7)))
- C7** Ss. 496-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)
- C8** Ss. 498-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(3)(b)**, 148(2)(b)
- C9** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)
- C10** Ss. 498-501 applied (with modifications) (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)
- C11** S. 498 applied (with modifications) by S.I. 2008/373, reg. 9(1)(1A) (as substituted (1.1.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **10(a)** (with reg. 2(6)(7)))

<sup>F4</sup>  
**498A Auditor's duties in relation to separate corporate governance statement**

Where the company is required to prepare a corporate governance statement in respect of a financial year and no such statement is included in the directors' report—

- (a) the company's auditor, in preparing his report on the company's annual accounts for that year, must ascertain whether a corporate governance statement has been prepared, and
- (b) if it appears to the auditor that no such statement has been prepared, he must state that fact in his report.]

**Textual Amendments**

- F4** S. 498A inserted (27.6.2009) by [The Companies Act 2006 \(Accounts, Reports and Audit\) Regulations 2009 \(S.I. 2009/1581\)](#), **reg. 7** (with application as stated in [reg. 1\(3\)](#))

**Modifications etc. (not altering text)**

- C10** Ss. 498-501 applied (with modifications) (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)
- C12** Ss. 496-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)
- C13** Ss. 498-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(3)(b)**, 148(2)(b)
- C14** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

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## 499 Auditor's general right to information

- (1) An auditor of a company—
  - (a) has a right of access at all times to the company's books, accounts and vouchers (in whatever form they are held), and
  - (b) may require any of the following persons to provide him with such information or explanations as he thinks necessary for the performance of his duties as auditor.
- (2) Those persons are—
  - (a) any officer or employee of the company;
  - (b) any person holding or accountable for any of the company's books, accounts or vouchers;
  - (c) any subsidiary undertaking of the company which is a body corporate incorporated in the United Kingdom;
  - (d) any officer, employee or auditor of any such subsidiary undertaking or any person holding or accountable for any books, accounts or vouchers of any such subsidiary undertaking;
  - (e) any person who fell within any of paragraphs (a) to (d) at a time to which the information or explanations required by the auditor relates or relate.
- (3) A statement made by a person in response to a requirement under this section may not be used in evidence against him in criminal proceedings except proceedings for an offence under section 501.
- (4) Nothing in this section compels a person to disclose information in respect of which a claim to legal professional privilege (in Scotland, to confidentiality of communications) could be maintained in legal proceedings.

### Modifications etc. (not altering text)

- C10** Ss. 498-501 applied (with modifications) (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)
- C15** Ss. 499-501 applied (with modifications) (6.4.2008) by [1996 c. 52, Sch. 1 para. 16D](#) (as substituted by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 3(1), **Sch. 1 para. 202(3)**) (with arts. 6, 11, 12))
- C16** Ss. 498-502 applied (with modifications) (1.10.2008 with application as mentioned in reg. 2 of the affecting Regulations) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 40** (as amended (1.10.2009) by [The Limited Liability Partnerships \(Application of Companies Act 2006\) Regulations 2009 \(S.I. 2009/1804\)](#), regs. 2, 85, **Sch. 3 para. 16**) (as amended (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), Sch. 3 para. 14 (with reg. 2(6)(7)))
- C17** Ss. 499-502 applied (with modifications) (1.4.2010.) by [Housing and Regeneration Act 2008 \(c. 17\)](#), **ss. 132(1)(2)**, 325; [S.I. 2010/862](#), **art. 2** (with Sch.)
- C18** S. 499 applied (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 7**
- C19** S. 499 applied (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), **reg. 8(1)(c)**, Sch. para. 1 (with Sch. para. 11)
- C20** S. 499 applied (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 9(c)**
- C21** Ss. 496-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)

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- C22** Ss. 498-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(3)(b)**, 148(2)(b)
- C23** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

## **500 Auditor's right to information from overseas subsidiaries**

- (1) Where a parent company has a subsidiary undertaking that is not a body corporate incorporated in the United Kingdom, the auditor of the parent company may require it to obtain from any of the following persons such information or explanations as he may reasonably require for the purposes of his duties as auditor.
- (2) Those persons are—
- the undertaking;
  - any officer, employee or auditor of the undertaking;
  - any person holding or accountable for any of the undertaking's books, accounts or vouchers;
  - any person who fell within paragraph (b) or (c) at a time to which the information or explanations relates or relate.
- (3) If so required, the parent company must take all such steps as are reasonably open to it to obtain the information or explanations from the person concerned.
- (4) A statement made by a person in response to a requirement under this section may not be used in evidence against him in criminal proceedings except proceedings for an offence under section 501.
- (5) Nothing in this section compels a person to disclose information in respect of which a claim to legal professional privilege (in Scotland, to confidentiality of communications) could be maintained in legal proceedings.

### **Modifications etc. (not altering text)**

- C10** Ss. 498-501 applied (with modifications) (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)
- C24** Ss. 499-501 applied (with modifications) (6.4.2008) by [1996 c. 52, Sch. 1 para. 16D](#) (as substituted by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 3(1), **Sch. 1 para. 202(3)** (with arts. 6, 11, 12))
- C25** Ss. 498-502 applied (with modifications) (1.10.2008 with application as mentioned in reg. 2 of the affecting Regulations) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 40** (as amended (1.10.2009) by [The Limited Liability Partnerships \(Application of Companies Act 2006\) Regulations 2009 \(S.I. 2009/1804\)](#), regs. 2, 85, **Sch. 3 para. 16**) (as amended (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 14** (with reg. 2(6)(7)))
- C26** Ss. 499-502 applied (with modifications) (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), **ss. 132(1)(2)**, 325; S.I. 2010/862, **art. 2** (with Sch.)
- C27** Ss. 496-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)
- C28** Ss. 498-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(3)(b)**, 148(2)(b)

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**C29** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

## 501 Auditor's rights to information: offences

- (1) A person commits an offence who knowingly or recklessly makes to an auditor of a company a statement (oral or written) that—
  - (a) conveys or purports to convey any information or explanations which the auditor requires, or is entitled to require, under section 499, and
  - (b) is misleading, false or deceptive in a material particular.
- (2) A person guilty of an offence under subsection (1) is liable—
  - (a) on conviction on indictment, to imprisonment for a term not exceeding two years or a fine (or both);
  - (b) on summary conviction—
    - (i) in England and Wales, to imprisonment for a term not exceeding twelve months or to a fine not exceeding the statutory maximum (or both);
    - (ii) in Scotland or Northern Ireland, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum (or both).
- (3) A person who fails to comply with a requirement under section 499 without delay commits an offence unless it was not reasonably practicable for him to provide the required information or explanations.
- (4) If a parent company fails to comply with section 500, an offence is committed by—
  - (a) the company, and
  - (b) every officer of the company who is in default.
- (5) A person guilty of an offence under subsection (3) or (4) is liable on summary conviction to a fine not exceeding level 3 on the standard scale.
- (6) Nothing in this section affects any right of an auditor to apply for an injunction (in Scotland, an interdict or an order for specific performance) to enforce any of his rights under section 499 or 500.

### Modifications etc. (not altering text)

- C10** Ss. 498-501 applied (with modifications) (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)
- C30** Ss. 499-501 applied (with modifications) (6.4.2008) by 1996 c. 52, **Sch. 1 para. 16D** (as substituted by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 3(1), **Sch. 1 para. 202(3)** (with arts. 6, 11, 12))
- C31** Ss. 498-502 applied (with modifications) (1.10.2008 with application as mentioned in reg. 2 of the affecting Regulations) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 40** (as amended (1.10.2009) by [The Limited Liability Partnerships \(Application of Companies Act 2006\) Regulations 2009 \(S.I. 2009/1804\)](#), regs. 2, 85, **Sch. 3 para. 16**) (as amended (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 14** (with reg. 2(6)(7)))



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- C32** Ss. 499-502 applied (with modifications) (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), **ss. 132(1)(2)**, 325; S.I. 2010/862, **art. 2** (with Sch.)
- C33** Ss. 496-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)
- C34** Ss. 498-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(3)(b)**, 148(2)(b)
- C35** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

## 502 Auditor's rights in relation to resolutions and meetings

- (1) In relation to a written resolution proposed to be agreed to by a private company, the company's auditor is entitled to receive all such communications relating to the resolution as, by virtue of any provision of Chapter 2 of Part 13 of this Act, are required to be supplied to a member of the company.
- (2) A company's auditor is entitled—
  - (a) to receive all notices of, and other communications relating to, any general meeting which a member of the company is entitled to receive,
  - (b) to attend any general meeting of the company, and
  - (c) to be heard at any general meeting which he attends on any part of the business of the meeting which concerns him as auditor.
- (3) Where the auditor is a firm, the right to attend or be heard at a meeting is exercisable by an individual authorised by the firm in writing to act as its representative at the meeting.

### Modifications etc. (not altering text)

- C36** Ss. 498-502 applied (with modifications) (1.10.2008 with application as mentioned in reg. 2 of the affecting Regulations) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 40** (as amended (1.10.2009) by [The Limited Liability Partnerships \(Application of Companies Act 2006\) Regulations 2009 \(S.I. 2009/1804\)](#), regs. 2, 85, **Sch. 3 para. 16**) (as amended (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 14** (with reg. 2(6)(7)))
- C37** Ss. 499-502 applied (with modifications) (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), **ss. 132(1)(2)**, 325; S.I. 2010/862, **art. 2** (with Sch.)
- C38** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

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