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Changes to legislation: Companies Act 2006, Cross Heading: Statement by auditor on ceasing to hold office is up to date with all changes known to be in force on or before 25 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)



Companies Act 2006

2006 CHAPTER 46

PART 16

AUDIT

CHAPTER 4

REMOVAL, RESIGNATION, ETC OF AUDITORS

Statement by auditor on ceasing to hold office

519 Statement by auditor to be deposited with company

- (1) Where an auditor of an unquoted company ceases for any reason to hold office, he must deposit at the company's registered office a statement of the circumstances connected with his ceasing to hold office, unless he considers that there are no circumstances in connection with his ceasing to hold office that need to be brought to the attention of members or creditors of the company.
- (2) If he considers that there are no circumstances in connection with his ceasing to hold office that need to be brought to the attention of members or creditors of the company, he must deposit at the company's registered office a statement to that effect.
- (3) Where an auditor of a quoted company ceases for any reason to hold office, he must deposit at the company's registered office a statement of the circumstances connected with his ceasing to hold office.
- (4) The statement required by this section must be deposited—
 - (a) in the case of resignation, along with the notice of resignation;
 - (b) in the case of failure to seek re-appointment, not less than 14 days before the end of the time allowed for next appointing an auditor;
 - (c) in any other case, not later than the end of the period of 14 days beginning with the date on which he ceases to hold office.

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- (5) A person ceasing to hold office as auditor who fails to comply with this section commits an offence.
- (6) In proceedings for such an offence it is a defence for the person charged to show that he took all reasonable steps and exercised all due diligence to avoid the commission of the offence.
- (7) A person guilty of an offence under this section is liable—
 - (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.
- [^{F1}(8) Where an offence under this section is committed by a body corporate, every officer of the body who is in default also commits the offence. For this purpose—
 - (a) any person who purports to act as director, manager or secretary of the body is treated as an officer of the body, and
 - (b) if the body is a company, any shadow director is treated as an officer of the company.]

Textual Amendments

- F1** S. 519(8) added (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 3(1), **Sch. 1 para. 247** (with arts. 6, 11, 12)

Modifications etc. (not altering text)

- C1** Ss. 519-526 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 46**; (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. 19** (with reg. 2(6)(7))
- C2** 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)

520 Company's duties in relation to statement

- (1) This section applies where the statement deposited under section 519 states the circumstances connected with the auditor's ceasing to hold office.
- (2) The company must within 14 days of the deposit of the statement either—
 - (a) send a copy of it to every person who under section 423 is entitled to be sent copies of the accounts, or
 - (b) apply to the court.
- (3) If it applies to the court, the company must notify the auditor of the application.
- (4) If the court is satisfied that the auditor is using the provisions of section 519 to secure needless publicity for defamatory matter—
 - (a) it shall direct that copies of the statement need not be sent out, and
 - (b) it may further order the company's costs (in Scotland, expenses) on the application to be paid in whole or in part by the auditor, even if he is not a party to the application.

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The company must within 14 days of the court's decision send to the persons mentioned in subsection (2)(a) a statement setting out the effect of the order.

- (5) If no such direction is made the company must send copies of the statement to the persons mentioned in subsection (2)(a) within 14 days of the court's decision or, as the case may be, of the discontinuance of the proceedings.
- (6) In the event of default in complying with this section an offence is committed by every officer of the company who is in default.
- (7) In proceedings for such an offence it is a defence for the person charged to show that he took all reasonable steps and exercised all due diligence to avoid the commission of the offence.
- (8) A person guilty of an offence under this section is liable—
 - (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.

Modifications etc. (not altering text)

- C3** Ss. 519-526 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 46**; (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. 19 (with reg. 2(6)(7))
- C4** 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**)

521 Copy of statement to be sent to registrar

- (1) Unless within 21 days beginning with the day on which he deposited the statement under section 519 the auditor receives notice of an application to the court under section 520, he must within a further seven days send a copy of the statement to the registrar.
- (2) If an application to the court is made under section 520 and the auditor subsequently receives notice under subsection (5) of that section, he must within seven days of receiving the notice send a copy of the statement to the registrar.
- (3) An auditor who fails to comply with subsection (1) or (2) commits an offence.
- (4) In proceedings for such an offence it is a defence for the person charged to show that he took all reasonable steps and exercised all due diligence to avoid the commission of the offence.
- (5) A person guilty of an offence under this section is liable—
 - (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.
- ^[F2](6) Where an offence under this section is committed by a body corporate, every officer of the body who is in default also commits the offence. For this purpose—
 - (a) any person who purports to act as director, manager or secretary of the body is treated as an officer of the body, and

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- (b) if the body is a company, any shadow director is treated as an officer of the company.]

Textual Amendments

F2 S. 521(6) added (6.4.2008) by [The Companies Act 2006 \(Consequential Amendments etc\) Order 2008 \(S.I. 2008/948\)](#), art. 3(1), **Sch. 1 para. 248** (with arts. 6, 11, 12)

Modifications etc. (not altering text)

C5 Ss. 519-526 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 46**; (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. 19 (with reg. 2(6)(7))

C6 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**)

522 Duty of auditor to notify appropriate audit authority

- (1) Where—
- (a) in the case of a major audit, an auditor ceases for any reason to hold office, or
 - (b) in the case of an audit that is not a major audit, an auditor ceases to hold office before the end of his term of office,
- the auditor ceasing to hold office must notify the appropriate audit authority.
- (2) The notice must—
- (a) inform the appropriate audit authority that he has ceased to hold office, and
 - (b) be accompanied by a copy of the statement deposited by him at the company's registered office in accordance with section 519.
- (3) If the statement so deposited is to the effect that he considers that there are no circumstances in connection with his ceasing to hold office that need to be brought to the attention of members or creditors of the company, the notice must also be accompanied by a statement of the reasons for his ceasing to hold office.
- (4) The auditor must comply with this section—
- (a) in the case of a major audit, at the same time as he deposits a statement at the company's registered office in accordance with section 519;
 - (b) in the case of an audit that is not a major audit, at such time (not being earlier than the time mentioned in paragraph (a)) as the appropriate audit authority may require.
- (5) A person ceasing to hold office as auditor who fails to comply with this section commits an offence.
- (6) If that person is a firm an offence is committed by—
- (a) the firm, and
 - (b) every officer of the firm who is in default.
- (7) In proceedings for an offence under this section it is a defence for the person charged to show that he took all reasonable steps and exercised all due diligence to avoid the commission of the offence.

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- (8) A person guilty of an offence under this section is liable—
- (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.

Modifications etc. (not altering text)

- C7** Ss. 519-526 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 46**; (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. 19 (with reg. 2(6)(7))
- C8** 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**)

523 Duty of company to notify appropriate audit authority

- (1) Where an auditor ceases to hold office before the end of his term of office, the company must notify the appropriate audit authority.
- (2) The notice must—
- (a) inform the appropriate audit authority that the auditor has ceased to hold office, and
 - (b) be accompanied by—
 - (i) a statement by the company of the reasons for his ceasing to hold office, or
 - (ii) if the copy of the statement deposited by the auditor at the company's registered office in accordance with section 519 contains a statement of circumstances in connection with his ceasing to hold office that need to be brought to the attention of members or creditors of the company, a copy of that statement.
- (3) The company must give notice under this section not later than 14 days after the date on which the auditor's statement is deposited at the company's registered office in accordance with section 519.
- (4) If a company fails to comply with this section, an offence is committed by—
- (a) the company, and
 - (b) every officer of the company who is in default.
- (5) In proceedings for such an offence it is a defence for the person charged to show that he took all reasonable steps and exercised all due diligence to avoid the commission of the offence.
- (6) A person guilty of an offence under this section is liable—
- (a) on conviction on indictment, to a fine;
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.

Modifications etc. (not altering text)

- C9** Ss. 519-526 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 46**; (as

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- 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. 19 (with reg. 2(6)(7))
- C10** 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)

524 Information to be given to accounting authorities

- (1) The appropriate audit authority on receiving notice under section 522 or 523 of an auditor's ceasing to hold office—
 - (a) must inform the accounting authorities, and
 - (b) may if it thinks fit forward to those authorities a copy of the statement or statements accompanying the notice.
- (2) The accounting authorities are—
 - (a) the Secretary of State, and
 - (b) any person authorised by the Secretary of State for the purposes of section 456 (revision of defective accounts: persons authorised to apply to court).
- (3) If either of the accounting authorities is also the appropriate audit authority it is only necessary to comply with this section as regards any other accounting authority.
- (4) If the court has made an order under section 520(4) directing that copies of the statement need not be sent out by the company, sections 460 and 461 (restriction on further disclosure) apply in relation to the copies sent to the accounting authorities as they apply to information obtained under section 459 (power to require documents etc).

Modifications etc. (not altering text)

- C11** Ss. 519-526 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 46**; (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. 19 (with reg. 2(6)(7))
- C12** 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)
- C13** S. 524(2)(b) modified (2.7.2012) by [The Supervision of Accounts and Reports \(Prescribed Body\) and Companies \(Defective Accounts and Directors' Reports\) \(Authorised Person\) Order 2012 \(S.I. 2012/1439\)](#), **art. 8(5)**

525 Meaning of “appropriate audit authority” and “major audit”

- (1) In sections 522, 523 and 524 “appropriate audit authority” means—
 - (a) in the case of a major audit^{F3} (other than one conducted by an Auditor General)]—
 - (i) the Secretary of State, or
 - (ii) if the Secretary of State has delegated functions under section 1252 to a body whose functions include receiving the notice in question, that body;

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- (b) in the case of an audit [^{F4}(other than one conducted by an Auditor General)] that is not a major audit, the relevant supervisory body.
- [^{F5}(c) in the case of an audit conducted by an Auditor General, the Independent Supervisor.]
- [^{F6} “Supervisory body” and “Independent Supervisor” have the same meaning] as in Part 42 (statutory auditors) (see [^{F7}sections 1217 and 1228]).
- (2) In sections 522 and this section “major audit” means a statutory audit conducted in respect of—
- (a) a company any of whose securities have been admitted to the official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000 (c. 8)), or
- (b) any other person in whose financial condition there is a major public interest.
- (3) In determining whether an audit is a major audit within subsection (2)(b), regard shall be had to any guidance issued by any of the authorities mentioned in subsection (1).

Textual Amendments

- F3** Words in s. 525(1)(a) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 41\(2\)](#)
- F4** Words in s. 525(1)(b) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 41\(3\)](#)
- F5** S. 525(1)(c) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 41\(4\)](#)
- F6** Words in s. 525(1) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 41\(5\)\(a\)](#)
- F7** Words in s. 525(1) substituted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 41\(5\)\(b\)](#)

Modifications etc. (not altering text)

- C14** Ss. 519-526 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), [reg. 46](#); (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. 19 (with reg. 2(6)(7))
- C15** 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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