



Companies Act 1985

1985 CHAPTER 6

PART XI

COMPANY ADMINISTRATION AND PROCEDURE

CHAPTER V

AUDITORS

389 Qualification for appointment as auditor

- (1) Subject to the next subsection, a person is not qualified for appointment as auditor of a company unless either—
- (a) he is a member of a body of accountants established in the United Kingdom and for the time being recognised for the purposes of this provision by the Secretary of State; or
 - (b) he is for the time being authorised by the Secretary of State to be so appointed, as having similar qualifications obtained outside the United Kingdom or else he retains an authorisation formerly granted by the Board of Trade or the Secretary of State under section 161(1)(b) of the Companies Act 1948 (adequate knowledge and experience, or pre-1947 practice).
- (2) Subject to subsections (6) to (8) below, a person is qualified for appointment as auditor of an unquoted company if he retains an authorisation granted by the Board of Trade or the Secretary of State under section 13(1) of the Companies Act 1967.

In this subsection—

- (a) "unquoted company" means a company in the case of which, at the time of the person's appointment, the following condition is satisfied, namely, that no shares or debentures of the company, or of a body corporate of which it is the subsidiary, have been quoted on a stock exchange (whether in Great Britain or elsewhere) to the public for subscription or purchase, and

Status: This is the original version (as it was originally enacted).

- (b) " company " does not include a company that carries on business as the promoter of a trading stamp scheme within the meaning of the Trading Stamps Act 1964.
- (3) Subject to the next subsection, the bodies of accountants recognised for the purposes of subsection (1)(a) are—
- (a) the Institute of Chartered Accountants in England and Wales,
 - (b) the Institute of Chartered Accountants of Scotland,
 - (c) the Chartered Association of Certified Accountants, and
 - (d) the Institute of Chartered Accountants in Ireland.
- (4) The Secretary of State may by regulations in a statutory instrument amend subsection (3) by adding or deleting any body, but shall not make regulations—
- (a) adding any body, or
 - (b) deleting any body which has not considered in writing to its deletion,
- unless he has published notice of his intention to do so in the London and Edinburgh Gazettes at least 4 months before making the regulations.
- (5) The Secretary of State may refuse an authorisation under subsection (1)(b) to a person as having qualifications obtained outside the United Kingdom if it appears to him that the country in which the qualifications were obtained does not confer on persons qualified in the United Kingdom privileges corresponding to those conferred by that subsection.
- (6) None of the following persons is qualified for appointment as auditor of a company—
- (a) an officer or servant of the company;
 - (b) a person who is a partner of or in the employment of an officer or servant of the company;
 - (c) a body corporate;
- and for this purpose an auditor of a company is not to be regarded as either officer or servant of it.
- (7) A person is also not qualified for appointment as auditor of a company if he is, under subsection (6), disqualified for appointment as auditor of any other body corporate which is that company's subsidiary or holding company or a subsidiary of that company's holding company, or would be so disqualified if the body corporate were a company.
- (8) Notwithstanding subsections (1), (6) and (7), a Scottish firm is qualified for appointment as auditor of a company if, but only if, all the partners are qualified for appointment as auditors of it
- (9) No person shall act as auditor of a company at a time when he knows that he is disqualified for appointment to that office; and if an auditor of a company to his knowledge becomes so disqualified during his term of office he shall thereupon vacate his office and give notice in writing to the company that he has vacated it by reason of that disqualification.
- (10) A person who acts as auditor in contravention of subsection (9), or fails without reasonable excuse to give notice of vacating his office as required by that subsection, is guilty of an offence and liable to a fine and, for continued contravention, to a daily default fine.