



# Companies Act 2006

## 2006 CHAPTER 46

### PART 16

#### AUDIT

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

- C1** Pts. 1-39 (except for Pt. 7 and ss. 662-669), 45-47 extended (12.5.2011) by [The Companies Act 2006 \(Consequential Amendments and Transitional Provisions\) Order 2011 \(S.I. 2011/1265\)](#), art. 5(1), **Sch. 1 para. 2**

### CHAPTER 1

#### REQUIREMENT FOR AUDITED ACCOUNTS

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

- C2** Pt. 16 Ch. 1 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), reg. 4, **Sch. para. 1** (with Sch. para. 11)
- C3** Pt. 16 Ch. 1 applied (with modifications) (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **regs. 4, 7**, Sch. Pt. 1

#### *Requirement for audited accounts*

#### **475 Requirement for audited accounts**

- (1) A company's annual accounts for a financial year must be audited in accordance with this Part unless the company—
- (a) is exempt from audit under—  
section 477 (small companies),

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[<sup>F1</sup>section 479A (subsidiary companies)] or  
section 480 (dormant companies);

or

- (b) is exempt from the requirements of this Part under section 482 (non-profit-making companies subject to public sector audit).
- (2) A company is not entitled to any such exemption unless its balance sheet contains a statement by the directors to that effect.
- (3) A company is not entitled to exemption under any of the provisions mentioned in subsection (1)(a) unless its balance sheet contains a statement by the directors to the effect that—
- (a) the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476, and
  - (b) the directors acknowledge their responsibilities for complying with the requirements of this Act with respect to accounting records and the preparation of accounts.
- (4) The statement required by subsection (2) or (3) must appear on the balance sheet above the signature required by section 414.

#### Textual Amendments

- F1** Words in s. 475(1)(a) inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, 6

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

- C4** S. 475 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. 33** (as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by S.I. 2012/2301, **regs. 1, 20(2)**)
- C5** Ss. 475-481 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**)
- C6** S. 475 applied (with modifications) in part (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), **regs. 1(2), 7(1)** (with reg. 11)
- C7** S. 475(1) applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 3**

## 476 Right of members to require audit

- (1) The members of a company that would otherwise be entitled to exemption from audit under any of the provisions mentioned in section 475(1)(a) may by notice under this section require it to obtain an audit of its accounts for a financial year.
- (2) The notice must be given by—
- (a) members representing not less in total than 10% in nominal value of the company's issued share capital, or any class of it, or
  - (b) if the company does not have a share capital, not less than 10% in number of the members of the company.

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- (3) The notice may not be given before the financial year to which it relates and must be given not later than one month before the end of that year.

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

- C8** Ss. 475-481 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](#))
- C9** S. 476 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](#))

*Exemption from audit: small companies*

**477 Small companies: conditions for exemption from audit**

- (1) A company that [<sup>F2</sup>qualifies as a small company in relation to] a financial year is exempt from the requirements of this Act relating to the audit of accounts for that year.
- (2) <sup>F3</sup> .....
- (3) <sup>F3</sup> .....
- (4) For the purposes of this section—
- (a) whether a company qualifies as a small company shall be determined in accordance with section 382(1) to (6), <sup>F4</sup> . . .
- (b) <sup>F4</sup> .....
- (5) This section has effect subject to—
- section 475(2) and (3) (requirements as to statements to be contained in balance sheet),
- section 476 (right of members to require audit),
- section 478 (companies excluded from small companies exemption), and
- section 479 (availability of small companies exemption in case of group company).

**Textual Amendments**

- F2** Words in s. 477(1) substituted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), [regs. 1, 4\(a\)](#)
- F3** S. 477(2)(3) omitted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by virtue of [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), [regs. 1, 4\(b\)](#)
- F4** S. 477(4)(b) and preceding word omitted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by virtue of [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), [regs. 1, 4\(c\)](#)

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

- C10** Ss. 477-479 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. 34](#)

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(as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by S.I. 2012/2301, regs. 1, 20(3))

- C11** Ss. 475-481 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)

#### 478 Companies excluded from small companies exemption

A company is not entitled to the exemption conferred by section 477 (small companies) if it was at any time within the financial year in question—

- (a) a public company,
- (b) a company that—
  - (i) is an authorised insurance company, a banking company, an e-money issuer, [<sup>F5</sup>a MiFID investment firm] or a UCITS management company, or
  - (ii) carries on insurance market activity, or
- (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c. 52) or an employers' association as defined in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807 (N.I. 5)).

#### Textual Amendments

- F5** Words in s. 478(b)(i) substituted (1.11.2007) by The Markets in [Financial Instruments Directive \(Consequential Amendments\) Regulations 2007 \(S.I. 2007/2932\)](#), **reg. 3(5)**

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

- C12** Ss. 477-479 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. 34**
- C13** Ss. 475-481 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)

#### 479 Availability of small companies exemption in case of group company

- (1) A company is not entitled to the exemption conferred by section 477 (small companies) in respect of a financial year during any part of which it was a group company unless—
  - [<sup>F6</sup>(a) the group—
    - (i) qualifies as a small group in relation to that financial year, and
    - (ii) was not at any time in that year an ineligible group, or]
  - (b) subsection (3) applies.
- (2) <sup>F7</sup>.....
- (3) A company is not excluded by subsection (1) if, throughout the whole of the period or periods during the financial year when it was a group company, it was both a subsidiary undertaking and dormant.
- (4) In this section—

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- (a) “group company” means a company that is a parent company or a subsidiary undertaking, and
- (b) “the group”, in relation to a group company, means that company together with all its associated undertakings.

For this purpose undertakings are associated if one is a subsidiary undertaking of the other or both are subsidiary undertakings of a third undertaking.

- (5) For the purposes of this section—
- (a) whether a group qualifies as small shall be determined in accordance with section 383 (companies qualifying as small: parent companies);
  - (b) “ineligible group” has the meaning given by section 384(2) and (3);
  - (c) <sup>F8</sup> .....
  - (d) <sup>F8</sup> .....
  - (e) <sup>F8</sup> .....
- (6) The provisions mentioned in subsection (5) apply for the purposes of this section as if all the bodies corporate in the group were companies.

#### Textual Amendments

- F6** S. 479(1)(a) substituted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **5(a)**
- F7** S. 479(2) omitted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by virtue of [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **5(b)**
- F8** S. 479(5)(c)(d)(e) omitted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by virtue of [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, **5(c)**

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

- C14** Ss. 477-479 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. 34** (as amended (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by S.I. 2012/2301, regs. 1, **20(3)**)
- C15** Ss. 475-481 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)

*[<sup>F9</sup>Exemption from audit: qualifying subsidiaries*

#### Textual Amendments

- F9** Ss. 479A-479C and cross-heading inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [The Companies and Limited Liability Partnerships \(Accounts and Audit Exemptions and Change of Accounting Framework\) Regulations 2012 \(S.I. 2012/2301\)](#), regs. 1, 7

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#### **479A Subsidiary companies: conditions for exemption from audit**

- (1) A company is exempt from the requirements of this Act relating to the audit of individual accounts for a financial year if—
- (a) it is itself a subsidiary undertaking, and
  - (b) its parent undertaking is established under the law of an EEA State.
- (2) Exemption is conditional upon compliance with all of the following conditions—
- (a) all members of the company must agree to the exemption in respect of the financial year in question,
  - (b) the parent undertaking must give a guarantee under section 479C in respect of that year,
  - (c) the company must be included in the consolidated accounts drawn up for that year or to an earlier date in that year by the parent undertaking in accordance with—
    - [<sup>F10</sup>(i) the provisions of Directive 2013/34/ EU of the European Parliament and of the Council on the annual financial statements, consolidated statements and related reports of certain types of undertakings, or ]
    - (ii) international accounting standards,
  - (d) the parent undertaking must disclose in the notes to the consolidated accounts that the company is exempt from the requirements of this Act relating to the audit of individual accounts by virtue of this section, and
  - (e) the directors of the company must deliver to the registrar on or before the date that they file the accounts for that year—
    - (i) a written notice of the agreement referred to in subsection (2)(a),
    - (ii) the statement referred to in section 479C(1),
    - (iii) a copy of the consolidated accounts referred to in subsection (2)(c),
    - (iv) a copy of the auditor's report on those accounts, and
    - (v) a copy of the consolidated annual report drawn up by the parent undertaking.
- (3) This section has effect subject to—
- section 475(2) and (3) (requirements as to statements contained in balance sheet), and
- section 476 (right of members to require audit).

#### **Textual Amendments**

- F10** S. 479A(2)(c)(i) substituted (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Companies, Partnerships and Groups \(Accounts and Reports\) Regulations 2015 \(S.I. 2015/980\)](#), regs. 2(1), **10(2)** (with reg. 3)

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

- C16** Ss. 479A, 479B, 479C applied (with modifications) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), reg. 34A (as inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [S.I. 2012/2301](#), regs. 1, **20(4)**) (as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **20**)

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## **479B Companies excluded from the subsidiary companies audit exemption**

A company is not entitled to the exemption conferred by section 479A (subsidiary companies) if it was at any time within the financial year in question—

- [<sup>F11</sup>(a) a traded company as defined in section 474(1),]
- (b) a company that—
  - (i) is an authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company, or
  - (ii) carries on insurance market activity, or
- (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c 52) or an employers' association as defined in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 ( S.I. 1992/807 ) ( NI 5).

### **Textual Amendments**

- F11** S. 479B(a) substituted (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Companies, Partnerships and Groups \(Accounts and Reports\) Regulations 2015 \(S.I. 2015/980\)](#), regs. 2(1), **10(3)** (with reg. 3)

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

- C17** Ss. 479A, 479B, 479C applied (with modifications) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), reg. 34A (as inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [S.I. 2012/2301](#), regs. 1, 20(4)) (as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), 20)

## **479C Subsidiary companies audit exemption: parent undertaking declaration of guarantee**

- (1) A guarantee is given by a parent undertaking under this section when the directors of the subsidiary company deliver to the registrar a statement by the parent undertaking that it guarantees the subsidiary company under this section.
- (2) The statement under subsection (1) must be authenticated by the parent undertaking and must specify—
  - (a) the name of the parent undertaking,
  - (b) if the parent undertaking is incorporated in the United Kingdom, its registered number (if any),
  - (c) if the parent undertaking is incorporated outside the United Kingdom and registered in the country in which it is incorporated, the identity of the register on which it is registered and the number with which it is so registered,
  - (d) the name and registered number of the subsidiary company in respect of which the guarantee is being given,
  - (e) the date of the statement, and
  - (f) the financial year to which the guarantee relates.
- (3) A guarantee given under this section has the effect that—



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- (a) the parent undertaking guarantees all outstanding liabilities to which the subsidiary company is subject at the end of the financial year to which the guarantee relates, until they are satisfied in full, and
- (b) the guarantee is enforceable against the parent undertaking by any person to whom the subsidiary company is liable in respect of those liabilities.]

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

**C18** Ss. 479A, 479B, 479C applied (with modifications) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), reg. 34A (as inserted (1.10.2012 with application in accordance with reg. 2 of the amending S.I.) by [S.I. 2012/2301](#), regs. 1, **20(4)**) (as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **20**)

*Exemption from audit: dormant companies*

**480 Dormant companies: conditions for exemption from audit**

- (1) A company is exempt from the requirements of this Act relating to the audit of accounts in respect of a financial year if—
  - (a) it has been dormant since its formation, or
  - (b) it has been dormant since the end of the previous financial year and the following conditions are met.
- (2) The conditions are that the company—
  - (a) as regards its individual accounts for the financial year in question—
    - (i) is entitled to prepare accounts in accordance with the small companies regime (see sections 381 to 384), or
    - (ii) would be so entitled but for having been a public company or a member of an ineligible group, and
  - (b) is not required to prepare group accounts for that year.
- (3) This section has effect subject to—
  - section 475(2) and (3) (requirements as to statements to be contained in balance sheet),
  - section 476 (right of members to require audit), and
  - section 481 (companies excluded from dormant companies exemption).

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

**C19** Ss. 480, 481 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. 35** (as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **23**)

**C20** Ss. 475-481 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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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

**C21** S. 480 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)

## **481 Companies excluded from dormant companies exemption**

A company is not entitled to the exemption conferred by section 480 (dormant companies) if it was at any time within the financial year in question a company that—

- [<sup>F12</sup>(za) is a traded company as defined in section 474(1),]
- (a) is an authorised insurance company, a banking company, an e-money issuer, [<sup>F13</sup>a MiFID investment firm] or a UCITS management company, or
  - (b) carries on insurance market activity.

### **Textual Amendments**

**F12** S. 481(za) inserted (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Companies, Partnerships and Groups \(Accounts and Reports\) Regulations 2015 \(S.I. 2015/980\)](#), regs. 2(1), **10(4)** (with reg. 3)

**F13** Words in s. 481(a) substituted (1.11.2007) by [The Markets in Financial Instruments Directive \(Consequential Amendments\) Regulations 2007 \(S.I. 2007/2932\)](#), **reg. 3(6)**

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

**C22** Ss. 480, 481 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. 35** (as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **23**)

**C23** Ss. 475-481 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)

**C24** S. 481 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)

## *Companies subject to public sector audit*

## **482 Non-profit-making companies subject to public sector audit**

(1) The requirements of this Part as to audit of accounts do not apply to a company for a financial year if it is non-profit-making and its accounts—

- [<sup>F14</sup>(a) are subject to audit by the Comptroller and Auditor General by virtue of an order under section 25(6) of the Government Resources and Accounts Act 2000;
- (ab) are subject to audit by the Auditor General for Wales by virtue of—
  - (i) an order under section 144 of the Government of Wales Act 1998, or
  - (ii) paragraph 18 of Schedule 8 to the Government of Wales Act 2006;]
- (b) are accounts—
  - (i) in relation to which section 21 of the Public Finance and Accountability (Scotland) Act 2000 (asp 1) (audit of accounts: Auditor General for Scotland) applies, or

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- (ii) that are subject to audit by the Auditor General for Scotland by virtue of an order under section 483 (Scottish public sector companies: audit by Auditor General for Scotland); or
  - (c) are subject to audit by the Comptroller and Auditor General for Northern Ireland by virtue of an order under Article 5(3) of the Audit and Accountability (Northern Ireland) Order 2003 (S.I. 2003/418 (N.I. 5)).
- (2) In the case of a company that is a parent company or a subsidiary undertaking, subsection (1) applies only if every group undertaking is non-profit-making.
  - (3) In this section “non-profit-making” has the same meaning as in<sup>F15</sup> Article 54 of the Treaty on the Functioning of the European Union].
  - (4) This section has effect subject to section 475(2) (balance sheet to contain statement that company entitled to exemption under this section).

#### Textual Amendments

- F14** S. 482(1)(a)(ab) substituted for s. 482(1)(a) (6.11.2009) by [The Government of Wales Act 2006 \(Consequential Modifications, Transitional Provisions and Saving\) Order 2009 \(S.I. 2009/2958\)](#), **art. 10(2)**
- F15** Words in s. 482(3) substituted (1.8.2012) by [The Treaty of Lisbon \(Changes in Terminology or Numbering\) Order 2012](#), art. 3(1), {Sch. Pt. 1} (with art. 2(2))

### 483 Scottish public sector companies: audit by Auditor General for Scotland

- (1) The Scottish Ministers may by order provide for the accounts of a company having its registered office in Scotland to be audited by the Auditor General for Scotland.
- (2) An order under subsection (1) may be made in relation to a company only if it appears to the Scottish Ministers that the company—
  - (a) exercises in or as regards Scotland functions of a public nature none of which relate to reserved matters (within the meaning of the Scotland Act 1998 (c. 46)), or
  - (b) is entirely or substantially funded from a body having accounts falling within paragraph (a) or (b) of subsection (3).
- (3) Those accounts are—
  - (a) accounts in relation to which section 21 of the Public Finance and Accountability (Scotland) Act 2000 (asp 1) (audit of accounts: Auditor General for Scotland) applies,
  - (b) accounts which are subject to audit by the Auditor General for Scotland by virtue of an order under this section.
- (4) An order under subsection (1) may make such supplementary or consequential provision (including provision amending an enactment) as the Scottish Ministers think expedient.
- (5) An order under subsection (1) shall not be made unless a draft of the statutory instrument containing it has been laid before, and approved by resolution of, the Scottish Parliament.

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

#### Commencement Information

- I1** S. 483 wholly in force at 6.4.2008; s. 483 not in force at Royal Assent, see s. 1300; s. 473 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 483 in force at 6.4.2008 by [S.I. 2007/3495](#), [art. 3\(1\)\(d\)](#) (with [arts. 7, 12](#), [Sch. 4 paras. 9-19](#))

### *General power of amendment by regulations*

#### **484 General power of amendment by regulations**

- (1) The Secretary of State may by regulations amend this Chapter or section 539 (minor definitions) so far as applying to this Chapter by adding, altering or repealing provisions.
- (2) The regulations may make consequential amendments or repeals in other provisions of this Act, or in other enactments.
- (3) Regulations under this section imposing new requirements, or rendering existing requirements more onerous, are subject to affirmative resolution procedure.
- (4) Other regulations under this section are subject to negative resolution procedure.

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

- C25** 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](#))

#### Commencement Information

- I2** S. 484 wholly in force at 6.4.2008; s. 484 not in force at Royal Assent, see s. 1300; s. 484 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 484 in force at 6.4.2008 by [S.I. 2007/3495](#), [art. 3\(1\)\(d\)](#) (with [arts. 7, 12](#), [Sch. 4 paras. 9-19](#))

## CHAPTER 2

### APPOINTMENT OF AUDITORS

#### *Private companies*

#### **485 Appointment of auditors of private company: general**

- (1) An auditor or auditors of a private company must be appointed for each financial year of the company, unless the directors reasonably resolve otherwise on the ground that audited accounts are unlikely to be required.
- (2) For each financial year for which an auditor or auditors is or are to be appointed (other than the company's first financial year), the appointment must be made before the end of the period of 28 days beginning with—

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (a) the end of the time allowed for sending out copies of the company's annual accounts and reports for the previous financial year (see section 424), or
- (b) if earlier, the day on which copies of the company's annual accounts and reports for the previous financial year are sent out under section 423.

This is the “period for appointing auditors”.

- (3) The directors may appoint an auditor or auditors of the company—
  - (a) at any time before the company's first period for appointing auditors,
  - (b) following a period during which the company (being exempt from audit) did not have any auditor, at any time before the company's next period for appointing auditors, or
  - (c) to fill a casual vacancy in the office of auditor.
- (4) The members may appoint an auditor or auditors by ordinary resolution—
  - (a) during a period for appointing auditors,
  - (b) if the company should have appointed an auditor or auditors during a period for appointing auditors but failed to do so, or
  - (c) where the directors had power to appoint under subsection (3) but have failed to make an appointment.
- (5) An auditor or auditors of a private company may only be appointed—
  - (a) in accordance with this section, or
  - (b) in accordance with section 486 (default power of Secretary of State).

This is without prejudice to any deemed re-appointment under section 487.

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

- C26** Ss. 485-488 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), reg. 4, **Sch. para. 9** (with Sch. para. 11)
- C27** Ss. 485-488 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. 36**; (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. 11** (with reg. 2(6)(7)); and (with effect for financial years beginning on or after 6.4.2021) by [The European Grouping of Territorial Cooperation and Limited Liability Partnerships etc. \(Revocations and Amendments\) \(EU Exit\) Regulations 2021 \(S.I. 2021/153\)](#), regs. 1, **18**)
- C28** S. 485 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 6(1)(2)(4)**
- C29** S. 485 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), reg. {7(1)}, Sch. para. 1 (with Sch. para. 11)
- C30** 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)

#### **Commencement Information**

- I3** S. 485 wholly in force at 1.10.2007; s. 485 not in force at Royal Assent see s. 1300; s. 485 in force at 1.10.2007 by [S.I. 2007/2194](#), **art. 2(1)(h)** (with savings in [art. 12](#) and subject to transitional adaptations specified in [Sch. 1](#) and with transitional provisions and savings in [Sch. 3](#))

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

**[<sup>F16</sup>485A Appointment of auditors of private company: additional requirements for public interest entities with audit committees**

- (1) This section applies to the appointment under section 485(4) of an auditor or auditors of a private company—
  - (a) which is also a public interest entity; and
  - (b) which has an audit committee.
- (2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.
- (3) Before an appointment to which this section applies is made—
  - (a) the audit committee of the company must make a recommendation to the directors in connection with the appointment, and
  - (b) the directors must propose an auditor or auditors for appointment <sup>F17</sup>...
- (4) Before the audit committee makes a recommendation or the directors make a proposal under subsection (3), the committee <sup>F18</sup>... must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, unless the company is a small or medium sized enterprise within the meaning in Article 2(1)(f) of [Directive 2003/71/EC](#).
- (5) The audit committee must in its recommendation—
  - (a) identify its first and second choice candidates for appointment, [<sup>F19</sup>drawn from those auditors who have participated in a selection procedure under subsection (4),]
  - (b) give reasons for the choices so identified,
  - (c) state that—
    - (i) the recommendation is free from influence by a third party, and
    - (ii) no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the company.
- [<sup>F20</sup>(6) The directors must include in their proposal—
  - (a) the recommendation made by the audit committee in connection with the appointment, and
  - (b) if the proposal of the directors departs from the preference of the audit committee—
    - (i) a recommendation for a candidate or candidates for appointment drawn from those auditors who have participated in a selection procedure under subsection (4), and
    - (ii) the reasons for not following the audit committee's recommendation.
- (7) Where the audit committee recommends re-appointment of the company's existing auditor or auditors, and the directors are in agreement, subsections (4) and (5)(a) and (b) do not apply.]

**Textual Amendments**

**F16** Ss. 485A, 485B 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. 4** (with reg. 1(12))

**F17** Words in s. 485A(3)(b) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(2)(a)**

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- F18** Words in s. 485A(4) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(2)(b)**
- F19** Words in s. 485A(5)(a) inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(2)(c)**
- F20** S. 485A(6)(7) substituted for s. 485A(6)-(8) (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(2)(d)**

#### **485B Appointment of auditors of private company: additional requirements for public interest entities without audit committees**

- (1) This section applies to the appointment under section 485(4) of an auditor or auditors of a private company—
    - (a) which is also a public interest entity; and
    - (b) which does not have an audit committee.
  - (2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.
  - (3) Before an appointment to which this section applies is made the directors must propose an auditor or auditors for appointment.
  - (4) Before the directors make a proposal under subsection (3), they must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, [<sup>F21</sup>from which their proposed auditor or auditors must be drawn,] unless the company is a small or medium sized enterprise within the meaning in Article 2(1)(f) of [Directive 2003/71/EC](#).
- [<sup>F22</sup>(5) Subsection (4) does not apply in relation to a proposal to re-appoint the company's existing auditor or auditors.]]

#### **Textual Amendments**

- F16** Ss. 485A, 485B 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. 4** (with reg. 1(12))
- F21** Words in s. 485B(4) inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(3)(a)**
- F22** S. 485B(5) substituted for s. 485B(5)-(7) (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(3)(b)**

#### **[<sup>F23</sup>485C Restriction on appointment of auditor of private company which is a public interest entity**

- (1) A person who has been, or will have been, auditor of a private company which is a public interest entity for every financial year comprised in the maximum engagement period (see section 494ZA) may not be appointed as auditor of the company for any financial year which begins within the period of 4 years beginning with the day after the last day of the last financial year of the maximum engagement period.



*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (2) A person who is a member of the same network as the auditor mentioned in subsection (1) may not be appointed as auditor of the company for any financial year which begins within the period of 4 years mentioned in that subsection.
- (3) This section does not apply in relation to an Auditor General.]

#### Textual Amendments

- F23** S. 485C inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(4)**

### 486 Appointment of auditors of private company: default power of Secretary of State

- (1) If a private company fails to appoint an auditor or auditors in accordance with section 485, [<sup>F24</sup>485A or 485B] the Secretary of State may appoint one or more persons to fill the vacancy.
- (2) Where subsection (2) of [<sup>F25</sup>section 485] applies and the company fails to make the necessary appointment before the end of the period for appointing auditors, the company must within one week of the end of that period give notice to the Secretary of State of his power having become exercisable.
- (3) If a company fails to give the notice required by this section, an offence is committed by—
  - (a) the company, and
  - (b) every officer of the company who is in default.
- (4) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.

#### Textual Amendments

- F24** Words in s. 486(1) 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. 5(2)** (with reg. 1(12))
- F25** Words in s. 486(2) substituted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(5)**

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

- C31** Ss. 485-488 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), reg. 4, **Sch. para. 9**
- C32** Ss. 485-488 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. 36**; (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. 11** (with reg. 2(6)(7))
- C33** S. 486 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 6(1)(2)(4)**
- C34** S. 486 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), **reg. 7(1)**, Sch. para. 1 (with Sch. para. 11)



*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

**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)

#### Commencement Information

**I4** S. 486 wholly in force at 1.10.2007; s. 486 not in force at Royal Assent see s. 1300; s. 486 in force at 1.10.2007 by [S.I. 2007/2194](#), **art. 2(1)(h)** (with savings in [art. 12](#) and subject to transitional adaptations specified in [Sch. 1](#) and with transitional provisions and savings in [Sch. 3](#))

### 487 Term of office of auditors of private company

(1) An auditor or auditors of a private company hold office in accordance with the terms of their appointment, subject to the requirements that—

- (a) they do not take office until any previous auditor or auditors cease to hold office, and
- (b) they cease to hold office at the end of the next period for appointing auditors unless re-appointed.

<sup>F26</sup>(1A) .....

<sup>F26</sup>(1B) .....

<sup>F26</sup>(1C) .....

<sup>F26</sup>(1D) .....

<sup>F26</sup>(1E) .....

(2) Where no auditor has been appointed by the end of the next period for appointing auditors, any auditor in office immediately before that time is deemed to be re-appointed at that time, unless—

- (a) he was appointed by the directors, or
- (b) the company's articles require actual re-appointment, or
- (c) the deemed re-appointment is prevented by the members under section 488, or
- (d) the members have resolved that he should not be re-appointed, or
- (e) the directors have resolved that no auditor or auditors should be appointed for the financial year in question or

[<sup>F27</sup>(f) the auditor's appointment would be in breach of section 485C.]

(3) This is without prejudice to the provisions of this Part as to removal and resignation of auditors.

(4) No account shall be taken of any loss of the opportunity of deemed re-appointment under this section in ascertaining the amount of any compensation or damages payable to an auditor on his ceasing to hold office for any reason.

#### Textual Amendments

**F26** S. 487(1A)-(1E) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(6)(a)**

**F27** S. 487(2)(f) substituted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(6)(b)**

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

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

- C36** Ss. 485-488 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), reg. 4, **Sch. para. 9**
- C37** Ss. 485-488 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. 36**; (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. 11** (with reg. 2(6)(7))
- C38** S. 487 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 6(1)(2)(4)**
- C39** S. 487 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), **reg. 7(1)**, Sch. para. 1 (with Sch. para. 11)
- C40** 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)

#### **Commencement Information**

- I5** S. 487 wholly in force at 1.10.2007; s. 487 not in force at Royal Assent see s. 1300; s. 487 in force at 1.10.2007 by [S.I. 2007/2194](#), **art. 2(1)(h)** (with savings in [art. 12](#) and subject to transitional adaptations specified in [Sch. 1](#) and with transitional provisions and savings in [Sch. 3](#))

#### **<sup>F28</sup> 487A Maximum engagement period: transitional arrangements**

.....

#### **Textual Amendments**

- F28** S. 487A omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(7)**

#### **488 Prevention by members of deemed re-appointment of auditor**

- (1) An auditor of a private company is not deemed to be re-appointed under section 487(2) if the company has received notices under this section from members representing at least the requisite percentage of the total voting rights of all members who would be entitled to vote on a resolution that the auditor should not be re-appointed.
- (2) The “requisite percentage” is 5%, or such lower percentage as is specified for this purpose in the company’s articles.
- (3) A notice under this section—
  - (a) may be in hard copy or electronic form,
  - (b) must be authenticated by the person or persons giving it, and
  - (c) must be received by the company before the end of the accounting reference period immediately preceding the time when the deemed re-appointment would have effect.

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

- C41** Ss. 485-488 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), reg. 4, **Sch. para. 9**

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- C42** Ss. 485-488 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. 36**; (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. 11** (with reg. 2(6)(7))
- C43** S. 488 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 6(1)(2)(4)**
- C44** S. 488 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), **reg. 7(1)**, **Sch. para. 1** (with **Sch. para. 11**)
- C45** 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**)

#### **Commencement Information**

- I6** S. 488 wholly in force at 1.10.2007; s. 488 not in force at Royal Assent see s. 1300; s. 488 in force at 1.10.2007 by [S.I. 2007/2194](#), **art. 2(1)(h)** (with savings in **art. 12** and subject to transitional adaptations specified in **Sch. 1** and with transitional provisions and savings in **Sch. 3**)

### *Public companies*

#### **489 Appointment of auditors of public company: general**

- (1) An auditor or auditors of a public company must be appointed for each financial year of the company, unless the directors reasonably resolve otherwise on the ground that audited accounts are unlikely to be required.
- (2) For each financial year for which an auditor or auditors is or are to be appointed (other than the company's first financial year), the appointment must be made before the end of the accounts meeting of the company at which the company's annual accounts and reports for the previous financial year are laid.
- (3) The directors may appoint an auditor or auditors of the company—
  - (a) at any time before the company's first accounts meeting;
  - (b) following a period during which the company (being exempt from audit) did not have any auditor, at any time before the company's next accounts meeting;
  - (c) to fill a casual vacancy in the office of auditor.
- (4) The members may appoint an auditor or auditors by ordinary resolution—
  - (a) at an accounts meeting;
  - (b) if the company should have appointed an auditor or auditors at an accounts meeting but failed to do so;
  - (c) where the directors had power to appoint under subsection (3) but have failed to make an appointment.
- (5) An auditor or auditors of a public company may only be appointed—
  - (a) in accordance with this section, or
  - (b) in accordance with section 490 (default power of Secretary of State).

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

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

**C46** 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](#))

**[<sup>F29</sup>489A Appointment of auditors of public company: additional requirements for public interest entities with audit committees**

- (1) This section applies to the appointment under section 489(4) of an auditor or auditors of a public company—
  - (a) which is also a public interest entity; and
  - (b) which has an audit committee.
- (2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.
- (3) Before an appointment to which this section applies is made—
  - (a) the audit committee of the company must make a recommendation to the directors in connection with the appointment, and
  - (b) the directors must propose an auditor or auditors for appointment <sup>F30</sup>...
- (4) Before the audit committee makes a recommendation or the directors make a proposal under subsection (3), the committee <sup>F31</sup>... must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, unless the company is—
  - (a) a small or medium sized enterprise within the meaning in Article 2(1)(f) of [Directive 2003/71/EC](#); or
  - (b) a company with reduced market capitalisation within the meaning in Article 2(1)(t) of that Directive.
- (5) The audit committee must in its recommendation—
  - (a) identify its first and second choice candidates for appointment, [<sup>F32</sup>drawn from those auditors who have participated in a selection procedure under subsection (4),]
  - (b) give reasons for the choices so identified,
  - (c) state that—
    - (i) the recommendation is free from influence by a third party, and
    - (ii) no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the company.
- [<sup>F33</sup>(6) The directors must include in their proposal—
  - (a) the recommendation made by the audit committee in connection with the appointment, and
  - (b) if the proposal of the directors departs from the preference of the audit committee—
    - (i) a recommendation for a candidate or candidates for appointment drawn from those auditors who have participated in a selection procedure under subsection (4), and
    - (ii) the reasons for not following the audit committee's recommendation.

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (7) Where the audit committee recommends re-appointment of the company's existing auditor or auditors, and the directors are in agreement, subsections (4) and (5)(a) and (b) do not apply.]

#### Textual Amendments

- F29** Ss. 489A 489B 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. 8** (with reg. 1(12))
- F30** Words in s. 489A(3)(b) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(8)(a)**
- F31** Words in s. 489A(4) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(8)(b)**
- F32** Words in s. 489A(5)(a) inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(8)(c)**
- F33** S. 489A(6)(7) substituted for s. 489A(6)-(8) (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(8)(d)**

#### **489B Appointment of auditors of public company: additional requirements for public interest entities without audit committees**

- (1) This section applies to the appointment under section 489(4) of an auditor or auditors of a public company—
- which is also a public interest entity; and
  - which does not have an audit committee.
- (2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.
- (3) Before an appointment to which this section applies is made the directors must propose an auditor or auditors for appointment.
- (4) Before the directors make a proposal under subsection (3), the directors must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation , <sup>[F34]</sup>from which their proposed auditor or auditors must be drawn,] unless the company is—
- a small or medium sized enterprise within the meaning in Article 2(1)(f) of [Directive 2003/71/EU](#) ; or
  - a company with reduced market capitalisation within the meaning in Article 2(1)(t) of that Directive.
- <sup>[F35]</sup>(5) Subsection (4) does not apply in relation to a proposal to re-appoint the company's existing auditor or auditors.]]

#### Textual Amendments

- F29** Ss. 489A 489B 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. 8** (with reg. 1(12))

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- F34** Words in s. 489B(4) inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(9)(a)**
- F35** S. 489B(5) substituted for s. 489D(5)-(7) (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(9)(b)**

**[<sup>F36</sup>489C Restriction on appointment of auditor of public company which is a public interest entity**

- (1) A person who has been, or will have been, auditor of a public company which is a public interest entity for every financial year comprised in the maximum engagement period (see section 494ZA) may not be appointed as auditor of the company for any financial year which begins within the period of 4 years beginning with the day after the last day of the last financial year of the maximum engagement period.
- (2) A person who is a member of the same network as the auditor mentioned in subsection (1) may not be appointed as auditor of the company for any financial year which begins within the period of 4 years mentioned in that subsection.
- (3) This section does not apply in relation to an Auditor General.]

**Textual Amendments**

- F36** S. 489C inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(10)**

**490 Appointment of auditors of public company: default power of Secretary of State**

- (1) If a public company fails to appoint an auditor or auditors in accordance with section 489, [<sup>F37</sup>489A or 489B] the Secretary of State may appoint one or more persons to fill the vacancy.
- (2) Where subsection (2) of [<sup>F38</sup>section 489] applies and the company fails to make the necessary appointment before the end of the accounts meeting, the company must within one week of the end of that meeting give notice to the Secretary of State of his power having become exercisable.
- (3) If a company fails to give the notice required by this section, an offence is committed by—
  - (a) the company, and
  - (b) every officer of the company who is in default.
- (4) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.

**Textual Amendments**

- F37** Words in s. 490(1) 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. 9(2)** (with reg. 1(12))
- F38** Words in s. 490(2) substituted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(11)**

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

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

**C47** 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](#))

**491 Term of office of auditors of public company**

- (1) The auditor or auditors of a public company hold office in accordance with the terms of their appointment, subject to the requirements that—
- (a) they do not take office until the previous auditor or auditors have ceased to hold office, and
  - (b) they cease to hold office at the conclusion of the accounts meeting next following their appointment, unless re-appointed.

- F39(1A) .....
- F39(1B) .....
- F39(1C) .....
- F39(1D) .....
- F39(1E) .....

- (2) This is without prejudice to the provisions of this Part as to removal and resignation of auditors.

**Textual Amendments**

**F39** S. 491(1A)-(1E) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(12)**

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

**C48** 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](#))

**F40 491A Maximum engagement period: transitional arrangements**

.....

**Textual Amendments**

**F40** S. 491A omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(13)**



*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

### *General provisions*

#### **492 Fixing of auditor's remuneration**

- (1) The remuneration of an auditor appointed by the members of a company must be fixed by the members by ordinary resolution or in such manner as the members may by ordinary resolution determine.
- (2) The remuneration of an auditor appointed by the directors of a company must be fixed by the directors.
- (3) The remuneration of an auditor appointed by the Secretary of State must be fixed by the Secretary of State.
- (4) For the purposes of this section “remuneration” includes sums paid in respect of expenses.
- (5) This section applies in relation to benefits in kind as to payments of money.

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

- C49** S. 492 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. 37**
- C50** 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**)

#### **493 Disclosure of terms of audit appointment**

- (1) The Secretary of State may make provision by regulations for securing the disclosure of the terms on which a company's auditor is appointed, remunerated or performs his duties.

Nothing in the following provisions of this section affects the generality of this power.

- (2) The regulations may—
  - (a) require disclosure of—
    - (i) a copy of any terms that are in writing, and
    - (ii) a written memorandum setting out any terms that are not in writing;
  - (b) require disclosure to be at such times, in such places and by such means as are specified in the regulations;
  - (c) require the place and means of disclosure to be stated—
    - (i) in a note to the company's annual accounts (in the case of its individual accounts) or in such manner as is specified in the regulations (in the case of group accounts),
    - (ii) in<sup>F41</sup>the strategic report or] the directors' report, or
    - (iii) in the auditor's report on the company's annual accounts.
- (3) The provisions of this section apply to a variation of the terms mentioned in subsection (1) as they apply to the original terms.
- (4) Regulations under this section are subject to affirmative resolution procedure.

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

#### Textual Amendments

- F41** Words in s. 493(2)(c)(ii) 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. 19](#)

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

- C51** 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](#))

#### Commencement Information

- I7** S. 493 wholly in force at 6.4.2008; s. 493 not in force at Royal Assent, see s. 1300; s. 493 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), [art. 3\(3\)](#) (subject to [art. 5, Sch. 1](#) and with [arts. 6, 8, Sch. 5](#)); s. 493 in force at 6.4.2008 by [S.I. 2007/3495](#), [art. 3\(1\)\(d\)](#) (with [arts. 7, 12, Sch. 4 paras. 9-19](#))

## 494 Disclosure of services provided by auditor or associates and related remuneration

- (1) The Secretary of State may make provision by regulations for securing the disclosure of—
- (a) the nature of any services provided for a company by the company's auditor (whether in his capacity as auditor or otherwise) or by his associates;
  - (b) the amount of any remuneration received or receivable by a company's auditor, or his associates, in respect of any such services.

Nothing in the following provisions of this section affects the generality of this power.

- (2) The regulations may provide—
- (a) for disclosure of the nature of any services provided to be made by reference to any class or description of services specified in the regulations (or any combination of services, however described);
  - (b) for the disclosure of amounts of remuneration received or receivable in respect of services of any class or description specified in the regulations (or any combination of services, however described);
  - (c) for the disclosure of separate amounts so received or receivable by the company's auditor or any of his associates, or of aggregate amounts so received or receivable by all or any of those persons.
- (3) The regulations may—
- (a) provide that “remuneration” includes sums paid in respect of expenses;
  - (b) apply to benefits in kind as well as to payments of money, and require the disclosure of the nature of any such benefits and their estimated money value;
  - (c) apply to services provided for associates of a company as well as to those provided for a company;
  - (d) define “associate” in relation to an auditor and a company respectively.
- (4) The regulations may provide that any disclosure required by the regulations is to be made—

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (a) in a note to the company's annual accounts (in the case of its individual accounts) or in such manner as is specified in the regulations (in the case of group accounts),
  - (b) in<sup>F42</sup>the strategic report or] the directors' report, or
  - (c) in the auditor's report on the company's annual accounts.
- (5) If the regulations provide that any such disclosure is to be made as mentioned in subsection (4)(a) or (b), the regulations may require the auditor to supply the directors of the company with any information necessary to enable the disclosure to be made.
- (6) Regulations under this section are subject to negative resolution procedure.

#### Textual Amendments

**F42** Words in s. 494(4)(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. 20**

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

**C52** S. 494 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. 38**

**C53** 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)

#### Commencement Information

**I8** S. 494 wholly in force at 6.4.2008; s. 494 not in force at Royal Assent, see s. 1300; s. 494 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), **art. 3(3)** (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6](#), [8](#), [Sch. 5](#)); s. 494 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(d)** (with [arts. 7](#), [12](#), [Sch. 4 paras. 9-19](#))

#### <sup>F43</sup>~~494Z~~The maximum engagement period

- (1) Where a person is auditor of a company for consecutive financial years, the maximum engagement period of the person as auditor of the company—
- (a) begins with the first of those years (see the appropriate entry in the first column of the following Table), and
  - (b) ends with the financial year specified in the corresponding entry in the second column of the Table:

First financial year of the maximum engagement period	Last financial year of the maximum engagement period
A financial year of the company beginning before 17 June 1994	The last financial year of the company to begin before 17 June 2020.
A financial year of the company beginning— (a) on or after 17 June 1994, and (b) before 17 June 2003	The last financial year of the company to begin before 17 June 2023.
A financial year of the company beginning—	<i>No qualifying selection procedure</i>

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

<b>First financial year of the maximum engagement period</b>	<b>Last financial year of the maximum engagement period</b>
<p>(a) on or after 17 June 2003, and (b) before 17 June 2016</p>	<p>Where neither the first financial year of the maximum engagement period nor any subsequent financial year is one for which the auditor has been appointed following the carrying out of a qualifying selection procedure, the later of-</p> <p>(a) the last financial year of the company to begin before 17 June 2016, and (b) the last financial year of the company to begin within the period of 10 years beginning with the first day of the first financial year of the maximum engagement period.</p> <p><i>No qualifying selection procedure within 10 years</i></p> <p>Where the last day of the last financial year of the company to begin within the period of 10 years beginning with the first day of the last financial year of the company for which the auditor was appointed following a qualifying selection procedure is before 17 June 2016—</p> <p>(a) the last financial year of the company to begin before 17 June 2016, unless (b) the auditor is appointed following a qualifying selection procedure for the first financial year of the company to begin on or after 17 June 2016, in which case it is the last financial year of the company to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.</p> <p><i>Qualifying selection procedure within 10 years</i></p> <p>In any other case, the earlier of-</p> <p>(a) the last financial year of the company to begin within the period of 10 years beginning with the first day of the last financial year of the company for which the auditor was appointed following a qualifying selection procedure, and (b) the last financial year of the company to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.</p>

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

<b>First financial year of the maximum engagement period</b>	<b>Last financial year of the maximum engagement period</b>
A financial year of the company beginning on or after 17 June 2016	The earlier of— (a) the last financial year of the company to begin within the period of 10 years beginning with the first day of the last financial year of the company for which the auditor was appointed following a qualifying selection procedure, and (b) the last financial year of the company to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.

- (2) Where the first financial year of the maximum engagement period begins on or after 17 June 2003, the maximum engagement period may be extended by a period of no more than 2 years with the approval of the competent authority.
- (3) Such approval may be given by the competent authority only if it is satisfied that exceptional circumstances exist.
- (4) Where the competent authority gives its approval as mentioned in subsection (2)—
- (a) the second column of the Table in subsection (1) has effect with the necessary modifications, and
  - (b) the first appointment to be made after the end of the period as so extended must be made following a qualifying selection procedure.
- (5) In this paragraph “qualifying selection procedure” means—
- (a) in the case of an appointment for a financial year beginning on or after 17 June 2016 made after the Statutory Auditors and Third Country Auditors Regulations 2017 come into force—
    - (i) if the company is a private company and has an audit committee, a selection procedure that complies with the requirements of section 485A(4) and (5)(a) and (b),
    - (ii) if the company is a public company and has an audit committee, a selection procedure that complies with the requirements of subsections 489A(4) and (5)(a) and (b), and
    - (iii) if the company does not have an audit committee, a selection procedure that complies with the requirements of Article 16(3) and (4) of the Audit Regulation;
  - (b) in any other case, a selection procedure that substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the company had an audit committee).]

#### **Textual Amendments**

**F43** S. 494ZA inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(14)**

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*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

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## [<sup>F44</sup>494A Interpretation

In this Chapter—

“audit committee” means a body which performs the functions referred to in Article 39(6) of the Audit Directive or equivalent functions;

“Audit Directive” means [Directive 2006/43/EC](#) of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives [78/660/EEC](#) and [83/349/EEC](#) and repealing Council [Directive 84/253/EEC](#);

“Auditor General” means—

- (a) the Comptroller and Auditor General,
- (b) the Auditor General for Scotland,
- (c) the Auditor General for Wales, or
- (d) the Comptroller and Auditor General for Northern Ireland;

“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 102A(6));

“network” means an association of persons other than a firm co-operating in audit work by way of—

- (a) profit-sharing;
- (b) cost sharing;
- (c) common ownership, control or management;
- (d) common quality control policies and procedures;
- (e) common business strategy; or
- (f) use of a common name;

“public interest [<sup>F45</sup>entity]” means—

- (a) an issuer whose transferable securities are admitted to trading on a regulated market;
- (b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, other than one listed in Article 2 of [Directive 2013/36/EU](#) of the European Parliament and of the Council on access to the activity of credit institutions and investment firms;
- (c) an insurance undertaking within the meaning given by Article 2(1) of Council Directive [1991/674/EEC](#) of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings;

“regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1));

“transferable securities” means anything which is a transferable security for the purposes of [<sup>F46</sup>[Directive 2004/39/EC](#)]<sup>F46</sup>[Directive 2014/65/EU](#)] of the European Parliament and of the Council on markets in financial instruments.]

### Textual Amendments

- F44** S. 494A 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. 12** (with reg. 1(12))
- F45** Word in s. 494A substituted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017](#) (S.I. 2017/516), regs. 1(2), **12(15)**

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

**F46** Words in s. 494A substituted (29.6.2017 for specified purposes, 3.7.2017 for specified purposes, 31.7.2017 for specified purposes, 3.1.2018 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Markets in Financial Instruments\) Regulations 2017 \(S.I. 2017/701\)](#), reg. 1(2)(3)(4)(6), [Sch. 4 para. 9\(3\)](#) (with reg. 7)

## CHAPTER 3

### FUNCTIONS OF AUDITOR

#### *Auditor's report*

#### **495 Auditor's report on company's annual accounts**

- (1) A company's auditor must make a report to the company's members on all annual accounts of the company of which copies are, during his tenure of office—
- (a) in the case of a private company, to be sent out to members under section 423;
  - (b) in the case of a public company, to be laid before the company in general meeting under section 437.
- [<sup>F47</sup>(2) The auditor's report must include—
- (a) the identity of the company whose annual accounts are the subject of the audit,
  - (b) a description of the annual accounts that are the subject of the audit (including the period covered by those accounts),
  - (c) a description of the financial reporting framework that has been applied in the preparation of those accounts, and
  - (d) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.]
- (3) The report must state clearly whether, in the auditor's opinion, the annual accounts—
- (a) give a true and fair view—
    - (i) in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year,
    - (ii) in the case of an individual profit and loss account, of the profit or loss of the company for the financial year,
    - (iii) in the case of group accounts, of the state of affairs as at the end of the financial year and of the profit or loss for the financial year of the undertakings included in the consolidation as a whole, so far as concerns members of the company;
  - (b) have been properly prepared in accordance with the relevant financial reporting framework; and
  - (c) have been prepared in accordance with the requirements of this Act (and, where applicable, Article 4 of the IAS Regulation).

Expressions used in this subsection [<sup>F48</sup>or subsection (3A)] that are defined for the purposes of Part 15 (see [<sup>F49</sup>sections 464, 471 and 474]) have the same meaning as in that Part.

- [<sup>F50</sup>(3A) The following provisions apply to the auditors of a company which qualifies as a micro-entity in relation to a financial year (see sections 384A and 384B) in their



*Status: Point in time view as at 31/07/2017.*

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consideration of whether the Companies Act individual accounts of the company for that year give a true and fair view as mentioned in subsection (3)(a)—

- (a) where the accounts comprise only micro-entity minimum accounting items, the auditors must disregard any provision of an accounting standard which would require the accounts to contain information additional to those items,
- (b) in relation to a micro-entity minimum accounting item contained in the accounts, the auditors must disregard any provision of an accounting standard which would require the accounts to contain further information in relation to that item, and
- (c) where the accounts contain an item of information additional to the micro-entity minimum accounting items, the auditors must have regard to any provision of an accounting standard which relates to that item.]

[<sup>F51</sup>(4) The auditor's report—

- (a) must be either unqualified or qualified,
- (b) must include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report,
- (c) must include a statement on any material uncertainty relating to events [<sup>F52</sup>or conditions] that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting, and
- (d) must identify the auditor's place of establishment.]

[<sup>F53</sup>(5) Where more than one person is appointed as an auditor—

- (a) all the persons appointed must jointly make a report under this section and the report must include a statement as to whether all the persons appointed agree on the matters contained in the report, and
- (b) if all the persons appointed cannot agree on the matters contained in the report, the report must include the opinions of each person appointed and give reasons for the disagreement.]

#### Textual Amendments

- F47** S. 495(2) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 13(2)** (with reg. 1(12))
- F48** Words in s. 495(3) inserted (with effect in accordance with reg. 2(2) of the amending S.I.) by [The Small Companies \(Micro-Entities' Accounts\) Regulations 2013 \(S.I. 2013/3008\)](#), regs. 2(1), **8(2)(a)** (with reg. 3)
- F49** Words in s. 495(3) substituted (with effect in accordance with reg. 2(2) of the amending S.I.) by [The Small Companies \(Micro-Entities' Accounts\) Regulations 2013 \(S.I. 2013/3008\)](#), regs. 2(1), **8(2)(b)** (with reg. 3)
- F50** S. 495(3A) inserted (with effect in accordance with reg. 2(2) of the amending S.I.) by [The Small Companies \(Micro-Entities' Accounts\) Regulations 2013 \(S.I. 2013/3008\)](#), regs. 2(1), **8(3)** (with reg. 3)
- F51** S. 495(4) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 13(3)** (with reg. 1(12))
- F52** Words in s. 495(4)(c) inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(16)**
- F53** S. 495(5) 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. 13(4)** (with reg. 1(12))

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

- C54** S. 495 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 3**

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- C55** S. 495 applied (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 7** (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)))
- C56** S. 495 applied (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), **reg. 8(1)(a)**, Sch. para. 1 (with Sch. para. 11)
- C57** S. 495 applied (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 9(a)**
- C58** S. 495 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. 39** (as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **24**)
- C59** 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)
- C60** S. 495 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)
- C61** S. 495(1) excluded (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 7(1)(b)**
- C62** S. 495(2)-(4) applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)
- C63** S. 495(2)-(4) applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(3)(b)**, 148(2)(b)

#### **496 Auditor's report on strategic report and on directors' report**

- [<sup>F54</sup>(1) In his report on the company's annual accounts, the auditor must—
- (a) state whether, in his opinion, based on the work undertaken in the course of the audit—
    - (i) the information given in the strategic report (if any) and the directors' report for the financial year for which the accounts are prepared is consistent with those accounts, and
    - (ii) any such strategic report and the directors' report have been prepared in accordance with applicable legal requirements,
  - (b) state whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, he has identified material misstatements in the strategic report (if any) and the directors' report, and
  - (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b).]

- [<sup>F55</sup>(2) 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 and indications given under subsection (1) and, if they cannot agree on those statements and indications, the report must include the opinions of each person appointed and give reasons for the disagreement.]

#### **Textual Amendments**

- F54** Words in s. 496 renumbered as s. 496(1) (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 14(2)** (with reg. 1(12))

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

**F55** S. 496(2) 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. 14(2)** (with reg. 1(12))

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

**C64** S. 496 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 3**

**C65** 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)

**C66** 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)

**C67** S. 496 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)

**497 Auditor's report on auditable part of directors' remuneration report**

- (1) If the company is a quoted company, the auditor, in his report on the company's annual accounts for the financial year, must—
- (a) report to the company's members on the auditable part of the directors' remuneration report, and
  - (b) state whether in his opinion that part of the directors' remuneration report has been properly prepared in accordance with this Act.
- (2) For the purposes of this Part, “the auditable part” of a directors' remuneration report is the part identified as such by regulations under section 421.

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

**C68** 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)

**C69** 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)

**497A Auditor's report on separate corporate governance statement**

- [<sup>F56</sup>(1) Where the company prepares a separate corporate governance statement in respect of a financial year, the auditor must, in his report of the company's annual accounts for that year—
- (a) state whether, in his opinion, based on the work undertaken in the course of the audit, the information given in the statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures)—
    - (i) is consistent with those accounts, and
    - (ii) has been prepared in accordance with applicable legal requirements,
  - (b) state whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, he has identified

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material misstatements in the information in the statement referred to in paragraph (a),

- (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b), and
- (d) state whether, in his opinion, based on the work undertaken in the course of the audit, rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees) have been complied with, if applicable.]

[<sup>F57</sup>(2) 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 and indications given under subsection (1) and, if they cannot agree on those statements and indications, the report must include the opinions of each person appointed and give reasons for the disagreement.]

#### Textual Amendments

- F56** Words in s. 497A renumbered as s. 497A(1) (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 15(2)** (with reg. 1(12))
- F57** S. 497A(2) 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. 15(2)** (with reg. 1(12))

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

- C70** 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)
- C71** 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](#))

### *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

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- (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,  
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>F58</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>F59</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>F60</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

- F58** 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)
- F59** 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](#)
- F60** 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)

- C72** 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\(1\)\(a\)](#)
- C73** 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](#)
- C74** 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.)

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- by The Statutory Auditors Regulations 2017 (S.I. 2017/1164), reg. 1(2)(3), **Sch. 2 para. 7** (with reg. 2(6)(7))
- C75** 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)
- C76** 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)**
- C77** 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))
- C78** 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)
- C79** 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)
- C80** 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)
- C81** 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)

[<sup>F61</sup>

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### **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**

- F61** 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)**

- C81** 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)
- C82** 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)
- C83** 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)
- C84** 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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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

## 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)

- C81** 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)
- C85** 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))
- C86** 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)))
- C87** 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.)
- C88** S. 499 applied (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 7**
- C89** 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)
- C90** S. 499 applied (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 9(c)**
- C91** 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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- C92** 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)
- C93** 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)**

- C81** 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)
- C94** 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))
- C95** 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)))
- C96** 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.)
- C97** 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)
- C98** 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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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

**C99** 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)

- C81** 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)
- C100** 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))
- C101** 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)))

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- C102** 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.)
- C103** 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)
- C104** 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)
- C105** 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)

- C106** 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)))
- C107** 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.)
- C108** 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)

*Signature of auditor's report*

## 503 Signature of auditor's report

- (1) The auditor's report must state the name of the auditor and be signed and dated.
- (2) Where the auditor is an individual, the report must be signed by him.

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (3) Where the auditor is a firm, the report must be signed by the senior statutory auditor in his own name, for and on behalf of the auditor.
- [<sup>F62</sup>(4) Where more than one person is appointed as auditor, the report must be signed by all those appointed.]

#### Textual Amendments

**F62** S. 503(4) 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. 17(2)** (with reg. 1(12))

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

- C109** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 7(5)**
- C110** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 9(5)**
- C111** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 8**
- C112** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), regs. 4, **9**, Sch. para. 10 (with Sch. para. 11) (as amended (1.4.2013) by [S.I. 2013/472](#), Sch. 2 para. 138(c))
- C113** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 10**, Sch. Pt. 2
- C114** Ss. 503-506 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. 41**; (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. 15** (with reg. 2(6)(7))
- C115** S. 503 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 3**
- C116** 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)
- C117** S. 503 applied (with modifications) in part (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)

## 504 Senior statutory auditor

- (1) The senior statutory auditor means the individual identified by the firm as senior statutory auditor in relation to the audit in accordance with—
- (a) standards issued by the European Commission, or
  - (b) if there is no applicable standard so issued, any relevant guidance issued by—
    - (i) the Secretary of State, or
    - (ii) a body appointed by order of the Secretary of State.
- (2) The person identified as senior statutory auditor must be eligible for appointment as auditor of the company in question (see Chapter 2 of Part 42 of this Act).
- (3) The senior statutory auditor is not, by reason of being named or identified as senior statutory auditor or by reason of his having signed the auditor's report, subject to any civil liability to which he would not otherwise be subject.

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (4) An order appointing a body for the purpose of subsection (1)(b)(ii) is subject to negative resolution procedure.

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

- C118** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 7(5)**
- C119** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 9(5)**
- C120** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 8**
- C121** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), **regs. 4, 9**, Sch. para. 10 (with Sch. para. 11) (as amended (1.4.2013) by [S.I. 2013/472](#), Sch. 2 para. 138(c))
- C122** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 10**, Sch. Pt. 2
- C123** Ss. 503-506 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. 41**; (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. 15 (with reg. 2(6)(7))
- C124** 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)

#### **Commencement Information**

- I9** S. 504 wholly in force at 6.4.2008; s. 504 not in force at Royal Assent, see s. 1300; s. 504 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), **art. 3(3)** (subject to **art. 5**, **Sch. 1** and with **arts. 6, 8**, **Sch. 5**); s. 504 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(d)** (with **arts. 7, 12**, **Sch. 4 paras. 9-19**)

## **505 Names to be stated in published copies of auditor's report**

- (1) Every copy of the auditor's report that is published by or on behalf of the company must—
- state the name of the auditor and (where the auditor is a firm) the name of the person who signed it as senior statutory auditor, or
  - if the conditions in section 506 (circumstances in which names may be omitted) are met, state that a resolution has been passed and notified to the Secretary of State in accordance with that section.

<sup>F63</sup>(1A) If more than one person is appointed as auditor, the reference in subsection (1)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.]

- (2) For the purposes of this section a company is regarded as publishing the report if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.
- (3) If a copy of the auditor's report is published without the statement required by this section, an offence is committed by—
- the company, and

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- (b) every officer of the company who is in default.
- (4) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale.

#### Textual Amendments

**F63** S. 505(1A) 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. 18(2)** (with reg. 1(12))

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

**C125** Ss. 505, 506 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), reg. 4, **Sch. para. 10** (with Sch. para. 11)

**C126** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 7(5)**

**C127** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 9(5)**

**C128** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 8**

**C129** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), regs. 4, **9**, Sch. para. 10 (with Sch. para. 11) (as amended (1.4.2013) by [S.I. 2013/472](#), Sch. 2 para. 138(c))

**C130** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 10**, Sch. Pt. 2

**C131** Ss. 503-506 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. 41**; (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. 15** (with reg. 2(6)(7))

**C132** Ss. 505, 506 applied (with modifications) (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), **ss. 132(1)(3)**, 325; [S.I. 2010/862](#), **art. 2** (with Sch.)

**C133** S. 505 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 3**

**C134** Ss. 505, 506 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))

**C135** 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)

**C136** S. 505 applied (with modifications) in part (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)

## 506 Circumstances in which names may be omitted

- (1) [<sup>F64</sup>An auditor's] name and, where the auditor is a firm, the name of the person who signed the report as senior statutory auditor, may be omitted from—
- (a) published copies of the report, and
  - (b) the copy of the report delivered to the registrar under Chapter 10 of Part 15 (filing of accounts and reports),
- if the following conditions are met.
- (2) The conditions are that the company—



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- (a) considering on reasonable grounds that statement of the name would create or be likely to create a serious risk that the auditor or senior statutory auditor, or any other person, would be subject to violence or intimidation, has resolved that the name should not be stated, and
- (b) has given notice of the resolution to the Secretary of State, stating—
  - (i) the name and registered number of the company,
  - (ii) the financial year of the company to which the report relates, and
  - (iii) the name of the auditor and (where the auditor is a firm) the name of the person who signed the report as senior statutory auditor.

#### Textual Amendments

**F64** Words in s. 506(1) substituted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(17)**

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

- C137** Ss. 505, 506 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), reg. 4, **Sch. para. 10** (with Sch. para. 11)
- C138** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 7(5)**
- C139** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 9(5)**
- C140** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 8**
- C141** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), regs. 4, **9**, Sch. para. 10 (with Sch. para. 11) (as amended (1.4.2013) by [S.I. 2013/472](#), Sch. 2 para. 138(c))
- C142** Ss. 505, 506 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))
- C143** Ss. 503-506 applied (with modifications) (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 10**, Sch. Pt. 2
- C144** Ss. 503-506 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. 41**; (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. 15** (with reg. 2(6)(7))
- C145** Ss. 505, 506 applied (with modifications) (1.4.2010) by [Housing and Regeneration Act 2008 \(c. 17\)](#), **ss. 132(1)(3)**, 325; [S.I. 2010/862](#), **art. 2** (with Sch.)
- C146** 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)

### *Offences in connection with auditor's report*

#### **507 Offences in connection with auditor's report**

- (1) A person to whom this section applies commits an offence if he knowingly or recklessly causes a report under section 495 (auditor's report on company's annual accounts) to include any matter that is misleading, false or deceptive in a material particular.



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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (2) A person to whom this section applies commits an offence if he knowingly or recklessly causes such a report to omit a statement required by—
- (a) section 498(2)(b) (statement that company's accounts do not agree with accounting records and returns),
  - (b) section 498(3) (statement that necessary information and explanations not obtained), or
  - (c) section 498(5) (statement that directors wrongly took advantage of exemption from obligation to prepare group accounts).
- (3) This section applies to—
- (a) where the auditor is an individual, that individual and any employee or agent of his who is eligible for appointment as auditor of the company;
  - (b) where the auditor is a firm, any director, member, employee or agent of the firm who is eligible for appointment as auditor of the company.
- (4) 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)**

**C147** Ss. 507-509 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. 42**

**C148** 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**)

**508 Guidance for regulatory and prosecuting authorities: England, Wales and Northern Ireland**

- (1) The Secretary of State may issue guidance for the purpose of helping relevant regulatory and prosecuting authorities to determine how they should carry out their functions in cases where behaviour occurs that—
- (a) appears to involve the commission of an offence under section 507 (offences in connection with auditor's report), and
  - [<sup>F65</sup>(b) has been, is being or may be investigated—
    - (i) pursuant to arrangements under paragraph 15 of Schedule 10 (investigation of complaints against auditors and supervisory bodies), or
    - (ii) by the competent authority under the Statutory Auditors and Third Country Auditors Regulations 2016.]
- (2) The Secretary of State must obtain the consent of the Attorney General before issuing any such guidance.
- (3) In this section “relevant regulatory and prosecuting authorities” means—
- (a) supervisory bodies within the meaning of Part 42 of this Act,
  - (b) bodies to which the Secretary of State may make grants under section 16(1) of the Companies (Audit, Investigations and Community Enterprise) Act 2004 (c. 27) (bodies concerned with accounting standards etc),

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- (c) the Director of the Serious Fraud Office,
  - (d) the Director of Public Prosecutions or the Director of Public Prosecutions for Northern Ireland, and
  - (e) the Secretary of State.
- (4) This section does not apply to Scotland.

#### Textual Amendments

**F65** S. 508(1)(b) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 19(2)** (with reg. 1(12))

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

**C149** Ss. 507-509 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. 42**

**C150** 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](#))

### 509 Guidance for regulatory authorities: Scotland

- (1) The Lord Advocate may issue guidance for the purpose of helping relevant regulatory authorities to determine how they should carry out their functions in cases where behaviour occurs that—
- (a) appears to involve the commission of an offence under section 507 (offences in connection with auditor's report), and
  - [<sup>F66</sup>(b) has been, is being or may be investigated—
    - (i) pursuant to arrangements under paragraph 15 of Schedule 10 (investigation of complaints against auditors and supervisory bodies), or
    - (ii) by the competent authority under the Statutory Auditors and Third Country Auditors Regulations 2016.]
- (2) The Lord Advocate must consult the Secretary of State before issuing any such guidance.
- (3) In this section “relevant regulatory authorities” means—
- (a) supervisory bodies within the meaning of Part 42 of this Act,
  - (b) bodies to which the Secretary of State may make grants under section 16(1) of the Companies (Audit, Investigations and Community Enterprise) Act 2004 (c. 27) (bodies concerned with accounting standards etc), and
  - (c) the Secretary of State.
- (4) This section applies only to Scotland.

#### Textual Amendments

**F66** S. 509(1)(b) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 20(2)** (with reg. 1(12))

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

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

- C151** Ss. 507-509 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. 42**
- C152** 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)

## CHAPTER 4

### REMOVAL, RESIGNATION, ETC OF AUDITORS

#### *Removal of auditor*

#### **510 Resolution removing auditor from office**

- (1) The members of a company may remove an auditor from office at any time.
- (2) This power is exercisable only—
  - (a) by ordinary resolution at a meeting, and
  - (b) in accordance with section 511 (special notice of resolution to remove auditor).
- (3) Nothing in this section is to be taken as depriving the person removed of compensation or damages payable to him in respect of the termination—
  - (a) of his appointment as auditor, or
  - (b) of any appointment terminating with that as auditor.
- [<sup>F67</sup>(4) An auditor may not be removed from office before the expiration of his term of office except—
  - (a) by resolution under this section, or
  - (b) in accordance with section 511A.]

**Textual Amendments**

- F67** S. 510(4) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 21(2)** (with reg. 1(12))

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

- C153** Ss. 510-512 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. 43**; (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. 16** (with reg. 2(6)(7))
- C154** 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)

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

## 511 Special notice required for resolution removing auditor from office

- (1) Special notice is required for a resolution at a general meeting of a company removing an auditor from office.
- (2) On receipt of notice of such an intended resolution the company must immediately send a copy of it to the auditor proposed to be removed.
- (3) The auditor proposed to be removed may make with respect to the intended resolution representations in writing to the company (not exceeding a reasonable length) and request their notification to members of the company.
- (4) The company must (unless the representations are received by it too late for it to do so)—
  - (a) in any notice of the resolution given to members of the company, state the fact of the representations having been made, and
  - (b) send a copy of the representations to every member of the company to whom notice of the meeting is or has been sent.
- (5) If a copy of any such representations is not sent out as required because received too late or because of the company's default, the auditor may (without prejudice to his right to be heard orally) require that the representations be read out at the meeting.
- (6) Copies of the representations need not be sent out and the representations need not be read at the meeting if, on the application either of the company or of any other person claiming to be aggrieved, the court is satisfied that the auditor is using the provisions of this section to secure needless publicity for defamatory matter.

The court may order the company's costs (in Scotland, expenses) on the application to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.

### Modifications etc. (not altering text)

**C155** Ss. 510-512 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. 43**; (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. 16** (with **reg. 2(6)(7)**)

**C156** 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**)

## <sup>F68</sup>511A Public interest companies: application to court to remove auditor from office

- (1) This section applies only to a public interest company.
- (2) The competent authority may apply to the court for an order removing an auditor of a company from office if the authority considers that there are proper grounds for removing the auditor from office.
- (3) The members of a company may apply to the court for an order removing an auditor of the company from office if the applicant or applicants consider that there are proper grounds for removing the auditor from office.

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (4) If the court is satisfied, on hearing an application under subsection (2), that there are proper grounds for removing the auditor from office, it may make an order removing the auditor from office.
- (5) If the court is satisfied, on hearing an application under subsection (3), that—
- (a) the applicants represent in total—
    - (i) not less than 5% of the voting rights of all the members having a right to vote at a general meeting of the company, or
    - (ii) not less than 5% in nominal value of the company’s share capital, and
  - (b) there are proper grounds for removing the auditor from office,
- the court may make an order removing the auditor from office.
- (6) For the purposes of this section, divergence of opinions on accounting treatments or audit procedures are not to be taken to be proper grounds for removing an auditor from office.

<sup>F69</sup>(7) . . . . .]

**Textual Amendments**

- F68** S. 511A 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. 22(1)** (with reg. 1(12))
- F69** S. 511A(7) omitted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by virtue of [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(18)**

<sup>F70</sup>**512 Notice to registrar of resolution removing auditor from office**

. . . . .

**Textual Amendments**

- F70** S. 512 omitted (1.10.2015) by virtue of [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 2**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)

**513 Rights of auditor who has been removed from office**

- (1) An auditor who has been removed by resolution under section 510 [<sup>F71</sup>or by order of the court under section 511A] has, notwithstanding his removal, the rights conferred by section 502(2) in relation to any general meeting of the company—
- (a) at which his term of office would otherwise have expired, or
  - (b) at which it is proposed to fill the vacancy caused by his removal.
- (2) In such a case the references in that section to matters concerning the auditor as auditor shall be construed as references to matters concerning him as a former auditor.

**Textual Amendments**

- F71** Words in s. 513(1) 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. 23(2)** (with reg. 1(12))

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

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

**C157** S. 513 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. 44** (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. 17** (with reg. 2(6)(7)))

**C158** 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)

*Failure to re-appoint auditor*

**514 Failure to re-appoint auditor: special procedure required for written resolution**

[<sup>F72</sup>(1) This section applies where a resolution is proposed as a written resolution of a private company whose effect would be to appoint a person as auditor in place of a person (the “outgoing auditor”) who, at the time the resolution is proposed, is an auditor of the company and who is to cease to hold office at the end of a period for appointing auditors.

But this section does not apply if the auditor is to cease to hold office by virtue of section 510 [<sup>F73</sup>, 511A] or 516.

(2) This section also applies where a resolution is proposed as a written resolution of a private company whose effect would be to appoint a person as auditor where, at the time the resolution is proposed, the company does not have an auditor and the person proposed to be appointed is not a person (the “outgoing auditor”) who was an auditor of the company when the company last had an auditor.

But this is subject to subsection (2A).

(2A) This section does not apply (by virtue of subsection (2)) if— ”

- (a) a period for appointing auditors has ended since the outgoing auditor ceased to hold office,
- (b) the outgoing auditor ceased to hold office by virtue of section 510 [<sup>F74</sup>, 511A] or 516, or
- (c) the outgoing auditor has previously had the opportunity to make representations with respect to a proposed resolution under subsection (4) of this section or an intended resolution under section 515(4).]

(3) [<sup>F75</sup>Where this section applies, the] company must send a copy of the proposed resolution to the person proposed to be appointed and to the outgoing auditor.

(4) The outgoing auditor may, within 14 days after receiving the notice, make with respect to the proposed resolution representations in writing to the company (not exceeding a reasonable length) and request their circulation to members of the company.

(5) The company must circulate the representations together with the copy or copies of the resolution circulated in accordance with section 291 (resolution proposed by directors) or section 293 (resolution proposed by members).

(6) Where subsection (5) applies—

- (a) the period allowed under section 293(3) for service of copies of the proposed resolution is 28 days instead of 21 days, and

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- (b) the provisions of section 293(5) and (6) (offences) apply in relation to a failure to comply with that subsection as in relation to a default in complying with that section.
- (7) Copies of the representations need not be circulated if, on the application either of the company or of any other person claiming to be aggrieved, the court is satisfied that the auditor is using the provisions of this section to secure needless publicity for defamatory matter.
- The court may order the company's costs (in Scotland, expenses) on the application to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.
- (8) If any requirement of this section is not complied with, the resolution is ineffective.

#### Textual Amendments

- F72** S. 514(1)-(2A) substituted for s. 514(1) (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 14(2)**; S.I. 2015/1732, art. 2(d) (with arts. 46)
- F73** Words in s. 514(1) 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. 24(2)** (with reg. 1(12))
- F74** Words in s. 514(2A)(b) 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. 24(2)** (with reg. 1(12))
- F75** Words in s. 514(3) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 14(3)**; S.I. 2015/1732, art. 2(d) (with arts. 46)

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

- C159** 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](#))

### 515 Failure to re-appoint auditor: special notice required for resolution at general meeting

<sup>F76</sup>(1) Special notice is required for a resolution at a general meeting of a private company whose effect would be to appoint a person as auditor in place of a person (the “outgoing auditor”) who, at the time the notice is given, is an auditor of the company and who is to cease to hold office at the end of a period for appointing auditors.

But special notice is not required under this subsection if the auditor is to cease to hold office by virtue of section 510 <sup>F77</sup>, 511A] or 516.

(1A) Special notice is required for a resolution at a general meeting of a public company whose effect would be to appoint a person as auditor in place of a person (the “outgoing auditor”) who, at the time the notice is given, is an auditor of the company and who is to cease to hold office at the end of an accounts meeting.

But special notice is not required under this subsection if the auditor is to cease to hold office by virtue of section 510 <sup>F78</sup>, 511A] or 516.

(2) Special notice is required for a resolution at a general meeting of a company whose effect would be to appoint a person as auditor where, at the time the notice is given, the company does not have an auditor and the person proposed to be appointed is



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not a person (the “outgoing auditor”) who was an auditor of the company when the company last had an auditor.

But this is subject to subsection (2A).

- (2A) Special notice is not required under subsection (2) if—
- (a) a period for appointing auditors has ended or (as the case may be) an accounts meeting of the company has been held since the outgoing auditor ceased to hold office,
  - (b) the outgoing auditor ceased to hold office by virtue of section 510 <sup>F79</sup>, 511A] or 516, or
  - (c) the outgoing auditor has previously had the opportunity to make representations with respect to an intended resolution under subsection (4) of this section or a proposed resolution under section 514(4).]
- (3) On receipt of notice of <sup>F80</sup>... an intended resolution<sup>F81</sup> mentioned in subsection (1), (1A) or (2)] the company shall forthwith send a copy of it to the person proposed to be appointed and to the outgoing auditor.
- (4) The outgoing auditor may make with respect to the intended resolution representations in writing to the company (not exceeding a reasonable length) and request their notification to members of the company.
- (5) The company must (unless the representations are received by it too late for it to do so)—
- (a) in any notice of the resolution given to members of the company, state the fact of the representations having been made, and
  - (b) send a copy of the representations to every member of the company to whom notice of the meeting is or has been sent.
- (6) If a copy of any such representations is not sent out as required because received too late or because of the company's default, the outgoing auditor may (without prejudice to his right to be heard orally) require that the representations be read out at the meeting.
- (7) Copies of the representations need not be sent out and the representations need not be read at the meeting if, on the application either of the company or of any other person claiming to be aggrieved, the court is satisfied that the auditor is using the provisions of this section to secure needless publicity for defamatory matter.

The court may order the company's costs (in Scotland, expenses) on the application to be paid in whole or in part by the outgoing auditor, notwithstanding that he is not a party to the application.

#### Textual Amendments

- F76** S. 515(1)-(2A) substituted for s. 515(1)(2) (1.10.2015) by [Deregulation Act 2015 \(c. 20\), s. 115\(7\), Sch. 5 para. 15\(2\)](#); [S.I. 2015/1732, art. 2\(d\)](#) (with arts. 46)
- F77** Words in s. 515(1) 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. 25\(2\)](#) (with reg. 1(12))
- F78** Words in s. 515(1A) 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. 25\(2\)](#) (with reg. 1(12))
- F79** Words in s. 515(2A)(b) 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. 25\(2\)](#) (with reg. 1(12))

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- F80** Word in s. 515(3) omitted (1.10.2015) by virtue of [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 15\(3\)\(a\)](#); S.I. 2015/1732, art. 2(d) (with arts. 46)
- F81** Words in s. 515(3) inserted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 15\(3\)\(b\)](#); S.I. 2015/1732, art. 2(d) (with arts. 46)

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

- C160** Ss. 515-518 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. 45](#); (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. 18](#) (with [reg. 2\(6\)\(7\)](#))
- C161** 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](#))

*Resignation of auditor*

**516 Resignation of auditor**

- (1) An auditor of a company may resign his office by [<sup>F82</sup>sending a notice to that effect to the company].
- (2) [<sup>F83</sup>Where the company is a public interest company, the] notice is not effective unless it is accompanied by the statement required by section 519.
- (3) An effective notice of resignation operates to bring the auditor's term of office to an end as of the date on which the notice is [<sup>F84</sup>received] or on such later date as may be specified in it.

**Textual Amendments**

- F82** Words in s. 516(1) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 16\(2\)](#); S.I. 2015/1732, art. 2(d) (with arts. 46)
- F83** Words in s. 516(2) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 3](#); S.I. 2015/1732, art. 2(d) (with arts. 46)
- F84** Word in s. 516(3) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 16\(3\)](#); S.I. 2015/1732, art. 2(d) (with arts. 46)

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

- C162** Ss. 515-518 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. 45](#); (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. 18](#) (with [reg. 2\(6\)\(7\)](#))
- C163** 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](#))

<sup>F85</sup>**517 Notice to registrar of resignation of auditor**

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*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

### Textual Amendments

**F85** S. 517 omitted (1.10.2015) by virtue of [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 4](#); [S.I. 2015/1732](#), art. 2(d) (with [arts. 46](#))

## 518 Rights of resigning auditor

- (1) This section applies where an <sup>F86</sup>auditor's (A's) notice of resignation is accompanied by a statement under section 519 except where—
  - (a) the company is a non-public interest company, and
  - (b) the statement includes a statement to the effect that A considers that none of the reasons for A's ceasing to hold office, and no matters (if any) connected with A's ceasing to hold office, need to be brought to the attention of members or creditors of the company (as required by section 519(3B)).]
- (2) He may <sup>F87</sup>send] with the notice <sup>F88</sup>[an authenticated] requisition calling on the directors of the company forthwith duly to convene a general meeting of the company for the purpose of receiving and considering such explanation of the <sup>F89</sup>[reasons for, and matters connected with,] his resignation as he may wish to place before the meeting.
- (3) He may request the company to circulate to its members—
  - (a) before the meeting convened on his requisition, or
  - (b) before any general meeting at which his term of office would otherwise have expired or at which it is proposed to fill the vacancy caused by his resignation, a statement in writing (not exceeding a reasonable length) of the <sup>F90</sup>[reasons for, and matters connected with,] his resignation.
- (4) The company must (unless the statement is received too late for it to comply)—
  - (a) in any notice of the meeting given to members of the company, state the fact of the statement having been made, and
  - (b) send a copy of the statement to every member of the company to whom notice of the meeting is or has been sent.
- (5) The directors must within 21 days from the date <sup>F91</sup>[on which the company receives] a requisition under this section proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given.
- (6) If default is made in complying with subsection (5), every director who failed to take all reasonable steps to secure that a meeting was convened commits an 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.
- (8) If a copy of the statement mentioned above is not sent out as required because received too late or because of the company's default, the auditor may (without prejudice to his right to be heard orally) require that the statement be read out at the meeting.
- (9) Copies of a statement need not be sent out and the statement need not be read out at the meeting if, on the application either of the company or of any other person who claims to be aggrieved, the court is satisfied that the auditor is using the provisions of this section to secure needless publicity for defamatory matter.

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The court may order the company's costs (in Scotland, expenses) on such an application to be paid in whole or in part by the auditor, notwithstanding that he is not a party to the application.

- (10) An auditor who has resigned has, notwithstanding his resignation, the rights conferred by section 502(2) in relation to any such general meeting of the company as is mentioned in subsection (3)(a) or (b) above.

In such a case the references in that section to matters concerning the auditor as auditor shall be construed as references to matters concerning him as a former auditor.

#### Textual Amendments

- F86** Words in s. 518(1) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 5(2)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F87** Word in s. 518(2) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 17(2)(a)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F88** Words in s. 518(2) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 17(2)(b)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F89** Words in s. 518(2) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 5(3)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F90** Words in s. 518(3) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 5(4)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F91** Words in s. 518(5) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 17(3)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)

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

- C164** Ss. 515-518 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. 45**; (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. 18 (with reg. 2(6)(7))
- C165** 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**)

### *Statement by auditor on ceasing to hold office*

#### **519 Statement by auditor to be <sup>F92</sup>sent to] company**

<sup>F93</sup>(1) An auditor of a public interest company who is ceasing to hold office (at any time and for any reason) must send to the company a statement of the reasons for doing so.

(2) An auditor (“A”) of a non-public interest company who is ceasing to hold office must send to the company a statement of the reasons for doing so unless A satisfies the first or second condition.

(2A) The first condition is that A is ceasing to hold office—

- (a) in the case of a private company, at the end of a period for appointing auditors;
- (b) in the case of a public company, at the end of an accounts meeting.

(2B) The second condition is that—

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- (a) A's reasons for ceasing to hold office are all exempt reasons (as to which see section 519A(3)), and
  - (b) there are no matters connected with A's ceasing to hold office that A considers need to be brought to the attention of members or creditors of the company.
- (3) A statement under this section must include—
- (a) the auditor's name and address;
  - (b) the number allocated to the auditor on being entered in the register of auditors kept under section 1239;
  - (c) the company's name and registered number.
- (3A) Where there are matters connected with an auditor's ceasing to hold office that the auditor considers need to be brought to the attention of members or creditors of the company, the statement under this section must include details of those matters.
- (3B) Where—
- (a) an auditor (“A”) of a non-public interest company is required by subsection (2) to send a statement, and
  - (b) A considers that none of the reasons for A's ceasing to hold office, and no matters (if any) connected with A's ceasing to hold office, need to be brought to the attention of members or creditors of the company,
- A's statement under this section must include a statement to that effect.]
- (4) [<sup>F94</sup>A statement under this section] must be [<sup>F95</sup>sent]—
- (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.
- (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.
- [<sup>F96</sup>(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

**F92** Words in s. 519 heading substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 18\(3\)](#); S.I. 2015/1732, art. 2(d) (with arts. 46)

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- F93** S. 519(1)-(3B) substituted for s. 519(1)-(3) (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), **ss. 18(2)**, 115(7); [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F94** Words in s. 519(4) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 6**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F95** Word in s. 519(4) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 18(2)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F96** 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)**

- C166** 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))
- C167** 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)

**[<sup>F97</sup>519A Meaning of “public interest company”, “non-public interest company” and “exempt reasons”**

(1) In this Chapter—

<sup>F98</sup>“public interest company” means a company which is—

- (a) an issuer whose transferable securities are admitted to trading on a regulated market;
- (b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, other than one listed in Article 2 of [Directive 2013/36/EU](#) of the European Parliament and of the Council on access to the activity of credit institutions and investment firms; or
- (c) an insurance undertaking within the meaning given by Article 2(1) of Council Directive [1991/674/EEC](#) of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings;]

<sup>F99</sup>(2) For the purposes of the definition of “public interest company”—

“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 102A(6));

“regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1));

“transferable securities” means anything which is a transferable security for the purposes of <sup>F100</sup>[Directive 2004/39/EC](#)]<sup>F100</sup>[Directive 2014/65/EU](#)] of the European Parliament and of the Council on markets in financial instruments.]

(3) In the application of this Chapter to an auditor (“A”) of a company ceasing to hold office, the following are “exempt reasons”—

- (a) A is no longer to carry out statutory audit work within the meaning of Part 42 (see section 1210(1));
- (b) the company is, or is to become, exempt from audit under section 477, 479A or 480, or from the requirements of this Part under section 482, and intends to include in its balance sheet a statement of the type described in section 475(2);



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- (c) the company is a subsidiary undertaking of a parent undertaking that is incorporated in the United Kingdom and—
    - (i) the parent undertaking prepares group accounts, and
    - (ii) A is being replaced as auditor of the company by the auditor who is conducting, or is to conduct, an audit of the group accounts;
  - (d) the company is being wound up under Part 4 of the Insolvency Act 1986 or Part 5 of the Insolvency (Northern Ireland) Order 1989 ( S.I. 1989/2405 (N.I. 19)), whether voluntarily or by the court, or a petition under Part 4 of that Act or Part 5 of that Order for the winding up of the company has been presented and not finally dealt with or withdrawn.
- (4) But the reason described in subsection (3)(c) is only an exempt reason if the auditor who is conducting, or is to conduct, an audit of the group accounts is also conducting, or is also to conduct, the audit (if any) of the accounts of each of the subsidiary undertakings (of the parent undertaking) that is incorporated in the United Kingdom and included in the consolidation.
- (5) The Secretary of State may by order amend the definition of “public interest company” in subsection (1).
- (6) An order under subsection (5) is subject to negative resolution procedure.]

#### Textual Amendments

- F97** S. 519A inserted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), **ss. 18(3)**, 115(7); S.I. 2015/1732, art. 2(d) (with arts. 4, 6)
- F98** Words in s. 519A(1) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 26(2)** (with reg. 1(12))
- F99** S. 519A(2) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 26(3)** (with reg. 1(12))
- F100** Words in s. 519A(2) substituted (29.6.2017 for specified purposes, 3.7.2017 for specified purposes, 31.7.2017 for specified purposes, 3.1.2018 in so far as not already in force) by [The Financial Services and Markets Act 2000 \(Markets in Financial Instruments\) Regulations 2017 \(S.I. 2017/701\)](#), reg. 1(2)(3)(4)(6), **Sch. 4 para. 9(4)** (with reg. 7)

## 520 Company's duties in relation to statement

- (1) This section applies where [<sup>F101</sup>a company receives from an auditor (“A”) who is ceasing to hold office a statement under section 519 except where—
- (a) the company is a non-public interest company, and
  - (b) the statement includes a statement to the effect that A considers that none of the reasons for A's ceasing to hold office, and no matters (if any) connected with A's ceasing to hold office, need to be brought to the attention of members or creditors of the company (as required by section 519(3B)).]
- (2) [<sup>F102</sup>Where this section applies, the] company must within 14 days of the [<sup>F103</sup>receipt] 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.



*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (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.
- 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.

#### Textual Amendments

- F101** Words in s. 520(1) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 7(2)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F102** Words in s. 520(2) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 7(3)**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F103** Word in s. 520(2) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 19**; [S.I. 2015/1732](#), art. 2(d) (with arts. 46)

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

- C168** 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))
- C169** 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

[<sup>F104</sup>(A1) This section applies where an auditor (“A”) of a company sends a statement to the company under section 519 except where—

- (a) the company is a non-public interest company, and
- (b) the statement includes a statement to the effect that A considers that none of the reasons for A's ceasing to hold office, and no matters (if any) connected with A's ceasing to hold office, need to be brought to the attention of members or creditors of the company (as required by section 519(3B)).]

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (1) [<sup>F105</sup>Where this section applies, unless] within 21 days beginning with the day on which he [<sup>F106</sup>sent] 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.
- [<sup>F107</sup>(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
  - (b) if the body is a company, any shadow director is treated as an officer of the company.]

#### Textual Amendments

- F104** S. 521(A1) inserted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 8(2)**; S.I. 2015/1732, art. 2(d) (with arts. 46)
- F105** Words in s. 521(1) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 8(3)**; S.I. 2015/1732, art. 2(d) (with arts. 46)
- F106** Word in s. 521(1) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 20**; S.I. 2015/1732, art. 2(d) (with arts. 46)
- F107** 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)

- C170** 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))
- C171** 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 [<sup>F108</sup>send statement to] appropriate audit authority

- [<sup>F109</sup>(1) Where an auditor of a company sends a statement under section 519, the auditor must at the same time send a copy of the statement to the appropriate audit authority.]

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (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.
- (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.

#### Textual Amendments

**F108** Words in s. 522 heading substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\), s. 115\(7\), Sch. 5 para. 9\(3\)](#); [S.I. 2015/1732, art. 2\(d\)](#) (with arts. 46)

**F109** S. 522(1) substituted for s. 522(1)-(4) (1.10.2015) by [Deregulation Act 2015 \(c. 20\), s. 115\(7\), Sch. 5 para. 9\(2\)](#); [S.I. 2015/1732, art. 2\(d\)](#) (with arts. 46)

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

**C172** 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))

**C173** 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

- [<sup>F110</sup>(1) This section applies if an auditor is ceasing to hold office—
- (a) in the case of a private company, at any time other than at the end of a period for appointing auditors;
  - (b) in the case of a public company, at any time other than at the end of an accounts meeting.
- (1A) But this section does not apply if the company reasonably believes that the only reasons for the auditor's ceasing to hold office are exempt reasons (as to which see section 519A(3)).
- (2) Where this section applies, the company must give notice to the appropriate audit authority that the auditor is ceasing to hold office.
- (2A) The notice is to take the form of a statement by the company of what the company believes to be the reasons for the auditor's ceasing to hold office and must include the information listed in section 519(3).

This is subject to subsection (2C).

- (2B) Subsection (2C) applies where—

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*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (a) the company receives a statement from the auditor under section 519,
  - (b) the statement is sent at the time required by section 519(4), and
  - (c) the company agrees with the contents of the statement.
- (2C) Where this subsection applies, the notice may instead take the form of a copy of the statement endorsed by the company to the effect that it agrees with the contents of the statement.
- (3) A notice under this section must be given within the period of 28 days beginning with the day on which the auditor ceases to hold office.]
- (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.

#### Textual Amendments

**F110** S. 523(1)-(3) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), **ss. 18(4)**, 115(7); S.I. 2015/1732, **art. 2(d)** (with **arts. 46**)

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

**C174** 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))

**C175** 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 [F111 Provision of information] to accounting authorities

- [F112(1) Where the appropriate audit authority receives a statement under section 522 or a notice under section 523, the authority may forward to the accounting authorities—
- (a) a copy of the statement or notice, and
  - (b) any other information the authority has received from the auditor or the company concerned in connection with the auditor's ceasing to hold office.]
- (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).

[F113(3) . . . . .]

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

- (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).

#### Textual Amendments

- F111** Words in s. 524 heading substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 10(4)**; S.I. 2015/1732, art. 2(d) (with arts. 46)
- F112** S. 524(1) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 10(2)**; S.I. 2015/1732, art. 2(d) (with arts. 46)
- F113** S. 524(3) omitted (1.10.2015) by virtue of [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), **Sch. 5 para. 10(3)**; S.I. 2015/1732, art. 2(d) (with arts. 46)

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

- C176** 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))
- C177** 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)
- C178** 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”<sup>F114</sup>...

- (1) In sections 522, 523 and 524 “appropriate audit authority” means—
- (a) [<sup>F115</sup>in relation to an auditor of a public interest company (other than 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 [<sup>F116</sup>statement or] notice in question, that body;
- <sup>F117</sup>(a) in the case of a major audit (other than one conducted by an Auditor General), the Financial Reporting Council Limited;]
- (b) [<sup>F118</sup>in relation to an auditor of a non-public interest company (other than an Auditor General)], the relevant supervisory body.
- <sup>F119</sup>(c) [<sup>F120</sup>in relation to] an Auditor General, the Independent Supervisor.]
- <sup>F121</sup> “Supervisory body” and “Independent Supervisor” have the same meaning] as in Part 42 (statutory auditors) (see [<sup>F122</sup>sections 1217 and 1228]).

<sup>F123</sup>(2) .....

<sup>F123</sup>(3) .....

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

### Textual Amendments

- F114** Words in s. 525 heading omitted (1.10.2015) by virtue of [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 11\(4\)](#); [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F115** Words in s. 525(1)(a) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 11\(2\)\(a\)\(i\)](#); [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F116** Words in s. 525(1)(a)(ii) inserted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 11\(2\)\(a\)\(ii\)](#); [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F117** S. 525(1)(a) (as it applies to LLPs by virtue of [S.I. 2008/1911](#), reg. 46) substituted (2.7.2012) by [The Statutory Auditors \(Amendment of Companies Act 2006 and Delegation of Functions etc\) Order 2012 \(S.I. 2012/1741\)](#), arts. 1(2), 3, [Sch. para. 3](#)
- F118** Words in s. 525(1)(b) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 11\(2\)\(b\)](#); [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F119** S. 525(1)(c) inserted (6.4.2008) by [The Statutory Auditors and Third Country Auditors Regulations 2007 \(S.I. 2007/3494\)](#), [reg. 41\(4\)](#)
- F120** Words in s. 525(1)(c) substituted (1.10.2015) by [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 11\(2\)\(c\)](#); [S.I. 2015/1732](#), art. 2(d) (with arts. 46)
- F121** 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\(5\)\(a\)](#)
- F122** 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\(5\)\(b\)](#)
- F123** S. 525(2)(3) omitted (1.10.2015) by virtue of [Deregulation Act 2015 \(c. 20\)](#), s. 115(7), [Sch. 5 para. 11\(3\)](#); [S.I. 2015/1732](#), art. 2(d) (with arts. 46)

### Modifications etc. (not altering text)

- C179** 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))
- C180** 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)

## Supplementary

### 526 Effect of casual vacancies

If an auditor ceases to hold office for any reason, any surviving or continuing auditor or auditors may continue to act.

### Modifications etc. (not altering text)

- C181** 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))
- C182** 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)



*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

## CHAPTER 5

### QUOTED COMPANIES: RIGHT OF MEMBERS TO RAISE AUDIT CONCERNS AT ACCOUNTS MEETING

#### 527 Members' power to require website publication of audit concerns

- (1) The members of a quoted company may require the company to publish on a website a statement setting out any matter relating to—
- (a) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the next accounts meeting, or
  - (b) any circumstances connected with an auditor of the company ceasing to hold office since the previous accounts meeting,
- that the members propose to raise at the next accounts meeting of the company.
- (2) A company is required to do so once it has received requests to that effect from—
- (a) members representing at least 5% of the total voting rights of all the members who have a relevant right to vote (excluding any voting rights attached to any shares in the company held as treasury shares), or
  - (b) at least 100 members who have a relevant right to vote and hold shares in the company on which there has been paid up an average sum, per member, of at least £100.
- See also section 153 (exercise of rights where shares held on behalf of others).
- (3) In subsection (2) a “relevant right to vote” means a right to vote at the accounts meeting.
- (4) A request—
- (a) may be sent to the company in hard copy or electronic form,
  - (b) must identify the statement to which it relates,
  - (c) must be authenticated by the person or persons making it, and
  - (d) must be received by the company at least one week before the meeting to which it relates.
- (5) A quoted company is not required to place on a website a statement under this section if, on an application by the company or another person who claims to be aggrieved, the court is satisfied that the rights conferred by this section are being abused.
- (6) The court may order the members requesting website publication to pay the whole or part of the company's costs (in Scotland, expenses) on such an application, even if they are not parties to the application.

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

**C183** 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](#))

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

## 528 Requirements as to website availability

- (1) The following provisions apply for the purposes of section 527 (website publication of members' statement of audit concerns).
- (2) The information must be made available on a website that—
  - (a) is maintained by or on behalf of the company, and
  - (b) identifies the company in question.
- (3) Access to the information on the website, and the ability to obtain a hard copy of the information from the website, must not be conditional on the payment of a fee or otherwise restricted.
- (4) The statement—
  - (a) must be made available within three working days of the company being required to publish it on a website, and
  - (b) must be kept available until after the meeting to which it relates.
- (5) A failure to make information available on a website throughout the period specified in subsection (4)(b) is disregarded if—
  - (a) the information is made available on the website for part of that period, and
  - (b) the failure is wholly attributable to circumstances that it would not be reasonable to have expected the company to prevent or avoid.

### Modifications etc. (not altering text)

**C184** 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](#))

## 529 Website publication: company's supplementary duties

- (1) A quoted company must in the notice it gives of the accounts meeting draw attention to—
  - (a) the possibility of a statement being placed on a website in pursuance of members' requests under section 527, and
  - (b) the effect of the following provisions of this section.
- (2) A company may not require the members requesting website publication to pay its expenses in complying with that section or section 528 (requirements in connection with website publication).
- (3) Where a company is required to place a statement on a website under section 527 it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website.
- (4) The business which may be dealt with at the accounts meeting includes any statement that the company has been required under section 527 to publish on a website.

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

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

**C185** 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](#))

**530 Website publication: offences**

- (1) In the event of default in complying with
- (a) section 528 (requirements as to website publication), or
  - (b) section 529 (companies' supplementary duties in relation to request for website publication),
- an offence is committed by every officer of the company who is in default.
- (2) 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)**

**C186** 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](#))

**531 Meaning of “quoted company”**

- (1) For the purposes of this Chapter a company is a quoted company if it is a quoted company in accordance with section 385 (quoted and unquoted companies for the purposes of Part 15) in relation to the financial year to which the accounts to be laid at the next accounts meeting relate.
- (2) The provisions of subsections (4) to (6) of that section (power to amend definition by regulations) apply in relation to the provisions of this Chapter as in relation to the provisions of that Part.

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

**C187** 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](#))

*Status: Point in time view as at 31/07/2017.*

*Changes to legislation: There are currently no known outstanding effects for the Companies Act 2006, Part 16. (See end of Document for details)*

## CHAPTER 6

### AUDITORS' LIABILITY

#### *Voidness of provisions protecting auditors from liability*

#### **532 Voidness of provisions protecting auditors from liability**

- (1) This section applies to any provision—
  - (a) for exempting an auditor of a company (to any extent) from any liability that would otherwise attach to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company occurring in the course of the audit of accounts, or
  - (b) by which a company directly or indirectly provides an indemnity (to any extent) for an auditor of the company, or of an associated company, against any liability attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he is auditor occurring in the course of the audit of accounts.
- (2) Any such provision is void, except as permitted by—
  - (a) section 533 (indemnity for costs of successfully defending proceedings), or
  - (b) sections 534 to 536 (liability limitation agreements).
- (3) This section applies to any provision, whether contained in a company's articles or in any contract with the company or otherwise.
- (4) For the purposes of this section companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

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

**C188** 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](#))

#### *Indemnity for costs of defending proceedings*

#### **533 Indemnity for costs of successfully defending proceedings**

Section 532 (general voidness of provisions protecting auditors from liability) does not prevent a company from indemnifying an auditor against any liability incurred by him—

- (a) in defending proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted, or
- (b) in connection with an application under section 1157 (power of court to grant relief in case of honest and reasonable conduct) in which relief is granted to him by the court.

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

**C189** 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](#))

**Commencement Information**

**I10** S. 533 wholly in force at 6.4.2008; s. 533 not in force at Royal Assent see s. 1300; s. 533 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(e)** (with savings in [arts. 7, 12](#) and subject to transitional adaptations in [Sch. 1 para. 11](#) and with savings in [Sch. 4 paras. 9-19](#))

*Liability limitation agreements*

**534 Liability limitation agreements**

- (1) A “liability limitation agreement” is an agreement that purports to limit the amount of a liability owed to a company by its auditor in respect of any negligence, default, breach of duty or breach of trust, occurring in the course of the audit of accounts, of which the auditor may be guilty in relation to the company.
- (2) Section 532 (general voidness of provisions protecting auditors from liability) does not affect the validity of a liability limitation agreement that—
  - (a) complies with section 535 (terms of liability limitation agreement) and of any regulations under that section, and
  - (b) is authorised by the members of the company (see section 536).
- (3) Such an agreement—
  - (a) is effective to the extent provided by section 537, and
  - (b) is not subject—
    - (i) in England and Wales or Northern Ireland, to section 2(2) or 3(2)(a) of the Unfair Contract Terms Act 1977 (c. 50);
    - (ii) in Scotland, to section 16(1)(b) or 17(1)(a) of that Act.

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

**C190** 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](#))

**535 Terms of liability limitation agreement**

- (1) A liability limitation agreement—
  - (a) must not apply in respect of acts or omissions occurring in the course of the audit of accounts for more than one financial year, and
  - (b) must specify the financial year in relation to which it applies.
- (2) The Secretary of State may by regulations—
  - (a) require liability limitation agreements to contain specified provisions or provisions of a specified description;

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- (b) prohibit liability limitation agreements from containing specified provisions or provisions of a specified description.

“Specified” here means specified in the regulations.

- (3) Without prejudice to the generality of the power conferred by subsection (2), that power may be exercised with a view to preventing adverse effects on competition.
- (4) Subject to the preceding provisions of this section, it is immaterial how a liability limitation agreement is framed.

In particular, the limit on the amount of the auditor's liability need not be a sum of money, or a formula, specified in the agreement.

- (5) Regulations under this section are subject to negative resolution procedure.

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

**C191** 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](#))

**Commencement Information**

**III** S. 535 wholly in force at 6.4.2008; s. 535 not in force at Royal Assent, see s. 1300; s. 535 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), **art. 3(3)** (subject to [art. 5, Sch. 1](#) and with [arts. 6, 8, Sch. 5](#)); s. 535 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(d)** (with [arts. 7, 12, Sch. 4 paras. 9-19](#))

**536 Authorisation of agreement by members of the company**

- (1) A liability limitation agreement is authorised by the members of the company if it has been authorised under this section and that authorisation has not been withdrawn.
- (2) A liability limitation agreement between a private company and its auditor may be authorised—
- (a) by the company passing a resolution, before it enters into the agreement, waiving the need for approval,
- (b) by the company passing a resolution, before it enters into the agreement, approving the agreement's principal terms, or
- (c) by the company passing a resolution, after it enters into the agreement, approving the agreement.
- (3) A liability limitation agreement between a public company and its auditor may be authorised—
- (a) by the company passing a resolution in general meeting, before it enters into the agreement, approving the agreement's principal terms, or
- (b) by the company passing a resolution in general meeting, after it enters into the agreement, approving the agreement.
- (4) The “principal terms” of an agreement are terms specifying, or relevant to the determination of—
- (a) the kind (or kinds) of acts or omissions covered,
- (b) the financial year to which the agreement relates, or



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- (c) the limit to which the auditor's liability is subject.
- (5) Authorisation under this section may be withdrawn by the company passing an ordinary resolution to that effect—
- (a) at any time before the company enters into the agreement, or
  - (b) if the company has already entered into the agreement, before the beginning of the financial year to which the agreement relates.

Paragraph (b) has effect notwithstanding anything in the agreement.

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

**C192** 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](#))

**537 Effect of liability limitation agreement**

- (1) A liability limitation agreement is not effective to limit the auditor's liability to less than such amount as is fair and reasonable in all the circumstances of the case having regard (in particular) to—
  - (a) the auditor's responsibilities under this Part,
  - (b) the nature and purpose of the auditor's contractual obligations to the company, and
  - (c) the professional standards expected of him.
- (2) A liability limitation agreement that purports to limit the auditor's liability to less than the amount mentioned in subsection (1) shall have effect as if it limited his liability to that amount.
- (3) In determining what is fair and reasonable in all the circumstances of the case no account is to be taken of—
  - (a) matters arising after the loss or damage in question has been incurred, or
  - (b) matters (whenever arising) affecting the possibility of recovering compensation from other persons liable in respect of the same loss or damage.

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

**C193** 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](#))

**538 Disclosure of agreement by company**

- (1) A company which has entered into a liability limitation agreement must make such disclosure in connection with the agreement as the Secretary of State may require by regulations.
- (2) The regulations may provide, in particular, that any disclosure required by the regulations shall be made—

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- (a) in a note to the company's annual accounts (in the case of its individual accounts) or in such manner as is specified in the regulations (in the case of group accounts), or
  - (b) in the directors' report.
- (3) Regulations under this section are subject to negative resolution procedure.

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

**C194** 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)

**Commencement Information**

**I12** S. 538 wholly in force at 6.4.2008; s. 538 not in force at Royal Assent, see s. 1300; s. 538 in force for specified purposes at 20.1.2007 by [S.I. 2006/3428](#), **art. 3(3)** (subject to [art. 5](#), [Sch. 1](#) and with [arts. 6, 8](#), [Sch. 5](#)); s. 538 in force at 6.4.2008 by [S.I. 2007/3495](#), **art. 3(1)(d)** (with [arts. 7, 12](#), [Sch. 4 paras. 9-19](#))

[<sup>F124</sup>  
**538A** **Meaning of “corporate governance statement” etc**

(1) In this Part “corporate governance statement” means the statement required by rules 7.2.1 to 7.2.11 in the Disclosure Rules and Transparency Rules sourcebook [<sup>F125</sup> made by the Financial Conduct Authority ] .

<sup>F126</sup>( 2 ) . . . . .

(3) A “separate” corporate governance statement means one that is not included in the directors' report.]

**Textual Amendments**

**F124** S. 538A inserted (27.6.2009) by [The Companies Act 2006 \(Accounts, Reports and Audit\) Regulations 2009 \(S.I. 2009/1581\)](#), **reg. 8** (with application as stated in [reg. 1\(3\)](#))

**F125** Words in s. 538A(1) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments\) Order 2013 \(S.I. 2013/636\)](#), [art. 1\(2\)](#), **Sch. para. 9(5)(a)**

**F126** S. 538A(2) omitted (1.4.2013) by virtue of [The Financial Services Act 2012 \(Consequential Amendments\) Order 2013 \(S.I. 2013/636\)](#), [art. 1\(2\)](#), **Sch. para. 9(5)(b)**

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

**C195** 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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## CHAPTER 7

### SUPPLEMENTARY PROVISIONS

#### 539 Minor definitions

In this Part—

“e-money issuer” <sup>F127</sup> means—

- (a) an electronic money institution, within the meaning of the Electronic Money Regulations 2011 ( S.I. 2011/99), or]
- (b) a person who has permission under <sup>F128</sup>Part 4A] of the Financial Services and Markets Act 2000 (c. 8) to carry on the activity of issuing electronic money within the meaning of article 9B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544);

<sup>F129</sup>

.....  
<sup>F130</sup> “MiFID investment firm” means an investment firm within the meaning of Article 4.1.1 of <sup>F131</sup>Directive 2004/39/ EC of the European Parliament and of the Council of 21 April 2004]<sup>F131</sup>Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014] on markets in financial instruments, other than—

- (a) a company to which that Directive does not apply by virtue of Article 2 of that Directive, <sup>F132</sup>and]
- (b) <sup>F133</sup>a company which is an exempt investment firm within the meaning of regulation 4A(3) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007, and
- (c) any other company which fulfils all the requirements set out in regulation 4C(3) of those Regulations;]
- (b) <sup>F133</sup>a company which is an exempt investment firm as defined by regulation 8 (Meaning of “exempt investment firm” in Chapter 1) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017 (S.I. 2017/XXXX);]]

“qualified”, in relation to an auditor's report (or a statement contained in an auditor's report), means that the report or statement does not state the auditor's unqualified opinion that the accounts have been properly prepared in accordance with this Act or, in the case of an undertaking not required to prepare accounts in accordance with this Act, under any corresponding legislation under which it is required to prepare accounts;

“turnover”, in relation to a company, means the amounts derived from the provision of goods and services falling within the company's ordinary activities, after deduction of—

- (a) trade discounts,
- (b) value added tax, and
- (c) any other taxes based on the amounts so derived;

“UCITS management company” has the meaning given by the Glossary forming part of the Handbook made by the <sup>F134</sup>Financial Conduct Authority] under the Financial Services and Markets Act 2000.

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### Textual Amendments

- F127** Words in definition of "e-money issuer" in s. 539 substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Companies and Partnerships \(Accounts and Audit\) Regulations 2013](#) (S.I. 2013/2005), regs. 1(1), **2(9)** (with reg. 1(5)(6))
- F128** Words in s. 539 substituted (1.4.2013) by [Financial Services Act 2012](#) (c. 21), s. 122(3), **Sch. 18 para. 116** (with Sch. 20); S.I. 2013/423, art. 3, **Sch.**
- F129** S. 539: definition omitted (1.11.2007) by virtue of [The Markets in Financial Instruments Directive \(Consequential Amendments\) Regulations 2007](#) (S.I. 2007/2932), **reg. 3(7)(a)**
- F130** S. 539: definition inserted (1.11.2007) by [The Markets in Financial Instruments Directive \(Consequential Amendments\) Regulations 2007](#) (S.I. 2007/2932), **reg. 3(7)(b)**
- F131** Words in s. 539 substituted (29.6.2017 for specified purposes, 3.7.2017 for specified purposes, 31.7.2017 for specified purposes, 3.1.2018 in so far as not in force) by [The Financial Services and Markets Act 2000 \(Markets in Financial Instruments\) Regulations 2017](#) (S.I. 2017/701), reg. 1(2)(3)(4)(6), **Sch. 4 para. 9(5)(a)** (with reg. 7)
- F132** Word in s. 539 inserted (29.6.2017 for specified purposes, 3.7.2017 for specified purposes, 31.7.2017 for specified purposes, 3.1.2018 in so far as not in force) by [The Financial Services and Markets Act 2000 \(Markets in Financial Instruments\) Regulations 2017](#) (S.I. 2017/701), reg. 1(2)(3)(4)(6), **Sch. 4 para. 9(5)(b)** (with reg. 7)
- F133** Words in s. 539 substituted (29.6.2017 for specified purposes, 3.7.2017 for specified purposes, 31.7.2017 for specified purposes, 3.1.2018 in so far as not in force) by [The Financial Services and Markets Act 2000 \(Markets in Financial Instruments\) Regulations 2017](#) (S.I. 2017/701), reg. 1(2)(3)(4)(6), **Sch. 4 para. 9(5)(c)** (with reg. 7)
- F134** Words in s. 539 substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments\) Order 2013](#) (S.I. 2013/636), art. 1(2), **Sch. para. 9(6)**

### Modifications etc. (not altering text)

- C196** S. 539 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. 47** (as amended (1.4.2013) by S.I. 2013/472, Sch. 2 para. 143(c))
- C197** 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)

**Status:**

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**Changes to legislation:**

There are currently no known outstanding effects for the Companies Act 2006, Part 16.