



Companies Act 2006

2006 CHAPTER 46

PART 16

AUDIT

CHAPTER 2

APPOINTMENT OF AUDITORS

Public companies

[^{F1}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 ^{F2}...
- (4) Before the audit committee makes a recommendation or the directors make a proposal under subsection (3), the committee ^{F3}... 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

Changes to legislation: Companies Act 2006, Section 489A is up to date with all changes known to be in force on or before 09 September 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- (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, [^{F4}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.
- [^{F5}(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

- F1** 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))
- F2** 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)**
- F3** 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)**
- F4** 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)**
- F5** 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)**

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Changes and effects yet to be applied to the whole Act associated Parts and Chapters:

- Act amendment to earlier affecting provision S.I. 2008/373 reg. 11(1) by [S.I. 2013/1971 reg. 9\(a\)](#) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)
- Act amendment to earlier affecting provision S.I. 2008/373 reg. 3(4) by [S.I. 2013/1971 reg. 4](#) (This amendment not applied to legislation.gov.uk. Amending Regulations revoked (1.10.2013) without ever being in force by S.I. 2013/2224, reg. 2)

Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 479A(2)(c)(zi) inserted by [S.I. 2019/177 reg. 4\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 4 substituted by regs. 4, 4A immediately before IP completion day by S.I. 2019/1392, regs. 1(2), 4)
- Sch. 2 Pt. 2 Section (A) para. 25(m) inserted by [2024 c. 13 Sch. 30 para. 30](#)
- Sch. 2 Pt. 2 Section (A) para. 25(j) omitted by [2024 c. 13 Sch. 21 para. 10](#)
- Sch. 2 Pt. 2 Section (A) para. 28 words substituted by [2024 c. 13 Sch. 18 para. 9\(2\)\(a\)\(i\)](#)
- Sch. 2 Pt. 2 Section (A) para. 29 words substituted by [2024 c. 13 Sch. 18 para. 9\(2\)\(a\)\(ii\)](#)
- Sch. 2 Pt. 2 Section (A) para. 36 words substituted by [2024 c. 13 Sch. 18 para. 9\(2\)\(b\)](#)
- Sch. 10 para. 6(2D) inserted by [S.I. 2019/177 reg. 28\(e\)](#) (This amendment not applied to legislation.gov.uk. Reg. 28(e) omitted immediately before IP completion day by virtue of S.I. 2020/523, regs. 1(2), 14(e)(iv))
- Sch. 10 para. 7(2A) inserted by [S.I. 2019/177 reg. 29\(b\)](#) (This amendment not applied to legislation.gov.uk. Reg. 29 substituted immediately before IP completion day by S.I. 2020/523, regs. 1(2), 14(f))