

LOCAL AUDIT AND ACCOUNTABILITY ACT 2014

EXPLANATORY NOTES

COMMENTARY

Part 3 – Appointment Etc of Local Auditors

Section 14: Limitation of auditor's liability

41. This section requires that a liability limitation agreement, by which an auditor limits their liability for negligence, default, breach of duty or breach of trust by agreement with a relevant authority, must meet certain conditions prescribed by regulations by the Secretary of State. Regulations may address the duration of the agreement and the amount to which the auditor's liability may be limited, and impose requirements for the agreement to contain certain provisions specified in regulations. Regulations may also require disclosure of specified information about such agreements. This section also provides that a liability limitation agreement that complies with relevant regulations is not subject to section 2(2) or 3(2)(a) of the Unfair Contract Terms Act 1977. These sections would otherwise prevent an auditor from excluding or restricting liability for negligence or for breach of contract (except in so far as the term or notice satisfies the requirement of reasonableness).