

## SCHEDULE 1

Regulation 3

### Amendments to primary legislation

## PART 1

### Amendments to the Building Societies Act 1986

#### Amendments to the Building Societies Act 1986

1. The Building Societies Act 1986(1) is amended in accordance with this Part of this Schedule.
2. In Schedule 10C (disclosure of auditor remuneration etc required in notes to accounts)(2)—
  - (a) in paragraph 1—
    - (i) in sub-paragraph (1)(a), after “auditor” insert “, or an associate of the society’s auditor.”;
    - (ii) for sub-paragraph (6)(b) substitute—

“(b) the notes to the individual accounts of—

      - (i) the society, and
      - (ii) a subsidiary of the society, where the subsidiary is included in the group accounts and the statutory auditor is the same for both the society and the subsidiary,

do not have to disclose the information required by that provision if the notes state that the group accounts are so required.”;
  - (b) for paragraph 2 substitute—

“2. The types of service in respect of which disclosure is required are—

    - (a) the auditing of accounts of any associate of the society;
    - (b) audit-related assurance services;
    - (c) taxation compliance services;
    - (d) any taxation advisory services not falling within paragraph (c);
    - (e) internal audit services;
    - (f) any assurance services not falling within paragraphs (a) to (e);
    - (g) any services relating to corporate finance transactions entered into, or proposed to be entered into, by or on behalf of the society or any of its associates not falling within paragraphs (a) to (f);
    - (h) any other non-audit services.”;
  - (c) in paragraph 3(1), for “2(j)” substitute “2(h)”.
3. In Schedule 11 (auditors: appointment, tenure)(3), after paragraph 3D insert—

“3DA.—(1) If—

  - (a) a building society appoints, or purports to appoint, an auditor or auditors, and

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(1) 1986 c. 53.

(2) Schedule 10C was inserted by S.I. 2008/1519.

(3) Relevant amending instruments are S.I. 2008/519, 2013/496, 2016/649 and 2017/516.

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- (b) the appointment or purported appointment is made in breach of paragraph 3B, 3C or 3D (requirements applying to appointment of auditors),

the appropriate authority may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of paragraph 3B, 3C or 3D does not invalidate any report made under this Part by the auditor or auditors on the building society's annual reports or accounts before the auditor or auditors are replaced under sub-paragraph (1) of this paragraph.

(3) But where the breach in question is a breach of paragraph 3D, sections 1248 and 1249 of the Companies Act 2006 (Secretary of State's power to require second audit for companies)<sup>(4)</sup> apply as if—

- (a) the building society were a company;
- (b) references to the Secretary of State were to the appropriate audit authority;
- (c) references to the registrar of companies were to the FCA and, if the society is a PRA-authorized person, to the PRA;
- (d) the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted;
- (e) section 1248(9) was omitted.

(4) Within one week of becoming aware of the breach of paragraph 3B, 3C or 3D, the building society must give notice to the appropriate authority that the power under sub-paragraph (1) of this paragraph has become exercisable.

(5) If the building society fails to give the notice required by sub-paragraph (4), the society shall be liable on summary conviction—

- (a) to a fine not exceeding level 3 on the standard scale; and
- (b) in the case of a continuing offence, to an additional fine not exceeding £40 for every day during which the offence continues;

and so shall any officer who is also guilty of the offence.”.

## PART 2

### Amendments to the Friendly Societies Act 1992

#### Amendments to the Friendly Societies Act 1992

4. The Friendly Societies Act 1992<sup>(5)</sup> is amended in accordance with this Part of this Schedule.

5. In Schedule 13F (disclosure of auditor remuneration etc)<sup>(6)</sup>—

(a) in paragraph 1—

(i) in sub-paragraph(1)(a), after “auditor” insert “, or an associate of the society's auditor,”;

(ii) for sub-paragraph (6)(b) substitute—

“(b) the notes to the individual accounts of—

(i) the society, and

<sup>(4)</sup> 2006 c. 46. Section 1248 was amended by [S.I. 2015/664](#).

<sup>(5)</sup> 1992 c. 40.

<sup>(6)</sup> Schedule 13F was inserted by [S.I. 2008/1140](#).

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- (ii) a subsidiary of the society, where the subsidiary is included in the group accounts and the statutory auditor is the same for both the society and the subsidiary,  
do not have to disclose the information required by that provision if the notes state that the group accounts are so required.”;
- (b) for paragraph 2 substitute—
  - “2. The types of service in respect of which disclosure is required are—
    - (a) the auditing of accounts of any associate of the society;
    - (b) audit-related assurance services;
    - (c) taxation compliance services;
    - (d) any taxation advisory services not falling within paragraph (c);
    - (e) internal audit services;
    - (f) any assurance services not falling within paragraphs (a) to (e);
    - (g) any services relating to corporate finance transactions entered into, or proposed to be entered into, by or on behalf of the society or any of its associates not falling within paragraphs (a) to (f);
    - (h) any other non-audit services.”;
- (c) in paragraph 3(1), for “2(j)” substitute “2(h)”.

6. In Schedule 14A (appointment and removal of auditors: societies to which audit directive applies)(7), after paragraph 4 insert—

“4A.—(1) If—

- (a) a friendly society appoints, or purports to appoint, an auditor or auditors, and
- (b) the appointment or purported appointment is made in breach of paragraph 2, 3 or 4 (requirements applying to appointment of auditors),

the appropriate authority may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of paragraph 2, 3 or 4 does not invalidate any report made under this Part by the auditor or auditors on the society’s annual reports or accounts before the auditor or auditors are replaced under sub-paragraph (1) of this paragraph.

(3) But where the breach in question is a breach of paragraph 4, paragraph 9 of Schedule 14 (appropriate authority’s power to require second audit) applies as if the auditor was, or auditors were, ineligible for appointment to that office for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of paragraph 2, 3 or 4, the society must give notice to the appropriate authority that the power under sub-paragraph (1) of this paragraph has become exercisable.

(5) If a society fails to give the notice required by sub-paragraph (4), the society or branch shall be guilty of an offence and liable on summary conviction—

- (a) to a fine not exceeding level 3 on the standard scale; and
- (b) in the case of a continuing offence to an additional fine not exceeding one-tenth of that level for every day during which the offence continues;

and so shall any officer who is also guilty of the offence.”.

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(7) Schedule 14A was inserted by [S.I. 2017/516](#).

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## PART 3

### Amendments to the Companies Act 2006

#### Amendments to the Companies Act 2006

7. The Companies Act 2006(8) is amended in accordance with this Part of this Schedule.
8. In section 444 (filing obligations of companies subject to small companies regime)(9), after subsection (7) insert—
  - “(8) If more than one person is appointed as auditor, the references in subsections (5B)(d)(i) and (7)(a) to the name of the auditor are to be read as references to the names of all the auditors.”.
9. In section 444A (filing obligations of companies entitled to small companies exemption in relation to directors’ report)(10), after subsection (4) insert—
  - “(4A) If more than one person is appointed as auditor, the reference in subsection (4)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
10. In section 445 (filing obligations of medium-sized companies)(11), after subsection (6) insert—
  - “(6A) If more than one person is appointed as auditor, the reference in subsection (6)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
11. In section 446 (filing obligations of unquoted companies)(12), after subsection (4) insert—
  - “(4A) If more than one person is appointed as auditor, the reference in subsection (4)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
12. In section 447 (filing obligations of quoted companies)(13), after subsection (4) insert—
  - “(5) If more than one person is appointed as auditor, the reference in subsection (4)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.
13. In section 463 (liability for false or misleading statements in reports)(14)—
  - (a) in subsection (1)—
    - (i) after “The reports” insert “and statements”; and
    - (ii) at the end insert—
      - “(d) any separate corporate governance statement.”;
  - (b) in subsections (2) and (4), after “a report” (in each place) insert “or statement”; and
  - (c) in the heading, and in the italic heading before the section, after “reports” insert “and statements”.
14. In section 485 (appointment of auditors of private company: general), in subsection (5)(b), after “section 486” insert “or 486A”.
15. In section 486 (appointment of auditors of private company: default power of Secretary of State)(15), in subsection (1), omit “, 485A or 485B”.

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(8) 2006 c. 46.

(9) Section 444 was amended by S.I. 2008/393, 2013/3008 and 2015/980.

(10) Section 444A was inserted by S.I. 2008/393 and amended by S.I. 2009/1581.

(11) Section 445 was amended by S.I. 2008/393, 2013/1970 and 2015/980.

(12) Section 446 was amended by S.I. 2008/393, 2009/1581 and 2013/1370.

(13) Section 447 was amended by S.I. 2009/1581 and 2013/1370.

(14) Section 463 was amended by S.I. 2013/1370.

(15) Section 486 was amended by S.I. 2016/649 and 2017/516.

16. After section 486 insert—

**“Defective appointments: default power of Secretary of State**

**486A.—(1) If—**

- (a) a private company appoints, or purports to appoint, an auditor or auditors, and
- (b) the appointment or purported appointment is made in breach of section 485A, 485B or 485C (requirements applying to appointment of auditors by public interest entities)(16),

the Secretary of State may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of section 485A, 485B or 485C does not invalidate any report made under Chapter 3 of this Part by the auditor or auditors on the company’s annual reports or accounts before the auditor or auditors are replaced under subsection (1) of this section.

(3) But where the breach in question is a breach of section 485C, sections 1248 and 1249 (Secretary of State’s power to require second audit) apply as if the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of section 485A, 485B or 485C, the company must give notice to the Secretary of State that the power under subsection (1) of this section has become exercisable.

(5) If the company fails to give the notice required by subsection (4), an offence is committed by—

- (a) the company, and
- (b) every officer of the company who is in default.

(6) 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.”.

17. In section 489 (appointment of auditors of public company: general), in subsection (5)(b), after “section 490” insert “or 490A”.

18. In section 490 (appointment of auditors of public company: default power of Secretary of State)(17), in subsection (1), omit “, 489A or 489B”.

19. After section 490 insert—

**“Defective appointments: default power of Secretary of State**

**490A.—(1) If—**

- (a) a public company appoints, or purports to appoint, an auditor or auditors, and
- (b) the appointment or purported appointment is made in breach of section 489A, 489B or 489C (requirements applying to appointment of auditors by public interest entities)(18),

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(16) Sections 485A and 485B were inserted by [S.I. 2016/649](#) and amended by [S.I. 2017/516](#). Section 485C was inserted by [S.I. 2017/516](#).

(17) Section 490 was amended by [S.I. 2016/649](#) and [2017/516](#).

(18) Sections 489A and 489B were inserted by [S.I. 2016/649](#) and amended by [S.I. 2017/516](#). Section 489C was inserted by [S.I. 2017/516](#).

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the Secretary of State may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of section 489A, 489B or 489C does not invalidate any report made under Chapter 3 of this Part by the auditor or auditors on the company's annual reports or accounts before the auditor or auditors are replaced under subsection (1) of this section.

(3) But where the breach in question is a breach of section 489C, sections 1248 and 1249 (Secretary of State's power to require second audit) apply as if the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of section 489A, 489B or 489C, the company must give notice to the Secretary of State that the power under subsection (1) of this section has become exercisable.

(5) If the company fails to give the notice required by subsection (4), an offence is committed by—

- (a) the company, and
- (b) every officer of the company who is in default.

(6) 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.”.

**20.** In section 494ZA (the maximum engagement period)(**19**), in subsection (5), for “In this paragraph” substitute “In this section”.

**21.** In section 1221 (approval of third country qualifications)(**20**)—

(a) for subsection (1A) substitute—

“(1A) A declaration under subsection (1)(a) or (b) must contain provision to the effect that a person is not to be regarded as holding an approved third country qualification for the purposes of this Chapter unless the person—

- (a) already holds a professional qualification which covers all the subjects which are covered by a recognised professional qualification and which are subjects of which knowledge is essential for the pursuit of the profession of statutory auditor, or
- (b) holds a professional qualification which does not cover all those subjects and has met whichever of the requirements of subsection (1B) is specified in the declaration.

(1B) The declaration must specify that the condition in subsection (1A)(b) is satisfied in one of the following ways—

- (a) only by passing an aptitude test in accordance with subsection (7A),
- (b) only by completing an adaptation period in accordance with subsections (7C) and (7D), or
- (c) either by passing an aptitude test in accordance with subsection (7A) or by completing an adaptation period in accordance with subsections (7C) and (7D), according to the choice of the person.”;

(b) in subsection (3)—

(19) Section 494ZA was inserted by S.I. 2017/516.

(20) Section 1221 was amended by S.I. 2007/3494.

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- (i) in paragraph (a), after “third country, ” insert “taken with any requirement or requirements to be specified under subsection (1A),”;
- (ii) in paragraph (b), for “subsection (2)” substitute “subsections (1A) or (2)”;
- (c) in subsection (7A), for “(1A)” substitute “(1B)”;
- (d) omit subsection (7B);
- (e) before subsection (8) insert—

“(7C) An adaptation period is a period, not exceeding three years, in which the person (“the applicant”) pursues the profession of statutory auditor under the supervision of another person who holds an appropriate qualification, subject to an assessment (“the ability assessment”) of the applicant’s ability to pursue the profession of statutory auditor in the United Kingdom.

(7D) The adaptation period must be completed, and the ability assessment must be carried out, in accordance with the rules and practices of a recognised supervisory body (see paragraph 7A of Schedule 10).”.

**22.** In Schedule 10 (recognised supervisory bodies)(**21**), after paragraph 7 insert—

“**7A.**—(1) The body must have rules and practices governing the adaptation period and the ability assessment referred to in section 1221 (approval of third country qualifications), and the following provisions of this paragraph apply in any case within that section.

(2) The body must have regard to the circumstances of each applicant in relation to the adaptation period, and the ability assessment, to be required of the applicant.

(3) The applicant may be required to undergo further training during the adaptation period.

(4) The applicant’s performance during the adaptation period must be assessed by the body.

(5) The body must determine the applicant’s professional status during the adaptation period.”.

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(21) Schedule 10 was amended by [S.I. 2016/649](#).