



Companies Act 1989

1989 CHAPTER 40

PART II

ELIGIBILITY FOR APPOINTMENT AS COMPANY AUDITOR

Recognition of supervisory bodies and professional qualifications

30 Supervisory bodies

- (1) In this Part a “supervisory body” means a body established in the United Kingdom (whether a body corporate or an unincorporated association) which maintains and enforces rules as to—
- (a) the eligibility of persons to seek appointment as company auditors, and
 - (b) the conduct of company audit work,

which are binding on persons seeking appointment or acting as company auditors either because they are members of that body or because they are otherwise subject to its control.

- (2) In this Part references to the members of a supervisory body are to the persons who, whether or not members of the body, are subject to its rules in seeking appointment or acting as company auditors.
- (3) In this Part references to the rules of a supervisory body are to the rules (whether or not laid down by the body itself) which the body has power to enforce and which are relevant for the purposes of this Part.

This includes rules relating to the admission and expulsion of members of the body, so far as relevant for the purposes of this Part.

- (4) In this Part references to guidance issued by a supervisory body are to guidance issued or any recommendation made by it to all or any class of its members or persons seeking to become members which would, if it were a rule, fall within subsection (3).
- (5) The provisions of Parts I and II of Schedule 11 have effect with respect to the recognition of supervisory bodies for the purposes of this Part.

31 Meaning of “appropriate qualification”

- (1) A person holds an appropriate qualification for the purposes of this Part if—
- (a) he was, by virtue of membership of a body recognised for the purposes of section 389(1)(a) of the Companies Act 1985, qualified for appointment as auditor of a company under that section immediately before 1st January 1990 and immediately before the commencement of section 25 above,
 - (b) he holds a recognised professional qualification obtained in the United Kingdom, or
 - (c) he holds an approved overseas qualification and satisfies any additional educational requirements applicable in accordance with section 33(4).
- (2) A person who, immediately before 1st January 1990 and immediately before the commencement of section 25 above, was qualified for appointment as auditor of a company under section 389 of the Companies Act 1985 otherwise than by virtue of membership of a body recognised for the purposes of section 389(1)(a)—
- (a) shall be treated as holding an appropriate qualification for twelve months from the day on which section 25 comes into force, and
 - (b) shall continue to be so treated if within that period he notifies the Secretary of State that he wishes to retain the benefit of his qualification.
- The notice shall be in writing and shall contain such information as the Secretary of State may require.
- (3) If a person fails to give such notice within the time allowed he may apply to the Secretary of State, giving such information as would have been required in connection with a notice, and the Secretary of State may, if he is satisfied—
- (a) that there was good reason why the applicant did not give notice in time, and
 - (b) that the applicant genuinely intends to practise as an auditor in Great Britain,
- direct that he shall be treated as holding an appropriate qualification for the purposes of this Part.
- (4) A person who—
- (a) began before 1st January 1990 a course of study or practical training leading to a professional qualification in accountancy offered by a body established in the United Kingdom, and
 - (b) obtained that qualification on or after that date and before 1st January 1996,
- shall be treated as holding an appropriate qualification if the qualification is approved by the Secretary of State for the purposes of this subsection.
- (5) Approval shall not be given unless the Secretary of State is satisfied that the body concerned has or, as the case may be, had at the relevant time adequate arrangements to ensure that the qualification is, or was, awarded only to persons educated and trained to a standard equivalent to that required in the case of a recognised professional qualification.
- (6) A person shall not be regarded as holding an appropriate qualification for the purposes of this Part except in the above cases.

32 Qualifying bodies and recognised professional qualifications

- (1) In this Part a “qualifying body” means a body established in the United Kingdom (whether a body corporate or an unincorporated association) which offers a professional qualification in accountancy.
- (2) In this Part references to the rules of a qualifying body are to the rules (whether or not laid down by the body itself) which the body has power to enforce and which are relevant for the purposes of this Part.

This includes rules relating to—

- (a) admission to or expulsion from a course of study leading to a qualification,
- (b) the award or deprivation of a qualification, or
- (c) the approval of a person for the purposes of giving practical training or the withdrawal of such approval,

so far as relevant for the purposes of this Part.

- (3) In this Part references to guidance issued by any such body are to any guidance which the body issues, or any recommendation it makes to all or any class of persons holding or seeking to hold a qualification, or approved or seeking to be approved by the body for the purpose of giving practical training, which would, if it were a rule, fall within subsection (2).
- (4) The provisions of Parts I and II of Schedule 12 have effect with respect to the recognition for the purposes of this Part of a professional qualification offered by a qualifying body.

33 Approval of overseas qualifications

- (1) The Secretary of State may declare that persons who—
 - (a) are qualified to audit accounts under the law of a specified country or territory outside the United Kingdom, or
 - (b) hold a specified professional qualification in accountancy recognised under the law of a country or territory outside the United Kingdom,shall be regarded for the purposes of this Part as holding an approved overseas qualification.
- (2) A qualification shall not be so approved by the Secretary of State unless he is satisfied that it affords an assurance of professional competence equivalent to that afforded by a recognised professional qualification.
- (3) In exercising the power conferred by subsection (1) the Secretary of State may have regard to the extent to which persons—
 - (a) eligible under this Part for appointment as a company auditor, or
 - (b) holding a professional qualification recognised under this Part,are recognised by the law of the country or territory in question as qualified to audit accounts there.
- (4) The Secretary of State may direct that a person holding an approved overseas qualification shall not be treated as holding an appropriate qualification for the purposes of this Part unless he holds such additional educational qualifications as the Secretary of State may specify for the purpose of ensuring that such persons have an

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adequate knowledge of the law and practice in the United Kingdom relevant to the audit of accounts.

- (5) Different directions may be given in relation to different qualifications.
- (6) The Secretary of State may if he thinks fit, having regard to the considerations mentioned in subsections (2) and (3), withdraw his approval of an overseas qualification in relation to persons becoming qualified as mentioned in subsection (1) (a), or obtaining such a qualification as is mentioned in subsection (1)(b), after such date as he may specify.

34 Eligibility of individuals retaining only 1967 Act authorisation

- (1) A person whose only appropriate qualification is that he retains an authorisation granted by the Board of Trade or the Secretary of State under section 13(1) of the Companies Act 1967 is eligible only for appointment as auditor of an unquoted company.
- (2) A company is “unquoted” if, at the time of the person’s appointment, no shares or debentures of the company, or of a parent undertaking of which it is a subsidiary undertaking, have been quoted on a stock exchange (in Great Britain or elsewhere) or offered (whether in Great Britain or elsewhere) to the public for subscription or purchase.
- (3) This section does not authorise the appointment of such a person as auditor of a company that carries on business as the promoter of a trading stamp scheme within the meaning of the Trading Stamps Act 1964.
- (4) References to a person eligible for appointment as company auditor under section 25 in enactments relating to eligibility for appointment as auditor of a body other than a company do not include a person to whom this section applies.