

*These notes refer to the Companies Act 2006 (c.46)
which received Royal Assent on 8 November 2006*

COMPANIES ACT 2006

EXPLANATORY NOTES

COMMENTARY

Part 16: Audit

Chapter 2: Appointment of Auditors

Public companies

746. Sections 489 to 491 restate the law on appointment of auditors of public companies, providing that auditors are generally to be appointed by shareholders by ordinary resolution in the general meeting before which the company's accounts are laid.

Section 489: Appointment of auditors of public company: general

747. This section restates a public company's obligation to appoint auditors, unless it is taking advantage of exemption from audit. This is to be done by the shareholders by ordinary resolution, normally at the general meeting at which the accounts are laid. The directors can appoint the company's first auditors (or the first after a period of audit exemption), and can fill a casual vacancy.

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

748. This section restates the obligation of a company to inform the Secretary of State if it has failed to appoint an auditor at the general meeting that considers the previous year's accounts. The Secretary of State has power to appoint an auditor in those circumstances.

Section 491: Term of office of auditors of public company

749. This section restates the rule that an auditor of a public company holds office until the end of the meeting at which the accounts are laid, unless re-appointed. Where there is a change of auditor, the term of office of the incoming auditor does not begin before the end of the previous auditor's term. This means that a new auditor's term will typically begin immediately after the end of the accounts meeting.