

COMPANIES ACT 2006

EXPLANATORY NOTES

COMMENTARY

Part 16: Audit

Chapter 2: Appointment of Auditors

General provisions

750. These sections apply to both private and public companies.

Section 492: Fixing of auditor's remuneration

751. This section restates the rule that it is the members of a company, by ordinary resolution, who determine the auditor's remuneration, or decide the method by which it should be determined. If the auditor was appointed by someone other than the members, then it will be the directors or the Secretary of State as appropriate who will determine his remuneration.

Section 493: Disclosure of terms of audit appointment

752. This section creates a new power for the Secretary of State to require companies to disclose information about the terms on which they engage their auditors. *Subsection (2)* provides some examples of the detailed requirements that the Secretary of State could specify in regulations. *Subsection (3)* provides that regulations can require disclosure of changes in terms as well as the terms at the time of appointment. *Subsection (4)* specifies that the regulations are to be made by affirmative resolution procedure.

Section 494: Disclosure of services provided by auditor or associates and related remuneration

753. This section restates the existing power of the Secretary of State, in section 390B of the 1985 Act, to require disclosure of details of all the services supplied to a company by its auditor, and the remuneration involved. *Subsections (2) to (4)* give the detailed requirements that the Secretary of State can specify in regulations: subsection (2) relates to the level of disaggregation of different services and remunerations, and between the auditor and his associates; subsection (3) makes provision for some of the definitional issues that can be covered in regulations; and subsection (4) provides for where the information should be disclosed.

754. Under subsection (4), the regulations might require disclosure in a document compiled by the company rather than the auditor. *Subsection (5)* provides that, if so, the regulations can require the auditor to supply the directors with the information to be disclosed e.g. about the auditor's associates. *Subsection (6)* specifies that the regulations are to be made by negative resolution procedure.