

# COMPANIES ACT 2006

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## EXPLANATORY NOTES

### COMMENTARY

#### *Schedule 10: Recognised supervisory bodies*

##### **Part 1: Grant and Revocation of recognition of a Supervisory Body**

1553. This Schedule restates provisions in Schedule 11 to the 1989 Act. Paragraph 1 identifies the steps a body is required to take to become recognised by the Secretary of State. Paragraph 3 specifies the steps that the Secretary of State is required to take if the recognition of the body is revoked. Paragraph 5 provides that recognition (and revocation) orders are not statutory instruments. Paragraph 4 is a transitional provision that allows bodies recognised under the 1989 Act or the Companies (Northern Ireland) Order 1990 to continue to be recognised.

##### **Part 2: Requirements for recognition of a supervisory body**

1554. Paragraphs 6 and 7 require a recognised supervisory body to ensure that persons eligible for appointment as a statutory auditor hold appropriate qualifications (as defined in section 1219). They require a firm that is a statutory auditor to be controlled by qualified persons. Paragraphs 8 to 11 require the bodies to have rules and practices which ensure that auditors are fit and proper persons, that professional integrity and independence is maintained, that technical standards for audits are assured and that there are procedures for maintaining appropriate levels of competence. Paragraphs 12 to 16 specify the requirements for monitoring, enforcement, discipline and investigation of complaints.

##### **Part 3: Arrangements in which recognised supervisory bodies are required to participate**

1555. Paragraphs 21 to 27 specify the arrangements with independent bodies that recognised supervisory bodies must enter into in order to meet the requirements of this Schedule described above.

#### *Section 1218: Exemption from liability for damages*

1556. This section is a restatement of section 48 of the 1989 Act. It sets out those bodies and individuals that are exempt from liability for damages arising from the discharge or claimed discharge of supervisory functions as specified in this Part of the Act (these include the effects of rules, practices, powers and arrangements of the body). It applies to recognised supervisory bodies (see sections 1217 and Schedule 10) and their officers, employees and members of their governing bodies. The exemption does not apply if they have acted in bad faith, or if it would prevent an award of damages because the act was unlawful under the Human Rights Act.

#### *Section 1219: Appropriate qualifications*

1557. This section restates section 31 of the 1989 Act. It provides that a person holds an appropriate audit qualification if he holds a professional qualification obtained

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which received Royal Assent on 8 November 2006*

in the UK which is recognised in accordance with section 1220 and Schedule 11. Qualifications recognised under Part 2 of the 1989 Act or the Companies (Northern Ireland) Order 1990 will continue to be recognised.

1558. Persons whose qualifications from other EU Member States are recognised under the European Communities (Recognition of Professional Qualifications) (First General System) Regulations 2005 to practise as statutory auditors are also considered to hold an appropriate qualification. So too are overseas qualifications from non-EU countries if approved under section 1221. *Subsection (2)* restates a transitional provision from the 1989 Act for those persons who began a course of study in accountancy before 1 January 1990 and obtained a qualification between 1 January 1990 and 1 January 1996, enabling them to apply to the Secretary of State for approval of their qualification. The transitional provisions contained in section 31(2) and (3) of the 1989 Act have not been restated.

***Section 1220: Qualifying bodies and recognised professional qualifications***

1559. This section is a restatement of section 32 of the 1989 Act. It defines the term “qualifying body” as a body that offers a professional qualification in accountancy and introduces Schedule 11 which sets out the requirements that qualifying bodies must impose. Only a qualification recognised in accordance with these provisions can be considered a recognised professional qualification within the meaning of section 1219(1)(a).