

SCHEDULE 3

Amendments to the Companies Act 2006

PART 3

Amendments to Chapters 2 to 4 of Part 16 of the Companies Act 2006

4. After section 485 (appointment of auditors of private company: general) insert—

“485A Appointment of auditors of private company: additional requirements for public interest entities with audit committees

(1) This section applies to the appointment under section 485(4) of an auditor or auditors of a private company—

- (a) which is also a public interest entity; and
- (b) which has an audit committee.

(2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.

(3) Before an appointment to which this section applies is made—

- (a) the audit committee of the company must make a recommendation to the directors in connection with the appointment, and
- (b) the directors must propose an auditor or auditors for appointment, including the following information in the proposal—
 - (i) the recommendation made by the audit committee in connection with the appointment, or
 - (ii) if the directors' proposal departs from the preference of the audit committee, the reasons for not following the recommendation.

(4) Before the audit committee makes a recommendation or the directors make a proposal under subsection (3), the committee or directors must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, unless the company is a small or medium sized enterprise within the meaning in Article 2(1)(f) of Directive [2003/71/EC](#)^{MI}.

(5) The audit committee must in its recommendation—

- (a) identify its first and second choice candidates for appointment,
- (b) give reasons for the choices so identified,
- (c) state that—
 - (i) the recommendation is free from influence by a third party, and
 - (ii) no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the company.

(6) Subsections (4) and (5) do not apply in relation to a recommendation or proposal for appointment of an auditor or auditors for a financial year (“the relevant financial year”)—

- (a) if the relevant financial year begins during a transitional period mentioned in subsection (7); or
- (b) if—
 - (i) a selection procedure mentioned in subsection (8) has been carried out in respect of the appointment of the auditor or auditors in relation to a

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

financial year beginning less than ten years before the first day of the relevant financial year; and

- (ii) the auditor or auditors were appointed for the financial year before the relevant financial year.
- (7) The transitional periods are—
- (a) in the case of an auditor who was first appointed for a financial year beginning before 17th June 1994 and who continues to hold office on 17th June 2016, the period which begins on 17th June 2016 and ends on the day before the first day of the first financial year of the company that begins on or after 17th June 2020;
 - (b) in the case of an auditor who was first appointed for a financial year beginning on or after 17th June 1994 and before 17th June 2003 and who continues to hold office on 17th June 2016, the period which begins on 17th June 2016 and ends on the day before the first day of the first financial year of the company that begins on or after 17th June 2023.
- (8) The selection procedures are—
- (a) a selection procedure which is in accordance with subsections (4) and (5);
 - (b) a selection procedure which substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the company had an audit committee), which was carried out in relation to a financial year which began before 17th June 2016.

485B Appointment of auditors of private company: additional requirements for public interest entities without audit committees

(1) This section applies to the appointment under section 485(4) of an auditor or auditors of a private company—

- (a) which is also a public interest entity; and
- (b) which does not have an audit committee.

(2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.

(3) Before an appointment to which this section applies is made the directors must propose an auditor or auditors for appointment.

(4) Before the directors make a proposal under subsection (3), they must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, unless the company is a small or medium sized enterprise within the meaning in Article 2(1)(f) of Directive [2003/71/EC](#).

(5) Subsection (4) does not apply in relation to a proposal for appointment of an auditor or auditors for a financial year (“the relevant financial year”)—

- (a) if the relevant financial year begins during a transitional period mentioned in subsection (6); or
- (b) if—
 - (i) a selection procedure mentioned in subsection (7) has been carried out in respect of the appointment of the auditor or auditors in relation to a financial year beginning less than ten years before the first day of the relevant financial year; and
 - (ii) the auditor or auditors were appointed for the financial year before the relevant financial year.

- (6) The transitional periods are—
- (a) in the case of an auditor who was first appointed in respect of a financial year beginning before 17th June 1994 and who continues to hold office on 17th June 2016, the period which begins on 17th June 2016 and ends on the day before the first day of the first financial year of the company that begins on or after 17th June 2020;
 - (b) in the case of an auditor who was first appointed in respect of a financial year beginning on or after 17th June 1994 and before 17th June 2003 and who continues to hold office on 17th June 2016, the period which begins on 17th June 2016 and ends on the day before the first day of the first financial year of the company that begins on or after 17th June 2023.
- (7) The selection procedures are—
- (a) a selection procedure which is in accordance with subsection (4);
 - (b) a selection procedure which substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the company had an audit committee), which was carried out in relation to a financial year which began before 17th June 2016.”.

Marginal Citations

M1 OJ No. L 345, 31.12.2003, p.64.

5.—(1) Section 486 (appointment of auditors or private company: default power of Secretary of State) is amended as follows.

(2) In subsection (1), after “section 485,” insert “ 485A or 485B ”.

6.—(1) Section 487 (term of office of auditors of private company) is amended as follows.

(2) After subsection (1) insert—

“(1A) The terms of appointment of an auditor or auditors of a private company which is also a public interest entity are subject to the additional requirement that the auditor or auditors cease to hold office on the expiry of the period for appointing auditors in respect of the first complete financial year that follows the expiry of the maximum engagement period.

(1B) But subsection (1A) does not apply to an Auditor General.

(1C) In this section—

“the maximum engagement period” means, subject to subsection (1D) and section 487A (which makes transitional provision in relation to auditors appointed before 17th June 2016), whichever of the following periods is longest—

- (a) the period of ten years beginning with the first day of the first financial year in respect of which the auditor was appointed,
- (b) the period of twenty years beginning with the first day of the first financial year in respect of which the auditor was appointed, if the selection requirements are satisfied for at least one financial year which begins every ten years in that period, or
- (c) such other period of no more than twenty years beginning with the first day of the first financial year in respect of which the auditor was appointed and ending on the last day of the relevant ten year period;

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

“the relevant ten year period” means the period of ten years beginning with the first day of the last financial year—

- (a) which begins within ten years of the first day of the first financial year in respect of which the auditor was appointed, and
- (b) in respect of which the auditor was reappointed following the carrying out of a selection procedure in accordance with the selection requirements; and

“the selection requirements” means—

- (a) the requirements of section 485A(4) and (5) if the company has an audit committee, or
- (b) the requirements of section 485B(4) if the company does not have an audit committee.

(1D) The maximum engagement period may be extended by a period of up to two years with the approval of the competent authority, provided that—

- (a) in a case where the period within paragraph (a) of the definition of “the maximum engagement period” is being extended, the appointment of the auditor for the first complete financial year following the end of that period is made following the carrying out of a selection procedure in accordance with the selection requirements; and
- (b) in all cases, the competent authority is satisfied that exceptional circumstances exist.

(1E) An auditor is ineligible for appointment as auditor of a private company which is also a public interest entity if—

- (a) within the four years preceding the start of the financial year to which that appointment relates the auditor has ceased by virtue of subsection (1A) to hold office as auditor of that company, or
- (b) the auditor is a member of the same network as an auditor who within the four years preceding the start of the financial year to which that appointment relates has ceased by virtue of that subsection to hold office as auditor of that company.”

(3) In subsection (2), at the end of paragraph (e) insert—

“, or

- (f) the auditor has ceased to hold office by virtue of subsection (1A).”.

7. After section 487 insert—

“487A Maximum engagement period: transitional arrangements

(1) In the case of an auditor who was first appointed in respect of a financial year beginning before 17th June 1994 and who continues to hold office on 17th June 2016, “the maximum engagement period” means the period ending on the day before the first day of the first financial year of the company that begins on or after 17th June 2020.

(2) In the case of an auditor who was first appointed in respect of a financial year beginning on or after 17th June 1994 and before 17th June 2003 and who continues to hold office on 17th June 2016, “the maximum engagement period” means the period ending on the day before the first day of the first financial year of the company that begins on or after 17th June 2023.

(3) In the case of an auditor who was first appointed in respect of a financial year beginning on or after 17th June 2003 and before 17th June 2016 and who continues to

hold office on 17th June 2016, “the maximum engagement period” means whichever of the following periods is longest—

- (a) the period ending on whichever is the later of—
 - (i) the day before the first day of the first financial year of the company that begins on or after 17th June 2016;
 - (ii) the last day of the period of ten years beginning with the first day of the first financial year of the company in respect of which the auditor was appointed,
- (b) the period of twenty years beginning with the first day of the first financial year in respect of which the auditor was appointed, if the selection requirements are satisfied for at least one financial year which begins every ten years in the period beginning on 17th June 2007, or
- (c) such other period of no more than twenty years beginning with the first day of the first financial year in respect of which the auditor was appointed and ending on the last day of the relevant ten year period.

(4) In this section—

“the relevant ten year period” means the period of ten years beginning with the first day of the last financial year—

- (a) which begins either within ten years of the first day of the first financial year in respect of which the auditor was appointed or, if later, on or before 16th June 2017, and
- (b) in respect of which the auditor was reappointed following the carrying out of a selection procedure in accordance with the selection requirements;

“the selection requirements” means—

- (a) in relation to an accounting year beginning on or after 17th June 2016—
 - (i) the requirements of section 485A(4) and (5), if the company has an audit committee,
 - (ii) the requirements of section 485B(4) if the company does not have an audit committee,
- (b) in relation to an accounting year beginning before 17th June 2016, the requirement that the company carries out a tender process which substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the company had an audit committee).

(5) The maximum engagement period may be extended by a period of up to two years with the approval of the competent authority, provided that—

- (a) in a case where the period under subsection (3)(a) is being extended, the appointment of the auditor for the first complete financial year following the end of that period is made following the carrying out of a selection procedure in accordance with the selection requirements; and
- (b) in all cases, the competent authority is satisfied that exceptional circumstances exist.”.

8. After section 489 (appointment of auditors of public company: general) insert—

“489A Appointment of auditors of public company: additional requirements for public interest entities with audit committees

(1) This section applies to the appointment under section 489(4) of an auditor or auditors of a public company—

- (a) which is also a public interest entity; and
- (b) which has an audit committee.

(2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.

(3) Before an appointment to which this section applies is made—

- (a) the audit committee of the company must make a recommendation to the directors in connection with the appointment, and
- (b) the directors must propose an auditor or auditors for appointment, including the following information in the proposal—
 - (i) the recommendation made by the audit committee in connection with the appointment, or
 - (ii) if the directors' proposal does not accord with that recommendation, the reasons for not following the recommendation.

(4) Before the audit committee makes a recommendation or the directors make a proposal under subsection (3), the committee or directors must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, unless the company is—

- (a) a small or medium sized enterprise within the meaning in Article 2(1)(f) of Directive 2003/71/EC; or
- (b) a company with reduced market capitalisation within the meaning in Article 2(1)(t) of that Directive ^{M2}.

(5) The audit committee must in its recommendation—

- (a) identify its first and second choice candidates for appointment,
- (b) give reasons for the choices so identified,
- (c) state that—
 - (i) the recommendation is free from influence by a third party, and
 - (ii) no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the company.

(6) Subsections (4) and (5) do not apply in relation to a recommendation or proposal for appointment of an auditor or auditors for a financial year (“the relevant financial year”)—

- (a) if the relevant financial year begins during a transitional period mentioned in subsection (7); or
- (b) if—
 - (i) a selection procedure mentioned in subsection (8) has been carried out in respect of the appointment of the auditor or auditors in relation to a financial year beginning less than ten years before the first day of the relevant financial year ; and
 - (ii) the auditor or auditors were appointed for the financial year before the relevant financial year.

(7) The transitional periods are—

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

- (a) in the case of an auditor who was first appointed in respect of a financial year beginning before 17th June 1994 and who continues to hold office on 17th June 2016, the period which begins on 17th June 2016 and ends on the day before the first day of the first financial year of the company that begins on or after 17 June 2020;
 - (b) in the case of an auditor who was first appointed in respect of a financial year beginning on or after 17th June 1994 and before 17th June 2003 and who continues to hold office on 17th June 2016, the period which begins on 17th June 2016 and ends on the day before the first day of the first financial year of the company that begins on or after 17th June 2023.
- (8) The selection procedures are—
- (a) a selection procedure which is in accordance with subsections (4) and (5);
 - (b) a selection procedure which substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the company had an audit committee), which was carried out in relation to a financial year which began before 17th June 2016.

489B Appointment of auditors of public company: additional requirements for public interest entities without audit committees

(1) This section applies to the appointment under section 489(4) of an auditor or auditors of a public company—

- (a) which is also a public interest entity; and
- (b) which does not have an audit committee.

(2) But it does not apply to the appointment of an Auditor General as auditor or one of the auditors of the company.

(3) Before an appointment to which this section applies is made the directors must propose an auditor or auditors for appointment.

(4) Before the directors make a proposal under subsection (3), the directors must carry out a selection procedure in accordance with Article 16(3) of the Audit Regulation, unless the company is—

- (a) a small or medium sized enterprise within the meaning in Article 2(1)(f) of Directive 2003/71/EU^{M3}; or
- (b) a company with reduced market capitalisation within the meaning in Article 2(1)(t) of that Directive.

(5) Subsection (4) does not apply in relation to a recommendation or proposal for appointment of an auditor or auditors for a financial year (“the relevant financial year”)—

- (a) if the relevant financial year begins during a transitional period mentioned in subsection (6); or
- (b) if—
 - (i) a selection procedure mentioned in subsection (7) has been carried out in respect of the appointment of the auditor or auditors in relation to a financial year beginning less than ten years before the first day of the relevant financial year ; and
 - (ii) the auditor or auditors were appointed for the financial year before the relevant financial year.

(6) The transitional periods are—

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

- (a) in the case of an auditor who was first appointed in respect of a financial year beginning before 17th June 1994 and who continues to hold office on 17th June 2016, the period which begins on 17th June 2016 and ends on the day before the first day of the first financial year of the company that begins on or after 17th June 2020;
 - (b) in the case of an auditor who was first appointed in respect of a financial year beginning on or after 17th June 1994 and before 17th June 2003 and who continues to hold office on 17th June 2016, the period which begins on 17th June 2016 and ends on the day before the first day of the first financial year of the company that begins on or after 17th June 2023.
- (7) The selection procedures are—
- (a) a selection procedure which is in accordance with subsection (4);
 - (b) a selection procedure which substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the company had an audit committee), which was carried out in relation to a financial year which began before 17th June 2016.”.

Marginal Citations

- M2** Article 2(1)(t) was inserted by Directive 2010/73/EU of the European Parliament and of the Council (OJ No L 327, 11.12.2010, p1).
- M3** OJ No L 345, 31.12.2003, p.64-89.

9.—(1) Section 490 (appointment of auditors of public company: default power of Secretary of State) is amended as follows.

- (2) In subsection (1), after “section 489,” insert “ 489A or 489B ”.

10.—(1) Section 491 (term of office of auditors of public company) is amended as follows.

- (2) After subsection (1) insert—

“(1A) The terms of appointment of an auditor or auditors of a public company which is also a public interest entity are subject to the additional requirement that the auditor or auditors cease to hold office at the end of the accounts meeting in respect of the first financial year which ends after the expiry of the maximum engagement period.

(1B) But subsection (1) does not apply to an Auditor General.

(1C) In this section—

“the maximum engagement period” means, subject to subsection (1D) and section 491A (which makes transitional provision in relation to auditors appointed before 17th June 2016) whichever of the following periods is longest—

- (a) the period of ten years beginning with the first day of the first financial year in respect of which the auditor was appointed, or
- (b) the period of twenty years beginning with the first day of the first financial year in respect of which the auditor was appointed if the selection requirements are satisfied for at least one financial year which begins every ten years in that period, or
- (c) such other period of no more than twenty years beginning with the first day of the first financial year in respect of which the auditor was appointed and ending on the last day of the relevant ten year period,

“the relevant ten year period” means the period of ten years beginning with the first day of the last financial year—

- (a) which begins within ten years of the first day of the first financial year in respect of which the auditor was appointed, and
- (b) in respect of which the auditor was reappointed following the carrying out of a selection procedure in accordance with the selection requirements; and

“the selection requirements” means—

- (a) the requirements of section 489A(4) and (5) if the company has an audit committee, or
- (b) the requirements of section 489B(4) if the company does not have an audit committee.

(1D) The maximum engagement period may be extended by a period of up to two years with the approval of the competent authority, provided that—

- (a) in a case where the period within paragraph (a) of the definition of “the maximum engagement period” is being extended, the appointment of the auditor for the first complete financial year following the end of that period is made following the carrying out of a selection procedure in accordance with the selection requirements; and
- (b) in all cases, the competent authority is satisfied that exceptional circumstances exist.

(1E) An auditor is ineligible for appointment as auditor of a public company which is also a public interest entity if—

- (a) within the four years preceding the start of the financial year to which that appointment relates the auditor has ceased by virtue of subsection (1A) to hold office as auditor of that company, or
- (b) the auditor is a member of the same network as an auditor who within the four years preceding the start of the financial year to which that appointment relates has ceased by virtue of that subsection to hold office as auditor of that company.”.

11. After section 491 insert—

“491A Maximum engagement period: transitional arrangements

(1) In the case of an auditor who was first appointed in respect of a financial year beginning before 17th June 1994 and who continues to hold office on 17th June 2016, “the maximum engagement period” means the period ending on the day before the first day of the first financial year of the company that begins on or after 17th June 2020.

(2) In the case of an auditor who was first appointed in respect of a financial year beginning on or after 17th June 1994 and before 17th June 2003 and who continues to hold office on 17th June 2016, “the maximum engagement period” means the period ending on the day before the first day of the first financial year of the company that begins on or after 17th June 2023.

(3) In the case of an auditor who was first appointed in respect of a financial year beginning on or after 17th June 2003 and before 17th June 2016 and who continues to hold office on 17th June 2016, “the maximum engagement period” means whichever of the following periods is longest—

- (a) the period ending on whichever is the later of—

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

- (i) the day before the first day of the first financial year of the company that begins on or after 17th June 2016; or
 - (ii) the last day of the period of ten years beginning with the first day of the first financial year of the company in respect of which the auditor was appointed,
 - (b) the period of twenty years beginning with the first day of the first financial year in respect of which the auditor was appointed if the selection requirements are satisfied for at least one financial year which begins every ten years in the period beginning on 17th June 2007,
 - (c) such other period of no more than twenty years beginning with the first day of the first financial year in respect of which the auditor was appointed and ending on the last day of the relevant ten year period.
- (4) In this section—
- “the relevant ten year period” means the period of ten years beginning with the first day of the last financial year—
- (a) which begins either within ten years of the first day of the first financial year in respect of which the auditor was appointed or, if later, on or before 16th June 2017, and
 - (b) in respect of which the auditor was reappointed following the carrying out of a selection procedure in accordance with the selection requirements; and
- “the selection requirements” means—
- (a) in relation to an accounting year beginning on or after 17th June 2016—
 - (i) the requirements of section 489A(4) and (5), if the company has an audit committee,
 - (ii) the requirements of section 489B(4) if the company does not have an audit committee,
 - (b) in relation to an accounting year beginning before 17th June 2016, the requirement that the company carries out a tender process which substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the company had an audit committee).
- (5) The maximum engagement period may be extended by a period of up to two years with the approval of the competent authority, provided that—
- (a) in a case where the period under subsection (3)(a) is being extended, the appointment of the auditor for the first complete financial year following the end of that period is made following the carrying out of a selection procedure in accordance with the selection requirements; and
 - (b) in all cases, the competent authority is satisfied that exceptional circumstances exist.”

12. After section 494 (disclosure of services provided by auditor or associates and related remuneration) insert—

“494A Interpretation

494A In this Chapter—

“audit committee” means a body which performs the functions referred to in Article 39(6) of the Audit Directive or equivalent functions;

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

“Audit Directive” means Directive [2006/43/EC](#) of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives [78/660/EEC](#) and [83/349/EEC](#) and repealing Council Directive [84/253/EEC](#)^{M4};

“Auditor General” means—

- (a) the Comptroller and Auditor General,
- (b) the Auditor General for Scotland,
- (c) the Auditor General for Wales, or
- (d) the Comptroller and Auditor General for Northern Ireland;

“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000^{M5} (see section 102A(6)^{M6});

“network” means an association of persons other than a firm co-operating in audit work by way of—

- (a) profit-sharing;
- (b) cost sharing;
- (c) common ownership, control or management;
- (d) common quality control policies and procedures;
- (e) common business strategy; or
- (f) use of a common name;

“public interest company” means—

- (a) an issuer whose transferable securities are admitted to trading on a regulated market;
- (b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council^{M7}, other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms^{M8};
- (c) an insurance undertaking within the meaning given by Article 2(1) of Council Directive [1991/674/EEC](#) of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings^{M9};

“regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1)^{M10});

“transferable securities” means anything which is a transferable security for the purposes of Directive [2004/39/EC](#) of the European Parliament and of the Council on markets in financial instruments^{M11}.”

Marginal Citations

- M4** OJ L 157/87 09.06.06. This Directive was amended by Directives [2008/30/EC](#), [2013/34/EU](#) and [2014/56/EU](#).
- M5** [2000 c. 8](#).
- M6** [Section 102A](#) was inserted by [S.I. 2005/1433](#) and amended by [S.I. 2015/1755](#).
- M7** O.J. L176 27.06.2013, p.1-337.
- M8** O.J. L176 27.06.2013, p. 338-436.
- M9** O.J. L374 31.12.1991 p. 7-31.

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

M10 Section 103 was substituted by S.I. 2005/1433 and amended by paragraphs 1 and 11 of Schedule 15 to the Companies Act 2006 (c. 46). There are other amendments but none is relevant.

M11 O.J. L145 30.04.2004, p. 1-44.

13.—(1) Section 495 (auditor's report on company's annual accounts) ^{M12}is amended as follows.

(2) For subsection (2) substitute—

“(2) The auditor's report must include—

- (a) the identity of the company whose annual accounts are the subject of the audit,
- (b) a description of the annual accounts that are the subject of the audit (including the period covered by those accounts),
- (c) a description of the financial reporting framework that has been applied in the preparation of those accounts, and
- (d) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.”

(3) For subsection (4) substitute—

“(4) The auditor's report—

- (a) must be either unqualified or qualified,
- (b) must include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report,
- (c) must include a statement on any material uncertainty relating to events that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting, and
- (d) must identify the auditor's place of establishment.”

(4) After subsection (4) insert—

“(5) Where more than one person is appointed as an auditor—

- (a) all the persons appointed must jointly make a report under this section and the report must include a statement as to whether all the persons appointed agree on the matters contained in the report, and
- (b) if all the persons appointed cannot agree on the matters contained in the report, the report must include the opinions of each person appointed and give reasons for the disagreement.”

Marginal Citations

M12 Section 495 was amended by S.I. 2013/3008.

14.—(1) Section 496 (auditor's report on strategic report and director's report) ^{M13}is amended as follows.

(2) The existing words become subsection (1) and after that subsection, insert—

“(2) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on the statements and indications given under subsection (1) and, if they cannot agree on those statements and indications, the report must include the opinions of each person appointed and give reasons for the disagreement.”

Marginal Citations

M13 Section 496 was substituted by S.I. 2015/980.

15.—(1) Section 497A (auditor's report on separate corporate governance statement) ^{M14} is amended as follows.

(2) The existing words become subsection (1) and after that subsection, insert—

“(2) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on the statements and indications given under subsection (1) and, if they cannot agree on those statements and indications, the report must include the opinions of each person appointed and give reasons for the disagreement.”.

Marginal Citations

M14 Section 497A was inserted by S.I. 2009/1581 and substituted by S.I. 2015/980.

16.—(1) Section 498 (duties of auditor) ^{M15} is amended as follows.

(2) After subsection (5) insert—

“(6) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on the statements given under subsections (2) to (5) and, if they cannot agree on those statements, the report must include the opinions of each person appointed and give reasons for the disagreement.”.

Marginal Citations

M15 Section 498 was amended by S.I. 2008/393 and S.I. 2013/1970.

17.—(1) Section 503 (signature of auditor's report) is amended as follows.

(2) After subsection (3) insert—

“(4) Where more than one person is appointed as auditor, the report must be signed by all those appointed.”.

18.—(1) Section 505 (names to be stated in published copies of auditor's report) is amended as follows.

(2) After subsection (1) insert—

“(1A) If more than one person is appointed as auditor, the reference in subsection (1)(a) to the name of the auditor is to be read as a reference to the names of all the auditors.”.

19.—(1) Section 508 (guidance for regulatory and prosecuting authorities: England, Wales and Northern Ireland) is amended as follows.

(2) For subsection (1)(b), substitute—

“(b) has been, is being or may be investigated—

(i) pursuant to arrangements under paragraph 15 of Schedule 10 (investigation of complaints against auditors and supervisory bodies), or

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

(ii) by the competent authority under the Statutory Auditors and Third Country Auditors Regulations 2016.”.

20.—(1) Section 509 (guidance for regulatory authorities: Scotland) is amended as follows.

(2) For subsection (1)(b), substitute—

“(b) has been, is being or may be investigated—

(i) pursuant to arrangements under paragraph 15 of Schedule 10 (investigation of complaints against auditors and supervisory bodies), or

(ii) by the competent authority under the Statutory Auditors and Third Country Auditors Regulations 2016.”

21.—(1) Section 510 (resolution removing auditors from office) is amended as follows.

(2) For subsection (4) substitute—

“(4) An auditor may not be removed from office before the expiration of his term of office except—

(a) by resolution under this section, or

(b) in accordance with section 511A.”.

22.—(1) After section 511 (special notice required for resolution removing auditor from office) insert—

“511A Public interest companies: application to court to remove auditor from office

(1) This section applies only to a public interest company.

(2) The competent authority may apply to the court for an order removing an auditor of a company from office if the authority considers that there are proper grounds for removing the auditor from office.

(3) The members of a company may apply to the court for an order removing an auditor of the company from office if the applicant or applicants consider that there are proper grounds for removing the auditor from office.

(4) If the court is satisfied, on hearing an application under subsection (2), that there are proper grounds for removing the auditor from office, it may make an order removing the auditor from office.

(5) If the court is satisfied, on hearing an application under subsection (3), that—

(a) the applicants represent in total—

(i) not less than 5% of the voting rights of all the members having a right to vote at a general meeting of the company, or

(ii) not less than 5% in nominal value of the company's share capital, and

(b) there are proper grounds for removing the auditor from office,

the court may make an order removing the auditor from office.

(6) For the purposes of this section, divergence of opinions on accounting treatments or audit procedures are not to be taken to be proper grounds for removing an auditor from office.

(7) In this section the competent authority means the body designated under section 1252 of this Act.”.

23.—(1) Section 513 (rights of auditor who has been removed from office) is amended as follows.

(2) In subsection (1), after the words “under section 510” insert “ or by order of the court under section 511A ”.

24.—(1) Section 514 (failure to re-appoint auditor: special procedure required for written resolution)^{M16} is amended as follows.

(2) In subsections (1) and (2A)(b) after the words “section 510”, insert “ , 511A ”.

Marginal Citations

M16 Section 514 was amended by section 18 of, and paragraphs 13 and 14 of Schedule 5 to, the [Deregulation Act 2015 \(c. 20\)](#).

25.—(1) Section 515 (failure to re-appoint auditor: special notice required for resolution at general meeting)^{M17} is amended as follows.

(2) In subsections (1), (1A) and (2A)(b), after “section 510” insert “ , 511A ”.

Marginal Citations

M17 Section 515 was amended by section of, and paragraphs 13 and 15 of Schedule 5 to, the [Deregulation Act 2015](#).

26.—(1) Section 519A (meaning of “public interest company”, “non-public interest company” and “exempt reasons”)^{M18} is amended as follows.

(2) In subsection (1) for the definition of “public interest company” substitute—
““public interest company” means a company which is—

- (a) an issuer whose transferable securities are admitted to trading on a regulated market;
- (b) a credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council^{M19}, other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms^{M20}; or
- (c) an insurance undertaking within the meaning given by Article 2(1) of Council Directive [1991/674/EEC](#) of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings^{M21}.”

(3) For subsection (2) substitute—

“(2) For the purposes of the definition of “public interest company”—

“issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 102A(6)^{M22});

“regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1)^{M23});

“transferable securities” means anything which is a transferable security for the purposes of Directive [2004/39/EC](#) of the European Parliament and of the Council on markets in financial instruments^{M24}.”

Marginal Citations

M18 Section 519A was inserted by section 18 of the [Deregulation Act 2015](#).

Changes to legislation: There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3. (See end of Document for details)

M19 OJ No L 176, 27.6.2013, p.1-337.

M20 OJ No L 176, 27.6.2013, p. 338- 436.

M21 OJ No L 374, 31.12.1991, p.7- 31.

M22 [Section 102A](#) was substituted by [S.I. 2005/1433](#) and amended by [S.I. 2015/1755](#).

M23 [Section 103](#) was substituted for section 103 by [S.I. 2005/1433](#) and amended by paragraph 11(2) of Schedule 15(1) to the [Companies Act 2006 \(c.46\)](#).

M24 OJ No L 145, 30.4.2004, p.1- 44.

Changes to legislation:

There are currently no known outstanding effects for the The Statutory Auditors and Third Country Auditors Regulations 2016, PART 3.