

SCHEDULE 1

Amendments to primary legislation

PART 3

Amendments to the Companies Act 2006

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19. After section 490 insert—

“Defective appointments: default power of Secretary of State

490A.—(1) If—

- (a) a public company appoints, or purports to appoint, an auditor or auditors, and
- (b) the appointment or purported appointment is made in breach of section 489A, 489B or 489C (requirements applying to appointment of auditors by public interest entities)⁽¹⁾,

the Secretary of State may appoint another auditor or auditors in place of the auditor or auditors referred to in paragraph (a).

(2) The breach of section 489A, 489B or 489C does not invalidate any report made under Chapter 3 of this Part by the auditor or auditors on the company’s annual reports or accounts before the auditor or auditors are replaced under subsection (1) of this section.

(3) But where the breach in question is a breach of section 489C, sections 1248 and 1249 (Secretary of State’s power to require second audit) apply as if the auditor was not an appropriate person, or the auditors were not appropriate persons, for the period during which the audit was conducted.

(4) Within one week of becoming aware of the breach of section 489A, 489B or 489C, the company must give notice to the Secretary of State that the power under subsection (1) of this section has become exercisable.

(5) If the company fails to give the notice required by subsection (4), an offence is committed by—

- (a) the company, and
- (b) every officer of the company who is in default.

(6) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale and, for continued contravention, a daily default fine not exceeding one-tenth of level 3 on the standard scale.”.

(1) Sections 489A and 489B were inserted by [S.I. 2016/649](#) and amended by [S.I. 2017/516](#). Section 489C was inserted by [S.I. 2017/516](#).