
STATUTORY INSTRUMENTS

2017 No. 516

**The Statutory Auditors and Third
Country Auditors Regulations 2017**

PART 4

Amendments to the Companies Act 2006

Amendments to Part 16 of the Companies Act 2006

12.—(1) Part 16 of the Companies Act 2006⁽¹⁾ is amended as follows.

(2) In section 485A (appointment of auditors of private company: additional requirements for public interest entities with audit committees)⁽²⁾—

- (a) in subsection (3)(b), omit from “, including the following” to the end;
- (b) in subsection (4), omit “or directors”;
- (c) in subsection (5)(a), at the end insert “drawn from those auditors who have participated in a selection procedure under subsection (4),”;
- (d) for subsections (6) to (8) substitute—

“(6) The directors must include in their proposal—

- (a) the recommendation made by the audit committee in connection with the appointment, and
- (b) if the proposal of the directors departs from the preference of the audit committee—
 - (i) a recommendation for a candidate or candidates for appointment drawn from those auditors who have participated in a selection procedure under subsection (4), and
 - (ii) the reasons for not following the audit committee’s recommendation.

(7) Where the audit committee recommends re-appointment of the company’s existing auditor or auditors, and the directors are in agreement, subsections (4) and (5)(a) and (b) do not apply.”.

(3) In section 485B (appointment of auditors of private company: additional requirements for public interest entities without audit committees)⁽³⁾—

- (a) in subsection (4), after “Audit Regulation, ” insert “from which their proposed auditor or auditors must be drawn,”;
- (b) for subsections (5) to (7) substitute—

⁽¹⁾ 2006 c. 46.

⁽²⁾ Section 485A was inserted by [S.I. 2016/649](#).

⁽³⁾ Section 485B was inserted by [S.I. 2016/649](#).

“(5) Subsection (4) does not apply in relation to a proposal to re-appoint the company’s existing auditor or auditors.”.

(4) After section 485B insert—

“Restriction on appointment of auditor of private company which is a public interest entity

485C.—(1) A person who has been, or will have been, auditor of a private company which is a public interest entity for every financial year comprised in the maximum engagement period (see section 494ZA) may not be appointed as auditor of the company for any financial year which begins within the period of 4 years beginning with the day after the last day of the last financial year of the maximum engagement period.

(2) A person who is a member of the same network as the auditor mentioned in subsection (1) may not be appointed as auditor of the company for any financial year which begins within the period of 4 years mentioned in that subsection.

(3) This section does not apply in relation to an Auditor General.”.

(5) In section 486 (appointment of auditors of private company: default power of Secretary of State)(4), in subsection (2), for “that section” substitute “section 485”.

(6) In section 487 (term of office of auditors of private company)(5)—

(a) omit subsections (1A) to (1E);

(b) for subsection (2)(f) substitute—

“(f) the auditor’s appointment would be in breach of section 485C.”.

(7) Omit section 487A (maximum engagement period: transitional arrangements)(6).

(8) In section 489A (appointment of auditors of public company: additional requirements for public interest entities with audit committees)(7)—

(a) in subsection (3)(b), omit from “, including the following” to the end;

(b) in subsection (4), omit “or directors”;

(c) in subsection (5)(a), at the end insert “drawn from those auditors who have participated in a selection procedure under subsection (4),”;

(d) for subsections (6) to (8) substitute—

“(6) The directors must include in their proposal—

(a) the recommendation made by the audit committee in connection with the appointment, and

(b) if the proposal of the directors departs from the preference of the audit committee—

(i) a recommendation for a candidate or candidates for appointment drawn from those auditors who have participated in a selection procedure under subsection (4), and

(ii) the reasons for not following the audit committee’s recommendation.

(7) Where the audit committee recommends re-appointment of the company’s existing auditor or auditors, and the directors are in agreement, subsections (4) and (5)(a) and (b) do not apply.”.

(4) Section 486 was amended by [S.I. 2016/649](#).

(5) Section 487 was amended by [S.I. 2016/649](#).

(6) Section 487A was inserted by [S.I. 2016/649](#).

(7) Section 489A was inserted by [S.I. 2016/649](#).

(9) In section 489B (appointment of auditors of public company: additional requirements for public interest entities without audit committees)(8)—

(a) in subsection (4), after “Audit Regulation, ” insert “from which their proposed auditor or auditors must be drawn,”;

(b) for subsections (5) to (7) substitute—

“(5) Subsection (4) does not apply in relation to a proposal to re-appoint the company’s existing auditor or auditors.”;

(10) After section 489B insert—

“Restriction on appointment of auditor of public company which is a public interest entity

489C.—(1) A person who has been, or will have been, auditor of a public company which is a public interest entity for every financial year comprised in the maximum engagement period (see section 494ZA) may not be appointed as auditor of the company for any financial year which begins within the period of 4 years beginning with the day after the last day of the last financial year of the maximum engagement period.

(2) A person who is a member of the same network as the auditor mentioned in subsection (1) may not be appointed as auditor of the company for any financial year which begins within the period of 4 years mentioned in that subsection.

(3) This section does not apply in relation to an Auditor General.”.

(11) In section 490 (appointment of auditors of public company: default power of Secretary of State)(9), in subsection (2), for “that section” substitute “section 489”.

(12) In section 491 (term of office of auditors of public company)(10), omit subsections (1A) to (1E).

(13) Omit section 491A (maximum engagement period: transitional arrangements for public companies)(11).

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

“The maximum engagement period

494ZA.—(1) Where a person is auditor of a company for consecutive financial years, the maximum engagement period of the person as auditor of the company—

(a) begins with the first of those years (see the appropriate entry in the first column of the following Table), and

(b) ends with the financial year specified in the corresponding entry in the second column of the Table:

First financial year of the maximum engagement period	Last financial year of the maximum engagement period
A financial year of the company beginning before 17 June 1994	The last financial year of the company to begin before 17 June 2020.

(8) Section 489B was inserted by [S.I. 2016/649](#).

(9) Section 490 was amended by [S.I. 2016/649](#).

(10) Subsections (1A) to (1E) were inserted by [S.I. 2016/649](#).

(11) Section 491A was inserted by [S.I. 2016/649](#).

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First financial year of the maximum engagement period	Last financial year of the maximum engagement period
A financial year of the company beginning—	The last financial year of the company to begin before 17 June 2023.
(a) on or after 17 June 1994, and	
(b) before 17 June 2003	
A financial year of the company beginning—	<i>No qualifying selection procedure</i>
(a) on or after 17 June 2003, and	Where neither the first financial year of the maximum engagement period nor any subsequent financial year is one for which the auditor has been appointed following the carrying out of a qualifying selection procedure, the later of-
(b) before 17 June 2016	(a) the last financial year of the company to begin before 17 June 2016, and (b) the last financial year of the company to begin within the period of 10 years beginning with the first day of the first financial year of the maximum engagement period.
	<i>No qualifying selection procedure within 10 years</i>
	Where the last day of the last financial year of the company to begin within the period of 10 years beginning with the first day of the last financial year of the company for which the auditor was appointed following a qualifying selection procedure is before 17 June 2016—
	(a) the last financial year of the company to begin before 17 June 2016, unless (b) the auditor is appointed following a qualifying selection procedure for the first financial year of the company to begin on or after 17 June 2016, in which case it is the last financial year of the company to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.
	<i>Qualifying selection procedure within 10 years</i>

First financial year of the maximum engagement period	Last financial year of the maximum engagement period
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In any other case, the earlier of-

(a) the last financial year of the company to begin within the period of 10 years beginning with the first day of the last financial year of the company for which the auditor was appointed following a qualifying selection procedure, and

(b) the last financial year of the company to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.

A financial year of the company beginning on or after 17 June 2016 The earlier of—

(a) the last financial year of the company to begin within the period of 10 years beginning with the first day of the last financial year of the company for which the auditor was appointed following a qualifying selection procedure, and

(b) the last financial year of the company to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.

(2) Where the first financial year of the maximum engagement period begins on or after 17 June 2003, the maximum engagement period may be extended by a period of no more than 2 years with the approval of the competent authority.

(3) Such approval may be given by the competent authority only if it is satisfied that exceptional circumstances exist.

(4) Where the competent authority gives its approval as mentioned in subsection (2)—

(a) the second column of the Table in subsection (1) has effect with the necessary modifications, and

(b) the first appointment to be made after the end of the period as so extended must be made following a qualifying selection procedure.

(5) In this paragraph “qualifying selection procedure” means—

(a) in the case of an appointment for a financial year beginning on or after 17 June 2016 made after the Statutory Auditors and Third Country Auditors Regulations 2017 come into force—

(i) if the company is a private company and has an audit committee, a selection procedure that complies with the requirements of section 485A(4) and (5)(a) and (b),

- (ii) if the company is a public company and has an audit committee, a selection procedure that complies with the requirements of subsections 489A(4) and (5) (a) and (b), and
 - (iii) if the company does not have an audit committee, a selection procedure that complies with the requirements of Article 16(3) and (4) of the Audit Regulation;
 - (b) in any other case, a selection procedure that 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).”
- (15) In section 494A (interpretation)(**12**), in the definition of “public interest company”, for “company” substitute “entity”.
- (16) In section 495 (auditor’s report on company’s annual accounts)(**13**), in subsection (4)(c), after “events” insert “or conditions”.
- (17) In section 506 (circumstances in which names may be omitted), in subsection (1), for “The auditor’s” substitute “An auditor’s”.
- (18) In section 511A (public interest companies: application to court to remove auditor from office)(**14**), omit subsection (7).

Amendments to Part 42 of the Companies Act 2006

- 13.**—(1) Part 42 of the Companies Act 2006 is amended as follows.
- (2) In section 1210 (meaning of “statutory auditor” etc)(**15**)—
- (a) for subsection (1)(c) substitute—
 - “(c) a person appointed as auditor of a friendly society under section 72 of or Schedule 14 to the Friendly Societies Act 1992(**16**), where that society is—
 - (i) an insurer, or
 - (ii) an issuer whose transferable securities are admitted to trading on a regulated market;”;
 - (b) in subsection (3), at the appropriate places insert—
 - ““issuer” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000(**17**) (see section 102A(6)(**18**));” and
 - ““regulated market” has the same meaning as in Part 6 of the Financial Services and Markets Act 2000 (see section 103(1)(**19**)).”.
- (3) In section 1217 (supervisory bodies), in subsection (1A)(**20**)—
- (a) for “officer) and” substitute “officer),”

(12) Section 494A was inserted by [S.I. 2016/649](#).

(13) Subsection (4) was substituted by [S.I. 2016/649](#); there are other amendments to section 495 but none is relevant.

(14) Section 511A was inserted by [S.I. 2016/649](#).

(15) Section 1210(3) was amended by [S.I. 2008/565](#), [2012/1809](#) and [2013/3115](#); there are other instruments amending section 1210 but none is relevant.

(16) [1992 c. 40](#).

(17) [2000 c. 8](#).

(18) Section 102A was substituted for section 103 as originally enacted by [S.I. 2005/1433](#). Subsection (6) was amended by paragraph 10 of Schedule 15 to the Companies Act 2006 (c. 46) and by [S.I. 2015/1755](#); there are other amendments to the section but none is relevant.

(19) The definition of “regulated market” was amended by paragraph 11 of Schedule 15 to the Companies Act 2006.

(20) Subsection (1A) was inserted by [S.I. 2007/3494](#) and amended by [S.I. 2016/649](#). There are other amendments to section 1217 but none is relevant.

- (b) after “of information)” insert “ and paragraph 12(3)(b)(v) (temporary prohibition from exercising functions in a firm)”.
- (4) In section 1219 (appropriate qualifications)(**21**)—
- (a) in subsection (2)(c), for “approves his qualification” substitute “approved his qualification before 1st October 2018”;
- (b) omit subsection (3).
- (5) In section 1253D (restriction on transfer of audit working papers to third countries)(**22**), after subsection (2)(g), insert—
- “(h) the Comissão de Valores Mobiliários of Brazil;
- (i) the Dubai Financial Service Authority of Dubai International Financial Centre;
- (j) the Registrar of Companies of Guernsey;
- (k) the Finance Professions Supervisory Centre of Indonesia;
- (l) the Isle of Man Financial Services Authority;
- (m) the Jersey Financial Services Commission;
- (n) the Audit Oversight Board of Malaysia;
- (o) the Independent Regulatory Board for Auditors of South Africa;
- (p) the Financial Services Commission of South Korea;
- (q) the Financial Supervisory Service of South Korea;
- (r) the Financial Supervisory Commission of Taiwan;
- (s) the Securities and Exchange Commission of Thailand.”.
- (6) In section 1253E (working arrangements for transfer of papers)(**23**), in subsection (8), for “an approved” to “(f) or (g)” substitute “the Australian Securities and Investments Commission”.
- (7) In section 1254 (directions to comply with international obligations), for paragraph (a) of subsection (1) substitute—
- “(a) that any action proposed to be taken by—
- (i) a recognised supervisory body,
- (ii) a recognised qualifying body,
- (iii) a person keeping a register of auditors, or part of such a register, in accordance with regulations under section 1239(1),
- (iv) a body exercising functions under arrangements within Schedule 12,
- (v) the Independent Supervisor,
- (vi) the competent authority, or
- (vii) a body designated by order under section 1252,
- would be incompatible with EU obligations or any other international obligations of the United Kingdom, or”.
- (8) In Schedule 10 (recognised supervisory bodies)—
- (a) in paragraph 6(2C), for “(1B)(b)” substitute “(1A)(b)”;
- (b) in paragraph 16AA(**24**), at the beginning of paragraph (b) insert “in the case of an approved third country competent authority listed in section 1253D(2)(a), (b), (c), (d) or (e), ”.

(21) Section 1219 was amended by [S.I. 2007/3494](#).

(22) Section 1253D was inserted by [S.I. 2007/3494](#), substituted by [S.I. 2010/2537](#) and amended by [S.I. 2016/649](#).

(23) Section 1253E was inserted by [S.I. 2007/3494](#), substituted by [S.I. 2010/2537](#) and amended by [S.I. 2016/649](#).

(24) Paragraph 16AA was substituted for paragraph 16A (which was inserted by [S.I. 2007/394](#)) by [S.I. 2010/2537](#).

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(9) For paragraph 62(25) in Part 2 of Schedule 11A (specified descriptions of types of permitted information disclosure)(26) substitute—

“**62.** A disclosure for the purpose of making available to the public information relating to inspections carried out under regulation 9 (monitoring of audits by the competent authority) of the Statutory Auditors and Third Country Auditors Regulations 2016 (S.I. 2016/649), provided such information does not identify any audited person.”.

(25) Paragraph 62 was amended by S.I. 2011/1856.

(26) Schedule 11A was inserted by S.I. 2007/3494. There are amendments which are not relevant to these Regulations.