



# Deregulation Act 2015

## 2015 CHAPTER 20

### *Companies and insolvency*

#### **18 Auditors ceasing to hold office**

- (1) Chapter 4 of Part 16 of the Companies Act 2006 (audit: removal, resignation, etc of auditors) is amended as follows.
- (2) In section 519 (statement by auditor to be deposited with company on ceasing to hold office), for subsections (1) to (3) substitute—
  - “(1) An auditor of a public interest company who is ceasing to hold office (at any time and for any reason) must send to the company a statement of the reasons for doing so.
  - (2) An auditor (“A”) of a non-public interest company who is ceasing to hold office must send to the company a statement of the reasons for doing so unless A satisfies the first or second condition.
- (2A) The first condition is that A is ceasing to hold office—
  - (a) in the case of a private company, at the end of a period for appointing auditors;
  - (b) in the case of a public company, at the end of an accounts meeting.
- (2B) The second condition is that—
  - (a) A’s reasons for ceasing to hold office are all exempt reasons (as to which see section 519A(3)), and
  - (b) there are no matters connected with A’s ceasing to hold office that A considers need to be brought to the attention of members or creditors of the company.
- (3) A statement under this section must include—
  - (a) the auditor’s name and address;
  - (b) the number allocated to the auditor on being entered in the register of auditors kept under section 1239;

(c) the company's name and registered number.

(3A) Where there are matters connected with an auditor's ceasing to hold office that the auditor considers need to be brought to the attention of members or creditors of the company, the statement under this section must include details of those matters.

(3B) Where—

- (a) an auditor ("A") of a non-public interest company is required by subsection (2) to send a statement, and
- (b) A considers that none of the reasons for A's ceasing to hold office, and no matters (if any) connected with A's ceasing to hold office, need to be brought to the attention of members or creditors of the company,

A's statement under this section must include a statement to that effect."

(3) After section 519 insert—

**"519A Meaning of "public interest company", "non-public interest company" and "exempt reasons"**

(1) In this Chapter—

"public interest company" means a company—

- (a) any of whose transferable securities are included in the official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000), or
- (b) any of whose equity share capital is officially listed in an EEA state;

"non-public interest company" means a company that is not a public interest company.

(2) For the purposes of the definition of "public interest company", "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.

(3) In the application of this Chapter to an auditor ("A") of a company ceasing to hold office, the following are "exempt reasons"—

- (a) A is no longer to carry out statutory audit work within the meaning of Part 42 (see section 1210(1));
- (b) the company is, or is to become, exempt from audit under section 477, 479A or 480, or from the requirements of this Part under section 482, and intends to include in its balance sheet a statement of the type described in section 475(2);
- (c) the company is a subsidiary undertaking of a parent undertaking that is incorporated in the United Kingdom and—
  - (i) the parent undertaking prepares group accounts, and
  - (ii) A is being replaced as auditor of the company by the auditor who is conducting, or is to conduct, an audit of the group accounts;
- (d) the company is being wound up under Part 4 of the Insolvency Act 1986 or Part 5 of the Insolvency (Northern Ireland) Order 1989 ([S.I.](#)

1989/2405 (N.I. 19)), whether voluntarily or by the court, or a petition under Part 4 of that Act or Part 5 of that Order for the winding up of the company has been presented and not finally dealt with or withdrawn.

- (4) But the reason described in subsection (3)(c) is only an exempt reason if the auditor who is conducting, or is to conduct, an audit of the group accounts is also conducting, or is also to conduct, the audit (if any) of the accounts of each of the subsidiary undertakings (of the parent undertaking) that is incorporated in the United Kingdom and included in the consolidation.
  - (5) The Secretary of State may by order amend the definition of “public interest company” in subsection (1).
  - (6) An order under subsection (5) is subject to negative resolution procedure.”
- (4) In section 523 (duty of company to notify appropriate audit authority), for subsections (1) to (3) substitute—
- “(1) This section applies if an auditor is ceasing to hold office—
- (a) in the case of a private company, at any time other than at the end of a period for appointing auditors;
  - (b) in the case of a public company, at any time other than at the end of an accounts meeting.
- (1A) But this section does not apply if the company reasonably believes that the only reasons for the auditor’s ceasing to hold office are exempt reasons (as to which see section 519A(3)).
- (2) Where this section applies, the company must give notice to the appropriate audit authority that the auditor is ceasing to hold office.
- (2A) The notice is to take the form of a statement by the company of what the company believes to be the reasons for the auditor’s ceasing to hold office and must include the information listed in section 519(3).
- This is subject to subsection (2C).
- (2B) Subsection (2C) applies where—
- (a) the company receives a statement from the auditor under section 519,
  - (b) the statement is sent at the time required by section 519(4), and
  - (c) the company agrees with the contents of the statement.
- (2C) Where this subsection applies, the notice may instead take the form of a copy of the statement endorsed by the company to the effect that it agrees with the contents of the statement.
- (3) A notice under this section must be given within the period of 28 days beginning with the day on which the auditor ceases to hold office.”
- (5) Schedule 5 (auditors ceasing to hold office) makes provision about the following matters—
- (a) the notification requirements that apply on an auditor ceasing to hold office;
  - (b) the requirements that apply if there is a failure to re-appoint an auditor;
  - (c) the replacement of references to documents being deposited at a company’s registered office.