

Supervision

Chapter 3

Auditors



3.2 Purpose

Purpose: general

3.2.1 **G** This chapter sets out *rules* and *guidance* on the role auditors play in the *appropriate regulator's* monitoring of *firms'* compliance with the requirements and standards under the *regulatory system*. In determining whether a *firm* satisfies the *threshold conditions*, the *appropriate regulator* has regard to whether the *firm* has appointed auditors with sufficient experience in the areas of business to be conducted by the *firm*. Auditors act as a source of information for the *appropriate regulator* in its supervision. They report, where required, on the financial resources of the *firm*, the accuracy of its reports to the *appropriate regulator* and its compliance with particular *rules*, such as the *Client asset rules*.

3.2.2 **G** The *Act*, together with other legislation such as the Companies Acts 1985, 1989 and 2006, the Building Societies Act 1986 and the Friendly Societies Act 1992, provides the statutory framework for *firms'* and auditors' obligations.

3.2.3 **G** [deleted]

3.2.4 **G** [deleted]

Insurance intermediaries and their auditors

3.2.5 **G** It is the responsibility of an *insurance intermediary's* senior management to determine, on a continuing basis, whether the *insurance intermediary* is an *exempt insurance intermediary* and to appoint an auditor if management determines the *firm* is no longer exempt. ■ SUP 3.7 (amplified by ■ SUP 15) sets out what a *firm* should consider when deciding whether it should notify the *FCA* of matters raised by its auditor.

Rights and duties of auditors

3.2.6 **G** The rights and duties of auditors are set out in ■ SUP 3.8 (Rights and duties of all auditors) and ■ SUP 3.10 (Duties of auditors: notification and report on client assets). ■ SUP 3.8.10 **G** includes the auditor's statutory duty to report certain matters to the *FCA* imposed by regulations made by the Treasury under sections 342(5) and 343(5) of the *Act* (information given by auditor or actuary to a *regulator*). An auditor should bear these rights and duties in mind when carrying out *client asset* report work, including whether anything should be notified to the *FCA* immediately.