Chapter 3

Auditors
3.2 Purpose

Purpose: general

3.2.1 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 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 [deleted]

3.2.4 [deleted]

Insurance intermediaries and their auditors

3.2.5 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 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.