

Supervision

Chapter 3

Auditors

3.4 Auditors' qualifications

Purpose

- 3.4.1 **G** The *appropriate regulator* is concerned to ensure that the auditor of a *firm* has the necessary skill and experience to audit the business of the *firm* to which he has been appointed. This section sets out the *appropriate regulator's rules* and *guidance* aimed at achieving this.

Qualifications

- 3.4.2 **R** Before a *firm*, to which **■** SUP 3.3.2 R applies, appoints an auditor, it must take reasonable steps to ensure that the auditor has the required skill, resources and experience to perform his functions under the *regulatory system* and that the auditor:
- (1) is eligible for appointment as an auditor under Part II of the Companies Act 1989 or Part III of the Companies (Northern Ireland) Order 1990 (Eligibility for appointment) where applicable, otherwise Chapters 1, 2 and 6 of Part 42 of the Companies Act 2006 ; or
 - (2) if appointed under an obligation in another enactment, is eligible for appointment as an auditor under that enactment; or
 - (3) in the case of an *overseas firm*, is eligible for appointment as an auditor under any applicable equivalent laws of that country or territory.

- 3.4.4 **G** An auditor which a *firm* proposes to appoint should have skills, resources and experience commensurate with the nature, scale and complexity of the *firm's* business and the requirements and standards under the *regulatory system* to which it is subject. A *firm* should have regard to whether its proposed auditor has expertise in the relevant requirements and standards (which may involve access to *UK* expertise) and possesses or has access to appropriate specialist skill, for example actuarial expertise in carrying out audits of insurance companies or *friendly societies* where appropriate. The *firm* should seek confirmation of this from the auditor concerned as appropriate.

Disqualified auditors

- 3.4.5 **R** A *firm* must not appoint as auditor a *person* who is disqualified under Part XXII of the *Act* (Auditors and Actuaries) from acting as an auditor either for that *firm* or for a relevant class of *firm*.

3.4.6 **G** If it appears to the *appropriate regulator* that an auditor of a *firm* has failed to comply with a duty imposed on him under the *Act*, it may have the power to and may disqualify him under section 345 or 345A, respectively, of the *Act*. A list of *persons* who are disqualified may be found on the *FCA's* website (www.fca.org.uk).

Requests for information on qualifications by the appropriate regulator

3.4.7 **R** A *firm* must take reasonable steps to ensure that an auditor, which it is planning to appoint or has appointed, provides information to the *appropriate regulator* about the auditor's qualifications, skills, experience and independence in accordance with the reasonable requests of the *appropriate regulator*.

3.4.8 **G** To enable it to assess the ability of an auditor to audit a *firm*, the *appropriate regulator* may seek information about the auditor's relevant experience and skill. The *appropriate regulator* will normally seek information by letter from an auditor who has not previously audited any *firm*. The *firm* should instruct the auditor to reply fully to the letter (and should not appoint an auditor who does not reply to the *appropriate regulator*). The *appropriate regulator* may also seek further information on a continuing basis from the auditor of a *firm* (see also the auditor's duty to cooperate under ■ SUP 3.8.2 R).