

Supervision

Chapter 3

Auditors

3.5 Auditors' independence

Purpose

- 3.5.1 **G** If an auditor is to carry out his duties properly, he needs to be independent of the *firm* he is auditing, so that he is not subject to conflicts of interest. Many *firms* are also subject to requirements under the Companies Act 1989, or the Companies Act 2006, the Building Societies Act 1986 or the Friendly Societies Act 1992 on auditor's independence.

Independence

- 3.5.2 **R** A *firm* must take reasonable steps to ensure that the auditor which it appoints is independent of the *firm*.
- 3.5.3 **R** If a *firm* becomes aware at any time that its auditor is not independent of the *firm*, it must take reasonable steps to ensure that it has an auditor independent of the *firm*. The *firm* must notify the *FCA* and the *PRA* (if it is a *PRA-authorised firm*) or the *FCA* (in all other cases) if independence is not achieved within a reasonable time.
- 3.5.4 **G** The *appropriate regulator* will regard an auditor as independent if his appointment or retention does not breach the ethical guidance in current issue from the auditor's recognised supervisory body on the appointment of an auditor in circumstances which could give rise to conflicts of interest.