

The “Senior Statutory Auditor” under the United Kingdom Companies Act 2006

2008

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BULLETIN

**This Bulletin applies to financial years beginning
on or after 6 April 2008.**

The Auditing Practices
Board

THE AUDITING PRACTICES BOARD

The Auditing Practices Board (APB), which is part of the Financial Reporting Council (FRC), prepares for use within the United Kingdom and the Republic of Ireland:

- Standards and guidance for auditing;
- Standards and guidance for reviews of interim financial information performed by the auditor of the entity;
- Standards and guidance for the work of reporting accountants in connection with investment circulars; and
- Standards and guidance for auditor's and reporting accountant's integrity, objectivity and independence

with the objective of enhancing public confidence in the audit process and the quality and relevance of audit services in the public interest.

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THE AUDITING PRACTICES BOARD

THE “SENIOR STATUTORY AUDITOR” UNDER THE UNITED KINGDOM COMPANIES ACT 2006

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INTRODUCTION

1. Section 503(3) of the Companies Act 2006 (CA 2006) requires, where the auditor is a firm, that the auditor's report must be signed by the "senior statutory auditor in his own name for and on behalf of the auditor". This is a new requirement and the Secretary of State has appointed the Auditing Practices Board¹ (APB) to issue guidance with respect to the meaning of the term "senior statutory auditor". This Bulletin constitutes that guidance.
2. Sections 503 and 504 of CA 2006 address the signature of the auditor's report and are reproduced in Appendix 1. The requirement for the senior statutory auditor to sign in his own name applies to auditor's reports:
 - (a) prepared in accordance with the requirements of sections 495, 496 and 497 of CA 2006;
 - (b) in respect of voluntary revisions of annual accounts and reports made in accordance with section 454 of CA 2006; and
 - (c) on the special auditor's report where abbreviated accounts are delivered to the Registrar² (section 449 CA 2006),for financial years beginning on or after 6 April 2008.
3. CA 2006 sets out a number of requirements regarding the appointment of auditors. However, other than as described in paragraph 4, there are no legal requirements concerning eligibility for appointment as the senior statutory auditor. This is an internal matter for the audit firm as under section 504(1) of CA 2006 it is the firm which is required to identify which individual is the senior statutory auditor.

ELIGIBILITY FOR APPOINTMENT AS "SENIOR STATUTORY AUDITOR"

4. Section 504(2) of CA 2006 requires that the person identified as senior statutory auditor of a company must be eligible for appointment as auditor of the company in question. Eligibility for appointment is dealt with in sections 1212 to 1225 of CA 2006.

1 The Auditing Practices Board is appointed by virtue of Article 11 of the "Statutory Auditors (Delegation of Functions etc) Order 2008. SI 2008 No. 496

2 In CA 2006 the expressions "the Registrar of Companies" and "the Registrar" mean the registrar of companies for England & Wales, Scotland or Northern Ireland, as the case may require. (section 1060 (3) CA 2006)

MEANING OF “SENIOR STATUTORY AUDITOR”

5. Subject to meeting the CA 2006 requirement described in paragraph 4, the term “senior statutory auditor” has the same meaning as the term “engagement partner” when used in International Standards on Auditing (ISAs) (UK and Ireland).
6. ISA (UK and Ireland) 220 “Quality Control for Audits of Historical Financial Information” contains the following definition of “engagement partner”:

The partner or other person in the firm who is responsible for the audit engagement and its performance, and for the auditor’s report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

INVOLVEMENT OF MORE THAN ONE PARTNER IN AN AUDIT ENGAGEMENT

7. Where more than one partner is involved in the conduct of an audit engagement, it is important that the responsibilities of the respective partners are clearly defined and understood by the engagement team³. In particular, it is necessary for it to be clearly understood which partner is designated as the engagement partner and is, therefore, the senior statutory auditor identified by the firm in accordance with section 504(1) of CA 2006.

MEANING OF “SIGNING” THE AUDITOR’S REPORT

8. Section 503 of CA 2006 requires that where the auditor is a firm, the auditor’s report must be signed by the senior statutory auditor in his own name, for and on behalf of the auditor (i.e. the firm). The signature of the senior statutory auditor is also required to be dated. An illustration of the presentation of these requirements in an auditor’s report is shown in Appendix 2. Section 505(1) further requires that the name of the senior statutory auditor must be stated in copies of the auditor’s report published by, or on behalf of, the company.
9. In paragraph 8 references to the auditor’s report is to the auditor’s report provided to the company by the auditor upon completion of the audit. Such references do not refer to the authentication of the copy auditor’s reports required to be delivered to the Registrar.

³ ISA (UK and Ireland) 220 “Quality control for audits of historical financial information” paragraph 29

10. Paragraphs 6 to 10 of Schedule 1 of "The Companies Act 2006 (Commencement No.5, Transitional Provisions and Savings) Order 2007"⁴ address the authentication of accounts and reports filed with the Registrar. With effect from 6 April 2008 this order requires the copies of auditor's reports delivered to the Registrar to:

- (a) state the name of the auditor and (where the auditor is a firm) the name of the person who signed it as senior statutory auditor; and
- (b) be signed by the auditor or (where the auditor is a firm) in the name of the firm by a person authorised to sign on its behalf.

The senior statutory auditor, therefore, does not necessarily need to sign copy auditor's reports that are required to be delivered to the Registrar.⁵

CHANGING THE SENIOR STATUTORY AUDITOR DURING THE REPORTING PERIOD

11. Where the audit firm changes the senior statutory auditor (i.e. the engagement partner) during the engagement the new senior statutory auditor reviews the audit work performed to the date of the change. The review procedures are sufficient to satisfy the new senior statutory auditor that the audit work performed to the date of the review had been planned and performed in accordance with professional standards and regulatory and legal requirements⁶.

SENIOR STATUTORY AUDITOR UNABLE TO BE PRESENT TO SIGN THE AUDITOR'S REPORT

- 12. Under section 503(3) of CA 2006, the senior statutory auditor must sign the auditor's report. Another partner, or responsible individual, is not able to sign for and on behalf of the senior statutory auditor.
- 13. In circumstances where the senior statutory auditor is unable to continue to take responsibility for the direction, supervision and performance of the audit the audit firm appoints a replacement senior statutory auditor and the circumstances are treated in the same way as a change of senior statutory auditor described in paragraph 11.
- 14. In circumstances where the senior statutory auditor is absent but is still able to, and does, take responsibility for the direction, supervision and performance of the audit the senior statutory auditor may sign the auditor's report using electronic means (e.g. e-mail or fax).

4 SI 2007 No. 3495.

5 Paragraph 10 describes transitional arrangements that came into force on 6 April 2008. Readers are cautioned that these arrangements are subject to change subsequent to the publication of this Bulletin.

6 ISA (UK and Ireland) 220 paragraph 28.

15. In circumstances where the auditor's report needs to be signed by a certain date (e.g. listed entities and other public interest entities) it would be pragmatic for the audit firm to have a contingency plan as to who would succeed as senior statutory auditor in the event that the audit is at an advanced stage⁷ but the senior statutory auditor is unable to sign the auditor's report. If another audit partner is actively involved in the audit engagement, a suitable contingency plan may be for that other partner to work in parallel with the senior statutory auditor and be able to take over as senior statutory auditor if the need arises. An efficient contingency plan would be one that was developed in conjunction with the firm's plans for partner rotation in accordance with the requirements of Ethical Standard 3 "Long association with the audit engagement".
16. The APB recognises that circumstances may arise where another partner has not worked in parallel with the senior statutory auditor. The APB is of the view that in such exceptional circumstances it is permissible for the engagement quality control reviewer⁸ to be appointed as the replacement senior statutory auditor⁹ where:
 - (a) the engagement quality control reviewer has completed his or her review; and
 - (b) the audit is at an "advanced stage".
17. However, once an engagement quality reviewer has been appointed as a replacement senior statutory auditor he or she can no longer act as the engagement quality control reviewer because his or her objectivity may have been impaired through assuming the role of senior statutory auditor.

JOINT AUDITS

18. The Companies Act 2006 permits companies to appoint an auditor or auditors. Where a company appoints joint auditors each of the auditing firms appoints a senior statutory

7 Bulletin 2008/2 "The auditor's association with preliminary announcements made in accordance with the requirements of the UK and Irish Listing Rules" describes an audit as being at an "advanced stage" when it is complete subject only to the following:

- (a) clearing outstanding matters which are unlikely to have a material impact on the financial statements;
- (b) completing audit procedures on the detail of note disclosures on the financial statements that will not have a material impact on the primary financial statements and completing the auditor's reading of "other information" in the annual report, in accordance with ISA (UK and Ireland) 720 "Other information in documents containing audited financial statements";
- (c) updating the subsequent events review covering the period to the date of the auditor's report on the financial statements; and
- (d) obtaining final written representations from management and establishing that the financial statements have been reviewed and approved by the directors.

8 This is on the assumption that the engagement quality control reviewer is eligible to be appointed as the senior statutory auditor (see paragraph 4 for eligibility criterion).

9 ISA (UK and Ireland) 220 "Quality control for audits of historical financial information" requires an engagement quality control reviewer to be appointed in respect of all listed entities.

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auditor both of which are required to sign the auditors' report in accordance with the requirements of section 503 of CA 2006.

APPENDIX 1

SECTIONS 503 AND 504 OF THE COMPANIES ACT 2006

503 Signature of auditor's report

- (1) The auditor's report must state the name of the auditor and be signed and dated.
- (2) Where the auditor is an individual, the report must be signed by him.
- (3) Where the auditor is a firm, the report must be signed by the senior statutory auditor in his own name, for and on behalf of the auditor.

504 Senior statutory auditor

- (1) The senior statutory auditor means the individual identified by the firm as senior statutory auditor in relation to the audit in accordance with –
 - (a) standards issued by the European Commission, or
 - (b) if there is no applicable standard so issued, any relevant guidance issued by –
 - (i) the Secretary of State, or
 - (ii) a body appointed by order of the Secretary of State.
- (2) The person identified as senior statutory auditor must be eligible for appointment as auditor of the company in question (see Chapter 2 of Part 42 of this Act).
- (3) The senior statutory auditor is not, by reason of being named or identified as senior statutory auditor or by reason of his having signed the auditor's report, subject to any civil liability to which he would not otherwise be subject.
- (4) An order appointing a body for the purpose of subsection (1)(b)(ii) is subject to negative resolution procedure.

APPENDIX 2

**ILLUSTRATIVE EXAMPLE OF PRESENTATION OF SIGNATURE OF
SENIOR STATUTORY AUDITOR ON THE AUDITOR'S REPORT WHERE
THE AUDITOR IS A FIRM**

...

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at ... and of its profit[loss] for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report is consistent with the financial statements.

[Signature]
John Smith (Senior Statutory Auditor)
for and on behalf of ABC LLP, Statutory Auditor

Address
Date

NOTICE TO READERS

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