

SCHEDULES

SCHEDULE 11

RECOGNITION OF SUPERVISORY BODY

PART II

REQUIREMENTS FOR RECOGNITION

Holding of appropriate qualification

4.—(1) The body must have rules to the effect that a person is not eligible for appointment as a company auditor unless—

- (a) in the case of an individual, he holds an appropriate qualification;
- (b) in the case of a firm—
 - (i) the individuals responsible for company audit work on behalf of the firm hold an appropriate qualification, and
 - (ii) the firm is controlled by qualified persons (see paragraph 5).

(2) This does not prevent the body from imposing more stringent requirements.

(3) A firm which has ceased to comply with the conditions mentioned in sub-paragraph (1)(b) may be permitted to remain eligible for appointment as a company auditor for a period of not more than 3 months.

5.—(1) The following provisions explain what is meant in paragraph 4(1)(b)(ii) by a firm being “controlled by qualified persons”.

(2) For this purpose references to a person being qualified are, in relation to an individual, to his holding an appropriate qualification, and in relation to a firm, to its being eligible for appointment as a company auditor.

(3) A firm shall be treated as controlled by qualified persons if, and only if—

- (a) a majority of the members of the firm are qualified persons, and
- (b) where the firm’s affairs are managed by a board of directors, committee or other management body, a majority of the members of that body are qualified persons or, if the body consists of two persons only, at least one of them is a qualified person.

(4) A majority of the members of a firm means—

- (a) where under the firm’s constitution matters are decided upon by the exercise of voting rights, members holding a majority of the rights to vote on all, or substantially all, matters;
- (b) in any other case, members having such rights under the constitution of the firm as enable them to direct its overall policy or alter its constitution.

(5) A majority of the members of the management body of a firm means—

- (a) where matters are decided at meetings of the management body by the exercise of voting rights, members holding a majority of the rights to vote on all, or substantially all, matters at such meetings;
 - (b) in any other case, members having such rights under the constitution of the firm as enable them to direct its overall policy or alter its constitution.
- (6) The provisions of paragraphs 5 to 11 of Schedule 10A to the 1986 Order (rights to be taken into account and attribution of rights) apply for the purposes of this paragraph.