

SCHEDULE 2

Regulations 5(4) and (5) and 18(6)

AUDITOR'S REMUNERATION

Disclosure required in notes to accounts

1.—(1) The following information must be disclosed in—

- (a) the notes to a syndicate's annual accounts; and
- (b) the notes to the aggregate accounts.

(2) In this Schedule "the auditor" refers to the syndicate's auditor in the case of a syndicate's annual accounts, and to the auditor of the aggregate accounts in the case of the aggregate accounts.

2.—(1) There must be disclosed in a note to a syndicate's annual accounts and to the aggregate accounts—

- (a) the amount of any remuneration receivable by the auditor for the auditing of the syndicate's annual accounts, or the aggregate accounts, as the case may be; and
- (b) the amount of any remuneration receivable in respect of the financial year by—
 - (i) the auditor; or
 - (ii) any person who was, at any time during that financial year, an associate of the auditor, for the supply of other services to the syndicate or to the managing agent of the syndicate (in the case of the syndicate's annual accounts), or to the Society or the Council of Lloyd's (in the case of the aggregate accounts).

(2) Where the remuneration includes benefits in kind, the nature and estimated money-value of those benefits must also be disclosed in a note.

(3) Separate disclosure is required in respect of the auditing of the accounts in question and of each type of service specified in paragraph 3, but not in respect of each service falling within a type of service.

(4) Separate disclosure is required in respect of services supplied to—

- (a) the syndicate or the Society or the Council of Lloyd's; and
- (b) associated pension schemes.

(5) Where more than one person has been appointed as auditor in respect of the financial year, separate disclosure is required in respect of the remuneration of each such person and his associates.

(6) Disclosure is not required of remuneration receivable for the supply of services falling within paragraph 3(j) supplied by a distant associate of the auditor where the total remuneration receivable for all those services supplied by that associate does not exceed either—

- (a) £10,000; or
- (b) 1% of the total audit remuneration received by the auditor in the most recent financial year of the auditor which ended no later than the end of the financial year of the syndicate or syndicates to which the syndicate accounts or aggregate accounts relate.

(7) In this paragraph—

"associate" and "direct associate" have the meaning given by paragraph 4;

"financial year of the auditor" means—

- (a) the period of not more than 18 months in respect of which the auditor's profit and loss account is required to be made up (whether by law or in accordance with the auditor's constitution (if any)); or
- (b) failing any such requirement, the period of 12 months beginning with 1st April;

Status: This is the original version (as it was originally made).

“remuneration” includes payments in respect of expenses and benefits in kind.

“total audit remuneration received” means the total remuneration received for the auditing pursuant to legislation (including that of countries and territories outside the United Kingdom) of any accounts of any person.

Disclosure of types of service

3.—(1) The types of service in respect of which disclosure is required are—

(a) either—

(i) the auditing of accounts of associates of the managing agent responsible for managing the syndicate pursuant to legislation (including that of countries and territories outside the United Kingdom), in the case of the syndicate’s annual accounts; or

(ii) the auditing of accounts of associates of the Society of Lloyd’s pursuant to legislation (including that of countries and territories outside the United Kingdom), in the case of the aggregate accounts;

(b) other services supplied pursuant to such legislation;

(c) other services relating to taxation;

(d) services relating to information technology;

(e) internal audit services;

(f) valuation and actuarial services;

(g) services relating to litigation;

(h) services relating to recruitment and remuneration;

(i) services relating to corporate finance transactions entered into or proposed to be entered into on behalf of the managing agent or any of its associates, or the Society of Lloyd’s or any of its associates;

(j) all other services.

(2) References in sub-paragraph (1) to an associate of the managing agent are to—

(a) any subsidiary of the managing agent, other than a subsidiary in respect of which severe long-term restrictions substantially hinder the exercise of rights of the managing agent over the assets or management of that subsidiary; or

(b) any associated pension scheme.

(3) An “associated pension scheme”, in relation to a managing agent, means a scheme for the provision of benefits for or in respect of directors or employees (or former directors or employees) of the managing agent or any subsidiary of the managing agent where—

(a) the benefits consist of or include any pension, lump sum, gratuity or other like benefit given or to be given on retirement or on death or in anticipation of retirement or, in connection with past service, after retirement or death; and

(b) either—

(i) a majority of the trustees are appointed by, or by a person acting on behalf of, the managing agent or a subsidiary of the managing agent; or

(ii) the managing agent, or a subsidiary of the managing agent, exercises a dominant influence over the appointment of the auditor (if any) of the scheme.

(4) References in sub-paragraph (1) to an associate of the Society of Lloyd’s are to—

- (a) any subsidiary of the Society of Lloyd's, other than a subsidiary in respect of which severe long-term restrictions substantially hinder the exercise of rights of the society over the assets or management of that subsidiary; or
- (b) any associated pension scheme.

(5) An "associated pension scheme", in relation to the Society of Lloyd's, means a scheme for the provision of benefits for or in respect of members of the Council or employees (or former members of the Council or employees) of the Society or any subsidiary of the Society where—

- (a) the benefits consist of or include any pension, lump sum, gratuity or other like benefit given or to be given on retirement or on death or in anticipation of retirement or, in connection with past service, after retirement or death; and
- (b) either—
 - (i) a majority of the trustees are appointed by, or by a person acting on behalf of, the Society or a subsidiary of the Society; or
 - (ii) the Society, or a subsidiary of the Society, exercises a dominant influence over the appointment of the auditor (if any) of the scheme.

(6) In this paragraph "subsidiary" means a subsidiary undertaking that is a body corporate.

Meaning of "associate of auditor" and "distant associate"

4.—(1) This paragraph defines what is meant in paragraph 2 by an "associate" of the auditor.

(2) The following are associates of the auditor—

- (a) any person controlled by the auditor or by any associate of the auditor (whether alone or through two or more persons acting together to secure or exercise control), but only if that control does not arise solely by virtue of the auditor or any associate of the auditor acting—
 - (i) as an insolvency practitioner in relation to any person;
 - (ii) in the capacity of a receiver, or a receiver or manager, of the property (or part of the property) of the Society of Lloyd's, a syndicate, a managing agent or other body corporate; or
 - (iii) as a judicial factor on the estate of any person;
- (b) any person who, or group of persons acting together which, has control of the auditor;
- (c) any person using a trading name which is the same as or similar to a trading name used by the auditor, but only if the auditor uses that trading name with the intention of creating the impression of a connection between the auditor and that other person; or
- (d) any person who is party to an arrangement with the auditor, with or without any other person, under which costs, profits, quality control, business strategy or significant professional resources are shared.

(3) Where the auditor is a partnership, the following shall also be regarded as associates of the auditor—

- (a) any other partnership which has a partner in common with the auditor;
- (b) any partner in the auditor;
- (c) any body corporate which is in the same group as a body corporate which is a partner in the auditor;
- (d) any body corporate which is in the same group as a body corporate which is a partner in a partnership which has a partner in common with the auditor; or
- (e) any body corporate of which a partner in the auditor is a director.

Status: This is the original version (as it was originally made).

(4) Where an auditor is a body corporate (other than one which is also a partnership as defined in sub-paragraph (6)(d)), each of the following shall also be regarded as an associate of the auditor—

- (a) any other body corporate which has a director in common with the auditor;
- (b) any director of the auditor;
- (c) any body corporate which is in the same group as a body corporate which is a director of the auditor;
- (d) any body corporate which is in the same group as a body corporate which has a director in common with the auditor;
- (e) any partnership in which a director of the auditor is a partner;
- (f) any body corporate which is in the same group as the auditor;
- (g) any partnership in which any such body corporate which is in the same group as the auditor is a partner.

(5) A distant associate of an auditor is a person who is an associate of that auditor by reason only that that person is an associate within one or more of—

- (a) paragraph 4(2)(a) where the person in question is controlled by a distant associate of the auditor but not by the auditor or by an associate who is not a distant associate;
- (b) paragraph 4(3)(a), (d) or (e);
- (c) paragraph 4(4)(a), (d) or (e).

(6) For the purposes of this paragraph—

- (a) “acting as an insolvency practitioner” shall be construed in accordance with section 388 of the Insolvency Act 1986(1) or Article 3 of the Insolvency (Northern Ireland) Order 1989(2);
- (b) “director” includes any person occupying the position of director, by whatever name called;
- (c) “partner” includes a member of a limited liability partnership;
- (d) “partnership” includes a limited liability partnership and a partnership constituted under the law of a country or a territory outside the United Kingdom;
- (e) a person able, directly or indirectly to control or materially to influence the operating and financial policy of another person shall be treated as having control of that other person; and
- (f) a body corporate is in the same group as another body corporate if one is a subsidiary of the other.

(7) In this paragraph “subsidiary” means a subsidiary undertaking that is a body corporate.

Duty of auditor to supply information

5.—(1) The auditor of a syndicate must supply the managing agent of the syndicate with such information as is necessary to enable the disclosure required by paragraph 2(1)(b) to be made.

(2) The auditor of the aggregate accounts must supply the Council of Lloyd’s with such information as is necessary to enable the disclosure required by paragraph 2(1)(b) to be made.

(1) 1986 c.45; section 388 has been amended by section 4(2)(a) to (c) of the Insolvency Act 2000 (c.39), by section 11(1) of the Bankruptcy (Scotland) Act 1993 (c.6) and by S.I. 1994/2421, 2002/1240 and 2002/2708.

(2) S.I. 1989/2405 (N.I. 19); Article 3 has been amended by Article 6(1)(a) to (c) of the Insolvency (Northern Ireland) Order 2002 (S.I. 2002/3152 (N.I. 6); and by S.R. 1995/225, 2002/334 and 2003/550.

Document Generated: 2024-03-15

Status: *This is the original version (as it was originally made).*