

Companies House Audit Exemption

There is total exemption from audit for certain small companies (including very small charitable companies) if they are eligible. There is no requirement to have an exemption, and small companies may still choose to have an audit.

For financial years starting **before** 6 April 2008 a small company must meet at least two of the following criteria:

- A turnover of no more than £5.6 million
- A balance sheet total of no more than £2.8 million
- The aggregate average number of employees must be 50 or fewer.

For financial years starting **on or after** 6 April 2008, to qualify for total audit exemption, a company must:

- qualify as a small company
- have a turnover of no more than £6.5 million
- have a balance sheet total of no more than £3.26 million
- The aggregate average number of employees must be 50 or fewer.

Small and medium-sized LLPs can take advantage of the higher thresholds for accounting periods starting on or after 1 October 2008.

For financial periods beginning on or after 1st April 2008 there are no longer special rules regarding audit exemption for charitable companies. They can qualify for audit exemption under company law in the same way as any other company. Charitable companies may also be subject to separate requirements for audit or other scrutiny of their accounts under charity law. For more information see <http://www.charity-commission.gov.uk/>

Not all types of small companies are eligible for the exemption and audited accounts must be filed if the company falls into any of the following categories:

- (a) A parent company or subsidiary undertaking (unless dormant for the period during which it was a subsidiary) except where:
- the group qualifies as a small group or would qualify if all the bodies corporate in the group were companies; and

- the turnover for the whole group is not more than the above net figures; and
- The group's combined balance sheet total is not more than the above net figures.

(b) A member of a group of companies in which any member is:

- a public company or body corporate which (not being a company) has power under its constitution to offer shares or debentures to the public
- a person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity
- A person who carries on insurance market activity

(c) A person who has permission under Part 4 of the Financial Services and Markets Act 2000 to carry on a regulated activity.

(d) A person who carries on insurance market activity.

(e) An appointed representative within the meaning of s.39 of the Financial Services and Markets Act 2000.

(f) A public limited company unless the company is dormant.

(g) A special register body or employers association under the Trade Union and Labour Relations (Consolidation) Act 1992.

(h) A Company where an audit is required by a member, or members, holding at least 10% of the nominal value of issued share capital or, holding 10% of any class of shares; or - in the case of a company limited by guarantee - 10% of its members in number. The demand for the accounts to be audited should be in the form of written notice to the company, deposited at the registered office at least one month before the end of the financial year in question.

When a company is exempt from audit, the following documents and statements are required by Companies House for filing at the usual filing deadline.

The balance sheet must contain the following statements above the director's signature:

The directors are satisfied that the company is entitled to exemption from the requirement to obtain an audit under section 477 of the Companies Act 2006 and that members have not required the company to obtain an audit in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The accounts have been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to companies subject to the small companies regime.

Accounts submitted online have inbuilt checks which will prevent common errors and omissions of the necessary statements.

A small company may choose to send un-abbreviated accounts prepared for its members, but the same statements must appear on the un-abbreviated balance sheet.