

# DOES YOUR COMPANY REQUIRE AN AUDIT?

## Will the company breach two of the following for two consecutive years?

- Turnover greater than £10.2m
- Total assets greater than £5.1m
- More than 50 employees

### Yes

Categorised as a 'medium or large' business and requires audit

### No, only for one year

You may benefit from the 'first year' rule, but best to have it checked

### No

See below

## Is the company part of a group?

A parent company can guarantee a subsidiary but since Brexit, only a UK parent company can provide this. [note, if previously an EU parent exemption was provided it is likely the sub will now require an audit even if outside of the criteria above]

### Exemption criteria:

- Parent must be established under the law of UK and prepare consolidated, audited accounts, which are filed at Companies House (with the guarantee and consolidated set of accounts)
- All members of the company must agree to the exemption in respect of the financial year in question

A UK subsidiary, which has an overseas parent (where the group wouldn't be deemed small under UK company size thresholds), cannot be exempted from audit by its overseas parent.

These are the high level considerations and there are other considerations, consult if you are unsure.

## Does the company have grant income which requires an Independent Accountants Report to be completed?

(Common with Innovate UK grants.)

### Yes

An auditor is likely to be required to undertake an assurance review which does not constitute an audit

### No

See below

## Is it an ineligible company (as defined by the Companies Act)?

- An authorised insurance company
- A banking company
- A member of an ineligible group (i.e. if any of its members are a traded company on a UK regulated market)
- An e-money issuer
- MiFID (Markets in Financial Instruments Directive) investment firm
- UCITS (Undertakings for Collective Investment in Transferable Securities) management company
- Carries on insurance market activity

### Yes

Likelihood is you require an audit

### No

See below

## Is the company a registered charity with:

- Gross annual income greater than £1million
- OR
- Gross assets of more than £3.26 million and a gross annual income of more than £250,000

### Yes

You require and audit

### No

See below

## Do the Articles of Association stipulate that the company requires an audit or assurance report? (common in clubs/ societies and membership/ members clubs and management companies)

### Yes

Likelihood is you require an audit or an assurance review

### No

See next below

## Has one of the shareholders requested an audit?

Common if a shareholder has limited involvement in the business/ organisation day to day, or if there is a shareholder dispute.

### Yes

You require an audit

### No

See below

## Is an external funder/ finance provider requesting an audit?

Often when linked to large amounts of borrowing, a lender may request an audit be completed to provide them with further comfort as a condition of the loan. Common with PE/ VC investment or syndicated loans.

### Yes

Likelihood is you require an audit

### No

See below

**If you have answered no to all the above but are still concerned that your company's circumstances mean you require an audit/ assurance review from an auditor, we offer a free assessment service that will confirm for definite.**

It is important the company's requirements are investigated fully by a competent person. The personal repercussions (including criminal proceedings) for the directors could be substantial if the regulation is not followed.



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