

## FACTSHEET 2

### Audit Exemption: What Are The Benefits ?

In 1994 the Government introduced regulations to abolish the statutory audit requirement for 'small' limited companies. The current threshold is annual turnover of less than £5.6 million. In the past all limited companies had to appoint qualified auditors to 'audit' their annual accounts. Such an audit was designed to provide reassurance to shareholders, lenders and creditors that the annual accounts could be relied upon. However, it was generally accepted that for 'small' limited companies the additional cost of such an audit outweighed any benefits derived. The Government accepted this position and introduced the exemption in 1994.

#### Audit Exemption Not Available

The exemption is not available to:

- Public companies
- Persons permitted to carry on regulated activities under the Financial Services and Markets Act 2000 ( including banking companies )
- Persons carrying on insurance market activity
- Appointed representatives under the Financial Services and Markets Act 2000
- An insurance broker enrolled by the Insurance Brokers Registration Council.

#### The Right to Require an Audit

Any shareholder or shareholders holding not less than ten per cent in aggregate of the nominal value of the company's issued share capital of a company may require an audit of the company's accounts. To do so, the shareholder(s) must deposit a notice in writing at the company's registered office during the financial year but not later than one month before the end of the year. The company is then not entitled to audit exemption for the year to which the notice relates.

**For further advice and before taking any action please give me a call.**

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