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Do I need a UK Audit?

Many small private limited companies in the UK don't need an audit of their annual accounts (unless the company's articles of association say it must or enough shareholders ask for one) but it is important to have this confirmed by an independent accountant – particularly if the UK entity is part of a wider group.

Which companies need an audit?

The answer is more complicated than most businesses would like and depend on a number of factors; however broadly, meeting two of the below criteria in a financial year will mean the company is required to have a statutory audit:

Financial Year End	Revenue/ Turnover	Gross Assets / Balance Sheet Total	No. of Employees
Between 6 April 2008 & 30 September 2012	£6.5m	£3.26m	N/a
Between 1 October 2012 & 31 December 2015	£6.5m	£3.26m	50+
1 January 2016 +	£10.2m	£5.1m	50+

Early adoption of new thresholds may be permitted in some cases (e.g. thresholds introduced in January 2016 could be used for financial years ending before January 2016), so it's important to seek advice rather than rely solely on thresholds.

What about parent companies & subsidiaries?

Where the UK company is a subsidiary, the above criteria needs to be reviewed on a group basis to ascertain whether an audit is required for the UK company.

A parent company located within the European Economic Area (EEA) may be able to choose not to have their UK subsidiaries audited and instead opt for the parent to provide a statutory guarantee over the subsidiaries' liabilities (providing they are not, for some other reason, required to have an audit).

A parent company located anywhere *outside* of the EEA will not be able to choose this option.

Why else might a company be required to have an audit?

Certain organisations (professional bodies and charities for example) have additional regulations to comply with and would therefore still require an audit.
In particular, a company must have an audit if at any time in the financial year it has been:

- a public company (unless it's dormant)
- an authorised insurance company or carrying out insurance market activity
- involved in banking or issuing crypto currency/e-money
- a 'Markets in Financial Instruments Directive' (MiFID) investment firm or an 'Undertakings for Collective Investment in Transferable Securities' (UCITS) management company

Why have a voluntary audit?

Even though an audit may not be required by law, many companies opt to have their accounts audited, either for their own peace of mind or because they want to raise finance.

Financiers (such as banks) will often require audited accounts and many suppliers and customers may prefer to do business with you if you have been audited.

Audits provide valuable management information which you can use to review business performance and internal processes.

How we can help

Our specialist, qualified audit team is an essential resource for multinational companies and UK SMEs. Since F&L was founded in 1992, we have helped clients to:

- assess key business risks, economy and efficiency
- uncovered fraudulent or other illegal activities within the company
- monitor and strengthen internal control procedures

Updated February 2016. The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

For more information, contact:

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