



Companies Act 2006

2006 CHAPTER 46

PART 16

AUDIT

CHAPTER 1

REQUIREMENT FOR AUDITED ACCOUNTS

Requirement for audited accounts

475 Requirement for audited accounts

- (1) A company's annual accounts for a financial year must be audited in accordance with this Part unless the company—
 - (a) is exempt from audit under—
 - section 477 (small companies), or
 - section 480 (dormant companies);
 - or
 - (b) is exempt from the requirements of this Part under section 482 (non-profit-making companies subject to public sector audit).
- (2) A company is not entitled to any such exemption unless its balance sheet contains a statement by the directors to that effect.
- (3) A company is not entitled to exemption under any of the provisions mentioned in subsection (1)(a) unless its balance sheet contains a statement by the directors to the effect that—
 - (a) the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476, and

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- (b) the directors acknowledge their responsibilities for complying with the requirements of this Act with respect to accounting records and the preparation of accounts.
- (4) The statement required by subsection (2) or (3) must appear on the balance sheet above the signature required by section 414.

476 Right of members to require audit

- (1) The members of a company that would otherwise be entitled to exemption from audit under any of the provisions mentioned in section 475(1)(a) may by notice under this section require it to obtain an audit of its accounts for a financial year.
- (2) The notice must be given by—
 - (a) members representing not less in total than 10% in nominal value of the company’s issued share capital, or any class of it, or
 - (b) if the company does not have a share capital, not less than 10% in number of the members of the company.
- (3) The notice may not be given before the financial year to which it relates and must be given not later than one month before the end of that year.

Exemption from audit: small companies

477 Small companies: conditions for exemption from audit

- (1) A company that meets the following conditions in respect of a financial year is exempt from the requirements of this Act relating to the audit of accounts for that year.
- (2) The conditions are—
 - (a) that the company qualifies as a small company in relation to that year,
 - (b) that its turnover in that year is not more than £5.6 million, and
 - (c) that its balance sheet total for that year is not more than £2.8 million.
- (3) For a period which is a company’s financial year but not in fact a year the maximum figure for turnover shall be proportionately adjusted.
- (4) For the purposes of this section—
 - (a) whether a company qualifies as a small company shall be determined in accordance with section 382(1) to (6), and
 - (b) “balance sheet total” has the same meaning as in that section.
- (5) This section has effect subject to—
 - section 475(2) and (3) (requirements as to statements to be contained in balance sheet),
 - section 476 (right of members to require audit),
 - section 478 (companies excluded from small companies exemption), and
 - section 479 (availability of small companies exemption in case of group company).

478 Companies excluded from small companies exemption

A company is not entitled to the exemption conferred by section 477 (small companies) if it was at any time within the financial year in question—

- (a) a public company,
- (b) a company that—
 - (i) is an authorised insurance company, a banking company, an e-money issuer, an ISD investment firm or a UCITS management company, or
 - (ii) carries on insurance market activity, or
- (c) a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c. 52) or an employers' association as defined in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807 (N.I. 5)).

479 Availability of small companies exemption in case of group company

(1) A company is not entitled to the exemption conferred by section 477 (small companies) in respect of a financial year during any part of which it was a group company unless—

- (a) the conditions specified in subsection (2) below are met, or
- (b) subsection (3) applies.

(2) The conditions are—

- (a) that the group—
 - (i) qualifies as a small group in relation to that financial year, and
 - (ii) was not at any time in that year an ineligible group;
- (b) that the group's aggregate turnover in that year is not more than £5.6 million net (or £6.72 million gross);
- (c) that the group's aggregate balance sheet total for that year is not more than £2.8 million net (or £3.36 million gross).

(3) A company is not excluded by subsection (1) if, throughout the whole of the period or periods during the financial year when it was a group company, it was both a subsidiary undertaking and dormant.

(4) In this section—

- (a) “group company” means a company that is a parent company or a subsidiary undertaking, and
- (b) “the group”, in relation to a group company, means that company together with all its associated undertakings.

For this purpose undertakings are associated if one is a subsidiary undertaking of the other or both are subsidiary undertakings of a third undertaking.

(5) For the purposes of this section—

- (a) whether a group qualifies as small shall be determined in accordance with section 383 (companies qualifying as small: parent companies);
- (b) “ineligible group” has the meaning given by section 384(2) and (3);
- (c) a group's aggregate turnover and aggregate balance sheet total shall be determined as for the purposes of section 383;
- (d) “net” and “gross” have the same meaning as in that section;

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- (e) a company may meet any relevant requirement on the basis of either the gross or the net figure.
- (6) The provisions mentioned in subsection (5) apply for the purposes of this section as if all the bodies corporate in the group were companies.

Exemption from audit: dormant companies

480 Dormant companies: conditions for exemption from audit

- (1) A company is exempt from the requirements of this Act relating to the audit of accounts in respect of a financial year if—
 - (a) it has been dormant since its formation, or
 - (b) it has been dormant since the end of the previous financial year and the following conditions are met.
- (2) The conditions are that the company—
 - (a) as regards its individual accounts for the financial year in question—
 - (i) is entitled to prepare accounts in accordance with the small companies regime (see sections 381 to 384), or
 - (ii) would be so entitled but for having been a public company or a member of an ineligible group, and
 - (b) is not required to prepare group accounts for that year.
- (3) This section has effect subject to—
 - section 475(2) and (3) (requirements as to statements to be contained in balance sheet),
 - section 476 (right of members to require audit), and
 - section 481 (companies excluded from dormant companies exemption).

481 Companies excluded from dormant companies exemption

A company is not entitled to the exemption conferred by section 480 (dormant companies) if it was at any time within the financial year in question a company that—

- (a) is an authorised insurance company, a banking company, an e-money issuer, an ISD investment firm or a UCITS management company, or
- (b) carries on insurance market activity.

Companies subject to public sector audit

482 Non-profit-making companies subject to public sector audit

- (1) The requirements of this Part as to audit of accounts do not apply to a company for a financial year if it is non-profit-making and its accounts—
 - (a) are subject to audit—
 - (i) by the Comptroller and Auditor General by virtue of an order under section 25(6) of the Government Resources and Accounts Act 2000 (c. 20), or
 - (ii) by the Auditor General for Wales by virtue of section 96, or an order under section 144, of the Government of Wales Act 1998 (c. 38);

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- (b) are accounts—
 - (i) in relation to which section 21 of the Public Finance and Accountability (Scotland) Act 2000 (asp 1) (audit of accounts: Auditor General for Scotland) applies, or
 - (ii) that are subject to audit by the Auditor General for Scotland by virtue of an order under section 483 (Scottish public sector companies: audit by Auditor General for Scotland); or
 - (c) are subject to audit by the Comptroller and Auditor General for Northern Ireland by virtue of an order under Article 5(3) of the Audit and Accountability (Northern Ireland) Order 2003 (S.I. 2003/418 (N.I. 5)).
- (2) In the case of a company that is a parent company or a subsidiary undertaking, subsection (1) applies only if every group undertaking is non-profit-making.
 - (3) In this section “non-profit-making” has the same meaning as in Article 48 of the Treaty establishing the European Community.
 - (4) This section has effect subject to section 475(2) (balance sheet to contain statement that company entitled to exemption under this section).

483 Scottish public sector companies: audit by Auditor General for Scotland

- (1) The Scottish Ministers may by order provide for the accounts of a company having its registered office in Scotland to be audited by the Auditor General for Scotland.
- (2) An order under subsection (1) may be made in relation to a company only if it appears to the Scottish Ministers that the company—
 - (a) exercises in or as regards Scotland functions of a public nature none of which relate to reserved matters (within the meaning of the Scotland Act 1998 (c. 46)), or
 - (b) is entirely or substantially funded from a body having accounts falling within paragraph (a) or (b) of subsection (3).
- (3) Those accounts are—
 - (a) accounts in relation to which section 21 of the Public Finance and Accountability (Scotland) Act 2000 (asp 1) (audit of accounts: Auditor General for Scotland) applies,
 - (b) accounts which are subject to audit by the Auditor General for Scotland by virtue of an order under this section.
- (4) An order under subsection (1) may make such supplementary or consequential provision (including provision amending an enactment) as the Scottish Ministers think expedient.
- (5) An order under subsection (1) shall not be made unless a draft of the statutory instrument containing it has been laid before, and approved by resolution of, the Scottish Parliament.

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General power of amendment by regulations

484 General power of amendment by regulations

- (1) The Secretary of State may by regulations amend this Chapter or section 539 (minor definitions) so far as applying to this Chapter by adding, altering or repealing provisions.
- (2) The regulations may make consequential amendments or repeals in other provisions of this Act, or in other enactments.
- (3) Regulations under this section imposing new requirements, or rendering existing requirements more onerous, are subject to affirmative resolution procedure.
- (4) Other regulations under this section are subject to negative resolution procedure.