



Technical Update

Issue 2 • November 2008

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Accounting and Audit Changes

Auditor resignation – changes effective from 6 April 2008

Since 6 April, new procedures must be followed when an auditor resigns. Any circumstances surrounding the resignation, such as a disagreement over treatment, disputes or imposed limitations, must be disclosed. Even if there are no particular circumstances surrounding the resignation, there will still be a reason (for example the imposition of group auditors, an unsuccessful re-tender or the company falling under audit threshold).

The outgoing auditors are required to send a letter to the appropriate authority stating why the audit was resigned. It is important to note that if the audit is resigned due to an increase in the audit threshold, the resignation process will need to be followed. This is a change from the Companies Act 1985 where no action was required.

In addition, the client company is also required to send a letter to the appropriate authority.

Accounting periods commencing on or after 6 April 2008

Several changes take effect for accounting periods commencing on or after 6 April 2008.

Company size

The following size limits take effect for accounting periods starting after 6 April 2008. Medium sized groups will no longer be exempt from preparing group accounts and it is therefore important that the comparative position is considered as soon as possible.

Senior statutory auditor

The senior statutory auditor (SSA) is the responsible individual appointed on the audit. The SSA should be clearly identified and must sign the audit report in their own name. No other person can sign the shareholder financial statements in place of the SSA. If another responsible individual takes over an audit, they must review the entire file from the start so it is important to agree the timetable in advance.

Review of outgoing auditors' papers

Outgoing auditors must make their papers available to successors for review. Successor audit firms should also know what cannot be asked of their predecessor. For example, a request for a list of other debtors could be refused because this is information that the client, not the outgoing auditor, would be expected to provide.

These rules do not apply to unincorporated charities or pension schemes.

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	New (£ million)	Previous (£ million)
Small Companies		
Turnover	£6.5	£5.6
Gross Assets	£3.26	£2.8
Employees	50	50
Small Groups		
Turnover	£6.5 net (£7.8 gross)	£5.6 net (£6.72 gross)
Gross Assets	£3.26 net (£3.9 gross)	£2.8 net (£3.36 gross)
Employees	50	50
Medium Companies		
Turnover	£25.9	£22.8
Gross Assets	£12.9	£11.4
Employees	250	250
Medium Groups		
Turnover	£25.9 net (£31.1 gross)	£22.8 net (£27.36 gross)
Gross Assets	£12.9 net (£15.5 gross)	£11.4 net (£13.68 gross)
Employees	250	250