## Audited or Unaudited accounts?



What is the difference between audited and unaudited accounts?

Audited accounts have been subjected to independent scrutiny resulting in a report stating that the auditors have found no material misstatements in the company's accounts. Unaudited accounts have been prepared from books, records and explanations supplied by the company and have not been subject to any verification procedures.

Many smaller companies are currently not obliged to have an audit. In order to qualify for the audit exemption a company must meet certain conditions set out in the Companies Act 1985. Companies do have the choice of applying the exemption and may choose to have their accounts audited even though there is no statutory obligation to do so.

As a director, why might you request that an audit is carried out?

- there is no guarantee that audit procedures will detect fraud and error, but these are more likely to remain undetected if no audit is carried out.
- it highlights any weaknesses in the company systems, enabling the auditor to advise how to make improvements, improving efficiency and cutting costs
- it can establish whether the company is complying with taxation and employment legislation
- banks may not offer finance facilities to companies
   if no audit has been carried out

- when a business is to be sold the fact that there
  has been an audit each year will give confidence to
  the purchaser
- suppliers may provide better terms to companies with audited accounts
- customers will have greater confidence in companies that have been audited
- tax inspectors are given a positive message about accounts supporting a tax return, if those accounts are audited
- errors in accounts are more likely to have been identified before submission to the Revenue, resulting in less likelihood of penalties being incurred
- an audit gives the accountant insights into the business which may enable him to offer advice to improve the company's taxation position.

ACCA believes that many small companies will benefit from continuing to have an annual independent audit. Some of the benefits are that fraud and error may be detected, and that accounting and control systems can be evaluated. The audit puts the practitioner in the position of being able to provide a rounded business advisory service to clients, enabling them to develop and grow their business