Appendix 3.04.6 Size and reporting requirements

The size of the company dictates a) the reporting requirements b) the necessity and type of audit, and c) other issues such as the nature and type of Corporate Governance demanded.

Micro entities

Defined as of 2018 as meeting two out of the three criteria: turnover < £632,000. Total assets < £316,000, average number of employees < 10

Audit exemption possible

Reports: abridged balance sheet, abridged profit and loss account, Director's report, notes to the accounts

Small companies

Defined as of 2018 as meeting two out of the three criteria: as a turnover < £10.2m, total assets < £5.1m, or < 50 employees.

Audit exemption possible

Reports: abridged balance sheet, abridged profit and loss account, Director's report notes to the accounts

Medium companies

Defined as of 2018 as meeting two out of the three criteria: as a turnover < £36m, total assets < £18m, or < 250 employees.

Reports: balance sheet, profit and loss account, Director's report, notes to the accounts and a business review or strategic report. Audit report.

https://www.gov.uk/government/publications/life-of-a-company-annual-requirements/life-of-a-company-part-1-accounts

Voluntary audit services for audit exempt organisations:

This does not have to be a full audit but can be something less in declining order of completeness:

- Full audit using the full set of auditing standards
- Assurance review (but not regulated and not as deep or strong as an audit)
- A set of agreed upon procedures.
- Accounts preparation

See: https://www.icaew.com/-/media/corporate/files/technical/assurance-options/web-assurancereview.ashx?la=en

Public Interest Entities

Any public interest entity has to comply in the UK with the new Audit Regulation and Directive (ARD) as well as increasingly new and tighter governance codes. And the full range of prohibitions applies: the NAS (non-audit services) prohibitions, the NAS fee cap and the requirement for Audit Committee approval will also impact parent undertakings and controlled undertakings of the PIE, with some territorial limitations.

- All entities that are both governed by the law of a member state and listed on a regulated market. Although AIM is not an EU regulated market, companies listed on the AIM exchange and valued over £200m will be a PIE.
- All credit institutions in the EU, irrespective of whether listed or not

- All insurance undertakings in the EU, regardless of whether they are listed or not and regardless of whether they are life, non-life, insurance or reinsurance undertakings
- Entities designated by member states as public-interest entities, for instance undertakings that are of significant public relevance because of the nature of their business, their size, or number of employees.

We think that private companies of a certain size (e.g. Boots, John Lewis, Arcadia etc.) and some privately owned utility companies would become, eventually, defined as an IE. At least by 2030. The new governance code will apply to the larger private companies except for controls and reporting on the remuneration of directors.

Private companies

The larger private companies employ more than 400,000 employees directly – excluding the online disruptive companies such as Uber ad Airbnb. See
https://en.wikipedia.org/wiki/List_of_largest_private_companies_in_the_United_Kingdom

This list includes everyday companies such as Boots, John Lewis, JCB, Arcadia (Sir Philip Green), Virgin Atlantic, Dixons, Wilko, Thames Water, Specsavers, Anglian Water, Clarks, Matalan, Gala Coral, Dyson, Formula One, House of Fraser, Spire HealthCare, Monsoon, Poundland, Welcome Break, Harrods and many construction companies. There is only a voluntary requirement for private companies in 2018 but this may change.