



ACCOUNTS FILED AT COMPANIES HOUSE – HOW GOOD ARE YOURS?

As many of you will be aware, the Institute has been involved in an ongoing technical review of unaudited accounts prepared by our members and filed at Companies House. We have found a number of common failings indicating a lack of care. Take a look at the list below. Do any of these apply to accounts prepared by **your** firm?

Non-compliance with current accounting standards:

- tangible or intangible assets not depreciated and no 'true and fair override' explanation
- equity dividends paid not debited directly to equity
- deferred tax calculated on a partial rather than a full provision basis.

Obvious disclosure issues:

- incomplete or missing directors' reports
- date of approval of the accounts either missing or incomplete
- incorrect or missing FRSSE effective date
- incomplete or missing fixed asset movement and depreciation information
- accounts not prepared under the FRSSE, but no FRS 3 disclosures regarding continuing and discontinued operations and total recognised gains and losses
- missing accounting policies (most commonly turnover).

Presentational issues:

- bank overdrafts shown as negative current assets
- balance sheet headings not in accordance with the prescribed Companies Act formats
- notes not agreeing with the balance sheet
- casting errors
- misuse of brackets to give the impression that a company is profitable when it is not
- missing or incorrectly-headed comparative figures.

Often it is clear from the accounts that some information is either missing or incomplete:

- directors' loans and other transactions with directors and related parties
- fixed assets held under finance leases
- operating lease commitments
- pension contributions
- amounts of secured creditors
- details of the controlling party
- going concern explanation when the company appears to be technically insolvent.

We have also found technical wording inaccuracies (examples below) which can have unforeseen knock-on effects.

- If the directors' report does not include a Part VII Companies Act 1985 statement (now part 15 of the Companies Act 2006) claiming small companies exemptions, full disclosures such as enhanced business review, key performance indicators and description of principal risks and uncertainties are required.
- If there is no 'prepared in accordance with the special provisions of Part VII of the Companies Act 1985' statement claiming small companies exemptions (now part 15 of the Companies Act 2006), the full disclosures for medium-sized and large companies are required.
- Incorrect small company exemption provision references in the directors' report and balance sheet statement, and the lack of a 'section 226' (now 'sections 394 and 395' under the Companies Act 2006) reference in the directors' balance-sheet statement, render the accounts non-compliant with the Companies Act.

If firms had invested in, or properly used, specialist accounts preparation software, and had also checked the accounts against a regularly-updated company accounts disclosure checklist, the majority of these issues could have been avoided. We would therefore urge all firms to recognise the importance of setting up appropriate procedures to double-check all sets of accounts before they go out to their clients for signature.

Our helpsheet, [Quality Control of Statutory Accounts](#), addresses key aspects of the quality control of statutory accounts and provides a useful work programme to assist with the process. You will need your member number and a password in order to logon to the site.

Finally, we found a number of instances where firms included in their report an opinion on the truth and fairness of the accounts, even though they were not audit-registered. This may result in disciplinary action being taken against the firm. The Institute's recommended accountants' report wording is set out in [Technical Release Audit 02/04](#).

Make sure you get them right!

Many sets of unaudited accounts filed at Companies House:

- do not comply with current UK accounting standards or legislation
- are internally inconsistent, or
- contain typographical errors.

Proper use of specialist software and disclosure checklists will help to eliminate these errors, and a final read-through by a member of staff who is technically up-to-date will also help avoid them.