



Companies Act 1985

1985 CHAPTER 6

PART VII

ACCOUNTS AND AUDIT

CHAPTER I

PROVISIONS APPLYING TO COMPANIES GENERALLY

Auditors' report

235 Auditors' report.

- (1) A company's auditors shall make a report to the company's members on all annual accounts of the company of which copies^[F1] are, during their tenure of office—
- (a) in the case of a private company, to be sent out to members under section 238(1);
 - (b) in the case of a public company, to be laid before the company in general meeting under section 241.]

[F2(1A) The auditors' report must include—

- (a) an introduction identifying the annual accounts that are the subject of the audit and the financial reporting framework that has been applied in their preparation;
 - (b) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.
- (1B) The report must state clearly whether in the auditors' opinion the annual accounts have been properly prepared in accordance with the requirements of this Act (and, where applicable, Article 4 of the IAS Regulation).
- (2) The report must state in particular whether the annual accounts give a true and fair view, in accordance with the relevant financial reporting framework—

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- (a) in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year,
 - (b) in the case of an individual profit and loss account, of the profit or loss of the company for the financial year,
 - (c) in the case of group accounts, of the state of affairs as at the end of the financial year and of the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.
- (2A) The auditors' report–
- (a) must be either unqualified or qualified, and
 - (b) must include a reference to any matters to which the auditors wish to draw attention by way of emphasis without qualifying the report.]
- [^{F3}(3) The auditors must state in their report whether in their opinion the information given in the directors' report for the financial year for which the annual accounts are prepared is consistent with those accounts.]
- (3A) ^{F4}
- [^{F5}(4) If a directors' remuneration report is prepared for the financial year for which the annual accounts are prepared the auditors shall in their report
- (a) report to the company's members on the auditable part of the directors' remuneration report, and
 - (b) state whether in their opinion that part of the directors' remuneration report has been properly prepared in accordance with this Act.
- (5) For the purposes of this Part, "the auditable part" of a directors' remuneration report is the part containing the information required by Part 3 of Schedule 7A.]

Textual Amendments

- F1** Words in s. 235(1) substituted (1.10.2007 with effect as mentioned in Sch. 4 para. 3(8) of the amending S.I.) by [The Companies Act 2006 \(Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings\) Order 2007 \(S.I. 2007/2194\)](#), art. 10(1), **Sch. 4 para. 3(1)** (with art. 12)
- F2** S. 235(1A)-(2A) substituted for s. 235(2) (12.11.2004 with effect as mentioned in reg. 1(2) of the amending S.I.) by [The Companies Act 1985 \(International Accounting Standards and Other Accounting Amendments\) Regulations 2004 \(S.I. 2004/2947\)](#), **reg. 6(2)**
- F3** S. 235(3) substituted (22.3.2005) by [The Companies Act 1985 \(Operating and Financial Review and Directors' Report etc.\) Regulations 2005 \(S.I. 2005/1011\)](#), **reg. 3**
- F4** S. 235(3A) omitted (12.1.2006) by virtue of [The Companies Act 1985 \(Operating and Financial Review\) \(Repeal\) Regulations 2005 \(S.I. 2005/3442\)](#), reg. 2(2)(a), **Sch. 1 para. 4**
- F5** S. 235(4)(5) inserted (1.8.2002) by [The Directors' Remuneration Report Regulations 2002 \(S.I. 2002/1986\)](#), **reg. 4**

Modifications etc. (not altering text)

- C1** Ss. 235-237 applied (with modifications) (31.12.2004) by [The Insurance Accounts Directive \(Lloyd's Syndicate and Aggregate Accounts\) Regulations 2004 \(S.I. 2004/3219\)](#), **reg. 3(4)(a)**, Sch.
- C2** Ss. 226-237 extended (with modifications) (19.12.1993) by S.I. 1993/3245, **reg.3**
- C3** S. 235(1) excluded by S.I. 1990/2570, **regs. 6(1)(b)**, 15

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[^{F6}236 Signature of auditors' report.

- (1) The auditors' report shall state the names of the auditors and be signed [^{F7}and dated] by them.
- (2) Every copy of the auditors' report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the auditors.
- (3) The copy of the auditors' report which is delivered to the registrar shall state the names of the auditors and be signed by them.
- (4) If a copy of the auditors' report—
 - (a) is laid before the company, or otherwise circulated, published or issued, without the required statement of the auditors' names, or
 - (b) is delivered to the registrar without the required statement of the auditors' names or without being signed as required by this section,the company and every officer of it who is in default is guilty of an offence and liable to a fine.
- (5) References in this section to signature by the auditors are, where the office of auditor is held by a body corporate or partnership, to signature in the name of the body corporate or partnership by a person authorised to sign on its behalf.]

Textual Amendments

- F6** New ss. 235–237 inserted (subject to the saving and transitional provisions in [S.I. 1990/355](#), arts. 6–9, [Sch. 2](#), by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 9, 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)
- F7** Words in [s. 236\(1\)](#) inserted (12.11.2004 with effect as mentioned in reg. 1(2) of the amending S.I.) by [The Companies Act 1985 \(International Accounting Standards and Other Accounting Amendments\) Regulations 2004 \(S.I. 2004/2947\)](#), [reg. 7](#)

Modifications etc. (not altering text)

- C4** [Ss. 235–237](#) applied (with modifications) (31.12.2004) by [The Insurance Accounts Directive \(Lloyd's Syndicate and Aggregate Accounts\) Regulations 2004 \(S.I. 2004/3219\)](#), [reg. 3\(4\)\(a\)](#), [Sch.](#)
- C5** [S. 236](#) applied with modifications by [S.I. 1990/2570](#), [regs. 6\(5\)](#), 7(4), 15
- C6** [Ss. 226–237](#) extended (with modifications) (19.12.1993) by [S.I. 1993/3245](#), [reg.3](#)

[^{F8}237 Duties of auditors.

- (1) A company's auditors shall, in preparing their report, carry out such investigations as will enable them to form an opinion as to—
 - (a) whether proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them, and
 - (b) whether the company's individual accounts are in agreement with the accounting records and returns [^{F9}and
 - (c) (in the case of a quoted company) whether the auditable part of the company's directors' remuneration report is in agreement with the accounting records and returns.]

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- (2) If the auditors are of opinion that proper accounting records have not been kept, or that proper returns adequate for their audit have not been received from branches not visited by them, or if the company's individual accounts are not in agreement with the accounting records and returns, [^{F10}or if in the case of a quoted company the auditable part of its directors' remuneration report is not in agreement with the accounting records and returns,] the auditors shall state that fact in their report.
- (3) If the auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report.

[^{F11}(4) If—

- (a) the requirements of Schedule 6 (disclosure of information: emoluments and other benefits of directors and others) are not complied with in the annual accounts, or
- (b) where a directors' remuneration report is required to be prepared, the requirements of Part 3 of Schedule 7A (directors' remuneration report) are not complied with in that report,

the auditors shall include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.]]

[^{F12}(4A) If the directors of the company have taken advantage of the exemption conferred by section 248 (exemption for small and medium-sized groups from the need to prepare group accounts) and in the auditors' opinion they were not entitled so to do, the auditors shall state that fact in their report.]

Textual Amendments

- F8** New ss. 235–237 inserted (subject to the saving and transitional provisions in [S.I. 1990/355, arts. 6–9, Sch. 2](#), by [Companies Act 1989 \(c. 40, SIF 27\)](#), [ss. 1, 9, 213\(2\)](#) as part of the text inserted in place of ss. 221–262 (as mentioned in s. 1(a) of the 1989 Act)
- F9** [S. 237\(1\)\(c\)](#) and preceding word inserted (1.8.2002) by [The Directors' Remuneration Report Regulations 2002 \(S.I. 2002/1986\)](#), [reg. 5](#)
- F10** Words in [s. 237\(2\)](#) inserted (1.8.2002) by [The Directors' Remuneration Report Regulations 2002 \(S.I. 2002/1986\)](#), [reg. 10\(2\)](#)
- F11** [S. 237\(4\)](#) substituted (1.8.2002) by [The Directors' Remuneration Report Regulations 2002 \(S.I. 2002/1986\)](#), [reg. 6](#)
- F12** [S. 237\(4A\)](#) inserted (2.2.1996) by [S.I. 1996/189](#), [reg. 6](#)

Modifications etc. (not altering text)

- C7** [Ss. 235-237](#) applied (with modifications) (31.12.2004) by [The Insurance Accounts Directive \(Lloyd's Syndicate and Aggregate Accounts\) Regulations 2004 \(S.I. 2004/3219\)](#), [reg. 3\(4\)\(a\)](#), Sch.
- C8** [S. 237](#) applied with modifications by [S.I. 1990/2570](#), [regs. 6\(1\)\(a\)](#), 15
- C9** [Ss. 226-237](#) extended (with modifications) (19.12.1993) by [S.I. 1993/3245](#), [reg. 3](#)
- C10** [S. 237\(1\)-\(3\)](#) applied (with modifications)(23.12.1996) by [S.I. 1996/943](#), [reg. 29\(2\)\(a\)](#)

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