

AUDIT EXEMPTION FOR GUERNSEY COMPANIES

The introduction of the Companies (Guernsey) Law, 2008 on 1st July 2008 changed the types of company requiring a statutory audit.

Under the previous law the only companies that could opt to be exempt from audit were generally those that were either dormant or purely asset holding. Any company not eligible for or opting against audit exemption was required to submit to an annual audit of its financial statements.

To reduce the need for costly statutory audits, the scope for audit exemption under the law was significantly increased.

A waiver resolution must now be passed by at least a 90% shareholder majority and must be filed with the registrar of companies within 30 days of being passed. Failure to file within the deadline does not invalidate the resolution, although late filing penalties may be applied on a daily basis thereafter.

It must be passed "in the financial year before the financial year to which it relates". In the first financial year of a company (which must fall within 18 months of the date of incorporation), it must be passed during that first year.

To retain unaudited status in subsequent financial years a new waiver resolution must be passed.

Failure to do so will mean that an audit is necessary.

FURTHER AMENDMENTS

Transitional legislation has been introduced to provide relief from some of the problems caused by the wording of the law. Further details are available on the GTC website at: www.guernseytrustcompany.gg/articles.asp under Audit Exemption Requirements.

CONCLUSION

The general principles behind the revised regulations governing audit exemptions are welcome since more companies can take advantage of the exemptions to save non-beneficial costs.

However, the mechanism, administration and timing of the necessary procedures are draconian, and insufficient avenues have been left open to address innocent mistakes or missed deadlines.

GUERNSEY TRUST COMPANY

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