



COMPANY SECRETARIAL AND COMPLIANCE

Audit Exemption: Changes Introduced by the Companies Act 2014

by

Audit Exemption: Changes Introduced by the Companies Act 2014

29th January 2016 | by

The Companies Act 2014 (the Act) has introduced a number of cost saving measures. One such measure concerns the extension of the scope of audit exemption provisions for companies that meet certain criteria.

In the past, all companies had to have their accounts audited; but an audit exemption was introduced in the Companies (Amendment) (No.2) Act 1999, which enabled private limited companies to avail of this option for the first time. The Act has extended the scope of this exemption to additional types of companies and your company may qualify.

What are the benefits?

Although a company still has to file accounts in the Companies Registration Office, an audit exemption has benefits for a business: savings are likely to be made in relation to the time and costs that were taken up in the preparation of annual accounts and dealing with the audit process.

What has changed?

Since the Act came into force in June 2015, the following additional types of company may qualify for an audit exemption as long as the financial statements of such companies have been approved on or after 1 June 2015:

- Company Limited by Guarantee
- Small Companies which are part of a Group
- Dormant Company
- Non-designated Private Unlimited Company (ULC)

What are the criteria to avail of the exemption?

If your company meets certain criteria, an audit exemption may be an option.

Small Company Criteria

A company must qualify as a small company in respect of a financial year by meeting two of these criteria:

1. The turnover of the company does not exceed €8.8m
2. The balance sheet total does not exceed €4.4m
3. The average number of employees does not exceed fifty

Group Company Criteria

The company must qualify as a small company as above and the group must then qualify as small by meeting two of these following criteria:

1. The turnover of the holding company and other group companies taken as a whole does not exceed €8.8m
2. The balance sheet of the holding company and other group companies taken as a whole does not exceed €4.4m
3. The average number of employees of the holding company and other group companies taken as a whole does not exceed fifty

Continuing Obligations

Notwithstanding the above criteria and no matter which category your company falls under, the most important requirement for audit exemption eligibility is for your company to file its annual return on time every year. Under the Act, this requirement has been extended to include a company's first annual return.

Steps to take

With the year end audit about to commence for many companies, it may be a good time for directors to consider whether or not their company qualifies for audit exemption. This exercise should be undertaken in advance of the commencement of the audit in order to avoid any unnecessary costs and to allow the company to benefit from the cost saving changes contained in the Act.

If you would like to discuss this in more detail please do not hesitate to contact a member of our team who will be happy to assist in explaining the criteria.

Please contact us at cosec@lkshields.ie

About the Authors