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Audit Committees for Irish companies

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The Companies Act 2014 (the "Act") has widened the number of companies that are required to set up an audit committee ("Audit Committee") under Irish law.

The requirement to have an Audit Committee under the Act applies to a financial year which commenced after 1 June 2015 and is therefore relevant for companies with upcoming accounts' filing dates.

The board of directors of companies meeting the financial criteria set out below (and PLCs) must state in their annual directors' report:

» whether the company has established an Audit Committee or not; and
» if not, provide the reasons for not doing so.

1. Which companies must have an Audit Committee?

'Large' Irish companies are required to have an Audit Committee in place. A 'large' company is a company that, in the most recent financial year and the immediately preceding financial year:

» has a balance-sheet total that exceeds €25 million;
» has a turnover that exceeds €50 million; and
» employs less than 250 people.

Any company which, together with its subsidiaries, meets the criteria above, will be deemed to be a 'large' company requiring it to have an Audit Committee in place.

Subject to very limited exceptions, all public-limited companies ("PLCs") (irrespective of financial thresholds) must comply with this provision.

The board of directors of companies meeting the financial criteria (and PLCs) set out above must state in their annual directors' report:

» whether the company has established an Audit Committee or not; and
» if not, provide the reasons for not doing so.

2. What is the required composition of an Audit Committee?

The Audit Committee must include at least one independent director who:

» is a non-executive director of the company; and
» possesses the requisite degree of independence to be able to contribute effectively to the Audit Committee's functions.

The director in question, to maintain the required degree of independence, must not have, and at no time during the period of three years preceding his / her appointment to the Audit Committee, have had:

a. a material business relationship with the company; or
b. a position of employment in the company.



The independent director must also have competence in accounting or auditing.

3. What are the responsibilities of an Audit Committee?

The responsibilities of an Audit Committee include:

- the monitoring of the financial-reporting process of the company;
- the monitoring of the effectiveness of the company's system of internal control, internal audit and risk management;
- the monitoring of the statutory audit of the company's statutory financial statements; and
- the review and monitoring of the independence of the statutory auditors.

4. What is the offence for non-compliance?

Any director of a 'large' company (or PLCs) that fails to take reasonable steps to comply with the statutory Audit Committee requirements shall be liable to a fine of €5,000 and / or six months' imprisonment.

Key Contacts

If you have any queries on the above or would like to discuss any aspect in more detail, please contact us or your regular Walkers contact.

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