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Companies (Statutory Audits) Act 2018

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Overview

The Companies (Statutory Audits) Act 2018 (the "**2018 Act**") has been signed into law. The 2018 Act amends certain provisions of the Companies Act 2014 (the "**2014 Act**"). Key points to note are:

» it will now be permissible for a company to file its annual return and financial statements in one step within 56 days of the annual-return date;

» any company filing its annual return late will lose its entitlement to an audit exemption in the following two financial years and not the financial year to which the annual return relates; and

» the Irish Auditing and Accounting Supervisory Authority (the "**IAASA**") has been given extra supervisory powers in respect of statutory audits.

The objective of the 2018 Act is to further transpose the current EU statutory-audit regime into Irish law in order to provide a single legal framework for statutory audits in Ireland.

Filing of Annual Return & Financial Statements

The 2018 Act streamlines the process for filing annual returns and financial statements with the Companies Registration Office. The 2014 Act provided that, where a company makes its annual return by electronic means within 28 days after its annual-return date, it shall have a further 28 days from that date in which to file its financial statements. The 2018 Act now provides that an annual return and financial statements must be filed within 56 days of the annual-return date allowing the annual return and financial statements to be filed in a single step (but still avail of the maximum time allowed for filing).

Loss of Audit Exemption

The 2014 Act also provided that, in the event that a company files its annual return late, it lost any entitlement that it might otherwise have had to avail of an audit exemption in respect of that financial year (and the following year).

The 2018 Act amends this position so that a company which is late in filing its annual return will no longer lose its entitlement to avail of an audit exemption in respect of the financial year to which the annual return relates but will instead lose its entitlement to avail of an audit exemption in respect of the two financial years immediately following such financial year.

Auditing Standards

The new part 27 of the 2018 Act sets out in detail the rules governing how statutory audits must be carried out, the standards that auditors must meet and how the IAASA and other accountancy bodies supervise such statutory audits and auditors. A number of notable changes have been made to the previous legislation.

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Section 1469 of the 2018 Act states that any person other than a statutory auditor or audit firm, who acts, describes himself or holds himself out as such will be guilty of a category 2 offence. New section 1551 provides additional categories of public-interest entities that will be exempt from establishing an audit committee provided the functions of an audit committee are performed at group level. Such exemptions will only apply in limited circumstances.

Additional Supervisory Powers

The 2018 Act extends the supervisory powers of the IAASA to ensure effective monitoring and enforcement of statutory-audit provisions. This is achieved by introducing new sanctions which may be imposed by the IAASA on statutory auditors for breach of certain statutory-audit provisions. The IAASA will also be permitted to prescribe additional requirements to be included in the statutory auditor's report (if necessary) to give effect to legal requirements relating to the scope of statutory audits or to add to the credibility of the audit report. This would require such statutory auditors and audit firms to carefully monitor any additional requirements imposed by the IAASA.

General Commencement

The 2018 Act has generally commenced (subject to certain exceptions) and came into effect as of 21 September 2018. The provisions not yet in force relate to the filing of annual returns and filing periods of applications to extend the annual-return date.

Conclusion

The introduction of the 2018 Act is welcomed as it gives companies greater ability to file on time, avoid late-filing fees and retain any entitlement to the audit exemption that they may have. This is a positive change as it avoids the necessity to carry out an audit at a very late stage for the most recently-completed financial year in the event of the loss of an audit exemption.

Key Contacts

If you have any queries or would like to discuss any of the above in more detail please contact the persons below or your regular Walkers contact.

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