

Chartered Accountants Ireland or CCAB-I material

Technical Releases

TR 03/2015 - Companies Act 2014 Implications for statutory auditor's reports on statutory financial statements

Readers of this document should note that the Companies Act 2014 is a significant and new piece of legislation whose interpretation and meaning is as yet untested. This document cannot be relied upon to identify all changes from existing company law nor provisions which are new introduced by the Companies Act 2014. Chartered Accountants Ireland is continuing to consider the implications of various provisions of the Companies Act 2014 and may issue further commentary in due course.

June 2015

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1. INTRODUCTION

The Companies Act 2014 ('CA 2014') was signed into law on 23 December 2014. The vast majority of its provisions commence on 1 June 2015. With limited exceptions the accounting and auditing related provisions commence for financial statements approved on or after 1 June 2015.¹

CA 2014 makes a number of changes in the terminology used in, and focus of, a statutory auditor's report on companies' financial statements, whilst in broad terms retaining the requirements of previous Companies Acts as to the matters on which the statutory auditor is to report and the contents of the statutory audit report. This Technical Release summarises key aspects of the updated requirements and the implications of changes of which a statutory auditor need to be aware when reporting on a company's statutory financial statements after commencement of CA 2014.

It should be read in conjunction with the requirements of ISAs (UK and Ireland) 700 '*The independent auditor's report on financial statements*', 705 '*Modifications to the opinion in the independent auditor's report*' and 706 '*Emphasis of matter paragraphs and other matters in the independent auditor's report*'. FRC Bulletin 1(I) '*Compendium of Illustrative Auditor's Reports on Irish Financial Statements*', whilst now being out of date in terms of references to Companies Acts requirements, may still be of assistance to a statutory auditor in applying the above auditing standards.

The requirements of CA 2014 relating to a statutory auditor's report, set out in Part 6, apply to private limited companies as well as to other company types that may be established under the Act, consisting of:

- designated activity companies (DACs);
- public limited companies (PLCs);
- companies limited by guarantee (CLGs); and
- unlimited companies, if a private company ('ULC'); if a public unlimited company ('PUC'); if a public unlimited company with no share capital ('PULC').

The additional provisions that apply to these types of company do not affect (other than requiring a different form of designation of the company concerned) the form of statutory auditor's report save in relation to "traded companies"² (see below) and to the extent specified in other legislation applying to DACs, PLCs, CLGs and unlimited companies that are credit institutions or insurance undertakings³. Consequently, the example reports in this document may be used, in conjunction with the FRC Bulletin 1, to determine appropriate wording for a statutory auditor's report on financial statements of companies other than private limited companies.

References to 'section(s)' are references to the relevant sections of CA 2014 unless otherwise indicated.

2. REPORTING ON STATUTORY FINANCIAL STATEMENTS

2.1 Requirements

Section 391 requires the statutory auditor to make a report to members on all statutory financial statements of the company laid before the members of the company during his or her term of office.

The form of the report is set out in section 336, which brings forward the requirements previously in sections 193 and 46 of the Companies Act 1990 and section 15 of the Companies (Amendment) Act 1986, using wording of those previous Acts other than as noted in this Technical Release. Section 336 sets out that the statutory auditor's report will include:

- an introduction identifying the financial statements that have been audited and the financial reporting framework used in their preparation;
- a description of the scope of the audit and identifying the auditing standards applied;
- a clear statement of opinion as to whether the financial statements:
 - give a true and fair view of the company's (or group's) profit or loss for the financial year and of the assets, liabilities and financial position of the company (and if applicable group) as at the end of the financial year⁴; and
 - have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the Act's requirements (and if applicable Article 4 of the IAS Regulation);
- additional statements as to whether:
 - the statutory auditor has obtained all information and explanations necessary for the purposes of the audit;
 - in the statutory auditor's opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited (and information and returns adequate for their audit have received from branches not visited);
 - the company's balance sheet and (unless omitted as permitted under section 304) the profit and loss account are in agreement with the accounting records and returns;
 - in the statutory auditor's opinion, the information in the directors' report for the financial year is consistent with the statutory financial statements;
- where the disclosures of transactions with directors are not provided in the notes to the statutory financial statements in accordance with sections 305 to 312, a statement of the required particulars in so far as they are reasonably able to do so. These sections include provisions relating to both companies generally and credit institutions in particular, including the requirement for a register of such transactions to be maintained and made available for inspection by the members prior to the annual general meeting.

Section 336 also provides that the statutory auditor's overall opinion may be unqualified or qualified, including an adverse opinion or disclaimer of opinion, and the report may refer to any matters to which the statutory auditor wishes to draw attention. This provides for the various forms of report as set out in ISAs (UK and Ireland) 700 *'The independent auditor's report on financial statements'*, 705 *'Modifications to the opinion in the independent auditor's report'* and 706 *'Emphasis of matter paragraphs and other matters in the independent auditor's report'* to be given as appropriate.

In general terms, these requirements are equivalent to those in the Companies Acts 1963 to 2013. However:

- CA 2014 introduces varied wording for the statutory auditor's overall opinion on a company's statutory financial statements, as discussed in section 2.2 of this document;
- the statutory auditor is no longer required to give an opinion as to whether the company has complied with requirements in relation to accounting records;
- no opinion is required on the existence of a 'financial situation' necessitating an EGM.

CA 2014 also uses different terminology. 'Books of account' are now 'accounting records'; 'accounts' are 'financial statements', with 'statutory financial statements' being defined as those required by sections 290 (in the case of individual companies) and 293 (in the case of a holding company preparing group financial statements); and 'state of affairs' becomes 'assets, liabilities and financial position' (reflecting the wording of underlying EU Directives).

Illustrative examples of wording for reports on statutory financial statements of a private limited company are set out in [Appendix 1](#). These may be used in conjunction with FRC Bulletin 1(I) and appropriate changes of terminology, as the basis for drafting reports for other types of company that may be established under the Act.

The statutory auditor's rights, obligations and duties under CA 2014 are summarised in [Appendix 2](#).

2.2 Overall opinion on statutory financial statements

The overall opinion to be given by the statutory auditor is set out in section 336(3) as follows:

“The statutory auditor’s report shall state clearly the statutory auditor’s opinion as to—

(a) whether the statutory financial statements give a true and fair view—

(i) in the case of an entity balance sheet, of the assets, liabilities and financial position of the company as at the end of the financial year,

(ii) in the case of an entity profit and loss account, of the profit or loss of the company for the financial year,

(iii) in the case of group financial statements, of the assets, liabilities and financial position 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 the members of the company,

(b) whether the statutory financial statements have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of this Act (and, where applicable, Article 4 of the IAS Regulation).”

As noted earlier, the new wording substitutes ‘assets, liabilities and financial position’ for ‘state of affairs’. It also introduces two other changes of note.

1) A statutory auditor’s report under CA 2014 is required to give an opinion as to whether the financial statements give a ‘true and fair view’ without the accompanying phrase ‘in accordance with the relevant financial reporting framework’. This aligns the opinion required from the statutory auditor with delineation of the directors’ obligation in CA 2014 to approve statutory financial statements only if they give a true and fair view, as set out in sections 289 (which also requires the statutory auditor to have regard to the directors’ duty under that section) and 324.

The phrase ‘true and fair view in accordance with’ was used in the specification of the statutory auditor’s report set out in section 193 of the Companies Act 1990. However, recital 10 of EU Directive 2003/51/EC notes that the inclusion of this phrase does not restrict the scope of the statutory auditor’s opinion, stating:

‘The fundamental requirement that an audit opinion states whether the annual or consolidated accounts give a true and fair view in accordance with the relevant financial reporting framework does not represent a restriction of the scope of that opinion but clarifies the context in which it is expressed.’

To date, no legal precedent under Irish law has been established as to the interpretation of the terms ‘true and fair’ and ‘true and fair in accordance with’. However, extant standards currently in effect in Ireland and the UK require that:

‘When expressing an unqualified opinion on financial statements prepared in accordance with a true and fair framework the opinion paragraph shall clearly state that the financial statements give a true and fair view. It is not sufficient for the auditor to conclude that the financial statements give a true and fair view solely on the basis that the financial statements were prepared in accordance with accounting standards and any other applicable legal requirements.’

- paragraph 18, ISA 700 (UK and Ireland) ‘The independent auditor’s report on financial statements’

ISA 700 (UK and Ireland) goes on to note that section 193’s wording ‘true and fair view, in accordance with the relevant financial reporting framework’ meets the requirement of this paragraph, citing the recital to EU Directive 2003/5 quoted above.

The Financial Reporting Council paper ‘True and fair’ (June 2014)⁵ summarises its conclusions on interpretation of the term, based on a number of legal Opinions taking into account UK law and its implementation of the requirements of EU Directives. A key element of those opinions is that the whole essence of [accounting] standards is

to provide for recognition, measurement, presentation and disclosure for specific aspects of financial reporting in a way that reflects economic reality and hence provides a true and fair view. Only in extremely rare circumstances would a departure from them be necessary to give a true and fair view – and disagreement with a particular standard does not, of itself, warrant departure from it.

2) The opinion required by subsection (3)(b) of section 336 requires the statutory auditor to consider proper preparation of the financial statements in accordance with ‘the relevant financial reporting framework and, in particular, the requirements of this Act’. Section 274 defines ‘financial reporting framework’ as follows;

‘“financial reporting framework” means the collective provisions and requirements (and, in particular, the applicable accounting standards) applied in the preparation of the financial statements.’

Hence the statutory auditor is required to consider two elements: both proper preparation in accordance with applicable accounting standards and whether the Act’s requirements relating to the form and content of financial statements and disclosures have been met. In considering how best to achieve the overall requirement of section 336 for a clear expression of opinion, a statutory auditor may determine it is appropriate either to combine the two points, reflecting the construction of subsection (3)(b), or to report on each element separately.

In addition, CA 2014 provides that the Minister may prescribe the body responsible for issuing accounting standards to be used in preparation of statutory financial statements, other than in cases in which the company is required, or chooses, to apply IFRS or is eligible and chooses to apply US GAAP or other alternative basis of accounting, as permitted under certain limited circumstances (see sections 279 and, in relation to investment funds, section 1400).

At the date of publication of this document, the Minister has not made regulations in this regard. Chartered Accountants Ireland is expecting a statutory instrument prescribing the Financial Reporting Council (FRC), for the purposes of section 275(1), to be published by the Department of Jobs, Enterprise and Innovation (‘DJEI’) soon. However, in the current absence of such regulations it is unclear how section 275(1) and section 291(7) (requiring companies to whether financial statements have been prepared in accordance with applicable accounting standards and to identify these) can operate, as from 1 June 2015 all provisions of previous Companies Act, unless specifically stated otherwise, will no longer apply. A pragmatic approach in the interim is that Companies Act financial statements will continue to state that they have been prepared in accordance with accounting standards issued by the Financial reporting Council and promulgated in Ireland by the Institute of Chartered Accountants in Ireland.

The illustrative report set out in [Appendix 1](#) relating to Companies Act financial statements continues to incorporate the citation ‘Irish Generally Accepted Accounting Practice’ for statutory audit reports where FRS 101 ‘Reduced Disclosure Framework’ or FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’, has not been applied. If FRS 101 ‘Reduced Disclosure Framework’ or FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ has been applied in the preparation of the financial statements, direct reference is made to either FRS 101 or FRS 102, as appropriate.

2.3 Consequences of a modified opinion

2.3.1 Duty to report to the Director of Corporate Enforcement

When forming the overall opinion as to whether the financial statements give a true and fair view and otherwise comply with the Act’s requirements, the statutory auditor will also need to have regard to the Act’s specification of the duty to report to the Director of Corporate Enforcement (‘DOCE’).

CA 2014 does not amend the general nature of the statutory auditor’s duty to report to the DOCE but introduces a new categorisation of offences, ranging from category 1 to 4, in place of the previous Acts categories of ‘summary’ and ‘indictable’. It then links the statutory auditor’s duty to report to offences falling into Categories 1 and 2. Under sections 291, 292, 294 and 295, if a company’s financial statements fail to give a true and fair view or otherwise comply with the CA 2014’s requirements, the company and any relevant officer who is in default has committed a category 2 offence. Additionally, section 324 introduces a new category 2 offence applying

personally to all directors who were “party to the approval” of the financial statements and knew they did not give a true and fair view and/or otherwise comply with CA 2014, unless they took all reasonable steps to prevent approval of the financial statements.

Given the requirements of auditing standards for a statutory auditor to communicate audit findings to the board (and where one exists, the audit committee) it will generally be the case that all directors are aware of any factors leading the statutory auditor to conclude that the financial statements as presented do not give a true and fair view, or that other non-compliance with CA 2014 requires the issue of modified opinion. When issuing a modified opinion, a statutory auditor will therefore need to give careful consideration to whether a reportable offence under the sections noted above exists.

Further commentary on the revisions to the duty to report to the Director of Corporate Enforcement is set out in Technical Release 04/2015.

2.3.2 Distributions

Should a company’s directors propose to make a distribution on the basis of financial statements on which the statutory auditor has issued a modified opinion, a further report by the statutory auditor is required, as under previous legislation. Section 121(3)(c) requires a supplementary statement by the statutory auditor indicating whether the matter giving rise to the qualification is material for the purposes of determining whether the distribution may be made.

2.4 Other opinions required by CA 2014

2.4.1 Accounting records

CA 2014 changes the terminology used and no longer requires the statutory auditor to report on whether the company has complied with its requirements in respect of accounting records (formerly ‘books of account’).

Companies Act 1990	Companies Act 2014
<i>Proper books of account</i>	<i>Accounting Records</i>
Section 193(4B)(b) requires that the statutory auditor’s report shall also state -	Section 336(4) requires that the statutory auditor’s report shall also state -
“whether, in their opinion, proper books of account have been kept by the company”	“whether, in their opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited”.

Arising from the change in wording, outlined in the above table, when a statutory auditor issues a modified audit opinion (whether by issue of except for, limitation of scope, adverse or disclaimer of opinion) the impact of such a modified audit opinion on the opinion in respect of accounting records, in the statutory audit report will need to be considered.

Sections 281 to 285 outline what accounting records kept “shall contain” and other related requirements. With the exception of new requirements relating to location of computer servers and arrangements to guard against falsification of the records, the requirements of CA 2014 are largely unchanged from the Companies Act 1990 in this regard. However, the statutory auditor’s opinion relating to accounting records is now more narrowly focussed than under previous Companies Acts – being solely to indicate whether those records were sufficient for audit purposes. Consequently, there is no obligation to take steps to assess separately whether the records are in compliance with all requirements of sections 281 to 285.

Nonetheless, should the statutory auditor become aware in the course of the audit that a company does not comply with the requirements of sections 281 to 285, there continues to be a duty (now under section 392) to inform the directors in writing, file a report with the Companies Registration Office and report to the Director of Corporate Enforcement.

2.4.2 Financial situation requiring an EGM

CA 2014 no longer requires a statutory auditor to provide the opinion as to whether a ‘financial situation’ requiring an EGM arises. Directors of a public limited company continue to be required, however, to convene an EGM should the net of assets of the company be half or less of its called-up share capital (section 1111).

2.4.3 Consistency of Directors' Report

Section 336(5) requires, as under previous Companies Acts, that the statutory auditor's report "shall state whether, in their opinion, the information given in the directors' report for the financial year is consistent with the statutory financial statements".

Statutory auditors are reminded that, in addition, they continue to have responsibilities under ISA (UK and Ireland) 720 Section A "*The Auditor's responsibility relating to other information in documents containing audited financial statements*", in relation to information that is materially incorrect based on, or materially inconsistent with, their knowledge acquired in the course of the audit and Section B "*The auditor's statutory reporting responsibility in relation to directors' reports*", to seek to resolve any inconsistencies identified and, where unresolved, describe the inconsistency in the statutory auditor's report.

2.4.4 Corporate governance

In the case of 'traded companies' – defined as any public limited company, designated activity company, company limited by guarantee or a public unlimited companies with shares or debentures that is admitted to trading on a regulated market in the EEA (section 1372) – the statutory auditor continues to have (under section 1373) an obligation to consider and report on the statement relating to corporate governance arrangements and other information required by EU Directive 2006/46/EC. This Directive was originally transposed into Irish law by The European Communities (Directive 2006/46/EC) Regulations, 2009 ('SI 450 of 2009'). This transposition was subsequently amended by The European Communities (Directive 2006/46/EC)(Amendment) Regulations, 2010 ('SI 83 of 2010') in order to address problems identified with the nature of the opinion to be provided by the statutory auditor on the 'corporate governance statement'. However, the amended provisions of SI 83 have not been incorporated into CA 2014. It is understood that this omission will be addressed in the near future by DJEL. Until this is done, Chartered Accountants Ireland considers it unwise for a statutory auditor to report in accordance with the existing provisions of section 1373(7).

2.4.5 Revision of financial statements

CA 2014 introduces, in section 366, provisions allowing voluntary revision of financial statements or directors' reports if they are determined, subsequent to their approval and issue, not to comply with the Act's requirements. Section 370 deals with the statutory auditor's report on revised financial statements and directors' report. Where the directors revise only the directors' report under section 366, section 372 requires that the statutory auditor's report on the revised director's report express an opinion as to whether the revised directors' report is consistent with the original financial statements for that financial year.

3. REPORTING ON ABRIDGED AND SUMMARY FINANCIAL STATEMENTS

3.1 Abridged financial statements

The main changes introduced by the CA 2014 are as follows:

- Section 350 outlines the qualification of a company as small or medium company. The circumstances in which a company qualifies as small or medium remain largely unchanged with the exception that CA 2014 increases the thresholds at which companies are deemed to be medium-sized and become eligible to choose to file abridged financial statements. The criteria are outlined below:
 - The amount of turnover does not exceed €20m;
 - The balance sheet total (aggregate assets in the balance sheet) does not exceed €10m;
 - The average number employees of the company does not exceed 250.

In accordance with section 1378, a 'traded company' as defined in section 1372, which is either a designated activity company or a company limited by guarantee, cannot file abridged financial statements.

- While formerly two reports were required under sections 18(3) and 18(4) of the Companies (Amendment) Act 1986 the requirements have now been changed. One special report from the statutory auditor is required to accompany the abridged financial statements annexed to the annual return under section 356. An example report required under section 356 has been provided in [Appendix 3](#).

- In accordance with section 356(3) the requirements relating to the signing of the special report under Section 356 referred to above have been brought into line with the requirements for signing a statutory audit report required by section 391. These requirements are contained in section 337(2). Please refer to the example report in [Appendix 3](#).
- If a company fails to comply with section 356(1), requiring the special report of the statutory auditor to be annexed to the annual return and delivered to the CRO, or section 356(4), requiring the inclusion of the name of the statutory auditor providing the report and, if different, the names of the statutory auditor providing the report required under section 391 in any copy of the special report that is published or circulated or issued the company and any officer of it who is in default shall be guilty of a category 2 offence. Section 356(6) includes shadow directors and de facto directors in the definition of 'officer'.

An example statutory auditor's statement in relation to abridged financial statements of a small company is set out in [Appendix 3](#).

3.2 Summary financial statements

Section 1119 introduces an option for public limited companies (PLCs) to distribute a summary financial statement to members in lieu of the full statutory financial statements. If this option is taken, the summary financial statement must be accompanied by a statement from the statutory auditor giving an opinion as to consistency with the statutory financial statements of the PLC and the directors' report and its conformity with the requirements of the section.

4. TRANSITIONAL CONSIDERATIONS

4.1 Commencement

The Companies Act 2014 (Commencement) Order 2015 (S.I. No. 169 of 2015) was signed by the Minister on 1 May 2015. The Order states that CA 2014 comes into immediate effect on 1 June 2015, with the exception of a limited number of provisions involving entirely new (rather than pre-existing) requirements, set out below, whose implementation is deferred until accounting periods beginning on or after the date of commencement.

This means that all statutory financial statements approved, and statutory auditor's reports signed, on or after 1 June 2015 must comply with CA 2014's provisions and refer to the Companies Act 2014 regardless of the period to which the statements and report relate.

Similarly, the new thresholds for filing abridged rather than full financial statements, and for exemptions from audit, will be available with immediate effect, regardless of the financial period concerned.

4.2 Provisions with deferred implementation

The following provisions (and only those provisions) will be applied to financial years beginning on or after 1 June 2015, rather than taking immediate effect:

- Section 167: audit committees
- Section 225: directors' compliance statements
- Section 305(1)(b): disclosure of directors' share options
- Section 306(1): disclosure of payments to connected persons
- Section 326(1)(a): disclosure of directors' names
- Section 330: statement in directors' report regarding provision of 'relevant audit information'.

With the exception of sections 305 and 306, none of these provisions relates to matters which the statutory auditor is required to address in the report under section 336 to the members of a company.

However, sections dealing with audit committees, compliance statements and provision of 'relevant audit information' all require that specified disclosures are included in the director's report. Consequently information on these three points will fall within the scope of the statutory auditor's duty, under ISA (UK and Ireland) 720 '*The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*' to consider (and if necessary report on) the consistency of information in relation to both the financial statements and the statutory auditor's knowledge, based on information obtained in the course of the statutory audit.

APPENDIX 1 – ILLUSTRATIVE EXAMPLES OF A STATUTORY AUDITOR’S REPORTS

A. Non-publicly traded company incorporated in Ireland preparing financial statements under Irish GAAP (Based on Example 2 of FRC Bulletin 1(I))

- *Company is not a listed company.*
- *Company either does not qualify as a small company or qualifies as a small company but chooses not to prepare financial statements in accordance with the FRSSSE.*
- *Company does not prepare group financial statements.*

INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF XYZ LIMITED

We have audited the financial statements of (name of company) for the year ended ... which comprise [specify the titles of the primary statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders’ Funds] and the related notes⁶. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and [EITHER, for accounting periods beginning before 1 January 2015 and FRS 101 or 102 has not been early adopted: accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland)] [OR, for accounting periods beginning on or after 1 January 2015 or for which FRS 101 or 102 has been early adopted: [FRS 101 Reduced Disclosure Framework] [FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council].

This report is made solely to the company’s members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.⁷

Respective responsibilities of directors and auditors

As explained more fully in the Directors’ Responsibilities Statement set out on page, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s [APB’s] Ethical Standards for Auditors⁸.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors’ Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at and of its profit [loss] for the year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework⁹ and, in particular, the requirements of the Companies Act 2014.

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited¹⁰.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of our obligation under the Companies Act 2014 to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of the Act are not made.

[Signature]

Sean MacGabhan

for and on behalf of ABC &Co.

Chartered Accountants and Statutory Audit Firm

[Location]

[Date]

B.Non-publicly traded group – Parent company incorporated in Ireland prepares financial statements under IFRSs as adopted by the European Union (Based on Example 13 of FRC Bulletin 1(I))

- Company is not a company listed on the Main Securities Market of the Irish Stock Exchange.
- Company prepares group financial statements under IFRSs as adopted by the European Union and Section 304(2) CA 2014 exemption taken in respect of the parent company's own statement of comprehensive income.
- This example report may also be used for the report on the group financial statements prepared under IFRSs as adopted by the EU of a parent company incorporated in Ireland and listed either on (a) the Enterprise Securities Market ("ESM") of the Irish Stock Exchange and is subject to the obligations in respect of Annual Financial Statements as set out in Part 1 of the Listing Rules of the ESM; or (b) "AIM", the London Stock Exchange's market for smaller and growing companies and is subject to the obligations in respect of Annual Financial Statements as set out Rule 19 of the AIM Rules.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XYZ LIMITED

We have audited the financial statements of (name of company) for the year ended ... which comprise [specify the titles of the primary statements such as the Group and Parent Company Statements of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity¹¹] and the related notes¹². The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

This report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed. ¹³

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement [set out [on page]] the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 and International Standards on Auditing (UK and Ireland). Those

standards require us to comply with the Auditing Practices Board's [APB's] Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the [describe the annual report] to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the group and parent company financial statements give a true and fair view of the assets, liabilities and financial position of the group and parent company as at and of the [profit/loss] of the group for the year then ended; and
- the group and parent company financial statements have been properly prepared in accordance with the relevant financial reporting framework and, in particular, the Companies Act 2014¹⁴

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the parent company financial statements to be readily and properly audited.¹⁵
- The parent company statement of financial position is in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions of sections 305 to 312 of the Companies Act 2014 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

[Signature]

Sean MacGabhan

for and on behalf of ABC &Co.

Chartered Accountants and Statutory Audit Firm

[Location]

[Date]

APPENDIX 2 – RIGHTS, OBLIGATIONS AND DUTIES OF A STATUTORY AUDITOR

S.386: Right of access to accounting records

A statutory auditor shall have a right of access at all reasonable times to the accounting records of the company.

S.387: Right to information and explanations concerning the company

A statutory auditor is entitled to information and explanations from the company officers (including any employee, shadow director or de facto director of the company) as appear to the statutory auditor to:

- i.be necessary for the performance of the statutory auditor's duties, and
- ii.be in the officers knowledge or can be procured by them.

An officer shall be guilty of a category 2 offence if he\she fails to comply with providing the information or explanations within 2 days of the request from the statutory auditor.

Where the officer fails to provide the information\explanations requested within the 2 days but can prove that it was not reasonably possible to do so and the officer complied with the request as soon as was reasonably possible after the expiration of the 2 days, this shall be considered a defence in any proceedings against the officer.

S.388: Right to information and explanation concerning subsidiary undertakings

Where a holding company has a subsidiary undertaking (includes a company\body established in the state\partnership or unincorporated body of persons having its principal place of business in the State) there is a duty of the subsidiary undertaking and its statutory auditor to provide the statutory auditor of the holding company with such information and explanations as the holding company's statutory auditor reasonably requires for the purposes of their duty as statutory auditor to the holding company. In all other cases, if information or explanations are required by the statutory auditor of the holding company relating to the subsidiary, it is the duty of the holding company to take reasonable steps open to them to obtain information and explanations from the subsidiary.

Where an undertaking, body or other person fails to comply with the above requirement made of him\her within 5 days of the request, the undertaking, body or other person and any officer (including any employee, shadow director or de facto director of the company) of the undertaking who is in default shall be guilty of a category 2 offence.

Where the person fails to provide the information\explanations requested within the 5 days but can prove that it was not reasonably possible to do so and the officer complied with the request as soon as was reasonably possible after the expiration of the 5 days, this shall be considered a defence in any proceedings against the person.

S.389: Offence to make false statements to a statutory auditor

A statement made (orally or in writing) to the statutory auditor, to which the statutory auditor is entitled under the provisions of CA 2014, by an officer (including any employee, shadow director or de facto director of the company), shall find the officer guilty of a category 2 offence, if he\she knowingly makes a statement that is false or misleading in a material particular (or where they are reckless as to whether the statement is false or misleading in a material particular).

S.390: Obligation to act with professional integrity

The statutory auditor of a company shall be under a general duty to carry out the audit services with professional integrity.

S.391: Statutory auditor's report on statutory financial statements

The statutory auditor of a company shall make a report as set out in section 336 to the members on all statutory financial statements laid before the members during their tenure of office.

S.392: Report to Registrar and Director: accounting records

If at any time a statutory auditor of a company forms the opinion that the company has contravened\is contravening any of sections 281 and 285 regarding obligations and requirements for maintenance, access and retention of accounting records, the statutory auditor should:

- Serve a notice in writing to the company by recorded delivery, stating the opinion; and
- Not later than 7 days after the notice to the company, notify the Registrar, who shall forward a copy of the notice to the ODCE.

If subsequent to the statutory auditor forming the above opinion regarding such contravention, the directors took the necessary steps to ensure the provisions were complied with, the statutory auditor is not required to notify the Registrar.

The above notifications do not apply where the statutory auditor forms the opinion that the contraventions are minor or otherwise immaterial in nature.

If the statutory auditor does make a notification to the Registrar and following that notification, the DOCE requests the statutory auditor to furnish them with information or documents in their possession or control and relating to the subject of the notification, or an explanation as to reasons for their opinion that the company had contravened sections 281 to 285, the statutory auditor should give the DOCE such access to documents including facilities for copying and inspecting the documents.

Any written information given in response to a request from the DOCE shall in all legal proceedings (other than proceedings for an offence) be admissible without further proof, until the contrary is shown, as evidence of the facts stated in it.

No legal or professional duty of the statutory auditor shall be contravened and no professional liability shall attach to the statutory auditor by reason of compliance with an obligation under this section.

This section does not preclude a person from refusing to disclose information on the grounds of legal professional privilege.

A failure by a statutory auditor to make a notification under section 392 is a category 3 offence.

S.393: Report to Registrar and Director: category 1 and 2 offences

If during the course of carrying out the statutory audit of the financial statements of a company, the statutory auditor comes into possession of information that leads them to form the opinion that there are reasonable grounds for believing company or an officer or agent of the company has committed a category 1 or 2 offence, the statutory auditor should notify the DOCE of that opinion and include the particulars of the grounds on which they formed that opinion.

Following such a notification if requested by the DOCE, the statutory auditor should:

- Furnish the DOCE with such further information as required,
- Give the DOCE access to books and documents in their possession or control relating to the matter as required,
- Give the DOCE access to facilities for taking copies or extracts from the books and documents as required.

Any written information given in response to a request from the DOCE shall in all legal proceedings (other than proceedings for an offence) be admissible without further proof, until the contrary is shown, as evidence of the facts stated in it.

No legal or professional duty of the statutory auditor shall be contravened and no professional liability shall attach to the statutory auditor by reason of compliance with an obligation under this section.

This section does not preclude a person from refusing to disclose information on the grounds of legal professional privilege.

A failure by a statutory auditor to make a notification under section 393 is a category 3 offence.

APPENDIX 3 – REPORTING ON ABRIDGED FINANCIAL STATEMENTS

Report on abridged financial statements annexed to the annual return

INDEPENDENT AUDITORS' SPECIAL REPORT TO THE DIRECTORS OF XYZ LIMITED PURSUANT TO SECTION 356 OF THE COMPANIES ACT 2014

We have examined:

- i.the abridged financial statements for the year ended [date] on pages... to ... which the directors of XYZ Limited propose to annex to the annual return of the company; and
- ii.the financial statements [to be laid before the Annual General Meeting]⁴⁶, which form the basis for those abridged financial statements.

Respective responsibilities of directors and auditors

It is your responsibility to prepare abridged financial statements which comply with the Companies Act 2014. It is our responsibility to form an independent opinion that the directors are entitled under section 352 of the Companies Act 2014 to annex abridged financial statements to the annual return of the company and that those abridged financial statements have been properly prepared pursuant to section [353/354]⁴⁷ of that Act and to report our opinion to you.

This report is made solely to the company's directors as a body, in accordance with section 356 of the Companies Act 2014. Our work has been undertaken so that we might state to the company's directors those matters we are required to state to them under section 356 of the Companies Act, 2014 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our work, for this report, or for the opinion we have formed.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to annex abridged financial statements to the annual return of the company and that the abridged financial statements are properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the directors are entitled under section 352 of the Companies Act 2014 to annex to the annual return of the company, abridged financial statements and those abridged financial statements have been properly prepared pursuant to the provisions of...

Option 1

...sections 353 and 354 of that Act (exemptions available to small and medium-sized companies).

Option 2b

either

...section 353 of that Act (exemptions available for small companies)

or

...section 354 of that Act (exemptions available for medium companies)

Other Information

[The abridged financial statements have been prepared from the financial statements [to be laid before the Annual General Meeting], in respect of which our audit report, as detailed below, was modified.]¹⁸

On [date] we reported, as auditors of XYZ Limited¹⁹, to the members on the company's financial statements for the year ended [date] [to be laid before its Annual General Meeting] and our report was as follows:

[Insert wording of auditors' report on financial statements of the company required under section 391 of the Companies Act 2014]

[Signature]

Sean MacGabhan

for and on behalf of ABC & Co.

Chartered Accountants and Statutory Audit Firm

[Location]

[Date]

¹ The Companies Act 2014 (Commencement) Order 2015 (SI No. 169 of 2015)

² As defined in section 1372

³ A statutory auditor dealing with such companies are advised to consult with CAI technical support on the requirements for a statutory auditor's report.

⁴ 'Financial year' is now defined as, for the first financial year, up to 18 months and thereafter 12 months, plus or minus 7 days (section 288)

⁵ <https://www.frc.org.uk/FRC-Documents/Accounting-and-Reporting/True-and-Fair-June-2014.pdf>

⁶ A statutory auditor's report of an entity that does not publish its financial statements on a web site or publish them using 'PDF' format may continue to refer to the financial statements by reference to page numbers. A statutory auditor's report specifies the titles of the primary statements of the relevant financial reporting framework.

⁷ This paragraph is not included in the FRC Bulletin examples: however, inclusion of such a paragraph has become established practice and its inclusion is advised by Chartered Accountants Ireland.

⁸ If the company is a small entity as defined in paragraph 4(ii) of the Ethical Standard – Provisions Available for Small Entities (ES PASE), add 'including "APB Ethical Standard – Provisions Available for Small Entities (Revised)"', in the circumstances set out in note x to the

financial statements if the statutory auditor has availed of the exemption set out in paragraph 24 of ES PASE. The Appendix to ES PASE provides illustrative disclosures of relevant circumstances where the statutory auditor has taken advantage of such an exemption.

[9](#) As the financial reporting framework includes both applicable accounting standards and requirements of the CA 2014, a statutory auditor may also identify both elements in their reports.

[10 Accounting records](#)

Where returns from branches are material in the context of the statutory auditor forming the opinion as to whether the financial statements give a true and fair view the following wording should be used:

"In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited and information and returns adequate for our audit have been received from branches of the company not visited by us."

[11](#) The names used for the primary statements in the statutory auditor's report should reflect the precise titles used by the company for them.

[12](#) A statutory auditor's report of an entity that does not publish their financial statements on a web site or publish them using 'PDF' format may continue to refer to the financial statements by reference to page numbers.

[13](#) This paragraph is not included in the FRC Bulletin examples: however, inclusion of such a paragraph has become established practice and its inclusion is advised by Chartered Accountants Ireland.

[14](#) As the financial reporting framework includes both IFRS as adopted by the EU and requirements of CA 2014, a statutory auditor may also identify both elements in the report.

[15 Accounting records](#)

Where returns from branches are material in the context of the statutory auditor forming the opinion as to whether the financial statements give a true and fair view the following wording should be used:

"In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited and information and returns adequate for our audit have been received from branches of the company not visited by us.t"

[16](#) 3 Not to be included in the case of single member company in respect of which no AGM is required.

[17](#) For a small company the correct section reference is 353. For a medium sized company the correct section reference is 354.

[18](#) For inclusion as necessary

[19](#) Where the financial statements to be laid before the AGM have been reported on by the previous statutory auditor of the company, this paragraph would be reworded as follows: "On [date] ABC and Co. reported, as auditors of XYZ Limited, to the members on the company's financial statements ..."