

Minutes

David – Company Accounts

Slide

- Can you explain what an auditor does?
- Why is it important to have the accounts audited?
- When I receive my set of audited accounts what requires particular attention?
- What are 'qualified' accounts?
- There have been no accounts filed with the CRO for over two years – is a company not legally obliged to file accounts every year?

Can you explain what an auditor does?

An auditor is an independent evaluator of company accounts. He ensures the directors of the management company have prepared the accounts properly in accordance with the Companies Act. He also has to comment whether the directors have maintained proper books of account. He will prepare a short, one or two page report to confirm this. Over the last few years efforts have been made by the accountancy bodies to write these reports in plain English.

Why is it important to have the accounts audited?

Most management companies are required to have an independent audit by law. The Directors of management companies are responsible for preparing accounts and ensuring that all is in order and that sufficient information has been submitted. They must keep good records and an independent auditor is needed to verify that this is the case.

When I receive my set of audited accounts what requires particular attention?

A high debtors figure may indicate that management fees are not being collected. This can impact on the cash available to the company and its ability to pay for on-going services.

The bank account details are also important – the company should not be overdrawn.

High creditors figures signify that suppliers are not being paid which in turn could indicate there may be cash flow problems or that the level of management fees is too low.

Also check out current assets and current liabilities – if the latter is more than the former it could lead to insolvency.

There should also be a sinking fund.

What are 'qualified' accounts?

Qualified accounts is a term used when the auditor is prevented from forming an opinion on the accounts and the matter is or may be material to the financial statements.

It occurs generally where there is a limitation placed on the scope of the auditors' work or where there is a disagreement with the management regarding the accounts or disclosure of matters in the accounts.

The reason for qualification would normally be explained in the audit report or by way of a note to the accounts.

There have been no accounts filed with the CRO for over two years – is a company not legally obliged to file accounts every year?

Every company is required by law to file an annual return on its annual return date (ADR). This can be found at the website www.cro.ie - here you can check the status of a company and the date for filing. As a member or shareholder in your Management Company you are legally entitled to a copy of the company accounts.

Questions from the Floor

Q: We have received notice of our AGM but didn't get a full set of accounts. The auditors report was not included in the accounts. We have now learned that the auditor has resigned. What should we do?

A: *If accounts aren't sent out with the notice of the AGM you should complain to the Directors and if necessary report them to the CRO.* If an auditor resigns he is required to file a notice in the Companies Office that he has resigned and if there are any matters that he wishes to bring to the notice of members or creditors. The directors are required to appoint an auditor and should circulate audited accounts including the auditors report.

Q: How detailed are company accounts generally and how detailed should they be?

A: *If the company is limited by guarantee, as most management companies are, they must present to the members a full copy of the accounts. These accounts must contain sufficient details so that the readers of the accounts can understand them. The Companies Acts dictates the statutory disclosure requirements in company accounts.*