Tighter requirements for external accountants from 1 July (1/12/17)

In an attempt to optimise costs, CEOs in small and medium firms tend to put their accounting function out to an external service provider under a written contract defining their rights, obligations, and liability. This article explores some recent amendments to the Accounting Act and some new proposals dealing with bookkeeping procedures.

An external accountant's liability

The current law holds the CEO responsible for keeping the company's books. The CEO can agree with an external accountant on the required scope of services and define their level of liability in a contract. External accountants have so far had the option of insuring their civil liability on a voluntary basis, meaning an increase in their service fees.

The Accounting Act as amended from 1 July 2017 lays down the liability of external accountants and requires that they insure their civil liability for any loss resulting from their professional acts or omissions for a minimum of €3,000. The amendments are likely to have the effect of reducing the number of available external accountants due to extra cost as well as improving the quality of their services.

The Financial Statements and Consolidated Financial Statements Act requires that a company's financial statements be signed by its internal or external accountant or a responsible person appointed internally.

When it comes to filing financial statements through the Electronic Declaration System, there is a special field for giving the first name, surname and full title of the responsible person, the entity's name and the person's title, designed to help tax inspectors analyse details of accounting service providers:



Proposed amendments

A new set of proposals for amending the Accounting Act have been drafted to lay down administrative liability in the field of accounting. The proposals replace the current title of Chapter IV, "Apportionment of competence in accounting" with "Administrative liability in accounting and competence in imposing penalties" as well as laying down liability for the following offences:

- Non-compliance with procedures for recording cash transactions;
- Non-compliance with bookkeeping rules;
- Non-submission or incomplete filing of financial statements;
- Non-compliance with procedures for preparing, registering and using supporting documents;
- Non-compliance with procedures for preparing, registering and using delivery or carriage documents.

The State Revenue Service can issue a warning or levy a fine of 70–400 units depending on the type of offence.

This means that the statutory requirements for bookkeeping and accounting are tightening up, and the

company can agree with the external accountant on their terms of business in order to avoid risks and define their respective obligations.