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## NEW DIRECTORS' COMPLIANCE STATEMENT

### In summary:

- Companies Act 2014 requirement for Plc's and mid-size companies to prepare a Compliance Statement.
- Content of Compliance Statement includes acknowledgment of responsibilities and certain assurance actions.
- Director actions include Compliance Policy, Processes and Annual Review.



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## Introduction

Under Companies act 2014, directors are required to include a Directors' Compliance Statement (the Statement) in the annual directors' report.

Directors will be required to formally acknowledge their responsibilities for ensuring that companies comply with certain tax and company law obligations. This is intended to lead to greater engagement by directors with existing compliance processes.

This new requirement applies to all Irish plcs (except Part 24 Investment Companies) and other limited liability companies with a balance sheet total exceeding €12.5 million and an annual turnover exceeding €25 million.

It also applies for accounting periods commencing on or after 1 June 2015. For companies with 31 December year end this new requirement will apply to them for the first time in respect of the year ending 31 December 2016.

## The Content

The statement itself is a paragraph to be included in the directors' report in which the directors:

- Acknowledge their responsibility for securing the company's compliance with certain "relevant obligations"; and
- Confirm that certain assurance measures ("actions") have been carried out or, if they have not, explain why not.

## Relevant Obligations

Relevant obligations include all obligations under Irish tax law (all tax heads) and certain obligations under Companies Act 2014, a breach of which could give rise to serious criminal sanctions.

COMPANIES  
ACT 2014

DIRECTORS'  
REPORT



## Directors' Actions

In relation to the Irish tax and company law obligations that are within scope, the directors must confirm that:

- The company has a compliance policy statement;
- Arrangements and structures ("processes") have been put in place to secure material compliance; and
- An annual review of the compliance processes has been carried out during the year.

## Material Compliance

Arrangements and structures will be regarded as being designed to secure material compliance if they provide "reasonable assurance of compliance in all material respects". There is no further definition or elaboration of this term in Companies Act 2014.

## Suggested Approach

Companies should begin by identifying those Irish tax law and company law obligations that are in scope. They should then review their existing compliance processes and procedures in this regard.

These may currently be undocumented, and the legislation itself does not impose a requirement that the arrangements and structures be documented.

However, if they are undocumented the company should consider whether documentation should be put in place. This would facilitate the annual review process and may also help to identify improvements and efficiencies that were not previously apparent.

Where satisfactory documented arrangements and structures are already in place, it may be worthwhile to conduct a review to test for and identify any control weaknesses. The annual review process will also need to be planned and resourced.

The design and content of board reports should also be considered, in terms of how to summarize the arrangements and the output of the annual review. Best practice would involve periodic reports to the board on the design and effectiveness of the compliance processes. Consideration by the board of these reports and any follow-up requests for further information or actions should be documented.

DIRECTORS'  
ACTIONS

SUGGESTED  
APPROACH



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## Contact

If you have any queries in relation to what this change means for your pension scheme please don't hesitate to contact us.



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