Keeping adequate accounting records

A quick guide

Oifig an Stiúrthóra um
Fhorfheidhmiú Corparáideach
Office of the Director
of Corporate Enforcement

Plain English

Approved by NALA

Contents

About this guide

We have produced this quick guide to explain why companies must – by law – keep adequate accounting records.

This guide gives only a summary of the rules for keeping adequate accounting records. If you have a concern about the accounts of a particular company, you should get independent legal advice.

What are accounting records?

Accounting records are a record of a company's income and spending. They contain the information for preparing the company's annual financial statements. These records may be kept in paper or electronic form.

What are adequate accounting records?

Adequate accounting records are accurate and up-to-date records of all dealings by the company. They allow the company's financial position to be measured with reasonable accuracy at any time. They explain:

- all the money that the company receives and spends;
- all assets and debts of the company;
- all purchases and sales;
- records of stock that the company holds; and
- records of services that the company provides.

The entries should be up to date and consistent from one year to the next so that financial statements covering different periods can be compared. The accounting records should contain enough information to allow the company to prepare a complete set of financial statements as required by law. They must also be presented in such a way that auditors can carry out a proper audit. An audit is a review of a company's financial statements by an independent expert called an auditor.

What should adequate accounting records contain?

The accounting records should give details of:

- how much money the company receives and spends each day (its income and expenditure);
- where the money comes from and what the company spends it on;
- what the company owns and owes (its assets and liabilities);
- the company's involvement, if any, in buying or selling goods, along with a record of the itemised invoices (details and costs of each item); and
- the company's involvement, if any, in buying or selling services along with a record of the itemised invoices.

Who must keep adequate accounting records?

Every company on the Register of Companies in Ireland must keep adequate accounting records and hold these records for at least six years after the last date of the accounts. For example, accounts for 2015 must be kept until at least the end of 2021.

Where are the accounting records kept?

The accounting records should be kept at:

- the company's registered office; **or**
- an address the company directors decide.

The company must allow the directors to inspect the records at all reasonable times. If the company keeps its records at an address outside Ireland, it must send details of the records back to Ireland at least every six months. This is to enable the directors to assess the financial position of the company with reasonable accuracy.

What if a company fails to keep adequate accounting records?

If the company has an audit carried out, the auditor may notice that important information is missing or not properly recorded. If so, the auditor must report it to the Office of the Director of Corporate Enforcement (ODCE) and, in some cases, to the Registrar of Companies. If anyone else sees that the company is not keeping adequate accounting records, they can also make a report to the ODCE.

Is it an offence not to keep adequate accounting records?

It is a criminal offence for a company to fail to keep adequate accounting records. It is also a criminal offence if a company director fails to take all reasonable steps to make sure that the company keeps adequate accounting records. However, if the directors used the services of 'a competent and reliable person' (such as an independent accountant) to keep the accounting records, and that person did not do so, then the directors cannot be prosecuted.

What are the penalties for failing to keep adequate accounting records?

Failure to keep adequate records is a criminal offence. This means that any officer or former officer (director) will have a permanent criminal record.

There are two ways in which criminal offences under the Companies Acts can be tried in Irish courts:

a) in the District Court before a judge but without a jury. This is used for less serious offences; and

b) in the Circuit Court before a judge and jury. This is used for more serious offences.

If the case is heard in the District Court, the penalty for failing to keep adequate accounting records is:

- a maximum fine of €5,000; or
- a prison term of up to 12 months; or
- both a fine and a prison term.

If the case is heard in the Circuit Court, the penalty for failing to keep adequate accounting records is:

- a fine of up to €50,000; or
- a prison term of up to five years; or
- both a fine and a prison term.

What is a criminal conviction?

A criminal conviction is when someone is found guilty by the court of a criminal offence. The finding is listed as a criminal record.

Are there other offences relating to keeping adequate accounting records?

It is an offence if the company has failed to keep adequate accounting records and this contributed to the company being unable to pay its debts and ending up being liquidated.

Are the directors liable?

If a company is placed in liquidation in part due to a failure to keep adequate accounting records, the liquidator or a creditor (someone to whom the company owes money) may ask the court to hold the directors personally liable 'without limitation' for its debts. Without limitation means that the directors could lose their homes, property and other financial assets.

Disclaimer

This Quick Guide sets out some of the basic legal duties of companies to keep adequate accounting records. It is not a legal interpretation of any part of the Companies Act. The Director of Corporate Enforcement accepts no responsibility or liability for any errors, inaccuracies or omissions in this guide.

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Tá leagan Gaeilge den leabhrán seo ar fáil
An Irish version of this booklet is available