



# **Revised arrangements for the provision of audited accounts in the travel trade sector**

**(Removal of requirement to produce an Audit Report)**

Commission Notice 1/2011

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## **1. PURPOSE OF NOTICE**

- 1.1 This Notice sets out how the Commission will implement revised arrangements for the requirement on the part of the travel trade sector to produce audited accounts in support of the statutory licence.
- 1.2 It defines a process to allow those firms (who wish to avail of the exemption from the Companies Registration Office (CRO) audit requirement) to seek the exemption in time for the Spring 2011 licensing round. The process is presented in a flowchart that is available on the Commission website, [www.aviationreg.ie](http://www.aviationreg.ie).

## **2. REMOVAL OF OBLIGATION TO ATTACH AUDIT REPORT TO ACCOUNTS**

- 2.1 In its published review of the travel trade licensing regime, which was submitted to the Minister for Transport in 2008, the Commission concluded that it should:
- end the *automatic* requirement that firms qualifying for an audit exemption from the CRO nevertheless have to produce audited accounts to qualify for a travel trade licence;
  - retain the requirement for firms to produce, or continue to produce, audited accounts or other materials necessary to satisfy the Commission that the company can be licensed.
- 2.2 Although an exemption would relieve licence applicants from the obligation to attach an Audit Report to their accounts, by law all companies must produce a full set of accounts – i.e. Balance Sheet, Profit & Loss Account, Cash Flow Statement, Directors' Report, and Notes to the accounts – for the company's AGM. There is no exemption from this requirement; see paragraph 4.1 below.
- 2.3 The Commission issued two Statutory Instruments (S.I.659 and S.I.660) in December 2010 to provide the legal basis for revised arrangements for financial accounts.

### **3. COMMISSION POLICY ON EXEMPTION FROM OBLIGATION TO ATTACH AUDIT REPORT TO ACCOUNTS**

- 3.1 Section 6(3) of the Act<sup>1</sup> specifies, inter alia, that the financial, business and organisational resources of licence applicants must be adequate to discharge the applicant's obligations in respect of the business to be engaged in if the licence is granted.<sup>2</sup>
- 3.2 Audited accounts are required by the Commission in the case of all undertakings (other than sole traders and partnerships) in possession of a travel trade licence for less than three years. New entrants to the travel industry, who would not have audited accounts available, are required to have their auditor confirm that he or she is satisfied that the financial projections submitted in support of the licence application have been properly compiled.
- 3.3 The Commission's policy is to grant a audit exemption to those firms in respect of which the Commission forms the view that it does not require audited accounts in order to be satisfied as to any of the matters specified in section 6(3) of the Act.
- 3.4 The Commission shall refuse an exemption to those firms whose audited accounts continue to be required in order for the Commission to be satisfied as to any of the matters specified in section 6(3) of the Act. In those

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<sup>1</sup> Transport (Tour Operators and Travel Agents) Act, 1982.

<sup>2</sup> Section 6(3) of the Act reads in full: "Without prejudice to the generality of subsection (2) of this section, the Minister shall refuse a licence under this Act to a person if he is not satisfied that—

(a) the financial, business and organisational resources of such person and any financial arrangements made or to be made by him are adequate for discharging his actual and potential obligations in respect of the activities (if any) in which he is engaged or in which he proposes to engage if the licence is granted, or having regard to the past activities of such person or of any person employed by him or, if

(b) such person is a body corporate, having regard to the past activities of any director, secretary, shareholder, officer or servant of the body corporate, such person is a fit and proper person to carry on business as a tour operator or travel agent, as the case may be."

circumstances, the requirement for audited accounts will continue to be applied by the Commission.

- 3.5 The Commission reserves the right to re-introduce the requirement for audited accounts in respect of any exemption granted.

## 4 EXEMPTION FROM CRO AUDIT REQUIREMENTS

- 4.1 For the guidance of the travel industry, the Commission has sought informally to summarise the CRO process in the following paragraphs. Those in need of a comprehensive guide on this topic are referred to the CRO Information Leaflet No.10 (July 2008) entitled "*Guide to the audit exemption and preparation of Companies Acts Individual Accounts for small private companies*". This specifies, in particular, certain obligations on the directors of a company who wish to avail of a CRO audit exemption. Note that page 3 of the Information Leaflet includes the following statement:

*"the [CRO] audit exemption does not grant a company any exemption (a) from the statutory requirement to prepare a full set of accounts, and (b) to lay those accounts before the AGM of the company ..."*

- 4.2 Under company law, a company that satisfies certain criteria<sup>3</sup> is eligible for exemption from the general obligation to produce audited accounts. The process to be followed by a company seeking an exemption and that satisfy the CRO's criteria is set in Part III of the Companies (Amendment) (No.2) Act, 1999. It involves a number of steps.

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<sup>3</sup> The conditions to be satisfied before a company will be able to claim an audit exemption are set out on the website of the CRO ([www.cro.ie](http://www.cro.ie)). They include:

- The company must be a Private Limited Company;
- The amount of turnover of the company **must not exceed €7.3 million**;
- The **company's assets are less than €3.65 million** at the end of its financial year;
- The average number of employees **must not exceed 50**;
- The company must **not be a parent company or a subsidiary company**;

Please refer to the CRO for the full set of information.

- 4.4 First, the company must reach a decision to terminate the appointment of its auditor and inform the auditor accordingly.
- 4.5 Second, on being informed of this decision, the auditor must serve the company with an **auditor's notice** containing either
- (a) a statement that there are no circumstances connected with the decision that the auditor considers should be brought to the notice of the members or creditors of the company, or
  - (b) a statement of any such circumstances.
- 4.6 Third, the auditor must send a copy of this **auditor's notice** to the CRO.
- 4.7 Fourth, if the CRO accepts the **auditor's notice**, it will normally update its website record for that company as soon as possible thereafter; the auditor's notice may be viewed online as part of that company's documents submitted to the CRO.
- 4.8 Some companies with a CRO audit exemption may submit a set of abridged accounts to the CRO, however the Commission requires a full set of (albeit unaudited) accounts.

## **5. REVISED ARRANGEMENTS FOR ACCOUNTS IN SUPPORT OF LICENCE APPLICATIONS**

- 5.1 When applying for a travel trade licence, a firm in possession of an exemption from the Commission must accompany its application by a full set of unaudited accounts and evidence acceptable to the Commission that the firm is not required by the CRO to have audited accounts.
- 5.2 An **auditor's notice** is evidence acceptable to the Commission provided that it contains a statement to the effect that there are no circumstances connected with the decision of the company to terminate the appointment of that person as auditor that he or she considers should be brought to the notice of the members or creditors of the company.

- 5.3 Should there not be a CRO exemption, audited accounts will continue to be required from that company by the Commission.
- 5.4 The Commission has communicated its requirement to continue to have audited accounts to certain existing licence holders. The Commission will shortly notify all sole traders and partnerships in possession of Commission licences that they are exempt from the audit requirement (although not from the requirement to produce certain financial statements.)
- 5.5 All other licence holders eligible to avail of the CRO audit exemption and who wish to do so are invited to apply to the Commission for an exemption from its audit requirement.
- 5.6 A request for an exemption must be set out in the Audit Exemption Form on the Commission website, and should be sent to:

[exemptrequest@aviationreg.ie](mailto:exemptrequest@aviationreg.ie)

- 5.7 Licence holders whose current licences expire on 30 April 2011 and who wish to avail of the exemption are invited to apply to the Commission by **Friday 21 January 2011**. The Commission aims to issue a response to fully completed and signed Audit Exemption Forms received by that date by Friday 28 January 2011.
- 5.8 Licence holders whose licences expire on 31 October should apply to the Commission for a audit exemption after Friday 28 January 2011, and those firms will be notified thereafter of the Commission's response. Priority will be given to those renewing licences in the Spring (1<sup>st</sup> May 2011) and to those with financial year-ends of December 2010 or later.