

## Audit committees

167. (1) In this section—

“amount of turnover” and “balance sheet total” have the same meanings as they have in section 350;

“large company” means either of the following—

(a) a company that, in both the most recent financial year of the company and the immediately preceding financial year, meets the following criteria—

(i) the balance sheet total of that company exceeds for the year—

(I) subject to clause (II), €25,000,000; or

(II) if an amount is prescribed under section 945 (1)(k), the prescribed amount;

and

(ii) the amount of turnover of that company exceeds for the year—

(I) subject to clause (II), €50,000,000; or

(II) if an amount is prescribed under section 945 (1)(k), the prescribed amount;

or

(b) a company which has one or more subsidiary undertakings, if the company and all those subsidiary undertakings together, in both the most recent financial year of that company and the immediately preceding financial year, meet the criteria set out in paragraph (a).

(2) The board of directors of a large company shall either—

(a) establish a committee (an “audit committee”) that—

(i) has at least the responsibilities specified in subsection (7); and

(ii) otherwise meets the requirements of this section;

or

(b) decide not to establish such a committee.

(3) The board of directors of a large company shall state in their report under section 325 —

(a) whether the company has established an audit committee or decided not to do so;

(b) if the company has decided not to establish an audit committee, the reasons for that decision.

(4) The members of the audit committee shall include at least one independent director of the large company, that is to say, a person who—

(a) is a non-executive director of it; and

(b) otherwise possesses the requisite degree of independence (particularly with regard to his or her satisfying the condition in subsection (5)) so as to be able to contribute effectively to the committee's functions.

(5) The condition referred to in subsection (4)(b) is that the director there referred to does not have, and at no time during the period of 3 years preceding his or her appointment to the committee did have—

(a) a material business relationship with the large company, either directly, or as a partner, shareholder, director (other than as a non-executive director) or senior employee of a body that has such a relationship with the company; or

(b) a position of employment in the large company.

(6) The director referred to in subsection (4) (or, where there is more than one director of the kind referred to in that subsection, one of them) shall be a person who has competence in accounting or auditing.

(7) Without prejudice to the responsibility of the board of directors, the responsibilities of the audit committee shall include:

(a) the monitoring of the financial reporting process;

(b) the monitoring of the effectiveness of the large company's systems of internal control, internal audit and risk management;

(c) the monitoring of the statutory audit of the large company's statutory financial statements; and

(d) the review and monitoring of the independence of the statutory auditors and in particular the provision of additional services to the large company.

(8) If an audit committee is established, any proposal of the board of directors of the large company with respect to the appointment of statutory auditors to the company shall be based on a recommendation made to the board by the audit committee.

(9) The statutory auditors shall report to the audit committee of the large company on key matters

arising from the statutory audit of the company, and, in particular, on material weaknesses in internal control in relation to the financial reporting process.

(10) For the purposes of subsections (4) and (5)(a), a non-executive director is a director who is not engaged in the daily management of the large company or body concerned, as the case may be.

(11) Where a director of a large company fails to take all reasonable steps to comply with the requirements of subsection (3), the director shall be guilty of a category 3 offence.