



Are you subject to the 2022 financial statements audit obligation?

Many businesses, after filing their tax return and financial statements with the Financial Administration of the Slovak Republic (FA SR), consider all the obligations related to the previous accounting period to be completed. One of the obligations is to have the financial statements audited. Let's see if your accounting entity is subject to the audit obligation.

What is an audit?

An audit verifies that financial reports of a company give a true and fair view of the state of its business. It can be a statutory or obligatory audit, i.e. an audit of the financial statements and annual report under the Accounting Act, or a voluntary audit, which is carried out at the discretion of an entity that is not legally required to have its financial statements audited.

An auditor is a natural person (statutory auditor) or a legal person (audit firm), registered in the list of statutory auditors maintained by the Audit Supervision Authority and authorised to carry out statutory audits. The auditor of an

accounting entity is approved and dismissed by the general assembly or by the members' meeting. Where the company has a contract with an auditor for a longer period, the approval of the auditor for the whole period is sufficient, i.e. it is not necessary to repeat the approval process for each accounting period separately. The audit contract should only be entered into by the accounting entity after the auditor has been approved by the general assembly or the members' meeting. In the event of resignation or dismissal of the auditor, the entity shall inform the Audit Supervision Authority in writing within one month at the latest of the resignation or dismissal of the auditor in the course of the

audit, explaining the reasons which led to the resignation or dismissal. The dismissal shall be duly substantiated and a difference of opinion on the application of the procedures for the preparation of the financial statements or on the application of the auditing procedures cannot be a ground for dismissal of the auditor.

Why a voluntary audit?

Even in accounting entities that are not required by law to be audited, an audit can be beneficial. It can be initiated by owners (shareholders, partners or silent partners) or potential purchasers in order to examine in depth the financial health of the company in planned business transactions when establishing international cooperation. The results of a voluntary audit help to declare a company's credibility to financial institutions or in the public procurement process. Voluntary audits can also be initiated by employees in order to make sure that the accounts are kept in accordance with the applicable legislation without the risk of accounting errors and tax arrears.

Which entities are obliged to be audited?

The following entities are subject to the obligation to have their financial statements audited

1. **A company or a cooperative** that meets at least two of the conditions defined in Section 19(1) of the Accounting Act as at the date of preparation of the financial statements and at the same time for the immediately preceding period. A change as of 1 January 2020 also introduced this obligation for public partnerships and limited partnerships which for the first time verified the obligation to audit the financial statements for the accounting period beginning on 1 January 2020 at the earliest;

2. **A company or a cooperative** whose securities are traded on a regulated market;
3. **An accounting entity** with financial statements prepared in accordance with **international accounting standards** (e.g. a bank, a trust company, an insurance company, a reinsurance company, a pension management company, a supplementary pension company, companies that meet the size criteria of Section 17a of the Accounting Act);
4. **An accounting entity** to which this obligation is imposed by a **special regulation** (e.g. a foundation, a non-profit organisation that exceeds the specified conditions, a municipality);
5. **An entity** which is a **parent entity** and prepares consolidated financial statements in accordance with Section 22 of the Accounting Act;
6. **A legal entity pursuant to Section 50 of the Income Tax Act** (recipient of a share of the income tax paid), the amount of the share of the tax paid received by which exceeds EUR 35,000, for the accounting period in which the funds were used.

A company or a cooperative as referred to in point 1 above are obliged to audit the financial statements drawn up for the accounting period beginning on 1 January 2022 at the earliest if at least two of the size criteria for the current and the immediately preceding period are fulfilled simultaneously.

The following size criteria apply for the obligation to audit the financial statements of a company and a cooperative for the accounting period beginning on 1 January 2022 at the earliest:

- The total amount of assets was higher than EUR 4,000,000, the amount of assets being the amount of assets determined from the balance sheet at the valuation, net of

adjustments, reserves and depreciations (gross assets);

- Net turnover was higher than EUR 8,000,000;
- The average recounted number of employees was higher than 50.

At the same time, the entity monitors the conditions for the immediately preceding accounting period beginning no earlier than 1 January 2021, for which the following size criteria apply:

- The total amount of assets was higher than EUR 3,000,000, the amount of assets being the amount of assets determined from the balance sheet at the valuation, net of adjustments, reserves and depreciations (gross assets)
- Net turnover was higher than EUR 6,000,000

- The average recounted number of employees was higher than 40.

If a company or a cooperative fulfils at least two of the conditions applicable to the 2022 accounting period **and** at least two of the conditions applicable to the 2021 accounting period, it is obliged to have the financial statements drawn up for the 2022 accounting period audited by an auditor.

In assessing the criteria in entities with a financial year, it is necessary to take into account the transitional provisions under which an entity shall review the criteria applicable to 2022 in the financial year that began during 2022, while using the 2021 criteria in reviewing the financial statements for the financial year that began during 2021.

In the table below, an overview of criteria for assessing the audit obligation in 2019 – 2022 are presented:

Criteria	2019	2020	2021	2022
Total amount of assets in EUR	1 000 000	2 000 000	3 000 000	4 000 000
Net turnover in EUR	2 000 000	4 000 000	6 000 000	8 000 000
Number of employees	30	30	40	50

The verification of the financial statements by the auditor does not apply to organizational units of foreign companies that are registered in the commercial register, except for organizational units that, according to §17a of the Accounting Act, are obliged to prepare financial statements according to international accounting standards. Natural persons do not have an audit obligation, even if they meet the size criteria according to the Accounting Act.

Deadlines for auditing the financial statements

The financial statements must be audited within one year of the end of the accounting period in which the audit obligation arose. At the same time, within this deadline, the auditor's report must be deposited in the register of financial statements (hereinafter referred to as "the register"). The auditor's report must be deposited in the register in the official language,

but may also be deposited in another (foreign) language at the discretion of the entity.

Penalties for failure to comply with the audit obligation

In the event of a failure to have the financial statements and annual report audited by an

auditor, the accounting entity will be guilty of an administrative offence pursuant to Section 38(1)(d) of the Accounting Act, for which it may be fined 2% of the total amount of the assets disclosed in the balance sheet drawn up for the audited accounting period at the valuation adjusted for the items referred to in Section 26(3), up to a maximum of EUR 1,000,000.

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