

# Statutory Review Engagements

FEBRUARY 2023



## INTRODUCTION

On 09 June 2022, the Cyprus House of Representatives approved amendments to the Companies Law and to the Assessment and Collection of Taxes Law. Amendment aimed at simplifying the audit procedures for the Financial Statements of small and medium sized Cyprus companies.

Prior to this vote, it was mandatory for all Cyprus companies to perform an audit, irrespective from their size, risks, turnover and number of transactions. This led to lengthy audit procedures, documentation and higher fees for small companies, that in some cases, such detailed audit work was not necessary. Following this vote, all small sized companies are now able to be exempt from the weight of complying with the ISAs if they meet certain criteria.

If a Cyprus company meets the below listed criteria, then this company will be able to submit financial statements with a statutory review preparation, instead of a full audit.



### **Criteria for Companies:**

- ✓ **Net turnover does not exceed €200,000. Turnover refers to all sources of income with no exceptions and;**
- ✓ **Total value of assets does not exceed €500,000**

**The above criteria must be met for at least two consecutive years.**

### **Criteria for Individuals:**

- ✓ **Turnover exceeds €70,000 but does not exceed €200,000; and**
- ✓ **Total value of assets do not exceed €500,000**

**For individuals with a turnover that does not exceed €70,000, they are exempt from preparing financial statements.**

**The above criteria must be met for at least two consecutive years.**

***If the above criteria are exceeded, then a full audit must be prepared.***

### **Exceptions:**

**There are a few exceptions for companies that even if they do not meet the above criteria, a full audit will need to be prepared. For the below companies, the amendments do not apply. Exemptions are listed below:**

- ✓ **Parent companies that are required to prepare consolidated F/S;**
- ✓ **Companies regulated and supervised by the Central Bank of Cyprus, the Cyprus Securities and Exchange Commission and the Commissioner of Insurance or companies that hold a qualifying participation in such companies.**

**It is important to note that a statutory review must be prepared by a statutory auditor or an audit firm as per Auditors Law 2017.**

**From the auditors' perspective, before the preparation of an audit, they must review the management accounts of the Cyprus Company and assess whether the two criteria mentioned above are met. If not, then a full statutory audit must be prepared.**

# Application date:

The amendments will be in force from 01 January 2023 for financial statements with a date ending on 31 December 2022 and after.

Main purpose of the audit requirement amendment is to reduce both the administration burden and costs for SMEs and for audit firms as well.

This update is highly important and beneficial to both small companies and for audit firms.

## Examples:

1. A Company has:

YEAR	NET TURNOVER	TOTAL GROSS ASSETS	COMMENTS
2022	EUR 300,000	EUR 600,000	Criteria exceeded
2021	EUR 140,000	EUR 250,000	Criteria not exceeded
2020	EUR 150,000	EUR 250,000	Criteria not exceeded

The Company can proceed with a statutory audit process.

2. A Company has:

YEAR	NET TURNOVER	TOTAL GROSS ASSETS	COMMENTS
2022	EUR 150,000	EUR 600,000	Criteria exceeded (since no both criteria are met)
2021	EUR 400,000	EUR 600,000	Criteria exceeded

The Company cannot proceed with a statutory review process.



For more information requested you can send us an email at [info@auditline.com.cy](mailto:info@auditline.com.cy)

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