



CONSULTATION PAPER

Proposal to Revise ISA (Ireland) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements

March 2017

MISSION

To contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest

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1. Summary

The purpose of this consultation paper is to obtain the views of stakeholders with regard to IAASA's proposal to issue a revised version of ISA (Ireland) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements. IAASA is requesting responses to this consultation by 5.30pm on Friday, 26 May 2017. Comments are invited in writing on all aspects of the Consultation Paper, in particular, comments are sought in relation to the specific questions contained. The proposed revised standard, showing proposed changes is provided in the Appendix to this document. The changes proposed are in line with the changes that are proposed and currently under consultation by the FRC, which can be found [here](#).

2. Introduction

ISAs (Ireland) are based on ISAs (UK), which, in turn are based on the corresponding standards issued by the IAASB. The International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the IESBA Code) was revised in July 2016 to address the professional accountant's responsibility in relation to non-compliance with laws and regulations (NOCLAR). In response to these changes, the IAASB recently issued a revision of ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements, making limited amendments to ISA 250 (Revised) in order to address actual or perceived inconsistencies of approach between the NOCLAR provisions in the revised IESBA Code and the ISAs.

Both IAASA and The Financial Reporting Council (FRC) support these limited amendments and believe that they represent an improvement to the current standard as they:

- clarify the requirement regarding the auditor's determination of whether to report identified or suspected NOCLAR to an appropriate authority outside the entity and the auditor's duty of confidentiality, in order to recognise the different provisions of laws, regulations, or relevant ethical requirements;
- highlight that the auditor may have additional responsibilities under law, regulation or relevant ethical requirements, including possible documentation requirements and communicating to other auditors;
- enhance the consideration of the implications of NOCLAR on the audit, for example, the reliability of management's representations, the implications for the auditor's report, and the consideration of whether to withdraw from the engagement; and
- emphasise the fact that, in certain cases, communication with management or those charged with governance may be restricted or prohibited by law or regulation, for example tipping-off provisions that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act.

3. Future developments

ISA (Ireland) 250 includes some limited guidance on the auditor's responsibilities in respect of laws and regulations about money laundering, terrorist funding and proceeds of crime. The Irish government is in the process of transposing the Fourth Money Laundering Directive into Irish legislation, after which IAASA will consider whether to issue guidance for auditors. In that regard, we seek views from stakeholders and interested parties as to whether such guidance would be helpful and what format it should take.

4. Matters on which IAASA is consulting

In light of the above, a number of matters are set out below on which IAASA is seeking views from stakeholders and interested parties.

No.	Matter on which views are sought
1.	Do you agree that ISA (Ireland) 250 should be updated to adopt the amendments in the underlying international standard and the related conforming amendments to other ISAs? If not, please give your reasons and explain what action, if any, that you believe should be taken to update the ISAs (Ireland) in relation to non-compliance with laws and regulations.
2.	If you agree that the ISAs (Ireland) should be updated to adopt the revised ISA 250 and conforming amendments (Q1 above), do you agree that the Irish supplementary material can be limited to that shown in the exposure draft? If not, please give your reasons and explain what supplementary material, if any, you believe should be added.
3.	Is the proposed effective date (i.e. for audits of financial statements for periods commencing on or after 15 December 2017), which is consistent with the effective date of the IAASB's revised ISAs, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.
4.	Do you believe IAASA should issue guidance in relation to Anti-Money Laundering Legislation? If so, what format should that guidance take; e.g. – practice note, appendix to ISA (Ireland) 250, other.

5. Making your submission

IAASA invites comments on all proposals put forward in this Consultation Paper and, in particular, on the specific matters set out in section 4 above.

Stakeholders and interested parties are invited to provide responses to the above questions by e-mail only to submissions@iaasa.ie no later than **5:30pm on Friday, 26 May 2017**.

Any submissions received after this time and all anonymous submissions will not be considered.

Comments are most helpful if they:

- (a) respond directly to the specific question posed;
- (b) provide a clear rationale for the position adopted by the respondent;
- (c) provide supporting evidence underpinning the views expressed/rationale proposed; and
- (d) describe in detail any alternative option(s) you wish IAASA to consider.

While responses may include attachments, such attachments must not be encrypted. All responses from identifiable individuals and organisations received by the deadline will be considered by IAASA.

Depending on the nature and scale of responses, IAASA may publish a feedback statement summarising the content of the responses. Respondents should note that, in the interest of transparency, their responses may be published in full or in part (and may be attributed to the respondent) by IAASA in that feedback statement.

Appendix – Proposed amendments



International Standard on Auditing (Ireland) 250

Section A – Consideration of Laws and Regulations in an Audit of Financial Statements

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**INTERNATIONAL STANDARD ON AUDITING
(IRELAND) 250 (Revised XX 2017)**

**SECTION A—CONSIDERATION OF LAWS AND REGULATIONS
IN AN AUDIT OF FINANCIAL STATEMENTS**

(Effective for the audits of financial statements for periods commencing on or after ~~17 June 2016,~~
~~for which opinions are issued on or after 1 February 2017~~ 15 December 2017)

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International Standard on Auditing (Ireland) (ISA (Ireland)) 250 (Revised XX 2017), *Consideration of Laws and Regulations in an Audit of Financial Statements* should be read in conjunction with ISA (Ireland) 200, *Overall Objectives of the Independent Auditor and the*

Introduction

Scope of this ISA (Ireland)

1. This International Standard on Auditing (Ireland) (ISA (Ireland)) deals with the auditor's responsibility to consider laws and regulations in an audit of financial statements. This ISA (Ireland) does not apply to other assurance engagements in which the auditor is specifically engaged to test and report separately on compliance with specific laws or regulations.

1-1. Guidance on the auditor's responsibility to report direct to financial regulators is provided in Section B of this ISA (Ireland)^{1a}.

Effect of Laws and Regulations

2. The effect on financial statements of laws and regulations varies considerably. Those laws and regulations to which an entity is subject constitute the legal and regulatory framework. The provisions of some laws or regulations have a direct effect on the financial statements in that they determine the reported amounts and disclosures in an entity's financial statements. Other laws or regulations are to be complied with by management or set the provisions under which the entity is allowed to conduct its business but do not have a direct effect on an entity's financial statements. Some entities operate in heavily regulated industries (such as banks and chemical companies). Others are subject only to the many laws and regulations that relate generally to the operating aspects of the business (such as those related to occupational safety and health, and equal employment opportunity). Non-compliance with laws and regulations may result in fines, litigation or other consequences for the entity that may have a material effect on the financial statements.

Responsibility for Compliance with Laws and Regulations (Ref: Para. A1-A86)

3. It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements.^{1b}

Responsibility of the Auditor

4. The requirements in this ISA (Ireland) are designed to assist the auditor in identifying material misstatement of the financial statements due to non-compliance with laws and regulations. However, the auditor is not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.
5. The auditor is responsible for obtaining reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether **caused by due to** fraud or error.¹ In conducting an audit of financial statements, the auditor takes into account the applicable legal and regulatory framework. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected,² even though the audit is properly planned and performed in accordance with the ISAs (Ireland).² In the context of laws and regulations, the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for such reasons as the following:

^{1a} ISA (UK) 250(Revised June 2016), Section B – *The Auditor's Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector*.

^{1b} Those charged with governance are responsible for the preparation of the financial statements.

¹ ISA (Ireland) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (Ireland)*, paragraph 5.

² ISA (Ireland) 200, paragraph A51.

- There are many laws and regulations, relating principally to the operating aspects of an entity, that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting.
-
- Non-compliance may involve conduct designed to conceal it, such as collusion, forgery, deliberate failure to record transactions, management override of controls or intentional misrepresentations being made to the auditor.
- Whether an act constitutes non-compliance is ultimately a matter for legal determination to be determined by a court or other appropriate adjudicative body ~~law~~.

Ordinarily, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognize the non-compliance.

6. This ISA (Ireland) distinguishes the auditor's responsibilities in relation to compliance with two different categories of laws and regulations as follows: (Ref. Para. A6.A12-A13)
 - (a) The provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as tax and pension laws and regulations (see paragraph 143) (Ref. Para. A12); and
 - (b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operating aspects of the business, to an entity's ability to continue its business, or to avoid material penalties (for example, compliance with the terms of an operating license, compliance with regulatory solvency requirements, or compliance with environmental regulations); non-compliance with such laws and regulations may therefore have a material effect on the financial statements (see paragraph 154) (Ref. Para. A13).
7. In this ISA (Ireland), differing requirements are specified for each of the above categories of laws and regulations. For the category referred to in paragraph 6(a), the auditor's responsibility is to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations. For the category referred to in paragraph 6(b), the auditor's responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.
8. The auditor is required by this ISA (Ireland) to remain alert to the possibility that other audit procedures applied for the purpose of forming an opinion on financial statements may bring instances of ~~identified or suspected~~ non-compliance to the auditor's attention. Maintaining professional skepticism throughout the audit, as required by ISA (Ireland) 200,³ is important in this context, given the extent of laws and regulations that affect the entity.
9. The auditor may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, which may differ from or go beyond this ISA (Ireland), such as: (Ref: Para. A8)
 - (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance, assessing the appropriateness of their response to non-compliance and determining whether further action is needed;
 - (b) Communicating identified or suspected non-compliance with laws and regulations to other auditors (e.g., in an audit of group financial statements); and

³ ISA (Ireland) 200, paragraph 15.

(c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the auditor's work in accordance with this and other ISAs (Ireland) (e.g., regarding the integrity of management or, where appropriate, those charged with governance).

Effective Date

109. This ISA (Ireland) is effective for the audits of financial statements for periods commencing on or after ~~17 June 2016, for which opinions are issued on or after 1 February 2017.~~ 15 December 2017.

Objectives

110. The objectives of the auditor are:

- (a) To obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements;
- (b) To perform specified audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements; and
- (c) To respond appropriately to ~~non-compliance identified~~ or suspected non-compliance with laws and regulations identified during the audit.

Definition

124. For the purposes of this ISA (Ireland), the following term has the meaning attributed below:

Non-compliance – Acts of omission or commission ~~by the entity, either~~ intentional or unintentional, committed by the entity, or by those charged with governance, by management or by other individuals working for or under the direction of the entity, which are contrary to the prevailing laws or regulations. ~~Such acts include transactions entered into by, or in the name of, the entity, or on its behalf, by those charged with governance, management or employees.~~ Non-compliance does not include personal misconduct (unrelated to the business activities of the entity) ~~by those charged with governance, management or employees of the entity.~~ (Ref. Para. A9-A10)

~~11-1. This ISA (Ireland) also refers to 'money laundering'. 'Money laundering' is defined in legislation^{3a} and in general terms involves an act which conceals, disguises, converts, transfers, removes, uses, acquires or possesses property resulting from criminal conduct.~~

Requirements

The Auditor's Consideration of Compliance with Laws and Regulations

132. As part of obtaining an understanding of the entity and its environment in accordance with ISA (Ireland) 315,⁴ the auditor shall obtain a general understanding of:

- (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and
- (b) How the entity is complying with that framework. (Ref: Para. A117)

^{3a} _____

~~Section 25 of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 designates external accountants, auditors, and tax advisors and others for the purposes of the anti-money laundering provisions of the Act.~~

⁴ ISA (Ireland) 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11.

143. The auditor shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. (Ref: Para. A128 – A128-1)
154. The auditor shall perform the following audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements: (Ref: Para. A139 – A140-4)
- (a) Inquiring of management and, where appropriate, those charged with governance, as to whether the entity is in compliance with such laws and regulations; and
 - (b) Inspecting correspondence, if any, with the relevant licensing or regulatory authorities.
165. During the audit, the auditor shall remain alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention. (Ref: Para. A154 – A145-12)
176. The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed to the auditor. (Ref: Para. A162)
187. In the absence of identified or suspected non-compliance, the auditor is not required to perform audit procedures regarding the entity's compliance with laws and regulations, other than those set out in paragraphs 132-176.

Audit Procedures When Non-Compliance Is Identified or Suspected

198. If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain: (Ref: Para. A17- A183)
- (a) An understanding of the nature of the act and the circumstances in which it has occurred; and
 - (b) Further information to evaluate the possible effect on the financial statements. (Ref: Para. A194)
2019. If the auditor suspects there may be non-compliance, the auditor shall^{4a} discuss the matter, unless prohibited by law or regulation, with the appropriate level of management and, where appropriate, those charged with governance. If management or, as appropriate, those charged with governance do not provide sufficient information that supports that the entity is in compliance with laws and regulations and, in the auditor's judgment, the effect of the suspected non-compliance may be material to the financial statements, the auditor shall consider the need to obtain legal advice. (Ref: Para. A2045-A2246)
210. If sufficient information about suspected non-compliance cannot be obtained, the auditor shall evaluate the effect of the lack of sufficient appropriate audit evidence on the auditor's opinion.
224. The auditor shall evaluate the implications of identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action. (Ref: Para. A2347 – A25-248-4)

^{4a} ~~Subject to compliance with legislation relating to 'tipping off', that is to say, making a disclosure likely to prejudice an investigation.~~

~~Section 49 of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 establishes an offence of making a disclosure likely to prejudice an investigation. This relates to when a person who knows or suspects, that a report has been, or is required to be made under the 2010 Act, makes a disclosure that is likely to prejudice an investigation that may be conducted following the making of that report.~~

Communicating and Reporting of Identified or Suspected Non-Compliance

Reporting Communicated Identified or Suspected Non-Compliance with Those Charged with Governance

232. Unless all of those charged with governance are involved in management of the entity, and therefore are aware of matters involving identified or suspected non-compliance already communicated by the auditor,⁵ the auditor shall communicate, unless prohibited by law or regulation, with those charged with governance matters involving non-compliance with laws and regulations that come to the auditor's attention during the course of the audit, other than when the matters are clearly inconsequential.

232R-1. When an auditor or audit firm carrying out the statutory audit of a public-interest entity suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the audited entity, may occur or have occurred, the auditor shall, unless prohibited by law or regulation, inform the audited entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future. (Ref: Para. A2548-23 – A4825-43)

243. If, in the auditor's judgment, the non-compliance referred to in paragraph 232 is believed to be intentional and material, the auditor shall^{4a} communicate the matter ~~with~~ those charged with governance as soon as practicable. (Ref: Para. A2548-54)

254. If the auditor suspects that management or those charged with governance are involved in non-compliance, the auditor shall^{4a} communicate the matter to the next higher level of authority at the entity, if it exists, such as an audit committee or supervisory board. Where no higher authority exists, or if the auditor believes that the communication may not be acted upon or is unsure as to the person to whom to report, the auditor shall consider the need to obtain legal advice. (Ref: Para. A2548-65)

Reporting Potential Implications of Identified or Suspected Non-Compliance for the Auditor's Report on the Financial Statements (Ref. Para. A26-A27.1)

265. If the auditor concludes that the identified or suspected non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements, the auditor shall,^{4a} in accordance with ISA (Ireland) 705, express a qualified opinion or an adverse opinion on the financial statements.⁶

276. If the auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to the financial statements has, or is likely to have, occurred, the auditor shall^{4a} express a qualified opinion or disclaim an opinion on the financial statements on the basis of a limitation on the scope of the audit in accordance with ISA (Ireland) 705⁷.

287. If the auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance, the auditor shall evaluate the effect on the auditor's opinion in accordance with ISA (Ireland) 705. (Ref: Para. A2748-16)

⁵ ISA (Ireland) 260, *Communication with Those Charged with Governance*, paragraph 13.

⁶ ISA (Ireland) 705, *Modifications to the Opinion in the Independent Auditor's Report*, paragraphs 7-8.

⁷ ISA (Ireland) 705, paragraphs 7 and 9.

Reporting Identified or Suspected Non-Compliance to an Appropriate Authority Outside the EntityRegulatory and Enforcement Authorities

298. If the auditor has identified or suspects non-compliance with laws and regulations, the auditor shall determine whether ~~the auditor has a responsibility to report the identified or suspected non-compliance to parties outside the entity~~law, regulation or relevant ethical requirements:- (Ref: Para. A2849-A34-120)

(a) Require the auditor to report to an appropriate authority outside the entity

~~(a)~~(b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate

298R-1. For audits of financial statements of public interest entities, where the entity does not investigate the matter referred to in paragraph 232R-1, the auditor or the audit firm shall inform the authorities responsible for investigating such irregularities. (Ref: Para. A3449-243 – A3449-344)

Documentation

3029. The auditor shall include in the audit documentation⁸ identified or suspected non-compliance with laws and regulations and: ~~the results of discussion with management and, where applicable, those charged with governance and other parties outside the entity~~.⁹ (Ref: Para. A35-A3624)

(a) The audit procedures performed, the significant professional judgments made and the conclusions reached thereon; and

~~(a)~~(b) The discussions of significant matters related to the non-compliance with management, those charged with governance and others, including how management and, where applicable, those charged with governance have responded to the matter.

Application and Other Explanatory Material

Responsibility for Compliance with Laws and Regulations (Ref: Para. 3-98)

- A1. It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with laws and regulations. Laws and regulations may affect an entity's financial statements in different ways: for example, most directly, they may affect specific disclosures required of the entity in the financial statements or they may prescribe the applicable financial reporting framework. They may also establish certain legal rights and obligations of the entity, some of which will be recognized in the entity's financial statements. In addition, laws and regulations may impose penalties in cases of non-compliance.
- A2. The following are examples of the types of policies and procedures an entity may implement to assist in the prevention and detection of non-compliance with laws and regulations:
1. Monitoring legal requirements and ensuring that operating procedures are designed to meet these requirements.
 2. Instituting and operating appropriate systems of internal control.

⁸ ISA (Ireland) 230, Audit Documentation, paragraphs 8-11, and paragraph A6

3. Developing, publicizing and following a code of conduct.
4. Ensuring employees are properly trained and understand the code of conduct.
5. Monitoring compliance with the code of conduct and acting appropriately to discipline employees who fail to comply with it.
6. Engaging legal advisors to assist in monitoring legal requirements.
7. Maintaining a register of significant laws and regulations with which the entity has to comply within its particular industry and a record of complaints.

In larger entities, these policies and procedures may be supplemented by assigning appropriate responsibilities to the following:

8. An internal audit function.
9. An audit committee.
10. A compliance function.

A2-1. In certain sectors or activities (~~e.g., for example~~ financial services), there are detailed laws and regulations that specifically require directors to have systems to ensure compliance. ~~Breaches of Non-compliance with~~ these laws and regulations could have a material effect on the financial statements.

A2-2. ~~It is the directors' responsibility to prepare~~The directors are responsible for the preparation of financial statements that give a true and fair view ~~of the state of affairs of a company or group and of its profit or loss for the financial year.~~ Accordingly it is necessary, where ~~possible identified or suspected~~ non-compliance with law ~~and~~ regulations has occurred which may result in a material misstatement in the financial statements, for the ~~m~~ directors to ensure that the matter is appropriately reflected and/or disclosed in the financial statements.

A2-3. Directors and officers of companies have responsibility to provide information required by the auditor, to which they have a legal right of access.^{7a8a} Such legislation also provides that it is a criminal offence to give to the auditor information or explanations which are misleading, false or deceptive.

Responsibility of the Auditor

A3. Non-compliance by the entity with laws and regulations may result in a material misstatement of the financial statements. Detection of non-compliance, regardless of materiality, may affect other aspects of the audit including, for example, the auditor's consideration of the integrity of management, those charged with governance or employees.

A4. Whether an act constitutes non-compliance with laws and regulations is a matter ~~for legal determination~~ to be determined by a court or other appropriate adjudicative body, which is ordinarily beyond the auditor's professional competence to determine. Nevertheless, the auditor's training, experience and understanding of the entity and its industry or sector may provide a basis to recognize that some acts, coming to the auditor's attention, may constitute non-compliance with laws and regulations.

A5. In accordance with specific statutory requirements, the auditor may be specifically required to report, as part of the audit of the financial statements, on whether the entity complies with certain provisions of laws or regulations. In these circumstances, ISA (Ireland) 700 ¹⁰ deals with how these audit responsibilities are addressed in the auditor's report. Furthermore, where there are specific statutory reporting requirements, it may be necessary for the audit plan to include appropriate tests for compliance with these provisions of the laws and regulations.

^{8a} Sections 386, 387 and 388 of the Companies Act 2014.

¹⁰ ISA (Ireland) 700, *Forming an Opinion and Reporting on Financial Statements*, paragraph 38.

Categories of Laws and Regulations (Ref: Para. 6)

A6. The nature and circumstances of the entity may impact whether relevant laws and regulations are within the categories of laws and regulations described in paragraphs 6(a) or 6(b). Examples of laws and regulations that may be included in the categories described in paragraph 6 include those that deal with:

- Fraud, corruption and bribery.
- Money laundering,^{10a} terrorist financing and proceeds of crime.
- Securities markets and trading.
- Banking and other financial products and services.
- Data protection.
- Tax and pension liabilities and payments.
- Environmental protection.
- Public health and safety.

A6-1. In Ireland, the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 bring auditors within the regulated sector, requiring them to report suspected money laundering activity and adopt rigorous client identification procedures and appropriate anti-money laundering procedures.

Considerations Specific to Public Sector Entities

A7. In the public sector, there may be additional audit responsibilities with respect to the consideration of laws and regulations which may relate to the audit of financial statements or may extend to other aspects of the entity's operations.

Additional Responsibilities Established by Law, Regulation or Relevant Ethical Requirements (Ref: Para. 9)

A8. Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and regulations to other auditors within a group, including a group engagement partner, component auditors or other auditors performing work at components of a group for purposes other than the audit of the group financial statements.¹¹

Definition (Ref: Para. 12)

A9. Acts of non-compliance with laws and regulations include transactions entered into by, or in the name of, the entity, or on its behalf, by those charged with governance, by management or by other individuals working for or under the direction of the entity.

A10. Non-compliance also includes personal misconduct related to the business activities of the entity, for example, in circumstances where an individual in a key management position, in a

^{10a} ISA (Ireland) 700, *Forming an Opinion and Reporting on Financial Statements*, paragraph 38 'Money Laundering' is defined in Irish legislation and in general terms involves an act which conceals, disguises, converts, transfers, removes, uses, acquires or possesses property resulting from criminal conduct.

¹¹ See Sections 225.21-225.22 of the IESBA Code. In Ireland, the auditor has regard to any specific requirements of the auditor'

personal capacity, has accepted a bribe from a supplier of the entity and in return secures the appointment of the supplier to provide services or contracts to the entity.

The Auditor's Consideration of Compliance with Laws and Regulations

Obtaining an Understanding of the Legal and Regulatory Framework (Ref: Para. 132)

A117. To obtain a general understanding of the legal and regulatory framework, and how the entity complies with that framework, the auditor may, for example:

11. Use the auditor's existing understanding of the entity's industry, regulatory and other external factors;
12. Update the understanding of those laws and regulations that directly determine the reported amounts and disclosures in the financial statements;
13. Inquire of management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the entity;
14. Inquire of management concerning the entity's policies and procedures regarding compliance with laws and regulations; and
15. Inquire of management regarding the policies or procedures adopted for identifying, evaluating and accounting for litigation claims.

Laws and Regulations Generally Recognized to Have a Direct Effect on the Determination of Material Amounts and Disclosures in the Financial Statements (Ref: Para. 6,1443)

A128. Certain laws and regulations are well-established, known to the entity and within the entity's industry or sector, and relevant to the entity's financial statements (as described in paragraph 6(a)). They could include those that relate to, for example:

16. The form and content of financial statements;^{11·a}
17. Industry-specific financial reporting issues;
18. Accounting for transactions under government contracts; or
19. The accrual or recognition of expenses for income tax or pension costs.

These laws and regulations include those which:

- ~~Those which d~~etermine the circumstances under which a company is prohibited from making a distribution except out of profits available for the purpose.^{11·b}
- ~~Those laws which r~~require auditors expressly to report non-compliance, such as the requirements relating to the maintenance of adequate accounting records^{11·c} or the disclosure of particulars of directors' remuneration in a company's financial statements.^{11·d}

Some provisions in those laws and regulations may be directly relevant to specific assertions in the financial statements (~~for example~~example.g., the completeness of income tax provisions), while others may be directly relevant to the financial statements as a whole (for example, the required statements constituting a complete set of financial statements). The aim of the requirement in paragraph 143 is for the auditor to obtain sufficient appropriate audit evidence

^{11a} Schedule 3 of the Companies Act 2014, the European Union (Credit Institutions: Financial Statements) Regulations 2015 (SI No 266/2015) and the European Union (Insurance Undertakings: Financial Statements) Regulations 2015 refers.

^{11b} Section 117 of the Companies Act 2014.

^{11c} Section 336(4) of the Companies Act 2014.

^{11d} Section 336(8) of the Companies Act 2014 "...so far as they are reasonably able to do so..."

regarding the determination of amounts and disclosures in the financial statements in compliance with the relevant provisions of those laws and regulations.

Non-compliance with other provisions of such laws and regulations and other laws and regulations may result in fines, litigation or other consequences for the entity, the costs of which may need to be provided for in the financial statements, but are not considered to have a direct effect on the financial statements as described in paragraph 6(a).

A128-1. The auditor's responsibility to express an opinion on an entity's financial statements does not extend to determining whether the entity has complied in every respect with applicable tax legislation. The auditor needs to obtain sufficient appropriate evidence to give reasonable assurance that the amounts included in the financial statements in respect of taxation are not materially misstated. This will usually include making appropriate enquiries of those advising the entity on taxation matters (whether within the audit firm or elsewhere). If the auditor becomes aware that the entity has failed to comply with the requirements of tax legislation, the auditor considers whether to report the matter to an appropriate authority outside the entity.

Procedures to Identify Instances of Non-Compliance – Other Laws and Regulations (Ref: Para. 6, 1544)

A139. Certain other laws and regulations may need particular attention by the auditor because they have a fundamental effect on the operations of the entity (as described in paragraph 6(b)). Non-compliance with laws and regulations that have a fundamental effect on the operations of the entity may cause the entity to cease operations, or call into question the entity's continuance as a going concern.¹² For example, non-compliance with the requirements of the entity's license or other entitlement to perform its operations could have such an impact (for example, for a bank, non-compliance with capital or investment requirements).^{12a} There are also many laws and regulations relating principally to the operating aspects of the entity that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting.

A140. As the financial reporting consequences of other laws and regulations can vary depending on the entity's operations, the audit procedures required by paragraph 154 are directed to bringing to the auditor's attention instances of non-compliance with laws and regulations that may have a material effect on the financial statements.

A140-1. When determining the type of procedures necessary in a particular instance the auditor takes account of the particular entity concerned and the complexity of the laws and regulations with which it is required to comply. In general, a small company entity which does not operate in a regulated area will require few specific procedures compared with a large multinational corporation carrying on complex, regulated business.

Non-Compliance Brought to the Auditor's Attention by Other Audit Procedures (Ref: Para. 156)

A154. Audit procedures applied to form an opinion on the financial statements may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention. For example, such audit procedures may include:

20. Reading minutes;
21. Inquiring of the entity's management and in-house legal counsel or external legal counsel concerning litigation, claims and assessments; and
22. Performing substantive tests of details of classes of transactions, account balances or disclosures.

¹² See ISA (UK) 570 (Revised June 2016), *Going Concern*.

^{12a} Such requirements exist in Ireland under the Investment Intermediaries Act 1995, the Central Bank Acts 1942 to 2015 and the Credit Union Acts 1997 to 2012.

~~A11-1. The auditor is alert for instances of possible or actual non-compliance with laws and regulations including those that might incur obligations for partners and staff in audit firms to report to a regulatory or other enforcement authority. See paragraphs A11-2 and A19-1–A19-12.~~

~~Money Laundering Offences~~

~~A11-2. Anti-money laundering legislation in Ireland imposes a duty on the auditor to report suspected money laundering activity. There are similar laws and regulations relating to financing terrorist offences.^{9f} The impact on the auditor can broadly be summarized as follows:~~

- ~~• Partners and staff in audit firms are required to report suspicions of conduct which would constitute a criminal offence which gives rise to direct or indirect benefit.~~
- ~~• Partners and staff in audit firms need to be alert to the dangers of ‘tipping-off’, that is to say, making a disclosure likely to prejudice an investigation, as this will constitute a criminal offence under the anti-money laundering legislation.^{4a}~~

Written Representations (Ref: Para. 176)

A162. Because the effect on financial statements of laws and regulations can vary considerably, written representations provide necessary audit evidence about management’s knowledge of identified or suspected non-compliance with laws and regulations, whose effects may have a material effect on the financial statements. However, written representations do not provide sufficient appropriate audit evidence on their own and, accordingly,¹³ do not affect the nature and extent of other audit evidence that is to be obtained by the auditor.

Audit Procedures When Non-Compliance Is Identified or Suspected

Indications of Non-Compliance with Laws and Regulations (Ref: Para. 18)

A17. The auditor may become aware of information concerning an instance of non-compliance with laws and regulations other than as a result of performing the procedures in paragraphs 13–17 (e.g., when the auditor is alerted to non-compliance by a whistle blower).

~~A138. If the auditor becomes aware of the existence of, or information about, the following matters, it may be an indication of non-compliance with laws and regulations:~~

- ~~23. Investigations by regulatory organizations and government departments or payment of fines or penalties.~~
- ~~24. Payments for unspecified services or loans to consultants, related parties, employees or government employees.~~
- ~~25. Sales commissions or agent’s fees that appear excessive in relation to those ordinarily paid by the entity or in its industry or to the services actually received.~~
- ~~26. Purchasing at prices significantly above or below market price.~~
- ~~27. Unusual payments in cash, purchases in the form of cashiers’ cheques payable to bearer or transfers to numbered bank accounts.~~
- ~~28. Unusual transactions with companies registered in tax havens.~~
- ~~29. Payments for goods or services made other than to the country from which the goods or services originated.~~

^{9f} _____

~~The Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 requires reporting suspicions of terrorist financing to the appropriate authorities.~~

¹³ ISA (Ireland) 580, *Written Representations*, paragraph 4.

30. Payments without proper exchange control documentation.
31. Existence of an information system which fails, whether by design or by accident, to provide an adequate audit trail or sufficient evidence.
32. Unauthorized transactions or improperly recorded transactions.
33. Adverse media comment.

Matters Relevant to the Auditor's Evaluation (Ref: Para. 948(b))

A194. Matters relevant to the auditor's evaluation^{1013a} of the possible effect on the financial statements include:

34. The potential financial consequences of identified or suspected non-compliance with laws and regulations on the financial statements including, for example, the imposition of fines, penalties, damages, threat of expropriation of assets,^{1013b} enforced discontinuation of operations, and litigation.
35. Whether the potential financial consequences require disclosure.
36. Whether the potential financial consequences are so serious as to call into question the fair presentation of the financial statements, or otherwise make the financial statements misleading.

Audit Procedures and Communicating Identified or Suspected Non-Compliance with Management and Those Charged with Governance (Ref: Para. 2049)

A2045. The auditor may be required to discuss the suspected non-compliance with the appropriate level of management and, where appropriate, findings with those charged with governance, whereas they may be able to provide additional audit evidence. For example, the auditor may confirm that management and, where appropriate those charged with governance have the same understanding of the facts and circumstances relevant to transactions or events that have led to the possibility of suspected non-compliance with laws and regulations.

A21. However, in some jurisdictions, law or regulation may restrict the auditor's communication of certain matters with management and those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the auditor is required to report the identified or suspected non-compliance to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the auditor may be complex and the auditor may consider it appropriate to obtain legal advice.

A21-1. In Ireland, the auditor is subject to compliance with legislation relating to 'tipping off'. 'Tipping off' is an offence under Chapter 5 of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010.

A2246. If management or, as appropriate, those charged with governance do not provide sufficient information to the auditor that the entity is in fact in compliance with laws and regulations, the

^{13a} ISA (Ireland) 620, *Using the Work of an Auditor's Expert* applies if the auditor judges it necessary to obtain appropriate expert advice in connection with the evaluation of the possible effect of legal matters on the financial statements.

^{13 b} The Criminal Assets Bureau is an agency responsible for the confiscation of assets and was established by the Criminal Assets Bureau Act 1996.

auditor may consider it appropriate to consult with the entity's in-house ~~legal counsel~~ or external legal counsel about the application of the laws and regulations to the circumstances, including the possibility of fraud, and the possible effects on the financial statements. If it is not considered appropriate to consult with the entity's legal counsel or if the auditor is not satisfied with the legal counsel's opinion, the auditor may consider it appropriate to consult on a confidential basis with others within the firm, a network firm, a professional body or the auditor's own legal counsel as to whether a contravention of a law or regulation is involved, ~~the possible legal consequences~~, including the possibility of fraud, the possible legal consequences and what further action, if any, the auditor would take.

Evaluating the Implications of Identified or Suspected Non-Compliance (Ref: Para. 21)

A2317. As required by paragraph 224, the auditor evaluates the implications of identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations. The implications of particular identified or suspected instances of non-compliance identified by the auditor will depend on the relationship of the perpetration and concealment, if any, of the act to specific control activities and the level of management or ~~employees~~ individuals working for, or under the direction of, the entity involved, especially implications arising from the involvement of the highest authority within the entity. As noted in paragraph 9, the auditor's compliance with law, regulation or relevant ethical requirements may provide further information that is relevant to the auditor's responsibilities in accordance with paragraph 22.

A24. Examples of circumstances that may cause the auditor to evaluate the implications of identified or suspected non-compliance on the reliability of written representations received from management and, where applicable, those charged with governance include when:

- The auditor suspects or has evidence of the involvement or intended involvement of management and, where applicable, those charged with governance in any identified or suspected non-compliance.
- The auditor is aware that management and, where applicable, those charged with governance have knowledge of such non-compliance and, contrary to legal or regulatory requirements, have not reported, or authorized reporting of, the matter to an appropriate authority within a reasonable period.

A2518. In ~~exceptional cases~~ certain circumstances, the auditor may consider ~~whether withdrawal~~ withdrawing from the engagement, ~~where withdrawal is possible under applicable~~ where permitted by law or regulation, ~~is necessary~~ for example when management or those charged with governance do not take the remedial action that the auditor considers appropriate in the circumstances or the identified or suspected non-compliance raises questions regarding the integrity of management or those charged with governance, even when the non-compliance is not material to the financial statements. ~~When deciding whether withdrawal from the engagement is necessary,~~ the auditor may consider it appropriate to obtain seeking legal advice to determine whether withdrawal is appropriate. When the auditor determines that withdrawing from the engagement would be appropriate, doing so would not be a substitute for complying with other responsibilities under law, regulation or relevant ethical requirements to respond to identified or suspected non-compliance. Furthermore, paragraph A8 of ISA (Ireland) 220¹⁴ indicates that some ethical requirements may require the predecessor auditor, upon request by the proposed successor auditor, to provide information regarding non-compliance with laws and regulations to the successor auditor. ~~If withdrawal from the~~

¹⁴ ISA (Ireland) 220, Quality Control for an Audit of Financial Statements

engagement is not possible, the auditor may consider alternative actions, including describing the non-compliance in an Other Matter(s) paragraph in the auditor's report.¹⁴

A2518-1. Withdrawal from the engagement by the auditor is a step of last resort. It is normally preferable for the auditor to remain in office to fulfil the auditor's statutory duties, particularly where minority interests are involved. However, there are circumstances where there may be no alternative to withdrawal, for example where the directors of a company refuse to issue its financial statements or the auditor wishes to inform the shareholders or creditors of the company of the auditor's concerns and there is no immediate occasion to do so.

A25-2 If the auditor determines that continued holding of office is untenable or the auditor is removed from office by the entity, the auditor will be mindful of the auditor's reporting duties^{14a}.

Communicating and Reporting of Identified or Suspected Non-Compliance

Reporting Communicated Identified or Suspected Non-Compliance ~~to~~ Those Charged with Governance (Ref: Para. 232R-1-243)

A2518-32. For audits of financial statements of public interest entities, ISA (Ireland) 260^{14b11a} requires the auditor to communicate in the additional report to the audit committee any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit.

A2518-34. In Ireland, laws or regulations may prohibit alerting ("tipping off") the entity when, for example, the auditor is required to report the identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity pursuant to anti-money laundering legislation.

A1825-45. If a non-compliance with laws and regulations is intentional but not material the auditor considers whether the nature and circumstances make it appropriate to communicate the matter with those charged with governance as soon as practicable.

Suspicion that Management or Those Charged with Governance are Involved in Non-Compliance (Ref: Para. 254)

A2518-56. In the case of suspected Money Laundering it may be appropriate to report the matter direct to the an appropriate authority outside the entity (see paragraph A28).

¹⁴ — ISA (Ireland) 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report, paragraph 8.

In Ireland, if the auditor concludes that the view given by the financial statements could be affected by a level of uncertainty concerning the consequences of a suspected or actual non-compliance which, in the auditor's opinion, is significant, the auditor, subject to a consideration of 'tipping-off' or 'prejudicing an investigation' (see footnote 4a), includes an explanatory paragraph referring to the matter in the auditor's report.

^{14a} Under Chapter 21 of the Companies Act 2014.

^{14b} ISA (Ireland) 260, *Communication with Those Charged with Governance*, paragraph 16R-2(k).

~~Reporting Non-Compliance in the Auditor's Report on the Financial Statements (Ref: Para. 27)~~

~~A18-6. In Ireland, when considering whether the financial statements reflect the possible consequences of any suspected or actual non-compliance, the auditor has regard to the requirements of applicable accounting standards. Suspected or actual non-compliance with laws or regulations may require disclosure in the financial statements because, although the immediate financial effect on the entity may not be material,^{14b} there could be future material consequences such as fines or litigation. For example, an illegal payment may not itself be material but may result in criminal proceedings against the entity or loss of business which could have a material effect on the true and fair view given by the financial statements.~~

^{14b} ~~As discussed in ISA (Ireland) 320, *Materiality in Planning and Performing an Audit*, judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a matter or a combination of both.~~

Potential Implications of Identified or Suspected Non-Compliance for the Auditor's Report

(Ref: Para. 26–28)

A26. Identified or suspected non-compliance with laws and regulation is communicated in the auditor's report when the auditor modifies the opinion in accordance with paragraphs 26–28. In certain other circumstances, the auditor may communicate identified or suspected non-compliance in the auditor's report, for example:

- When the auditor has other reporting responsibilities, in addition to the auditor's responsibilities under the ISAs (Ireland), as contemplated by paragraph 43 of ISA (Ireland) 700;
- When the auditor determines that the identified or suspected non-compliance is a key audit matter and accordingly communicates the matter in accordance with ISA (Ireland) 701, unless paragraph 14 of that ISA (Ireland) applies; or
- In exceptional cases when management or those charged with governance do not take the remedial action that the auditor considers appropriate in the circumstances and withdrawal from the engagement is not possible (see paragraph A25), the auditor may consider describing the identified or suspected non-compliance in an Other Matter paragraph in accordance with ISA (Ireland) 706¹⁶.

A26-1 In Ireland, if the auditor concludes that the view given by the financial statements could be affected by a level of uncertainty concerning the consequences of identified or suspected non-compliance with laws and regulations which, in the auditor's professional judgment, is significant, the auditor, subject to a consideration of 'tipping off' (see paragraph A21), includes an explanatory paragraph referring to the matter in the auditor's report.

A27. Law or regulation may preclude public disclosure by either management, those charged with governance or the auditor about a specific matter. For example, law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including a prohibition on alerting the entity. When the auditor intends to communicate identified or suspected non-compliance in the auditor's report under the circumstances set out in paragraph A26 or otherwise, such law or regulation may have implications for the auditor's ability to describe the matter in the auditor's report, or in some circumstances to issue the auditor's report. In such cases, the auditor may consider obtaining legal advice to determine the appropriate course of action.

A27-1 In Ireland, when considering whether the financial statements reflect the possible consequences of any identified or suspected non-compliance with laws and regulations, the auditor has regard to the requirements of the applicable financial reporting framework. Identified or suspected non-compliance with laws and regulations may require disclosure in the financial statements because, although the immediate financial effect on the entity may not be material,^{16a} there could be future material consequences such as fines, litigation or other consequences for the entity. For example, an illegal payment may not itself be material but may result in criminal proceedings against the entity or loss of business which could have a material effect on the true and fair view given by the financial statements.

Reporting *Identified or Suspected Non-Compliance to Regulatory and Enforcement Authority Outside the Entity* (Ref: Para. 289)

¹⁶ ISA (Ireland) 706, *Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor's Report*.

^{16a} As discussed in ISA (Ireland) 320, *Materiality in Planning and Performing an Audit*, judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a matter or a combination of both.

A28. Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:

- (a) Law, regulation or relevant ethical requirements require the auditor to report (see paragraph A29–A29-3);
- (b) The auditor has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements (see paragraph A30); or
- (c) Law, regulation or relevant ethical requirements provide the auditor with the right to do so (see paragraph A31).

A29. In some jurisdictions, the auditor may be required by law, regulation or relevant ethical requirements to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity. For example, in some jurisdictions, statutory requirements exist for the auditor of a financial institution to report the occurrence, or suspected occurrence, of non-compliance with laws and regulations to a supervisory authority. Also, misstatements may arise from non-compliance with laws or regulations and, in some jurisdictions, the auditor may be required to report misstatements to an appropriate authority in cases where management or those charged with governance fail to take corrective action.^{A19-}

~~_____ The auditor's professional duty to maintain the confidentiality of client information may preclude reporting identified or suspected non-compliance with laws and regulations to a party outside the entity. However, the auditor's legal responsibilities vary by jurisdiction and, in certain circumstances, the duty of confidentiality may be overridden by statute, the law or courts of law. In some jurisdictions, the auditor of a financial institution has a statutory duty to report the occurrence, or suspected occurrence, of non-compliance with laws and regulations to supervisory authorities. Also, in some jurisdictions, the auditor has a duty to report misstatements to authorities in those cases where management and, where applicable, those charged with governance fail to take corrective action. The auditor may consider it appropriate to obtain legal advice to determine the appropriate course of action.~~

A29-1. Anti-money laundering legislation in Ireland imposes a duty on the auditor to report suspected money laundering activity. There are similar laws and regulations relating to financing terrorist offences. The impact on the auditor of this legislation can be broadly summarized as follows:

- Partners and staff in the firms are required to report suspicions of conduct which would constitute a criminal offence which gives rise to direct and indirect benefit: and
- Partners and staff in the firms need to be alert to the dangers of 'tipping-off', as this will constitute a criminal offence under the anti-money laundering legislation.

A29-2 Legislation in Ireland establishes specific responsibilities for the auditor to report suspicions regarding certain criminal offences (for example, in relation to money laundering offences (see paragraph A11-2) and indictable offences under company law and the Criminal Justice (Theft and Fraud Offences) Act 2001). In addition, For –the auditor of entities subject to statutory regulation,^{16 c} laws and regulations establish~~has~~ separate responsibilities for the auditor to report certain information direct to ~~the an~~ relevant regulator~~appropriate authority outside the entity~~. Standards and guidance on these responsibilities is given in Section B of this ISA (Ireland)^{1a} and relevant Practice Notes.

^{16 c} Auditors of public interest entities, financial service entities and pension schemes have a statutory responsibility, subject to compliance with legislation relating to 'tipping off' or 'prejudicing an investigation' (see paragraph A21~~footnote 4a~~), to report matters that are likely to be of material significance to the regulator.

A219-23. The procedures and guidance in Section B of this ISA (Ireland) can be adapted to circumstances in which the auditor of other types of entity ~~becomes aware of a suspected instance of~~identifies or suspects non-compliance with laws ~~and~~ regulations which the auditor is under a statutory duty to report.

Timing of Reports

A19-330. In other cases, the relevant ethical requirements may require the auditor to determine whether reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity is an appropriate action in the circumstances. For example, the IESBA Code requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed, which may include reporting to an appropriate authority outside the entity.¹⁷ The IESBA Code explains that such reporting would not be considered a breach of the duty of confidentiality under the IESBA Code.¹⁸

A31. Even if law, regulation or relevant ethical requirements do not include requirements that address reporting identified or suspected non-compliance, they may provide the auditor with the right to report identified or suspected non-compliance to an appropriate authority outside the entity. For example, when auditing the financial statements of financial institutions, the auditor may have the right under law or regulation to discuss matters such as identified or suspected non-compliance with laws and regulations with a supervisory authority.

A32. In other circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the auditor's duty of confidentiality under law, regulation or relevant ethical requirements.

A33. The determination required by paragraph 29 may involve complex considerations and professional judgments. Accordingly the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular course of action. Some laws and regulations stipulate a period within which reports are to be made. If the auditor becomes aware of a suspected or actual non-compliance with law and regulations which gives rise to a statutory duty to report, the auditor complies with any such stipulated periods for reporting. Ordinarily the auditor makes a report to the appropriate authority as soon as practicable.

Reporting in the Public Interest

A3319-14. Where the auditor ~~has identified or suspects~~ ~~becomes aware of a suspected or actual instance of~~ non-compliance with laws ~~and~~ regulations which does not give rise to a ~~statutory duty~~ responsibility under law, regulation or relevant ethical requirements to report to an appropriate authority outside the entity, the auditor considers whether the matter may be one that ought to be reported in the public interest to a proper an appropriate authority outside the entity in the public interest and, where this is the case, except in the circumstances covered in

¹⁷ See, for example, Section 225.29 and Sections 225.33–225.36 of the IESBA Code. In Ireland, the auditor has regard to paragraphs A33-1–A33-6 of this ISA (Ireland) and any specific requirements of the auditor's Recognised Accountancy Body.

¹⁸ See, for example, Section 140.7 and Section 225.35 of the IESBA Code. In Ireland, the auditor has regard to paragraphs A33-1–A33-6 of this ISA (Ireland) and any specific requirements of the auditor's Recognised Accountancy Body.

paragraph A~~3349-36~~ below, discusses the matter with those charged with governance, including any audit committee.^{18a11d}

A~~3349-25~~. If, having considered any views expressed on behalf of the entity and in the light of any legal advice obtained, the auditor concludes that the matter ought to be reported in the public interest to an appropriate authority ~~outside the entity in the public interest~~, the auditor notifies those charged with governance in writing of the ~~view~~ auditor's conclusion and, if the entity does not voluntarily do so itself or is unable to provide evidence that the matter has been reported, the auditor reports the matter direct to an appropriate authority outside the entity[#].

A~~3349-36~~. The auditor reports in the public interest a matter direct to an ~~appropriate proper~~ authority outside the entity in the public interest and without discussing the matter with the entity if the auditor concludes that the ~~identified or suspected or actual instance of~~ non-compliance with laws and regulations has caused the auditor no longer to have confidence in the integrity of those charged with governance. Such a conclusion may arise in the circumstances identified in paragraph A24 or as a result of other audit procedures.

~~A19-7. Examples of circumstances which may cause the auditor no longer to have confidence in the integrity of those charged with governance include situations:~~

- ~~• Where the auditor suspects or has evidence of the involvement or intended involvement of those charged with governance in possible non-compliance with law or regulations which could have a material effect on the financial statements; or~~
- ~~• Where the auditor is aware that those charged with governance are aware of such non-compliance and, contrary to regulatory requirements or the public interest, have not reported it to a proper authority within a reasonable period. In such a case, if the auditor determines that continued holding of office is untenable or the auditor is removed from office by the client, the auditor will be mindful of the auditor's reporting duties.^{11e}~~

A~~3349-48~~. Determination of where the balance of public interest lies requires careful consideration. An auditor whose suspicions have been aroused uses professional judgment to determine whether the auditor's misgivings justify the auditor in carrying the matter further or are too insubstantial to deserve reporting. The auditor can limit the risk of liability for breach of confidence or defamation provided that:

- In the case of breach of confidence, disclosure is made in the public interest, and such disclosure is made to an appropriate body or person,^{18b} and there is no malice motivating the disclosure; and
- In the case of defamation disclosure is made in the auditor's capacity as auditor of the entity concerned, and there is no malice motivating the disclosure by the auditor:

~~to a regulator who had a duty to receive, or interest in receiving, the information contained in the statement; and~~

^{18a} In rare circumstances, according to common law, disclosure might also be justified in the public interest where there is no instance of non-compliance with law or regulations, e.g. where the public is being misled or their financial interests are being damaged; where a miscarriage of justice has occurred; where the health and safety of members of the public or the environment is being endangered – although such events may well constitute breaches of law ~~and~~ regulation.

^{11e} ~~Chapters 19 to 21, Part 6 of the Companies Act 2014 refer.~~

^{18b}

In Ireland, ~~appropriate proper~~ authorities outside the entity could include the Garda Bureau of Fraud Investigation, the Revenue Commissioners, the Irish Stock Exchange, the Central Bank of Ireland, the Pensions Authority, the Director of Corporate Enforcement, the Health and Safety Authority, The Charities Regulatory Authority and the Department of Jobs, Enterprise and Innovation.

~~the auditor believed upon reasonable grounds that the regulator had such a duty or interest;
the auditor had a corresponding duty to communicate, or interest in communicating, the information to
the regulator; and
there was no malice motivating the disclosure.”~~

In addition, the auditor is protected from such risks where the auditor is expressly permitted or required by legislation to disclose information.^{18c)}

A3319-59. 'Public interest' is a concept that is not capable of general definition. Each situation must be considered individually. Such matters that may be taken into account when considering whether disclosure is justified in the public interest may include:

- The extent to which the identified or suspected ~~or actual~~ non-compliance with laws ~~or~~ and regulations is likely to affect members of the public;

~~• The strength of the public interest in maintaining confidentiality;~~

- Whether those charged with governance have rectified the matter or are taking, or are likely to take, effective corrective action;
- The extent to which non-disclosure is likely to enable the identified or -suspected ~~or actual~~ non-compliance with law and ~~or~~ regulations to recur with impunity;
- The gravity of the matter;
- Whether there is a general ethos within the entity of disregarding laws and ~~or~~ regulations; and
- The weight of evidence and the degree of the auditor's suspicion that there has been ~~an instance of~~ non-compliance with laws and ~~or~~ regulations.

A3319-610. An auditor will reduce the risk of being held to be in breach of duty to a client if he or she acts reasonably and in good faith in informing an appropriate authority of ~~a breach of non-compliance with~~ laws and ~~or~~ regulations which the auditor suspect~~thinks~~ has been committed even if, an investigation or prosecution having occurred, it were found that there had been no offence”

A3319-117. The auditor needs to remember that the auditor's decision as to whether to report, and if so to whom, may be called into question at a future date, for example on the basis of:

- What the auditor knew at the time;
- What the auditor ought to have known in the course of the audit;
- What the auditor ought to have concluded; and
- What the auditor ought to have done.

The auditor may also wish to consider the possible consequences if financial loss is occasioned by non-compliance with laws and ~~or~~ regulations which the auditor suspects (or ought to suspect) has occurred but decided not to report.

^{18c)} The Protected Disclosures Act 2014 in Ireland would give similar protection to an individual member of the audit engagement team who made an appropriate report in the public interest. However, ordinarily a member of the engagement team who believed there was a reportable matter would follow the audit firm's policies and procedures to address such matters. ISA (Ireland) 220, *Quality Control for an Audit of Financial Statements*, paragraph 18(a), requires that the engagement partner shall take responsibility for the engagement team undertaking appropriate consultation on difficult or contentious matters. If differences of opinion arise within the engagement team, ISA (Ireland) 220, paragraph 22, requires that the engagement team shall follow the firm's policies and procedures for dealing with and resolving differences of opinion.

~~A19-12 The auditor needs to remember that a disclosure in the public interest is limited to a disclosure to an appropriate authority, and any wider disclosure will not be covered by the public interest defence.~~

~~A3319-813. The auditor may need to take legal advice before making a decision on whether identified or suspected non-compliance with laws and regulations the matter needs to be reported to an appropriate proper authority in the public interest.~~

Considerations Specific to Public Sector Entities

~~A3420. A public sector auditor may be obliged to report on instances of identified or suspected non-compliance to the legislature or other governing body or to report them in the auditor's report.~~

Timing of Reports

~~A34-1 Laws and Regulations may stipulate a period within which reports are to be made. If the auditor becomes aware of a suspected or actual non-compliance with laws and regulations which give rise to a statutory duty to report, the auditor complies with any such stipulated periods for reporting. Ordinarily the auditor makes a report to an appropriate authority outside the entity as soon as practicable.~~

Reporting to Authorities of Public Interest Entities (Ref: Para. 298R-1)

~~A1934-214. The disclosure in good faith to the authorities responsible for investigating such irregularities, by the auditor, of any irregularities referred to in paragraph 298R-1 shall not constitute a breach of any contractual or legal restriction on disclosure of information in accordance with the Audit Regulation.^{18d11h}~~

~~A3419-315. The auditor considers whether to take further action when the entity investigates the matter referred to in paragraph 232R-1 but where the measures taken by management or those charged with governance, in the auditor's professional judgement, were not appropriate to deal with the irregularities identified or would fail to prevent future occurrences.~~

~~Considerations Specific to Public Sector Entities~~

~~A20. A public sector auditor may be obliged to report on instances of non-compliance to the legislature or other governing body or to report them in the auditor's report.~~

Documentation (Ref: Para. 3029)

~~A3524. The auditor's documentation of findings regarding identified or suspected non-compliance with laws and regulations may include, for example:~~

~~37. Copies of records or documents.~~

~~38. Minutes of discussions held with management, those charged with governance or parties outside the entity.~~

~~A36 Law, regulation or relevant ethical requirements may also set out additional documentation requirements regarding identified or suspected non-compliance with laws and regulations.¹⁹~~

^{18d} Article 7 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014.

¹⁹ See, for example, Section 225.37 of the IESBA Code. In Ireland, the auditor has regard to any specific requirements of the auditor's Recognised Accountancy Body.

CONFORMING AMENDMENTS TO OTHER ISAs (Ireland)

This annexure shows the conforming amendments to other ISAs (Ireland) as a result of ISA (Ireland) 250 (Revised XX 2017) amendments. These amendments are effective for periods commencing on or after 15 December 2017, and are shown with marked changes from the latest published versions of the ISAs (UK). The footnote numbers within these amendments do not align with the ISAs (Ireland) that are amended, and reference should be made to those ISAs (Ireland).

ISQC (Ireland) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

Application and Other Explanatory Material

CONFIDENTIALITY, SAFE CUSTODY, INTEGRITY, ACCESSIBILITY AND RETRIEVABILITY OF ENGAGEMENT DOCUMENTATION (REF: PARA. 46)

A56. Relevant ethical requirements establish an obligation for the firm's personnel to observe at all times the confidentiality of information contained in engagement documentation, unless specific client authority has been given to disclose information, or there are responsibilities under law, regulation or relevant ethical requirements ~~is a legal or professional duty to do so.~~¹ Specific laws or regulations may impose additional obligations on the firm's personnel to maintain client confidentiality, particularly where data of a personal nature are concerned.

¹ See, for example, Section 140.7 and Section 225.35 of the IESBA Code.

ISA (Ireland) 210, *Agreeing the Terms of Audit Engagements*

Application and Other Explanatory Material Agreement on Audit Engagement Terms

A24. WHEN RELEVANT, THE FOLLOWING POINTS COULD ALSO BE MADE IN THE AUDIT ENGAGEMENT LETTER:

- Arrangements concerning the involvement of other auditors and experts in some aspects of the audit.
- Arrangements concerning the involvement of internal auditors and other staff of the entity.
- Arrangements to be made with the predecessor auditor, if any, in the case of an initial audit.
- A reference to, and description of, the auditor's responsibilities under law, regulation or relevant ethical requirements that address reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.
- Any restriction of the auditor's liability when such possibility exists.
- A reference to any further agreements between the auditor and the entity.
- Any obligations to provide audit working papers to other parties. An

example of an audit engagement letter is set out in Appendix 1.

ISA (Ireland) 220, *Quality Control for an Audit of Financial Statements*

Application and Other Explanatory Material

Acceptance and Continuance of Client Relationships and Audit Engagements

(REF: PARA. 12)

A8a. Law, regulation, or relevant ethical requirements² may require the auditor to request, prior to accepting the engagement, the predecessor auditor to provide known information regarding any facts or circumstances that, in the predecessor auditor's judgment, the auditor needs to be aware of before deciding whether to accept the engagement. In some circumstances, the predecessor auditor may be required, on request by the proposed successor auditor, to provide information regarding identified or suspected non-compliance with laws and regulations to the proposed successor auditor.^{2a} For example, where the predecessor auditor has withdrawn from the engagement as a result of identified or suspected non-compliance with laws and regulations, the IESBA Code requires that the predecessor auditor, on request by a proposed successor auditor, provides all such facts and other information concerning such non-compliance that, in the predecessor auditor's opinion, the proposed successor auditor needs to be aware of before deciding whether to accept the audit appointment.³

² See, for example, Sections 210.14 of the IESBA Code.

In Ireland, the relevant guidance on proposed communications with a predecessor auditor is provided by the pronouncements relating to the work of auditors issued by the Recognised Accountancy Body

³ See, for example, Sections 225.31 of the IESBA Code.

In Ireland, the auditor has regard to any specific requirements of the auditor's Recognised Accountancy Body.

^{2a} In Ireland, the predecessor auditor is required to provide the successor statutory auditor with access to all relevant information concerning the entity, including information concerning the most recent audit. This would include non-compliance with laws and regulations. See IQSC (Ireland) 2, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements*, paragraph 28D-1

ISA (Ireland) 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

Introduction

Responsibility for the Prevention and Detection of Fraud

Responsibilities of the Auditor

8A. THE AUDITOR MAY HAVE ADDITIONAL RESPONSIBILITIES UNDER LAW, REGULATION OR RELEVANT ETHICAL REQUIREMENTS REGARDING AN ENTITY'S NON-COMPLIANCE WITH LAWS AND REGULATIONS, INCLUDING FRAUD, WHICH MAY DIFFER FROM OR GO BEYOND THIS AND OTHER ISAS (IRELAND), SUCH AS: (REF: PARA. A5A)

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance, assessing the appropriateness of their response to non-compliance and determining whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to other auditors (e.g., in an audit of group financial statements); and
- (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the auditor's work in accordance with this and other ISAs (Ireland) (e.g., regarding the integrity of management or, where appropriate, those charged with governance).

Requirements

Communications to Management and with Those Charged with Governance

40. If the auditor has identified a fraud or has obtained information that indicates that a fraud may exist, the auditor shall communicate these matters, unless prohibited by law or regulation, on a timely basis with ~~to~~ the appropriate level of management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. (Ref: Para. A59a–A60)
41. Unless all of those charged with governance are involved in managing the entity, if the auditor has identified or suspects fraud involving:
- (a) management;
 - (b) employees who have significant roles in internal control; or
 - (c) others where the fraud results in a material misstatement in the financial statements,
- the auditor shall communicate these matters with ~~to~~ those charged with governance on a timely basis. If the auditor suspects fraud involving management, the auditor shall communicate these suspicions with ~~to~~ those charged with governance and discuss with them the nature, timing and extent of audit procedures necessary to complete the audit. Such communications

with those charged with governance are required unless the communication is prohibited by law or regulation. (Ref: Para. A59a, A61–A63)

42. The auditor shall communicate, unless prohibited by law or regulation, with those charged with governance any other matters related to fraud that are, in the auditor's judgment, relevant to their responsibilities. (Ref: Para. A59a, A64)

Reporting Fraud to an Appropriate Authority Outside the Entity Communications to Regulatory and Enforcement Authorities

43. If the auditor has identified or suspects a fraud, the auditor shall determine whether law, regulation or relevant ethical requirements: there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's legal responsibilities may override the duty of confidentiality in some circumstances. (Ref: Para. A65–A67)
- (a) Require the auditor to report to an appropriate authority outside the entity.
 - (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Application and Other Explanatory Material

Responsibility for the Prevention and Detection of Fraud

Responsibilities of the Auditor (Ref: Para. 8a)

A5A. LAW, REGULATION OR RELEVANT ETHICAL REQUIREMENTS MAY REQUIRE THE AUDITOR TO PERFORM ADDITIONAL PROCEDURES AND TAKE FURTHER ACTIONS. FOR EXAMPLE, THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS ISSUED BY THE INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS (IESBA CODE) REQUIRES THE AUDITOR TO TAKE STEPS TO RESPOND TO IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS AND DETERMINE WHETHER FURTHER ACTION IS NEEDED. SUCH STEPS MAY INCLUDE THE COMMUNICATION OF IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS TO OTHER AUDITORS WITHIN A GROUP, INCLUDING A GROUP ENGAGEMENT PARTNER, COMPONENT AUDITORS OR OTHER AUDITORS PERFORMING WORK AT COMPONENTS OF A GROUP FOR PURPOSES OTHER THAN THE AUDIT OF THE GROUP FINANCIAL STATEMENTS.⁴

Communications to Management and with Those Charged with Governance

(Ref: Para. 40–42)

A59a. In some jurisdictions, law or regulation may restrict the auditor's communication of certain matters with management and those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the auditor is required to report the fraud to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the auditor may be complex and the auditor may consider it appropriate to obtain legal advice.

⁴ See Sections 225.21–225.22 of the IESBA Code.

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Reporting Fraud to an Appropriate Authority outside the Entity Communications to Regulatory and Enforcement Authorities (Ref: Para. 43)

A65. ISA (IRELAND) 250⁵ PROVIDES FURTHER GUIDANCE WITH RESPECT TO THE AUDITOR'S DETERMINATION OF WHETHER REPORTING IDENTIFIED OR SUSPECTED NON- COMPLIANCE WITH LAWS OR REGULATIONS TO AN APPROPRIATE AUTHORITY OUTSIDE THE ENTITY IS REQUIRED OR APPROPRIATE IN THE CIRCUMSTANCES, INCLUDING CONSIDERATION OF THE AUDITOR'S DUTY OF CONFIDENTIALITY. ~~THE AUDITOR'S PROFESSIONAL DUTY TO MAINTAIN THE CONFIDENTIALITY OF CLIENT INFORMATION MAY PRECLUDE REPORTING FRAUD TO A PARTY OUTSIDE THE CLIENT ENTITY. HOWEVER, THE AUDITOR'S LEGAL RESPONSIBILITIES VARY BY COUNTRY AND, IN CERTAIN CIRCUMSTANCES, THE DUTY OF CONFIDENTIALITY MAY BE OVERRIDDEN BY STATUTE, THE LAW OR COURTS OF LAW. IN SOME COUNTRIES, THE AUDITOR OF A FINANCIAL INSTITUTION HAS A STATUTORY DUTY TO REPORT THE OCCURRENCE OF FRAUD TO SUPERVISORY AUTHORITIES. ALSO, IN SOME COUNTRIES THE AUDITOR HAS A DUTY TO REPORT MISSTATEMENTS TO AUTHORITIES IN THOSE CASES WHERE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FAIL TO TAKE CORRECTIVE ACTION.~~

A66. The determination required by paragraph 43 may involve complex considerations and professional judgments. Accordingly, the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). ~~The auditor may also consider it appropriate to obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular determine the appropriate course of action in the circumstances, the purpose of which is to ascertain the steps necessary in considering the public interest aspects of identified fraud.~~

⁵ ISA (Ireland) 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, paragraphs A28–A34.

ISA (Ireland) 260, *Communication with Those Charged with Governance*

Introduction

The Role of Communication

7. IN SOME JURISDICTIONS, LAW OR REGULATION MAY RESTRICT THE AUDITOR'S COMMUNICATION OF CERTAIN MATTERS WITH THOSE CHARGED WITH GOVERNANCE. FOR EXAMPLE, LAWS OR REGULATIONS MAY SPECIFICALLY PROHIBIT A COMMUNICATION, OR OTHER ACTION, THAT MIGHT PREJUDICE AN INVESTIGATION BY AN APPROPRIATE AUTHORITY INTO AN ACTUAL, OR SUSPECTED, ILLEGAL ACT, INCLUDING ALERTING THE ENTITY, FOR EXAMPLE, WHEN THE AUDITOR IS REQUIRED TO REPORT IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAWS AND REGULATIONS TO AN APPROPRIATE AUTHORITY PURSUANT TO ANTI-MONEY LAUNDERING LEGISLATION. IN SOME THESE CIRCUMSTANCES, THE ISSUES CONSIDERED BY THE AUDITOR POTENTIAL CONFLICTS BETWEEN THE AUDITOR'S OBLIGATIONS OF CONFIDENTIALITY AND OBLIGATIONS TO COMMUNICATE MAY BE COMPLEX. IN SUCH CASES, AND THE AUDITOR MAY CONSIDER IT APPROPRIATE TO OBTAINING LEGAL ADVICE.

ISA (Ireland) 450, *Evaluation of Misstatements Identified During the Audit*

Requirements

Communication and Correction of Misstatements

8. THE AUDITOR SHALL COMMUNICATE, ~~UNLESS PROHIBITED BY LAW OR REGULATION,~~ ON A TIMELY BASIS ALL MISSTATEMENTS ACCUMULATED DURING THE AUDIT WITH THE APPROPRIATE LEVEL OF MANAGEMENT, ~~UNLESS PROHIBITED BY LAW OR REGULATION.~~⁶ THE AUDITOR SHALL REQUEST MANAGEMENT TO CORRECT THOSE MISSTATEMENTS. (REF: PARA. A7–A9)

Application and Other Explanatory Material

Communication and Correction of Misstatements (Ref: Para. 8–9)

~~A8. IN SOME JURISDICTIONS, LAW OR REGULATION MAY RESTRICT THE AUDITOR'S COMMUNICATION OF CERTAIN MISSTATEMENTS TO MANAGEMENT, OR OTHERS, WITHIN THE ENTITY. FOR EXAMPLE, LAWS OR REGULATIONS MAY SPECIFICALLY PROHIBIT A COMMUNICATION, OR OTHER ACTION, THAT MIGHT PREJUDICE AN INVESTIGATION BY AN APPROPRIATE AUTHORITY INTO AN ACTUAL, OR SUSPECTED, ILLEGAL ACT, INCLUDING ALERTING THE ENTITY, FOR EXAMPLE, WHEN THE AUDITOR IS REQUIRED TO REPORT IDENTIFIED OR SUSPECTED NON-COMPLIANCE WITH LAW OR REGULATION TO AN APPROPRIATE AUTHORITY PURSUANT TO ANTI-MONEY LAUNDERING LEGISLATION. IN SOME THESE CIRCUMSTANCES, POTENTIAL CONFLICTS BETWEEN THE AUDITOR'S OBLIGATIONS OF CONFIDENTIALITY AND OBLIGATIONS TO COMMUNICATE MAY BE COMPLEX. IN SUCH CASES, THE ISSUES CONSIDERED BY THE AUDITOR MAY BE COMPLEX AND THE AUDITOR MAY CONSIDER SEEKING IT APPROPRIATE TO OBTAIN LEGAL ADVICE.~~

⁶ ISA (Ireland) 260, *Communication with Those Charged with Governance*, paragraph 7.

ISA (Ireland) 500, *Audit Evidence*

Requirements

Information to Be Used as Audit Evidence

7. WHEN DESIGNING AND PERFORMING AUDIT PROCEDURES, THE AUDITOR SHALL CONSIDER THE RELEVANCE AND RELIABILITY OF THE INFORMATION TO BE USED AS AUDIT EVIDENCE. (REF: PARA. A26–A33A)

Application and Other Explanatory

Material Information to Be Used as

Audit Evidence *Relevance and*

Reliability (Ref: Para. 7)

A26. AS NOTED IN PARAGRAPH A1, WHILE AUDIT EVIDENCE IS PRIMARILY OBTAINED FROM AUDIT PROCEDURES PERFORMED DURING THE COURSE OF THE AUDIT, IT MAY ALSO INCLUDE INFORMATION OBTAINED FROM OTHER SOURCES SUCH AS, FOR EXAMPLE, PREVIOUS AUDITS, IN CERTAIN CIRCUMSTANCES, ~~AND A FIRM'S QUALITY CONTROL PROCEDURES FOR CLIENT ACCEPTANCE AND CONTINUANCE~~ AND COMPLYING WITH CERTAIN ADDITIONAL RESPONSIBILITIES UNDER LAW, REGULATION OR RELEVANT ETHICAL REQUIREMENTS (E.G., REGARDING AN ENTITY'S NON-COMPLIANCE WITH LAWS AND REGULATIONS). THE QUALITY OF ALL AUDIT EVIDENCE IS AFFECTED BY THE RELEVANCE AND RELIABILITY OF THE INFORMATION UPON WHICH IT IS BASED.

A33a. ISA (Ireland) 250 (Revised XXX 2017)⁷ provides further guidance with respect to the auditor complying with any additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's identified or suspected non-compliance with laws and regulations that may provide further information that is relevant to the auditor's work in accordance with ISAs (Ireland) and evaluating the implications of such non-compliance in relation to other aspects of the audit.

7. ISA (Ireland) 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, paragraph 9.
