

Kevin Prendergast

Irish Auditing & Accounting Supervisory Authority

Willow House

Millennium Park, Naas

Co Kildare,

Ireland

16 July 2020

Dear Kevin

The Audit and Assurance Committee of Chartered Accountants Ireland (“CAI”) is pleased to provide comments on IAASA’s Proposals to revise the Ethical Standard for Auditors (Ireland), International Standards on Auditing (Ireland) and Glossary of Terms.

We have comments on the proposed changes on the International Standards on Auditing (Ireland) (ISAs (Ireland)) and on the Ethical standard which we set out in the appendices attached. We also however have a small number of key and primary concerns on certain aspects which it would likely be beneficial to discuss with IAASA and also to ensure the views of all other relevant stakeholders, including directors and others charged with entity governance as well as the investor community are considered.

In developing this submission, we sought the wider views of members in both business and in practice on certain aspects of the proposals by engaging with members of CAI’s business committees. This submission reflects the totality of those views.

One very key point that we would like to highlight is that we support change to the Auditing Framework that contributes to high quality audits which maintain investor confidence by providing an independent, impartial view of an entity’s financial statements. There is however a very distinct and widening difference between the marketplace in Ireland and the UK in relation to audit and the provision of other non-audit services currently. This has been further highlighted by the FRC’s recent announcement of principles of separation of Auditing Firms. It is our belief that the changes proposed in the Auditing Framework by the FRC during 2019 were a precursor to these more significant changes now evolving in the UK and which will continue to evolve. It is important therefore that in proposing changes to the Auditing Framework IAASA considers whether the changes the FRC has made and will continue to make are appropriately reflective of the Irish landscape. In particular, certain changes the FRC has made to their standards reflect different requirements compared to EU Law and compared to how other jurisdictions within the EU have implemented the audit regulation. We believe an underpinning principle of Irish Legislation and Regulation is its consistency with the rest of the EU, which raises a question regarding whether

IAASA's policy to continue to substantively adopt, with minimal amendments, the changes brought in by the UK standard setter will be sustainable into the future. It seems timely for IAASA to reflect on this policy approach.

Effective Date

One of the key points we would like to draw out in this submission is around the proposed effective date.

The amendments proposed within both the Ethical Standard for Auditors (Ireland) and the ISAs (Ireland) will require amendments to existing policies and procedures within the auditing firms, and also will require changes to be made to processes by Companies and their Directors. Some of the changes within the Ethical Standard are significant and include assessment of relationships between the firm, its employees and partners and potential audit clients and impact on client acceptance procedures and policies as well as firm and partner rotation policies.

The impact of the proposed changes on client acceptance and rotation of staff with regard to several specific areas are noted below.

In addition, and importantly the approach to be taken during the transition period for engagements already in progress or where contracts are already in negotiation will need to be clarified. Some of these engagements may span more than a year so the effective date requirements for any revised standards need to take account of such contracts. There may also be instances where an assignment has been delayed or progressed slowly due to the current restrictive working environment. These engagements will need to take account of the new requirements and when they take effect to best determine an effective and appropriate wind down and transfer to a new service provider by the client.

Similar challenges apply to the changes proposed with the auditing standards.

It is therefore our view that the proposed effective date is not practical and does not allow sufficient time for statutory auditors and audit firms to implement the changes within their existing policies and procedures and audit programmes as well as develop and roll out the necessary training programmes to staff.

Under normal operating conditions while the rollout of the suite of changes that are proposed would be challenging given the significance of some of the proposals, it would likely be achievable.

However, the current business and working conditions and existing challenges facing our members makes the proposed date a more than challenging proposal. It is unlikely that the profession will have access to the revised standards before their annual training commence this year, in which they are already rolling out ISA (Ireland) 540 revised and ISA (Ireland) 570 revised both of which are very significant standards.

As protocols of working currently exist, it is uncertain when some of our members and member firms will be able to facilitate their teams being able to return to their offices. Audit engagements in the coming season for FY20 year ends are likely to continue to experience these challenges as a result of the government-imposed restrictions on work place protocols both in offices and at client premises.

For these reasons we suggest that consideration be given to the proposed timeline that is presented in the proposals. We would welcome the opportunity to discuss with you what alternative date may be achievable in the current circumstances.

Comments on the consultation process

The Consultation Paper on Proposals to revise the Ethical Standard for Auditors (Ireland) (consultation paper) cross references the changes made by the Financial Reporting Council to its standard on which IAASA's standards as based. The consultation paper does include a brief note of the differences to the changes made by the FRC to its Ethical Standard for Auditors. However, the consultation paper does not include any local impact analysis or a comprehensive outline of the proposed changes nor in its place has there been outreach or other stakeholder engagement.

The first question of the consultation paper asks if there are any proposed amendments that conflict with Irish law or EU law, however the absence of a complete list of the detailed proposed changes makes it difficult to make a definitive response to this question. Also, it is not clear if this question is asking about proposals which are at variance with or incompatible with EU Law or Irish law. We would therefore welcome the opportunity to discuss some of the key proposals from the current suite of changes with you to ensure we have a full understanding of the considerations that helped inform IAASA that the proposed changes are necessary in the Irish marketplace and so that our members properly understand and can implement them effectively.

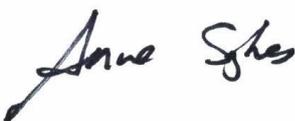
We believe it would be beneficial if IAASA has engagement and outreach with all stakeholders as part of the due process in relation to the development of and amendments to its standards. This outreach as IAASA develops its views on necessary changes ensures that all stakeholders have a common understanding of the driver of the changes and therefore better facilitates a higher quality outcome on implementation of new requirements within IAASA's Auditing Framework.

We attach our response to the individual questions raised and have included some further comments on certain specific proposed changes to the Auditing Framework in the attached appendices.

We are available to discuss any of the comments and questions raised in our response and as mentioned above we would welcome the opportunity to meet with IAASA to discuss them.

Please do not hesitate to contact me at anne.sykes@charteredaccountants.ie or on + 353 1 6377313 to discuss any of the issues raised in our response.

Regards



Anne Sykes
Secretary to the Audit & Assurance Committee
Chartered Accountants Ireland

Responses to questions in the consultation paper

Question 1

In the context of IAASA's policy to make minimal amendments to the UK standards, are there any amendments proposed that, in your opinion conflict with Irish or EU law?

If so, please:

(a) identify the relevant proposed amendment(s);

(b) identify the relevant legal provision(s);

(c) give reasons for your view; and

d) explain what action(s), if any, you believe should be taken to update the standards in Ireland in respect of the matter(s) concerned.

Ethical Standard for Auditors (Ireland)

With respect to the amendments to the Ethical Standards proposed, there are a number of changes proposed which do not exist in EU Law or Irish law. Whilst their provisions are not incompatible with extant requirements they are at variance with and go beyond the requirements which apply under European law and therefore by European statutory auditors. This may make achieving the objectives of the Statutory Audit Directive more challenging. In relation to these proposals it was not specifically clear from the amendments or the consultation paper which amendments were to address the FRC's post implementation review of the efficacy of the 2016 UK Auditing and Ethical Standards and which were new requirements brought in because of the UK market place and in reaction to the various regulatory matters which have arisen in recent years in the UK. In effecting such amendments, it has always proven beneficial for effective implementation by our members where they have an understanding of the driver of the change. This is something IAASA may determine is useful to discuss with the profession in the pre-finalisation phase of the amendments to the Auditing Framework.

ISA (Ireland) 701, Communicating Key Audit Matters in the Independent Auditor's Report

The proposed amendment to ISA (Ireland) 701.16-1 introduces a requirement to specify performance materiality and provide an explanation of significant judgements in relation to determining performance materiality. Discussion of performance materiality is not required by Article 10 of the Audit Regulation nor therefore current extant Irish Company Law.

This proposal was first introduced by the FRC in their amendment to the ISAs (UK) in 2019. In our response the UK FRC consultation in September 2019 we expressed our view that the inclusion of performance materiality may lead to unnecessary confusion among the users of the financial statements. We are concerned that it could result in an expectation gap by users as to the level of audit materiality applied in the audit. We are still of that view.

We strongly believe that the proposal in paragraph 16-1 will add new terminology and technical complexity to the audit report which we do not believe will benefit the reader. The inclusion of further audit terminology in a report to entity members and other stakeholders, and where the definition resides in a large suite of related auditing standards will likely cause confusion. We are

also not aware that users of financial statements of Irish entities have requested that such additional and granular information be given.

As such, we would suggest that requirement to discuss performance materiality in the audit report is reconsidered and with a view to removing this from paragraph 16-1.

ISA (Ireland) 720, *The Auditor’s Responsibilities Relating to Other Information Definitions*

Since the drafting of paragraph 22D-1 in the extant standard (paragraph A53-4 in the proposed standard), additional company legislation has been enacted in relation to Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings.

This directive was implemented in Irish law by S.I. No. 360/2017 - European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 and subsequently amended by S.I. No. 410/2018 - European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (Amendment) Regulations 2018.

Regulation 4(c) of S.I. No. 410/2018 notes that “Subject to paragraph (13), the requirements imposed on the statutory auditors under section 336(5) of the Principal Act shall not apply to those parts of the directors’ report dealing with non-financial statements”.

We suggest that a footnote is added paragraph A53-4 after the words “Section 336(5) of the Companies Act 2014” to reflect this change as follows:

“Section 336(5) of the Companies Act 2014 does not apply to the parts of the directors’ report dealing with non-financial statements”.

Question 2

In the context of IAASA’s policy to make minimal amendments to the UK standards, are there any areas not identified in this consultation paper where there are distinct differences between the Irish and UK markets which, in your opinion, would impact on the applicability of the proposed amendments to the standards in Ireland?

If so, please:

- (a) identify the relevant proposed amendment(s);**
- (b) identify the market sector(s), audited entities etc. in Ireland impacted by the proposed amendment(s);**
- (c) give reasons for your view; and**
- (d) explain what action, if any, you believe should be taken to update the standards in Ireland in respect of the matter(s) concerned.**

Ethical Standard for Auditors (Ireland)

As noted previously, we do not believe the consultation paper has provided specific and sufficient clarity around the basis of all of the specific proposed changes including the underpinning basis for

the proposal to make the amendment. We are specifically conscious that the changes made to the FRC standards were primarily driven by the FRCs post implementation review of the efficacy of the 2016 UK Auditing and Ethical Standards. That review did not extend to the implementation of the standards by Irish statutory auditors. It also took account of the provisions of the UK legislation post BREXIT.

The FRC consulted on the changes in July 2019. One of the recurring comments by respondents to the consultation paper published by the FRC was that whilst there was an acceptance that changes need to be made as a result of public scrutiny and a lack of public confidence in the UK market place, the timing of the proposed changes was deemed to be premature. This was largely as a result of outputs from the Brydon and BEIS reviews which were ongoing and continue to progress.

Most recently, the FRC has also recently announced principles around operating separation of UK audit firms. This therefore creates a construct of auditing firms in the UK which is significantly different from not only the European Union, but the rest of the world.

The changes proposed by the FRC in their 2019 revisions were a clear precursor to these significant changes. It is with that important backdrop to now an evolving landscape for the audit professions in the UK that is significantly different from the Irish marketplace.

As noted in our cover letter, we would seek that IAASA consider this pervasive difference as they finalise the proposals for the Auditing Framework. Additional comments on specific aspects of the Ethical Standard under this question are set out here after.

Ethical Standard for Auditors (Ireland) - Section 5.79 & 5.83

We believe that the prohibition on acting as tax advisors in a situation where the matter is likely to be determined by an appeals tribunal or court and where it is not material to the entity's present or future financial statements, or where the outcome of the tax issue will not be dependent on a future or contemporary judgement by the firm in relation to the financial statements is unnecessarily restrictive and will prove challenging in the Irish marketplace.

Ongoing immaterial tax compliance work should be permitted acknowledging that a tax litigation matter could arise. In this situation the team providing the service would monitor the progress with the Revenue Authorities and determine the appropriate time to disengage and cease involvement.

To provide that a tax advisor would be unable to continue to operate under the extant provisions, as above, will result in companies incurring costs with transitioning to a new advisor, whom they will need to brief on all their related tax matters to ensure that they obtain a quality tax service and provide for the appropriate outcome, which outcome may be that there is no furtherance of the matter with the tax authorities.

These concerns are compounded in the current environment where many businesses are faced with operating and financial challenges and are trying to navigate away from potential threats to the survival of their businesses.

Section 5.83 refers to resignation where the client is listed for hearing before an appeals tribunal, however not all appeals tribunal will involve the audit firm acting as advocates, so we feel this is unnecessarily stringent.

It appears that the driver of the amendment in the FRC standards was to respond to the fact that they have curtailed the provision of many non-audit services including tax to EU PIEs and OPIEs. The amendment has some validity in that context. It does not seem to have any within the Irish standards which continue to align with the Audit Regulation in this regard.

It is our view that there is no requirement to amend this in the Irish marketplace and that the separation between the tax and audit teams along with continued consideration of the status of ongoing and new engagements to assess the likelihood of a matter progressing to the courts is adequate, sufficiently robust and appropriate.

As also commented in relation to Section 3 of the Ethical Standard this expands the prohibitions beyond those which currently apply in the European Union and under the IESBA framework.

In addition, we note that in the consultation paper IAASA state:

“The FRC has removed the derogation for auditors that allows them to provide certain prohibited non-audit services to PIE audit clients where they have ‘no direct’ or an ‘immaterial’ effect on the financial statements. This provision has been retained in the Ethical Standard for Auditors (Ireland) as it reflects the provisions of the Companies Act 2014”

We believe that the proposed changes to 5.79 and 5.83 are not aligned with this intention as the specific reference to materiality is removed.

We also note that in para 5.87 of the standard, the firm may continue to provide legal services in the resolution of a dispute which is not material to the amounts to be included in or the disclosures to be made in the financial statements.

Ethical Standards for Auditors (Ireland) - Other proposals

We also note the proposals to “strengthen” a number of the ethical prohibitions and requirements relating to auditor independence in the following areas:

- Contingent fees for all services
- The provision of internal audit services; and
- Loan staff assignments

It is unclear from the consultation paper on what basis some of these changes have been deemed necessary. Whilst it is proposed that these will strengthen the requirements, we believe they only serve to add further restrictions without acknowledging the potential additional costs and practical inefficiencies for companies and their directors.

As certain of the changes were informed by the FRC’s review of the efficacy of the 2016 UK Auditing and Ethical Standards, we would suggest that perhaps a similar review of the practices in these areas in the Irish market place be conducted before a similar assessment and conclusion be drawn as to the appropriateness of these proposed changes.

ISA (Ireland) 700, *Forming an Opinion and Reporting on Financial Statements*

A new paragraph ISA (Ireland) 700.29-1 has been introduced which applies the requirement, originating from the Audit Regulation in relation to the requirement for the statutory auditor of EU Public Interest Entities (PIEs) to explain in the audit report to what extent the audit was considered capable of detecting irregularities, including fraud, to audits of all entities. We believe that this is not consistent with the underlying legal requirement in Article 10 of the Audit Regulation.

Furthermore, a significant amount of additional application guidance has been added to the standard in relation to this paragraph in paragraphs A39-1 – A39-5. Those paragraphs suggested an auditor would comply with ISA (Ireland) 700.29-1 by reporting a significant amount of additional information in the audit report similar to what is required for key audit matters. Compliance by statutory auditors with these paragraphs may result in the origination of information about the entity being audited which is not disclosed in the financial statements. Also, there are legal restrictions regarding what can be disclosed, anything that is before the courts for example cannot be included and where there are potential money laundering issues it may constitute a tipping-off offence to make disclosures. Given these restrictions it would be difficult, perhaps impossible, to make such disclosures specific to the entity being audited.

We understand that this application guidance in ISA (Ireland) 700 is contrary to the interpretation and generally accepted application of the requirement of Article 10 of the Audit Regulation across the European Union. As the underlying requirement arises from the Audit Regulation it is imperative that there is a consistent interpretation of this requirement in Ireland compared to the rest of the European Union. In ensuring a consistent interpretation of the Audit Regulation across the European Union has the CEAOB issued guidance on how this requirement of the Audit Regulation should be applied?

Question 3

As noted in section 4 above, the FRC has expanded the scope of the non-audit services requirements applicable to PIEs to include ‘other entities of public interest’, as defined in the FRC’s glossary of terms, which is available [here](#). In your view, should IAASA expand the scope of the non-audit services requirements applicable to PIEs to include ‘other entities of public interest’ in Ireland? If so, please (a) give your reasons; and (b) provide a suggested definition and examples of the entities to be included within the definition of ‘other entities of public interest’.

We do not believe that the standards should expand the scope of these requirements beyond the current scope.

We do not believe that the widening of the PIE requirement to non-PIE entities is necessary as there does not appear to be any compelling evidence in the consultation paper that such extension is necessary or will enhance quality.

Businesses elect to be private enterprises or to list on unregulated markets for commercial reasons. If there is a change needed it should be part of a public policy decision by government. Government has the power to designate additional entities as PIEs and therefore, we believe this is a matter of public policy rather than standard setting.

Questions 4

Are there any matters set out in section 4 above that should, in your view, be reflected in the revised standards in Ireland? If so, please give your reasons and explain what action, if any, you believe should be taken to update the standards in Ireland in respect of the matter(s) concerned.

We agree with IAASA's analysis set out in Section 4 of the consultation which we found very helpful, and in relation to certain of the FRC's revisions which are not being made to IAASA's standard because these are inconsistent with Irish legislation.

Question 5

Is the proposed effective date, i.e. for financial periods beginning on or after 15 October 2020, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.

As noted above we have significant concerns about this in particular. We are also aware that the implementation of the rushed set of the proposals in the UK has been problematic. Indeed most respondents indicated that they envisaged inadvertent regulatory breaches occurring such as the significant task presented to the firms in moving to the new changes. Whilst we accept that the IAASA has not proposed the same scope of changes, for the reasons set out in our covering letter, the current environment and working conditions will make implementation of IAASA's proposals significantly challenging and difficult. We note that one aspect in the UK that required clarification was with respect to the period in which existing contracts of services for non-audit services could be completed, as this was initially considered too short and the FRC have been asked to provide clarification.

Comments on the Ethical Standard for Auditors (Ireland)

Appendix 1

In addition to the general comments above and the responses to the specific questions posed by IAASA we noted the following in our review of the proposed changes to Ethical Standard for Auditors (Ireland).

1. Section 2 – Financial, Business, Employment and Personal Relationships Financial Relationships

Section 2.8

The requirement to disclose shareholdings to those charged with governance where membership of a client is required in order to be appointed as auditor has been broadened to all partners in a firm and any person closely associated with them.

We believe this is unnecessarily strict as unless a partner in a firm is associated with the audit it is unlikely that there would be any questions regarding independence or objectivity simply by virtue of holding an account in for instance a building society or membership of a golf club.

We note that there is not an equivalent provision with respect to holding bank accounts and carrying out bank audits. All partners in an audit firm are not required to close their bank accounts or disclose details to the client where a firm takes on the audit of a bank so to apply this to building societies and golf clubs appears prohibitive.

Section 2.16

Financial Interests Held as Trustee

We are unclear on the reasoning behind the insertion of the new paragraph in section 2.16. This appears to conflict with section 2.18.

2. Section 3 – Long Association with Engagements and With Entities Relevant to Engagements

Key Audit Partners, Engagement Partners, Other Partners and Staff Involved in the Engagement in Senior Positions

In section 3.17 and 3.08 we note that the requirement to consider independence has been extended beyond key audit partner, "the engagement partner shall review the safeguards put in place to address the threats to the objectivity and independence of the person or persons conducting the engagement arising where partners and staff have been involved in the engagement, **or been responsible for the relationship between the audit firm and the entity, including periods prior to the firm's appointment as auditor**, in senior positions for a continuous period longer than seven years."

The meaning of "been responsible for the relationship" is undefined and therefore may be open to interpretation as roles assigned at a relationship level can vary between firms.

In certain situations, a number of years may have to be taken into account which will limit the allowance for acting as engagement partner.

We feel that these rules could cause practical challenge and are not in alignment with the rest of the European Union or the current provisions within IESBA.

**3. Section 4 – Fees, Remuneration and Evaluation Policies, Gifts and Hospitality, Litigation
Section 4.2**

“However, where an *engagement partner* agrees a fee for an engagement that an objective, reasonable and informed third party would conclude that it is probable that the independence of the auditor would be compromised as a result, the *engagement partner* shall report the safeguards applied to ensure the delivery of a fully compliant audit to *those charged with governance* in accordance with paragraph 1.62 of this Ethical Standard.”

We are supportive of the principle that the auditor applies the objective, informed reasonable third party test when considering ethical issues. However, we had some difficulty following the requirements of this particular section.

Our interpretation of this section is that quality should not be compromised due to a low fee, but we feel that clarity would be helpful.

It is also unclear how the requirements of this paragraph will be applied in practice. In the case of PIE audits there is a requirement to disclose the audit fee in section 1.61. Section 1.62 refers to the confirmation of independence of all members of the audit team and any steps taken to ensure this independence but does not refer to fee levels.

Any requirement for the engagement partner to discuss safeguards to independence with those charged with governance or an audit committee would in our view be more appropriately located in a discussion on quality assurance rather than within a section on fees. The engagement partner will bring all relevant matters to the attention of those charged with governance as required by auditing standards.

If this discussion is intended to deal with quality matters perhaps it ought to be located in ISQC or IAS 220 rather than in the ethical standard.

**4. Gifts and hospitality
Section 4.44**

Generally, we understand that audit firms have implemented processes to deal with the practicalities of recording gifts and hospitality received from clients. However, the extension of this to entities that are “likely to subsequently become an entity relevant to an engagement” will be complex and present challenge. Where the audit client acquires a new subsidiary is the auditor required to consider any contact that has occurred between members of their staff and the new client during the preceding year(s)? We think it would be helpful if this requirement was clarified as applying only during a tendering period for a new audit and during the purchasing period for an acquisition by an existing client.

5. Contingent fees**Section 4.10**

In this section the discussion on the considerations surrounding contingent fees has been removed. We understand that these arrangements are not common in practice and generally only a small element of the fee is contingent on the outcomes. We feel that the ability to include an element of the fee as a contingency arrangements can ensure that some transactions/assignments are feasible for some (smaller) companies. This mechanism can give them access to corporate finance expertise that might be otherwise outside their range. We believe that the existing materiality considerations act as sufficient safeguards for these arrangements, and we do not see the need to ban these arrangements for all audit clients. The outright ban will require that even small companies will be obliged to engage multiple advisors when arranging finance.

We note that the IESBA code (Section 410.9) permits contingent fees with safeguards.

6. Section 5**Section 5 – Non-audit Services**

We note that there are significant changes around the provision of non-audit services (NAS).

We believe that this section is in some areas overly restrictive, in particular for smaller entities. It is not practical for smaller entities to engage multiple advisors, in particular short-term secondments and tax work is very beneficial to both the entity and to professional accountants.

The current environment has further highlighted how smaller entities can require short term assistance at relatively short notice.

As noted in response to the questions in the consultation paper we would welcome engaging with IAASA on some of the more key areas that we believe will create challenge.

Other minor comments

Section A2.4. (page 14) Should the reference to “ethical” be removed?

A2.4 For each *engagement*, the *firm* and the *engagement partner* (in the case of the *engagement partner* insofar as they are able to do so) shall ensure that the *firm’s* independence is not compromised as a result of conditions or relationships that would compromise the independence of a *network firm* (whether or not its work is used in the conduct of the engagement) or another *firm* whose work is used in the conduct of the engagement, having regard to the “ethical” requirements that are relevant to the engagement, which is the extant version of the IESBA Code for such other *firms* and also the ethical requirements of the EU Audit Directive and Regulation for other EU *firms*.

Comments on International Standards on Auditing (Ireland)

Appendix 2

In addition to the general comments above and the responses to the specific questions posed by IAASA we noted the following in our review of the proposed changes to the International Standards on Auditing (Ireland) (ISAs (Ireland)) and International Standard on Quality Control (Ireland) 1 (ISQC (Ireland) 1).

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

Paragraph 21-3 This provision appears to require the engagement quality control reviewer to consider the matters required by 21R-1(a) – 21R1(h) for all components and to hold discussions with all key audit partners, we believe in audits of large groups this provision would be not be operable. Accordingly, we would ask IAASA to clarify if this is the intent of the provision and if so to reconsider the merits of this proposal. We believe that a requirement to hold discussions with partners in material components would be sufficient.

Paragraph A 31-3 We feel that the language in this paragraph is not sufficiently clear. “Robust” and “unlikely” are subjective terms and are not appropriate for inclusion in a standard. We would not agree that a sign off or a checklist is necessarily inappropriate. A checklist is a record of work done and should be considered sufficient, provided the items in the list are appropriate.

Paragraph A31-4 outlines that an engagement quality control reviewer may consider alternative outcomes and in such circumstances it may be beneficial to document that assessment of alternative outcomes as a way to demonstrate that they have performed a robust appraisal of the work performed by the audit team. However, this paragraph provides no guidance regarding in what circumstances it would be necessary and appropriate to consider alternative outcomes to the judgements made by the engagement team nor what elements or factors would need to be captured in the documentation of the assessment of alternatives. As such, the paragraph as drafted does not lend itself to consistent application by auditors.

2. **ISA (Ireland) 250 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***

The changes here are localised changes to reflect regulations in Ireland. However, we have concerns about paragraph A35-5 as it appears to include an element of lookback. As indicated below we believe that “known at the time” and “without hindsight” should be added to this paragraph.

Material Threat or Doubt Concerning the Continuous Functioning (Ref: Para. 14(a)(ii))

A35-5. *A material threat or doubt concerning the continuous function of an entity could arise as a result of many factors. For example, the auditor considers matters relevant to going concern as well as threats or doubts arising from principal or emerging risks facing the entity, including those that would threaten the entity’s business model, future performance, solvency or liquidity. ISA (Ireland) 570 establishes requirements and provides guidance in respect of the auditor’s responsibilities relating to going concern, including matters related to the viability statement known at the time without hindsight.*

3. ISA (Ireland) 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)***Engagement partner**

The draft standards define the term *Engagement partner* in ISQC 1.12(c) and ISA (Ireland) 220.7(a). In the draft standards the definition of the term engagement partner has been expanded to state “An engagement partner is a key audit partner.” In ISA (Ireland) 600 paragraph 9(b) has been expanded to state “A component auditor may also be a Key Audit Partner.”

However, every component auditor is an engagement partner for the purpose of the audit of the component financial information and therefore is a Key Audit Partner. It is important that there is clarity when and for what purpose a component auditor is a key audit partner. We suggest that this may be clarified by adding the following text to the definition of component auditor in ISA (Ireland) 600.9(b) as shown: Component auditor – An auditor who, at the request of the group engagement team, performs work on financial information related to a component for the group audit. *A component auditor is not an engagement partner in a group audit.* A component auditor may also be a Key Audit Partner.

Evaluation and review of component auditor work

We note the addition of new specific application material in paragraph A61-1 of ISA (Ireland) 600 to provide clarity on the requirement stated in paragraph 42D-1. This appears to suggest that the group engagement team must evaluate and review “all” of the work that is performed by any component team regardless of whether the underlying subsidiary has been determined to be material or not to the overall group. There is a reference to the fact that paragraph 42D-1 is required by Irish legislation in section 1527(2) and (4) of the Companies Act 2014. The Companies Act 2014 refers to the fact that the group auditor should evaluate “*for the purpose of the group audit*” and document the “*review of the relevant parts of audit documentation*”. From reading the legislation, it appears to imply that there is a level of judgement involved, however paragraph A61-1 now appears to suggest otherwise. We do note that paragraph A61-3 does reference professional judgement in determining the nature and extent of evaluation and review of the work performed by component auditors and sets out matters to consider in making this determination. We would welcome clarity and further guidance on what is the intent of these changes.

In addition, in this context, we would also welcome clarity on the meaning of “work” and the expectations in this regard. The addition of explicit definitions of “evaluate” and “review” in the context of paragraph 42D-1 was very helpful, however, it is not clear if “work” should be interpreted to mean the underlying working papers, or rather the concluding summaries of the work detailing the key audit procedures and final findings, summary memorandums, results of testing significant audit areas which would be reported to the group auditor by the component auditor.