



The Statutory Audit Directive

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Disclaimer

The views expressed are mine and do not necessarily reflect the views of the Board, individual Board members or the staff of the Authority

Overview of presentation

Part A - Background and Overview

Part B - Individuals and Firms

Part C - Regulatory framework

Part D - International aspects

Part A - Background and Overview

- Overview of the current regulatory model;
- Overview of the Regulations;
- Concept and definitions;
- Recognition of Bodies of Accountants;
- Public Auditors; and
- Individually Authorised Auditors.

Overview of the current regulatory model

- Companies Act 1990
- Companies (Auditing & Accounting) Act 2003
- Recognised Accountancy Bodies
- Prescribed Accountancy Bodies
- IAASA
- IAASA – RMS functions
 - Approval activities;
 - Supervisory review visits;
 - Complaints handling;
 - Statutory enquiries and investigations;
 - Monitoring of conditions;
 - Annual returns;

Overview of the Regulations

- Directive 2006/43/EC replaces the previous 8th Company Law Directive 84/253/EEC
- The European Communities (Statutory Audits) (Directive 2006/43/EC) ('Regulations') was signed into law on 20 May, 2010
- IAASA's guide to the provisions of the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010
http://www.iaasa.ie/publications/Guide_8thDirective2011.pdf
- Overview of document (contents page)
- Commencement provisions (page 6 to 7 of the guide)

Overview of the Regulations

- Supervised self-regulation model confirmed
- Statutory underpinning of a standards previously in place
 - Quality assurance;
 - Complaints and discipline
 - Ethics;
 - Independence;
 - CPD
- Enhanced public audit register
- Mutual recognition of auditors between EU member states
- International cooperation requirements
- Quality assurance and registration of third country auditors

Concepts and definitions (pages 1-4)

- Statutory Audit
- Statutory Auditor
- Statutory Audit Firm
- Member State Auditor
- Member State Audit Firm
- Third Country Auditor
- Third Country Audit Entity

Recognition of Bodies of Accountants (page 9)

- Section 191 of the Companies Act 1990 now provides for two separate classes of recognition:
 - Recognition for the purposes of section 187 of Companies Act 1990 (i.e. bodies entitled to grant approval to members to act solely as Public Auditors); and
 - Recognition for the purpose of the Regulations
- In accordance with the provisions of Regulations 10(3) and 10(4), the 6 bodies of accountants that prior to the enactment of the Regulations, were RABs for the purpose of section 187:
 - Continue to stand recognised by IAASA under or for the purpose of section 187; and
 - Are deemed to have been granted recognition by IAASA under or for the purposes of the Regulations.

Public Auditors (page 53)

“Public Auditor” means a public auditor for the purposes of the Industrial and Provident Societies Acts 1893 to 1978; and Friendly Societies Acts 1896 to 1977.

As a result of the enactment of the Regulations, the legislative provisions relating to:

- Statutory Auditors and Statutory Audit Firms are now dealt with in the Regulations; and
- Public Auditors are now dealt with in the Companies Act 1990.

Public Auditors (page 53)

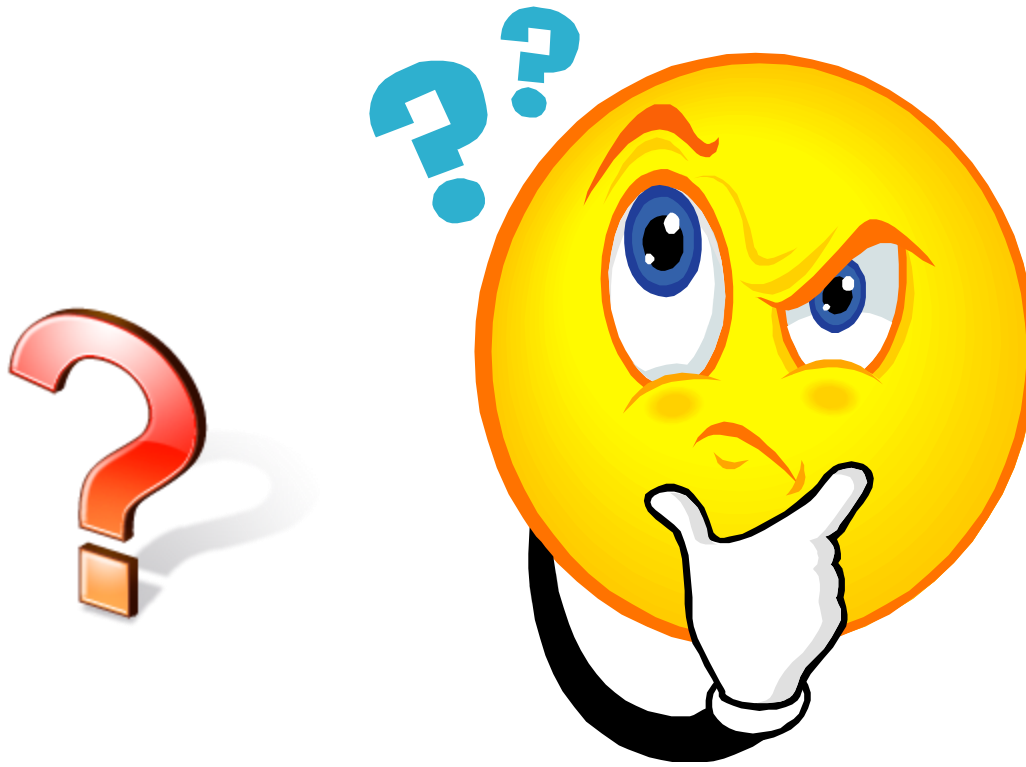
The amendments to the Companies Act 1990 have the following impact:

- There are now separate approval provisions for Statutory Auditors and Public Auditors;
- There are now separate registration provisions for Statutory Auditors and Public Auditors;
- Public Auditors are not permitted to incorporate (whereas statutory auditors are now so permitted); and
- There is now separate recognition for RABs in relation to conferring Public Auditor status and Statutory Auditor status respectively.

Individually Authorised Auditors

- those persons who were granted individual ‘public’ and/or ‘company’ auditor status by the Minister before the 3rd day of February, 1983.
- Deemed approval in the 1990 Act and again in the Regulations;
- New requirement to become either (a) a member of or (b) subject to the regulation of a Recognised Accountancy Body (‘RAB’)
- Amended requirement to be registered on the Register of Auditors

Questions?



Part B - Individuals and Firms

- Approval of Auditors;
- The Register of Auditors
- Standards applicable to Auditors
- Cessation of Office by an Auditor
- Auditing standards and reporting

Approval of Statutory Auditors

(chapter 3 pages 10-12)

- A RAB can, subject to certain conditions having been met, approve an individual as a Statutory Auditor.
- Three categories of person can be approved as Statutory Auditors under the Regulations:
 - Members of the RABs holding appropriate qualifications;
 - Member State Auditors meeting certain requirements; and
 - Third Country Auditors meeting certain requirements

Approval of Statutory Auditors

(chapter 3 pages 10-12)

- **Requirements**
- Good repute, educational requirements, relevant experience, continuing education
- Rules re the composition of statutory audit firms;
- Prohibition on incorporation removed;
- Additional requirements for Member State auditors or 3rd country auditors;

Standards relating to training and qualifications

(Appendix 1 (copy of Schedule 2))

- Course of theoretical instruction;
- Practical training;
- Passed an examination of professional competence of university level or equivalent in the State (Theoretical and practical test and at least part must be written)

Approval of Statutory Audit Firms

(chapter 3 pages 10-12)

- The firm must satisfy the requirements relating to good repute;
- The natural persons who carry out Statutory Audits in the state on behalf of the firm must be approved as Statutory Auditors in accordance with the Regulations;
- The majority of the voting rights in the firm must be held by:
 - Natural persons who are eligible for approval in the State or in any other Member State as Statutory Auditors; or
 - Audit firms approved as Statutory Audit Firms in the State or in any other Member State; and
- The majority of the members of the administrative or management body of the firm are:
 - Natural persons who are eligible for approval in the State or in any other Member State as Statutory Auditors; or
 - Audit firms approved as Statutory Audit Firms in the State or in any other Member State.

Register of Auditors - individuals

(chapter 15 pages 48-50)

- Name & address of statutory auditor;
- Registration number;
- Website address (if any);
- Firm name and address (if applicable);
- Name & address of competent authority responsible for regulation;
- Registrations with other competent authorities (if any);

Register of Auditors – firms

(chapter 15 pages 48-50)

- Name & address of firm;
- Firm registration number;
- Legal form of the firm;
- Primary contact person in the firm;
- Address of each office in the state;
- Website address (if any);
- Network information
- Name of every individual ‘...employed by or associated as partner or otherwise..’ with the firm who is approved as a statutory auditor, including the person’s registration number;
- Name & address of competent authority responsible for regulation;
- Name & address of Directors or members of board of management;

Standards and provisions applicable to Auditors

(chapter 6 pages 19-24)

- Continuing education;
- Professional ethics;
- Independence and objectivity;
- Confidentiality;
- Provision of information to incoming auditors;
- Disclosure of Auditors Remuneration;

Continuing Education

- The Regulations provide that the RABs shall attach to each approval as a Statutory Auditor a condition requiring the person concerned to take part in appropriate programmes of continuing education to maintain their theoretical knowledge, professional skills and values at a sufficiently high level.

Professional Ethics

- The Regulations provide that the RABs shall subject Statutory Auditors and Statutory Audit Firms to principles of professional Ethics, covering at least their public-interest functions, their integrity and objectivity and their professional competence and due care.

Independence and Objectivity

- When carrying out Statutory Audits, Auditors are required to be independent of audited entities and shall not be involved in audited entities' decision making.
- A Statutory Auditor shall not carry out a statutory audit in circumstances where certain relationships exist between the auditor (or a Network to which they belong) and the audited entity.
- The Relationships in question are any direct or indirect financial, business, employment or other relationships (which may include the provision of additional non-audit services) from which an objective, reasonable and informed third party would conclude that the Auditor's independence is compromised.

Independence and Objectivity

- If an Auditor's independence is affected by threats such as self review, self interest, advocacy, familiarity or trust or intimidation, the Auditor shall apply safeguards, in order to mitigate those threats.
- If the significance of the threats compared to the safeguards applied is such that is compromised, the auditor should not carry out the Statutory Audit in question.
- The RABs are required to ensure that their standards include provisions stipulating that fees for Statutory Audits are not:
 - Influenced or determined by the provision of additional services to the audited entity; and
 - Are not based on any form of contingency

Independence and Objectivity

A person shall not act as a Statutory Auditor of a company if he or she is:

- An officer or servant of the company
- A person who has been an officer or servant of the company within a period in respect of which accounts would fall to be audited by the person if he or she were appointed auditor of the company
- A parent, spouse, brother, sister or child of an officer of the company
- A person who is a partner of or in the employment of an officer of the company
- A person who is disqualified under this paragraph for appointment as auditor of any other body corporate that is a subsidiary or holding company of the company or a subsidiary of the company's holding company, or would be so disqualified if the body corporate were a company.
- A person who is disqualified under Section 187(2)(f) of the Companies Act 1990 for appointment as a public auditor of a society that is a subsidiary or holding company of the company or a subsidiary of the company's holding company, or
- A person in whose name a share in the company is registered, whether or not that person is the beneficial owner of the share

Independence and Objectivity

A **Statutory Audit Firm**, regardless of its legal structure, shall not carry out a Statutory Audit of a company if:

- Any principal of the audit firm is an officer or servant of the company
- Any principal of the audit firm has been an officer or servant of the company within a period in respect of which accounts would fall to be audited by the firm if the firm was appointed auditor of the company
- A firm is disqualified under this paragraph for appointment as auditor of any other body corporate that is a subsidiary or holding company of the company or a subsidiary of the company's holding company, or would be so disqualified if the body corporate were a company, or
- A firm is disqualified under Section 187(2)(f) of the Companies Act 1990 for appointment as a public auditor of a society that is a subsidiary or holding company of the company or a subsidiary of the company's holding company.

Confidentiality

- Statutory Auditors and Statutory Audit firms must comply with the rules of confidentiality and secrecy of the RAB of which they are a member with respect to information and documents to which the Statutory Auditor or Statutory audit firm has access when carrying out a Statutory audit.
- In circumstances where a Statutory Auditor or Statutory Audit Firm is not a member of a RAB, the RAB's rules to which the Statutory Auditor or Statutory Audit Firm is subject shall be determined by reference to Regulation 17.
- Confidentiality requirements will continue to apply in cases where the Statutory Auditor or Statutory Audit Firm has ceased to be engaged on that audit assignment.

Provision of information to incoming auditors

- Where a Statutory Auditor or Statutory Audit Firm is replaced by another Statutory Auditor or Statutory Audit Firm, the former Statutory Auditor or Statutory Audit Firm shall provide access to all relevant information concerning the audited entity to the incoming Statutory Auditor or Statutory Audit Firm.
- The above provision applies to a replacement of a Statutory Auditor or Statutory Audit Firm that occurs on or after 20 August, 2010.

Disclosure of Auditors' Remuneration

Regulation 120 inserts a new section 161D into the Companies Act 1963 relating to the disclosure of Auditors' remuneration and which applies to financial statements (whether individual or consolidated) for financial years ending on or after 20 August, 2010. In summary, section 161D requires the disclosure of Auditors' remuneration in the financial statements of certain companies under the following four categories:

- The audit of individual accounts;
- Other assurance services;
- Tax advisory services; and
- Other non-audit services.

Cessation of Office by an Auditor

- The Auditor and the company concerned must notify IAASA in the event of the cessation of Office by an Auditor, either by resignation or removal from office

Cessation - Auditors obligations

Within one month of ceasing to hold office, the outgoing Auditor shall provide to IAASA, in such a form and manner as specified by IAASA:

- A notice that the Auditor concerned has ceased to hold Office;
- In the case of resignation, a copy of the notice served under section 185(1) of the Companies Act 1990; or
- In the case of removal pursuant to Section 160(5) of the Companies Act 1963, a copy of any representations in writing made to the company pursuant to section 161(3) in relation to the intended resolution, except where such representations were not sent to the members of the company in consequence of an application to the court under section 161(4).
- Where in the case of resignation, the notice served under section 185(1) of the Companies Act 1990 is to the effect that there are no circumstances connected with the resignation that the Auditor considers necessary to be brought to the notice of members or creditors of the company, the notification to IAASA shall also be accompanied by a statement of the reasons for the Auditor's resignation.

Cessation - Company obligations

Within one month of ceasing to hold office, the company shall provide to IAASA, in such a form and manner as specified by IAASA:

- A notice that the Auditor concerned has ceased to hold Office;
- In the case of resignation, a copy of the notice served by the Auditor under section 185(1) of the Companies Act 1990; or
- In the case of removal, pursuant to section 160(5) of the Companies Act 1963:
 - A copy of the resolution removing the Auditor; and
 - A copy of any representations in writing made to the company pursuant to section 161(3) by the outgoing Auditor in relation to the intended resolution except where such representations were not sent to the members of the company in consequence of an application to the court under section 161(4)

Auditing Standards and Audit Reporting

(chapter 7 pages 25-27)

- On and from the date of adoption of the international auditing standards by the Commission, Statutory Auditors and Statutory Audit Firms shall carry out Statutory Audits in accordance with the International Standards on Auditing.

Auditing Standards and Audit Reporting

Group audits

- The Group Auditor shall bear the full responsibility for the audit report in relation to the group accounts; and
- The Group Auditor shall carry out a review and maintain documentation of such review of the work carried out on his behalf;

Auditing Standards and Audit Reporting

Group audits

- Where a component of the group is audited by one or more Third Country Auditors or Third Country Audit Entities that have no working arrangements, the group auditor is responsible for ensuring proper delivery to IAASA, when requested of the documentation of the audit work performed by those auditors or audit entities, including the working papers relevant to the group audit.
- In order to ensure such delivery, the Group Auditor shall retain a copy of such audit documentation or, alternatively:
 - Agree with the Third Country Auditors or Third Country Audit Entities concerned arrangements for the Group Auditor's proper and unrestricted access, upon request, to the documentation; or
 - take any other appropriate action

Auditing Standards and Audit Reporting

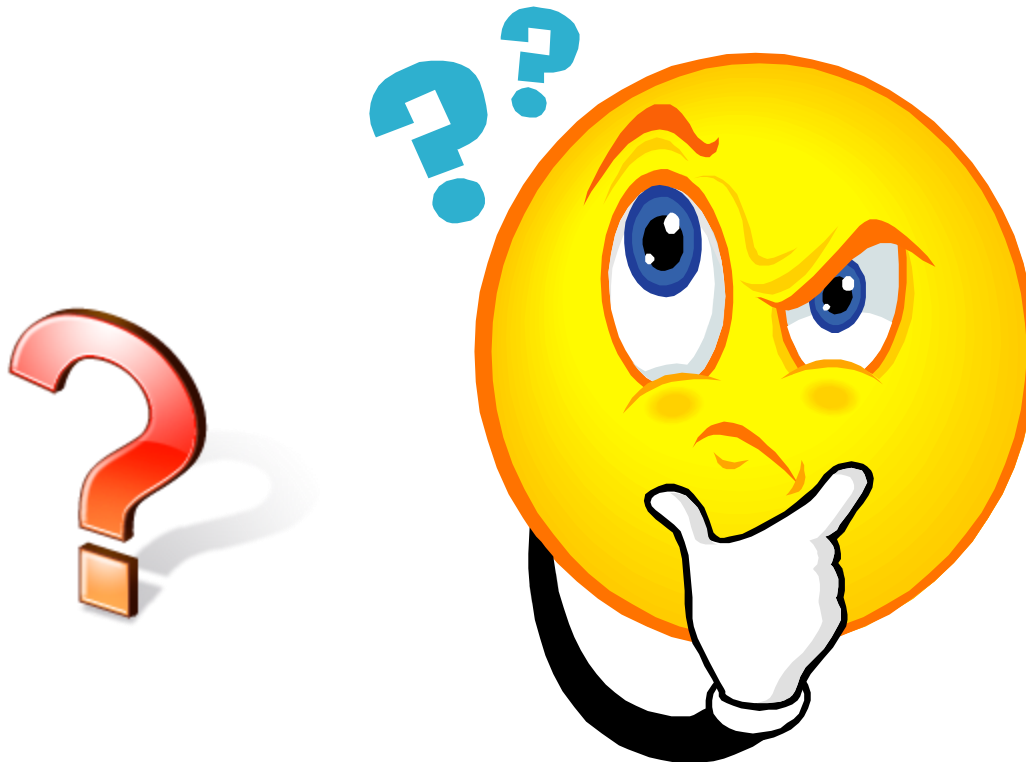
Signing of the Audit Report

Regulation 57 amends Section 193 of the Companies Act 1990 by inserting a new subsection (4g). The effect of this amendment is that where the Auditor is:

- A Statutory Auditor, the audit report shall be signed by that person;
or
- A Statutory Audit Firm, the Audit report shall be signed by:
 - The statutory auditor (or, where more than one, each Statutory Auditor) designated by the Audit Firm for the particular engagement as being primarily responsible for carrying out the Statutory Audit on behalf of the Statutory Audit Firm; or
 - In the case of a group audit, at least the Statutory Auditor (or, where more than one, each Statutory Auditor) designated by the Statutory Audit Firm as being primarily responsible for carrying out the Statutory Audit at the level of the group

in his or her own name for, and on behalf of the firm.

Questions?



Part C - Regulatory framework

- Quality assurance system
- RAB's Standards
- Systems of investigation and penalties
- Access to information
- Public interest entities

Quality Assurance System

(chapter 8 pages 28-29)

- Supervised self-regulation model confirmed
- The RABs have responsibility for the quality assurance of auditors, subject to public oversight by IAASA;
- IAASA is the competent authority with respect to the *system* of public oversight of statutory auditors and audit firms.
- Statutory underpinning of a standards previously in place
- Each RAB is required to ensure that it has in place a system of quality assurance in respect of:
 - its members' activities as Auditors; and
 - the activities, as Auditors, of persons who, though not members of the RABs, are persons in relation to whom the RABs may perform functions under the Regulations.

Quality Assurance System

(chapter 8 pages 28-29)

- the system is independent of the reviewed Auditors;
- the funding for the system is secure and free from any possible undue influence by Auditors;
- the system has adequate resources;
- the persons who carry out quality assurance reviews have appropriate professional education and relevant experience in Statutory Audit and financial reporting combined with specific training on quality assurance reviews;
- the selection of reviewers for specific assignments is effected in accordance with an objective procedure designed to ensure that there are no conflicts of interest between reviewers and the Auditor under review;

Quality Assurance Reviews

(chapter 8 pages 28-29)

- QA Reviews shall take place at least every six years (at least every three years in the case of auditors carrying out the audits of public interest entities);
- The scope of QA review, supported by adequate testing of selected audit files, shall include an assessment of:
 - compliance with applicable auditing and independence standards;
 - the quantity and quality of resources spent;
 - the audit fees charged; and
 - the internal quality control systems of the firm;
- Reviews shall be the subject of a report, which shall contain the main conclusions of the review and the overall results of the quality assurance system shall be published annually;
- Recommendations arising from QA reviews shall be followed up by statutory auditors/audit firms within a reasonable period;
- Where recommendations are not followed up, the statutory auditor shall be subject to a system of investigation and discipline.

RABs Standards

- The Regulations provide that the RABs shall, in respect of Statutory Auditors and Statutory Audit Firms:
 - Have adequate standards requiring those auditors and audit firms to comply with the obligations for continuing education, professional ethics and Independence and objectivity, and
 - Institute adequate arrangements for the effective monitoring and enforcement of compliance with such standards.
- No such standards shall be used until they have been first been approved by IAASA.

RABs Standards

The RABs standards shall include provision for:

- Sanctions which include:
 - At the RABs discretion, withdrawal of approval;
 - Appropriate penalties;
 - Appropriate disciplinary measures; and
 - Appropriate regulatory sanctions and
- Making available to the public information relating to the measures taken and penalties imposed in respect of Statutory Auditors and Statutory Audit Firms.

RABs Disciplinary Systems

(chapter 9 pages 30-32)

- Each of the RABs is required to have arrangements to ensure that there are effective systems of investigation and penalties, to detect, correct and prevent the inadequate execution of Statutory Audits
- The penalties shall include the possibility of withdrawal of approval under the Regulations.

RABs Disciplinary Systems

(chapter 9 pages 30-32)

- Subject to the arrangements of procedural fairness, each RAB shall ensure that the contractual and other arrangements that exist between it and its members are such as to enable the imposition by it of effective, proportionate and dissuasive penalties in respect of Auditors in cases where Statutory Audits are not carried out by them in accordance with the Regulations.
- The Regulations provide that any such contractual arrangements shall be deemed to also apply to other persons who are subject to the RAB's regulation, but who are not members of that RAB.

RABs Disciplinary Systems – Publication

(chapter 9 pages 30-32)

- Measures taken or penalties imposed on an Auditor by a RAB shall be disclosed by the RAB concerned to the public
- that disclosure shall, if the RAB considers it appropriate, include such further particulars with respect to the matter as it thinks fit.
- The RABs are required to establish and reduce to writing criteria for determining the timing and manner of disclosure and those criteria require IAASA's approval.

Access to information by RABs

(chapter 10 page 33)

- In the course of performing its functions, a RAB may inspect and take copies of all relevant documents in the possession or control of a Statutory Auditor or Statutory Audit Firm.
- The RAB may by notice in writing served on the Statutory Auditor or Statutory Audit Firm, require the auditor or firm within a specified period to:
 - furnish it with specified documents; or
 - permit it to have access, under specified circumstances, to all relevant documents in the possession or control of the auditor or audit firm,

Access to information by RABs

(chapter 10 page 33)

Where necessary, the RAB may also require the Statutory Auditor or a member of the Statutory Audit Firm to:

- attend before it; and
- explain any entry in the documents concerned and otherwise give assistance to it in clarifying the matter concerned.

The Regulations do not derogate from the powers exercisable by the RABs' disciplinary committees in the circumstances, and under the conditions, specified in section 192A of the 1990 Act or the RABs' bye-laws

Access to information by RABs

(chapter 10 page 33)

- A person who fails, without reasonable excuse, to comply with the requirement to provide access to information is guilty of an offence and is liable:
 - on summary conviction, to a fine not exceeding €5,000; or
 - on conviction on indictment, to a fine not exceeding €12,500.
- In a case of non-compliance, the *RAB* concerned may apply to the High Court for an order compelling compliance by the person concerned with the requirement. On hearing such an application, the High Court may make such order as it thinks just.

Access to information by IAASA

(chapter 11 page 35)

- In the course of performing its functions, IAASA may inspect and take copies of all relevant documents in the possession or control of a RAB;

- IAAS may by notice in writing served on the RAB, require the auditor or firm within a specified period to:
 - furnish it with specified documents; or
 - permit it to have access, under specified circumstances, to all relevant documents in the possession or control of the auditor or audit firm,

Access to information by IAASA

(chapter 11 page 35)

Where necessary, IAASA may also require an officer of the RAB to:

- attend before it; and
- explain any entry in the documents concerned and otherwise give assistance to it in clarifying the matter concerned.

The Regulations do not derogate from the powers exercisable by the IAASA under sections 23 and 24 of the 2003 Act.

Non-compliance without a reasonable excuse is an offence, liable:

- on summary conviction, to a fine not exceeding €5,000; or
- on conviction on indictment, to a fine not exceeding €12,500.

Public Interest Entities ('PIE's)

- Audit Committees
- Independence of Auditors
- Rotation of key audit partner (s)
- Reporting by the Auditor to the Audit Committee
- Moratorium on Auditors taking up management positions
- Transparency reports

Audit Committees

(chapter 16 pages 51-52)

- The Board of directors of each PIE is required to establish an Audit Committee with effect from 20 November, 2010.
- The members of an Audit Committee shall include not less than two independent directors of the PIE:
- Any proposal of the Board of directors of a PIE with respect to the appointment of an Auditor to the entity shall be based on a recommendation made to the Board by the Audit Committee.

Audit Committees - functions

(chapter 16 pages 51-52)

- monitoring of the financial reporting process;
- monitoring of the effectiveness of the entity's systems of internal control, internal audit and risk management;
- the monitoring of the Statutory Audit of the annual and, as applicable, consolidated accounts; and
- the review and monitoring of the independence of the Auditor and, in particular, the provision of additional services to the audited entity.

Auditors of PIEs

- **Independence:** A Statutory Auditor or Statutory Audit Firm shall not carry out a Statutory Audit of a PIE:
 - In circumstances which involve a case of self-review or self interest; and
 - From the circumstances of which case an objective, reasonable and informed third party would conclude that (so as to safeguard the Statutory Auditor’s or Statutory Audit Firm’s independence) the Auditor’s not carrying out the audit would be appropriate.
- **Rotation:** The Key Audit Partner(s) responsible for carrying out a Statutory Audit of a PIE shall not engage in a Statutory Audit of the entity at any time that is subsequent to the period of seven years after the relevant date (such period being referred to as the “seven year period”) This prohibition ceases to have effect two years after the seven year period (i.e. after a two year cooling off period)

Auditors of PIEs – Audit Committee reporting

An Auditor that carries out the Statutory Audit of a PIE shall

- report to the Audit Committee on key matters arising from the Statutory Audit and, in particular on the material weaknesses in internal control in relation to the financial reporting process.
- Confirm annually in writing, to the Audit Committee of the entity his, her or its independence from the PIE;
- Disclose annually to the Audit Committee any additional services provided to the PIE; and
- Discuss with the Audit Committee the threats to the independence of the Auditor and the safeguards applied to mitigate those threats

Auditors of PIEs - Moratorium on taking up a management position in an audited PIE

A Statutory Auditor who carries out the Statutory Audit of a PIE or a Key Audit Partner who carries out the Statutory Audit of a PIE on behalf of a Statutory Audit Firm shall not take up a management position in the PIE concerned before a period of two years has elapsed from the day following (should such occur) his or her resignation as a Statutory Auditor or Key Audit Partner from the audit engagement.

Auditors of PIEs – Transparency Reports

(chapter 7 pages 26-27)

- Each Statutory Auditor or Statutory Audit Firm that carries out Statutory Audits of one or more PIEs shall prepare and publish, within three months of its financial year;
- The Transparency Report shall be approved and signed by the Statutory Auditor or Statutory Audit Firm (In the case of a Statutory Audit Firm, by a partner or other member of the firm who has senior executive responsibility in relation to the affairs of the firm).

Contents of Transparency Reports

(chapter 7 pages 26-27)

- A description of the legal structure and ownership of the Statutory Audit Firm (hereinafter referred to as the ‘subject’);
- Where the subject belongs to a Network, a description of the Network and the legal structure and structural arrangements of the network;
- A description of the governance structure of the subject;
- A description of the internal quality control system of the subject and a statement by the administrative or managerial body on the effectiveness of its functioning;
- An indication of when the last quality assurance review took place;
- A list of PIEs for which the subject has carried out Statutory Audits during the preceding financial year;

Contents of Transparency Reports

(chapter 7 pages 26-27)

- A statement concerning the subject's independence practices which also confirms that an internal review of independence compliance has been conducted;
- A statement on the policy followed by the subject concerning the continuing education of Statutory Auditors in the firm;
- Financial information showing the significance, from the perspective of the market of the subject, such as total turnover divided into fees from Statutory Audit, other assurance services, tax advisory services and other non-audit services;
- Information concerning the basis for the remuneration of the principals or partners.

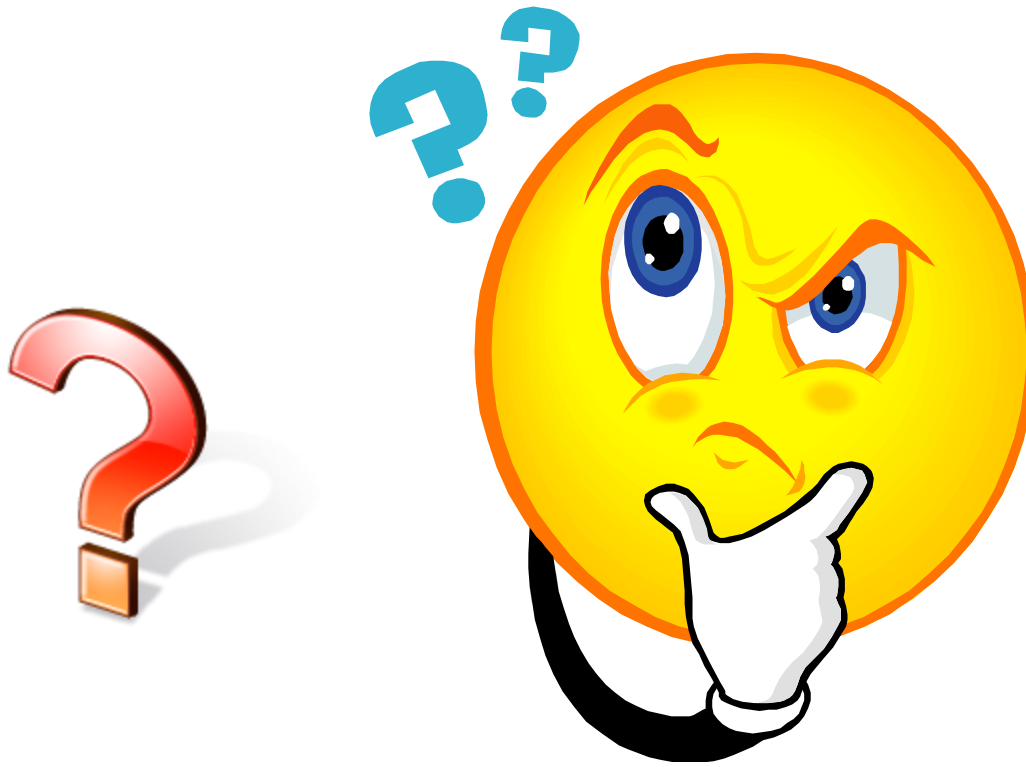
Publication of Transparency Reports

(chapter 7 pages 26-27)

Statutory Auditors or Statutory Audit Firms shall ensure that their Transparency Reports:

- Are made available on a website, being a website maintained by them, or on their behalf, not later than three months after the end of the their financial year to which the Transparency Report refers; and
- Remain available for a period of three years after the final date for publication as above.

Questions?



Part D - International aspects

- Third country auditors - introduction
- Recognition of statutory auditors from other Member states;
- Recognition of statutory auditors from Third countries;
- Third country auditors - Registration
- Third country auditors - Quality Assurance
- Confidentiality
- International cooperation – within the EU
- International cooperation – outside the EU

3rd country Auditors - definitions

(chapter 12 pages 37-39)

- **Third Country:** A country or territory that is not a Member State or part of a Member State.
- **Third Country Auditor:** A natural person who is entitled, under or by virtue of the laws, Regulations or administrative provisions of a third country, to carry out audits of the annual or group accounts of a company incorporated in that Third Country.
- **Third Country Audit Entity:** An entity that is entitled, under or by virtue of the laws, Regulations or administrative provisions of a third country, to carry out audits of the annual or group accounts of a company incorporated in that third country.

3rd country Auditors

(chapter 12 pages 37-39)

- Distinction between Third Country Auditors and Third Country Audit Entities and those Individuals or firms from other jurisdictions who wish to perform statutory audits in Ireland
- Individuals or firms from other jurisdictions who wish to perform a Statutory Audits in Ireland are required to register with one of the RABs as either a Statutory Auditor or Statutory Audit Firm;
- Third Country Auditors and Third Country Audit Entities are required to register with IAASA if they intend to provide perform an audit of a company incorporated outside the European Community, but listed on a Regulated Market in the State;

Recognition of statutory auditors from other Member states

- Mutual recognition of Member State statutory auditors and audit firms;
- Subject to a requirement
 - to sit an aptitude test to ‘*..demonstrate his or her knowledge of the enactments or practice that are relevant to statutory audits in the State.*’
and
 - *Good repute*
- Potential for derogation from aptitude test, but only on the basis of guidance issued from IAASA; and
- Syllabus and administration standards require the approval of the Authority

Recognition of statutory auditors from Third countries

- Good repute, educational requirements, relevant experience, continuing education;
- Subject to a requirement to sit an aptitude test to ‘*..demonstrate his or her knowledge of the enactments or practice that are relevant to statutory audits in the State.*’
- Potential for derogation from aptitude test, but only on the basis of guidance issued from IAASA;
- Syllabus and administration standards require the approval of the Authority;
- Reciprocal arrangements must be in place

3rd country Auditors - Registration

(chapter 12 pages 37-39)

IAASA shall cause to be registered in the Register every Third Country Auditor and Third Country Audit Entity that indicates to IAASA, in writing, his or her or its intention to provide an audit report concerning the annual or group accounts of a company that is:

- incorporated outside the European Community, not being an open-ended collective investment undertaking; and
- whose transferable securities are admitted to trading on a Regulated Market in the State.

Conditions for Registration

- the applicant meets requirements equivalent to those of Articles 4 (good repute) and 6 to 10 (education and experience) of the *Directive*;
- the majority of the members of the applicant's administrative or management body meet requirements equivalent to those of Articles 4 and 6 to 10 of the *Directive*;
- the *Third Country Auditor* carrying out the audit on behalf of the applicant meets requirements equivalent to those of Articles 4 and 6 to 10 of the *Directive*;
- the audits of the annual or group accounts are carried out in accordance with:
 - international auditing standards; and
 - the independence and objectivity requirements set down by Regulation 41; or
 - equivalent standards and requirements;
- the applicant publishes annually on a website, being a website maintained by or on behalf of the applicant, an annual report which includes the information required in *Transparency Reports* under the *Regulations* or complies with equivalent disclosure requirements.

3rd country Auditors – Quality Assurance

(chapter 12 pages 37-39)

- 3rd country auditors shall be subject to the same requirements for public oversight, quality assurance and systems of investigations and penalties as statutory auditors.
- Under the Regulations, IAASA is the competent authority for the system of quality assurance for such auditors.

Possible Exemptions

A registered Third Country Auditor or Third Country Audit Entity may apply to IAASA for an exemption from the quality assurance aspects of Part 8 of the Regulations if a quality assurance review, performed under another Member State's or Third Country's system of quality assurance, has been carried out on the Third Country Auditor or Third Country Audit Entity during the three years preceding the application.

Possible Exemptions

- If the Third Country Auditor or Third Country Audit Entity is subject to systems of public oversight, quality assurance and investigations and penalties in the Third Country concerned that meet requirements equivalent to those provided for in Part 8 of the Regulations.
- If the European Commission has assessed the systems referred to above as meeting requirements equivalent to those in the corresponding provisions of the Directive; and
- IAASA is satisfied that the law of the Third Country concerned affords reciprocal rights to a Statutory Auditor or Statutory Audit Firm with regard to being granted corresponding exemptions under that law,

Confidentiality

Statutory duty of confidentiality – scope and application

- The regulations impose a statutory duty of confidentiality on all competent authorities designated under the Regulations, that duty being similar to that provided for under Section 31 of the Companies (Auditing and Accounting) Act 2003
- No person shall disclose, except in accordance with law, information that:
 - Is obtained in performing the functions under any provision of the Regulations, of any of the competent authorities under the Regulations; and
 - Has not otherwise come to the notice of members of the public

Confidentiality

Without limiting its application, the persons to whom the duty of confidentiality applies include:

- Members and directors, and former members and directors, of any Boards or Committees (howsoever called) of the competent authorities under the Regulations
- Employees and former employees of those competent authorities; and
- Professional or other advisors to those competent authorities, including former advisors

A person who contravenes the above provision is guilty of an offence and is liable:

- On summary conviction, to a fine not exceeding €5,000 or
- On conviction on indictment, to a fine not exceeding €12,500 or imprisonment for a term not exceeding 12 months or both

International cooperation – within the EU

- European Group of Auditors’ Oversight Bodies (EGAOB)
- The Regulations shall operate to respect the principle of “*home country regulation*”
- Interaction on a bilateral and multilateral basis
- Specialist groups outside the main plenary
 - Inspections
 - 3rd country
 - ISAs
- Standard Formats
- Aim to have consistent interactions with Third countries

International cooperation – within the EU

- IAASA is the competent authority for co-operation at EU level
- IAASA is required to put in place appropriate arrangements for the purpose of discharging that responsibility.
- The competent authorities under the Regulations (RABs, the CRO and IAASA) shall co-operate with their counterpart competent authorities in other Member States whenever necessary for the purposes of:
 - The discharge by the competent authorities of their responsibilities under the Regulations; and
 - The discharge by the counterpart competent authorities of their responsibilities under the laws of other Member States that implement the Directive.

International cooperation – within the EU

Competent authorities' obligation to supply information

- Each of the competent authorities under the Regulations shall on request and without undue delay, supply any information required for the purpose of co-operation with their counterpart competent authorities.
- Nothing in the confidentiality provisions will prevent any of the competent authorities under the Regulations from complying with any such request or exchanging confidential information.
- On receiving such a request each of the competent authorities under the Regulations are required to gather the required information without undue delay.
- If the competent authority is unable to supply the required information without undue delay, it shall notify the requesting counterpart competent authority of the fact of the delay and the reasons for same.

International cooperation – within the EU

Grounds for refusing to comply with a request for information

- A Competent Authority under the Regulations may refuse to comply with a request for information if:
 - There are reasonable grounds for believing that supplying the information concerned might adversely affect:
 - Public order;
 - The security of the State;
 - The defence of the State; or
 - The international relations of the State; or
 - Proceedings in any court in the State have already been initiated in respect of the same actions and against the same Statutory Auditor or Statutory Audit Firm that are the subject of the request; or
 - A final determination has already been made by the competent authority in respect of the same actions and the same Statutory Auditor or Statutory Audit Firm that are the subject of the request

International cooperation – within the EU

Use to which information can be put

The Competent Authorities under the Regulations may only use information obtained pursuant to the co-operation or exchange of information required by Article 36 of the Directive for the purposes of the performance of their functions under the Regulations and then only in the context of steps taken by them in:

- Investigating and detecting failures to comply with the Regulations; and
- Initiating and employing disciplinary procedures or maintaining proceedings in any court in respect of any such failures.

International cooperation – within the EU

Duty to notify counterpart authorities

Where any of the competent authorities under the Regulations forms the opinion, on reasonable grounds, that activities contrary to the Directive are being, or have been, carried on in the territory of another Member State, the competent authority concerned shall, as soon as possible:

- notify the counterpart authority in the other Member State of that opinion; and
- Include in that notification specific details of the matter and the grounds for the competent authority's opinion.

International cooperation – within the EU

- The receiving competent authority shall take appropriate action under the Regulations or the Companies (Auditing and Accounting) Act 2003.
- The competent authority shall inform the notifying authority of the outcome of that action and to the extent possible, of any significant developments in advance of the outcome.
- If the competent authority receiving or sending the notification is not IAASA, then the competent authority must notify IAASA.

International cooperation – within the EU

Requesting a counterpart competent authority to carry out an investigation and obligations upon receipt of such a request

- A competent authorities in Ireland may request a counterpart competent authority in another Member State to carry out an investigation in the latter's jurisdiction in relation to any activities that the former competent authority suspects have been, or are being carried out contrary to the Directive.
- Such a request may be accompanied by a further request that one or more of the requesting authority's staff be allowed to accompany the counterpart authority's staff in the course of the investigation.
- If the requesting authority is a competent authority other than IAASA, it shall notify IAASA of the request.

International cooperation – within the EU

Requesting a counterpart competent authority to carry out an investigation and obligations upon receipt of such a request

- A competent authority receiving a request to carry out an investigation in the State shall give due consideration to such a request.
- If the request is acceded to, the investigation shall be subject to:
 - The overall control of the competent authority; and
 - IAASA's supervision (unless the competent authority is IAASA)
- The competent authority, where it is not IAASA shall also notify IAASA.

International cooperation – within the EU

Grounds for refusing to comply with a request for information

A Competent Authority receiving a request may refuse to accede to such a request if, in its opinion:

- There are reasonable grounds for believing that acceding to the request might adversely affect:
 - Public order;
 - The security of the State;
 - The defence of the State; or
 - The international relations of the State; or
- Proceedings in any court in the State have already been initiated in respect of the same actions and against the same Statutory Auditor or Statutory Audit Firm; or
- A final determination has already been made by the competent authority in respect of the same actions and the same Statutory Auditor or Statutory Audit Firm that are the subject of the request

International cooperation – outside the EU

- **International Forum of Independent Audit Regulators (IFIAR)**
- **Interaction on a bilateral and multilateral basis**
- **Third Country Competent Authority:** An authority in a third country with responsibilities, as respects auditors and audit entities in that country, equivalent to those of a competent authority or the Competent authority with supervisory and other functions.

International cooperation – outside the EU

Transfer of working papers

(Chapter 14 – pages 45-47)

Audit Working Papers or other documents held by a Statutory Auditor or Statutory Audit Firm may be transferred to a Third Country Competent Authority only if:

- IAASA, in response to receipt of a request, determines that the conditions for transfer, are complied with; and
- IAASA authorises such a transfer.

Transfer of working papers - conditions

(Chapter 14 – pages 45-47)

The conditions for transfer are:

- The Audit Working Papers or other documents relate to the audit of an entity which:
 - Has issued securities in the third country concerned or
 - Forms part of a group that issues statutory consolidated accounts in the third country concerned;
- The third country competent authority meets requirements which have been declared adequate in accordance with Article 47(3) of the Directive;
- Working arrangements on the basis of reciprocity have been agreed between IAASA and the third country competent authority; and
- The transfer of personal data to the third country concerned is in accordance with Chapter IV of Directive 95/46/EC.

Transfer of working papers

Working arrangements (Chapter 14 – pages 45-47)

The working arrangements shall ensure that:

- Justification as to the purpose of the request for Audit Working Papers and other documents is provided by the Third country Competent Authority concerned;
- The Audit Working Papers and other documents are only transferred if:
 - A confidentiality obligation similar to that provided by Regulation 94 is provided for under the laws of the Third Country concerned in relation to persons whilst in and in any period subsequent to their ceasing to be in, the employment of the Third Country Competent Authority.
 - The relevant persons in the employment of the Third Country Competent Authority that will deal with the matter provide an undertaking in writing to IAASA that they:
 - Will comply with their confidentiality obligations; and
 - Deliver up possession of the Audit working Papers and other documents to the Third Country Competent Authority and will do everything within their power to secure the return of those papers and documents to IAASA.

Transfer of working papers

Working arrangements (Chapter 14 – pages 45-47)

- The Third Country Competent Authority uses the Audit Working Papers and documents only for the performance of its functions of public oversight, quality assurance and Investigations that meet requirements equivalent to those of Articles 29, 30 and 32 of the Directive
- The request from a Third Country Competent Authority for Audit Working Papers or other documents held by a Statutory Auditor or Statutory Audit Firm can be refused by IAASA
 - where the provisions of those Audit Working Papers or documents would adversely affect the sovereignty of the EU or any of the following:
 - Public order;
 - The security of the State;
 - The defence of the State; or
 - The international relations of the State; or
 - Where proceedings in any court in the State have already been initiated in respect of the same actions and against the same persons.

Transfer of working papers

Working arrangements (Chapter 14 – pages 45-47)

Publication and notification of working arrangements

- Where IAASA enters into working arrangements with a Third Country Competent Authority in accordance with Regulation 109(1)(c), IAASA will publish particulars of those working arrangements without delay.
- Details of such working arrangements will be notified by IAASA to the European Commission

Useful links

- IAASA's website www.iaasa.ie
- IAASA's guide to the provisions of the European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010
http://www.iaasa.ie/publications/Guide_8thDirective2011.pdf
- The European Communities (Statutory Audits) (Directive 2006/43/EC) Regulations 2010 (Statutory Instrument 220 of 2010)
http://www.iaasa.ie/legislation/si220_2010.pdf

Questions?

