



**Statement on Scope and Authority of Audit and Assurance  
Pronouncements**

## CONTENTS

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	Paragraph
<b>Nature and Scope of IAASA Audit and Assurance Pronouncements .....</b>	<b>1 – 9</b>
<b>Standards and Guidance for Audits of Financial Statements .....</b>	<b>10 – 12</b>
<b>Authority of IAASA Audit and Assurance Pronouncements .....</b>	<b>13 – 17</b>

## Nature and Scope of IAASA Audit and Assurance Pronouncements

1. Audit and assurance pronouncements issued by IAASA include:
  - Quality control standards for firms that perform audits of financial statements or other public interest assurance engagements<sup>1</sup>,
  - Ethical and engagement standards for audits of financial statements, and
  - Guidance for auditors of financial statements and auditors involved in other public interest assurance engagements.

IAASA may issue further standards and guidance relating to assurance engagements other than financial statement audits when it considers it appropriate to do so in the public interest and to fulfill its functions as defined in statute, including that of promoting adherence to high professional standards in the auditing profession.

2. Auditors should not claim compliance with IAASA's audit and assurance or ethical standards unless they have complied fully with all of those standards relevant to an engagement.
3. Quality control standards and engagement standards for audits of financial statements and other public interest assurance engagements (the International Standard on Quality Control (ISQC) (Ireland) and the International Standards on Auditing (ISAs) (Ireland)) include objectives for the auditor, together with requirements<sup>2</sup> and related application and other explanatory material. The Ethical Standard contains overarching ethical principles and supporting ethical provisions. The ethical outcomes of which are required to be met, together with requirements<sup>2</sup> and related application and other explanatory material.
4. It is necessary to have an understanding of the entire text of a standard, including its guidance, to understand its objectives, overarching ethical principles or supporting ethical provisions (as applicable) and to apply its requirements properly. Further explanation of the scope, authority and structure of the engagement standards is set out in ISA (Ireland) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.
5. The ISAs (Ireland) and ISQC (Ireland) 1 are based on standards that have been issued by the UK Financial Reporting Council, which are in turn based on standards that have been issued by the International Auditing and Assurance Standards Board<sup>3</sup> (IAASB) published by the International Federation of Accountants (IFAC) and used with the permission of IFAC. Shaded text in these standards identifies supplementary requirements and guidance appropriate in the context of Irish legislation and business practice. Requirements derived from the Audit Directive<sup>4</sup> and Regulation<sup>5</sup> have the letter 'D' (for the Directive) or 'R' (for the Regulation) added to the paragraph number where appropriate. Similarly, the Ethical Standard (Ireland) is based on the corresponding standard issued by the FRC and its overarching principles and

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<sup>1</sup> Public interest assurance engagements' are audits of financial statements and other assurance engagements undertaken in accordance with performance standards issued by IAASA.

<sup>2</sup> The level of authority of the text in requirement paragraphs is indicated by the use of the term 'the auditor shall'.

<sup>3</sup> IAASB is a committee of the International Federation of Accountants (IFAC). The IAASB's constitution and due process is described in its 'Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services'.

<sup>4</sup> Directive 2006/43/EC as amended by Directive 2014/89/EU 2014/56/EU.

<sup>5</sup> Regulation (EU) No 537/2014.

## Statement on Scope and Authority of Audit and Assurance Pronouncements

supporting provisions reflect the EU Audit Directive and Regulation where relevant. Such requirements are highlighted with shading and annotated as 'D' or 'R' as applicable. ISAs (Ireland) are consistent with International Standards on Auditing as issued by the IAASB and the requirements of ISAs (Ireland) do not conflict with the requirements in ISAs. An audit conducted in accordance with ISAs (Ireland) does not therefore preclude the auditor from being able to assert compliance with International Standards on Auditing issued by the IAASB.

6. Requirements in the Audit Regulation contained in the Ethical and Auditing Standards, which are applicable to the audit of Public Interest Entities are applicable to those entities as defined in Irish company law<sup>6</sup>.
7. For the audit of Irish groups, the group auditor needs to be satisfied that the audit of the group financial statements, on which the group auditor gives an audit opinion, is in accordance with the ISAs (Ireland). Auditors of overseas components are not required to have regard to the additional requirements and guidance material in those standards, although the group auditor may decide to refer to it in their instructions to component auditors<sup>7</sup>.
8. The ISAs and ISQC 1, as issued by the IAASB, require compliance with 'relevant ethical requirements' which are described, in the application material, as ordinarily comprising Parts A and B of the International Ethics Standards Board for Accountants (IESBA) *Code of Ethics for Professional Accountants* (the IESBA Code<sup>8</sup>) related to an audit of financial statements together with national requirements that are more restrictive. The ISAs (Ireland) and ISQC (Ireland) 1 have supplementary material that makes clear that auditors in Ireland are subject to ethical requirements from two sources: IAASA's Ethical Standard, and the ethical pronouncements established by the auditor's recognised accountancy body.
9. The Ethical Standard was developed with the intent that it should adhere to the principles of the IESBA Code.

### Standards and Guidance for Audits of Financial Statements

10. IAASA is required, under Irish company law, to adopt the auditing standards to be applied in Ireland in the conduct of statutory audits of entities in Ireland<sup>9</sup>.

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<sup>6</sup> Regulation 4 of SI 312 of 2016, the European Union (Statutory Audits)(Directive 2006/43/EC, as amended by Directive 2014/56/EU and Regulation (EU) No 537.2014 Regulations) 2016 Regulations 2016.

<sup>7</sup> If the auditor of an overseas component is a part of the same firm as the group auditor (i.e. the same legal entity) consideration needs to be given to whether the auditor of the overseas component has the same legal obligations as the group auditor and, therefore, is required to comply with the legal or regulatory requirements of the ISAs (Ireland). If such obligations exist, consideration needs to be given to the implications for communication between the group auditor and component auditor (for example where necessary to fulfil obligations for reporting money laundering offences or reporting matters to a regulator).

<sup>8</sup> The IESBA Code is included in the IFAC "Handbook of the Code of Ethics for Professional Accountants" and can be downloaded free of charge from the publications section of the IAASB website ([www.ifac.org/IAASB](http://www.ifac.org/IAASB)).

<sup>9</sup> By order of SI 312 of 2016, the European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU and Regulation (EU) No 537.2014 Regulations) 2016 Regulations 2016.

## Statement on Scope and Authority of Audit and Assurance Pronouncements

11. Ethical and engagement standards for audits of financial statements, which comprise the Ethical Standard and ISAs (Ireland), apply to auditors carrying out:
  - Statutory audits of companies in accordance with the Companies Act 2014;
  - Audits of financial statements of other entities if legal or regulatory requirements require application of those standards; and
  - Audits of other entities where the audit firm elects, or is required by contract, to perform the work in accordance with the Irish Auditing Framework.
12. Guidance for auditors of financial statements is also issued in the form of Practice Notes and Bulletins. Practice Notes and Bulletins are persuasive rather than prescriptive and are indicative of good practice. Practice Notes assist auditors in applying engagement standards to particular circumstances and industries. Bulletins provide timely guidance on new or emerging issues. Auditors should be aware of and consider Practice Notes applicable to the engagement. Auditors who do not consider and apply the guidance included in a relevant Practice Note should be prepared to explain how the engagement standards have been complied with.

### **Authority of IAASA Audit and Assurance Pronouncements**

13. In order to be eligible for appointment in Ireland as auditors of companies, or of any of the other entities that require their auditors to be eligible for appointment as auditors under Regulation 43 of S.I. 312 of 2016 - European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016, persons must be approved as a statutory auditor by an Accountancy Body recognised by IAASA.
14. Section 930 of the Companies Act 2014 requires that IAASA may grant recognition to a body of accountants only if it is satisfied as to the body's standards regarding training, qualification and repute are sufficient to meet EU requirements and as to standards applied by the body in relation to, *inter alia*, independence and auditing standards. Each Recognised Accountancy Body ('RAB') is also required to have arrangements in place for the effective monitoring and enforcement of compliance with those standards.
15. Apparent failures by auditors to comply with applicable ethical or engagement standards are liable to be investigated by IAASA or the relevant accountancy body. Auditors who do not comply with the applicable ethical or engagement standards when performing company or other audits make themselves liable to regulatory action which may include the withdrawal of registration and hence of eligibility to perform company audits.
16. All relevant IAASA pronouncements are likely to be taken into account when the adequacy of the work of auditors is being considered in a court of law or in other contested situations.
17. The nature of the ethical and engagement standards and associated guidance requires auditors to exercise professional judgment in applying them. Where, in exceptional circumstances, auditors judge it necessary to depart from a requirement, basic principle or essential procedure that is relevant in the circumstances of a particular engagement, the auditor documents how the alternative procedures performed achieve the objective of the engagement and, unless otherwise clear, the reasons for the departure.