

2022

Regulatory and Monitoring Supervision
**Guidelines for the Recognised
Accountancy Bodies when
performing the Quality Assurance
function in respect of Statutory
Auditors and Audit Firms**

Mission

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

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Part I: Background to these guidelines

Regulatory outcomes

High quality statutory audit enhances the integrity of a financial report and, therefore, its usefulness. An effective regulatory framework for auditors and audit firms promotes high quality audit, enhancing public confidence in the auditing profession and serving the public interest. Under IAASA's oversight, each recognised accountancy body (RAB) is responsible for the regulation and monitoring of the statutory auditors it has approved and should ensure that its regulatory arrangements are designed to promote high quality audit.

A RAB's quality assurance system in respect of statutory auditors and audit firms should achieve the following outcomes:

- Provide an independent assessment as to whether statutory audits are carried out in accordance with the requirements of the Ethical Standard for Auditors (Ireland) and International Standards on Auditing (Ireland).
- Ensure that those auditors and audit firms whose performance fails to meet the required standard are subject to timely, proportionate and effective actions.
- Contribute to public confidence in the auditing profession and its regulation.

To assist in achieving the outcomes listed above, an effective quality assurance system should apply the following principles:

- A. Appropriate selection of statutory auditors and audit firms to be subject to quality assurance reviews.
- B. Ensure effective completion of quality assurance reviews.
- C. Ensure clear and timely reporting.
- D. Take timely, proportionate and effective actions as required.

Each RAB is responsible for ensuring that its quality assurance system achieves the outcomes listed above.

Purpose of these guidelines

The purpose of this document is to set out guidelines for the RABs to apply to their quality assurance system, to support the achievement of the outcomes listed above and to meet the requirements of the Companies Act 2014.

These guidelines are not intended to replace or override any legislative provisions. They should be read in conjunction with the Companies Act 2014 (the Act), Regulation (EU) No 537/2014 and any section 931 notice, rule or other guideline that IAASA may issue.

Nothing in these guidelines may be construed so as to constrain IAASA from taking action, where it deems it to be appropriate, in respect of a RAB's organisation of its quality assurance system.

Definitions

Term	Meaning
The Act	The Companies Act 2014
General Guidelines	General guidelines for the RABs when performing regulatory functions in respect of statutory auditors issued by IAASA
Member	<p>A person or a firm that is, or was at the relevant time, subject to the RAB's approved investigation and disciplinary procedures. (This definition accords with the definition of 'member' in section 900(1) of the Act)</p> <p>It includes members and member firms of the RAB as well as statutory auditors and audit firms in respect of whom the RAB performs functions under section 930C of the Act. Such statutory auditors and audit firms include EU auditors and audit firms and third country auditors</p>
QA review	Quality assurance review carried out in accordance with Part 27 of the Act
Recommendation	A recommendation is an action required by a RAB to be implemented to address a matter that arises as a finding in a review. As per the Companies Act 2014, recommendations arising from quality assurance reviews should be implemented within a reasonable time
Reviewer	Person or persons assigned by the RAB to carry out the QA review
Statutory auditor/Audit firm	An individual or firm who is approved in accordance with Part 27 of the Act to carry out statutory audits

Scope of these guidelines

Section 906 of the Act provides that IAASA may issue guidelines concerning any matter that relates to its functions. These guidelines relate to the quality assurance system of the RABs which IAASA supervises under section 905 of the Act.

These guidelines are applicable to all RABs recognised in accordance with the provisions of section 930 of the Act. At the date of publication of these guidelines, the three RABs are:

- ACCA - Association of Chartered Certified Accountants.
- CPA - Institute of Certified Public Accountants in Ireland.
- ICAI - Institute of Chartered Accountants in Ireland.

A RAB's quality assurance system is applied to statutory auditors and audit firms approved by that RAB.

The application guidance provided under each set of guidelines in sections A to D sets out IAASA's expectations for how a RAB can demonstrate compliance with the guidelines. However, it is not a complete list of the ways in which a RAB complies with the guidelines, nor do the expectations constitute the only way in which compliance can be demonstrated. Each RAB should be able to

demonstrate that it complies with these guidelines through the implementation of effective regulatory policies and procedures tailored to its context. Each RAB should also ensure that the provisions of its constitution, bye-laws, rules and regulations are in compliance with these guidelines.

Enforcement of these guidelines

IAASA may take regulatory action in respect of a failure to comply with these guidelines. This will be done in accordance with its powers under the Act.

Legislative background

Chapter 7 of Part 27 of the Act sets out specific provisions in respect of the system of quality assurance of statutory auditor and audit firms (sections 1494 to 1498).

Under section 1495 of the Act, each RAB must have in place a system of quality assurance of:

- (i) its members' activities as statutory auditors and audit firms
- (ii) the activities, as statutory auditors and audit firms, of persons who though not members of the RAB are persons in relation to whom the RAB may perform functions under the relevant provisions.

A quality assurance review must take place on the basis of an analysis of risk and at least every six years.

Section 1496 sets out the requirements for a RAB's quality assurance system including in relation to independence, funding, resources, reviewers, scope, and public reporting.

Under section 1496(4) if a statutory auditor or audit firm fails to take all reasonable steps to ensure that recommendations arising from a quality assurance review are implemented within a reasonable period, the RAB shall take appropriate action.

A RAB has the right to take disciplinary actions or impose sanctions in respect of statutory auditors and audit firms and shall have procedures in place to facilitate such actions or sanctions (section 1498).

Under section 1494 of the Act, the Authority is responsible for the quality assurance of the statutory audit of public-interest entities and registered third-country auditors and audit entities.

Effective date

These guidelines apply from 1 January 2023 to all RABs.

These guidelines apply until such time as they are withdrawn, amended or replaced by IAASA.

Part II: Guidelines for RABs regarding the quality assurance system

Set out in sections A-D below are the guidelines to be applied by the RABs when organising the quality assurance system. The guidelines are listed under the principles set out in Part I.

RABs should also refer to the other IAASA guidelines applicable to the regulatory functions to ensure an integrated approach to the operation of its regulatory functions.

It is important to note that the requirements of the [General Guidelines](#) also apply to the quality assurance system.

A. APPROPRIATE SELECTION OF STATUTORY AUDITORS AND AUDIT FIRMS TO BE SUBJECT TO QUALITY ASSURANCE REVIEWS

Guidelines

- A.1. Each statutory auditor or audit firm must have a QA review at least every six years.**
- A.2. On an annual basis, a RAB must complete a documented risk assessment on all statutory auditors and audit firms and consider which should be subject to a QA review.**
- A.3. At a minimum, the risk assessment should consider newly approved statutory auditors or audit firms, the size and complexity of an audit firm and its clients, significant changes in the audit client base, media coverage and outcomes of previous quality reviews or disciplinary action.**

Application guidance

A RAB can demonstrate compliance with the above guidelines by meeting the following expectations:

- (a) Document the selection process on an annual basis.
- (b) Only statutory auditors and audit firms continually assessed as low risk are visited every six years.
- (c) The six-year period is to be counted from a consistent point of reference, for example, from the first day of fieldwork on consecutive visits or from the date of report of consecutive visits. Any changes to the point of reference should be discussed with IAASA.
- (d) There are clear and timely communication channels between a RAB's regulatory departments so that information which is relevant to the quality assurance function can be included in its risk analyses.
- (e) A RAB engages in clear and timely communications with other regulatory bodies and agencies to ensure it has the necessary information for risk analyses.
- (f) Postponement of QA reviews occurs in limited circumstances and only where there is a genuine reason such as illness or bereavement, supported by appropriate evidence. If the QA review cannot take place within a reasonable period from the original scheduling, a RAB considers whether it is appropriate to permit the statutory auditor or audit firm to continue to offer audit services without conditions or restrictions attached. If a QA review cannot take place within the six years since the previous review, the RAB considers whether the statutory auditor or audit firm's approval should be withdrawn.

B. ENSURE EFFECTIVE COMPLETION OF QUALITY ASSURANCE REVIEWS

Guidelines

- B.1. RABs should have clear conflicts of interest policies and procedures applied to all staff and any other persons involved in the quality assurance system, requiring declarations at least annually.**
- B.2. Following selection of a statutory auditor or audit firm, a quality assurance reviewer to be assigned and conflict checks carried out. The conflict checks should be evidenced on the QA review file.**
- B.3. Quality assurance reviewers are required to have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on QA reviews.**
- B.4. RABs should have a planning work programme to be completed by the reviewer, which assesses the firm and its client base and selects, on a risk basis, the individual audits to be reviewed. The work programme should clearly explain the reasons for selecting particular files and how the reviewer is satisfied that the number of files selected is reasonable.**
- B.5. RABs should have clear work programmes to be completed by the reviewer demonstrating how the reviewer has assessed whether the audit firm's system of quality management meets the requirements of the standards and demonstrating how the reviewer has assessed whether the requirements of the Ethical Standard for Auditors (Ireland) and International Standards on Auditing (Ireland) have been met in completing the audits selected for review.**
- B.6. Work programmes should include a formal consideration as to whether there are any matters noted which should be referred from the QA review for regulatory or disciplinary action.**
- B.7. Completed work programmes should be reviewed by a second individual, either a reviewer or other individual within the quality assurance system hierarchy.**
- B.8. A RAB should set and monitor key performance indicators (KPIs) for the quality assurance system. KPIs are included in the annual regulatory plan and progress is reported to the regulatory board periodically.**

Application guidance

A RAB can demonstrate compliance with the above guidelines by meeting the following expectations:

- (a) The process for selecting audits for review should ensure any higher risk audits are selected. Audits which may indicate higher risk include audits of regulated entities, listed entities, large private companies, companies which are part of a complex group structure and those which are in industries which may be considered high risk at the time of review.
- (b) Procedure manuals are available to reviewers setting out the process along with information on how to make appropriate selections, guidance on the appropriate number of files to select depending on the circumstances of the firm and how to complete work programmes.
- (c) RAB has structured timelines in place for completion of fieldwork.
- (d) RAB has an appropriate system for filing and archiving completed work programmes.
- (e) RAB has appropriate oversight in place to ensure all work programmes are reviewed by a peer or a line manager. RABs may determine factors that impact the depth of that review.

C. ENSURE CLEAR AND TIMELY REPORTING

Guidelines

- C.1. RABs should provide a structured written report to the statutory auditor or audit firm setting out the results of the QA review on a timely basis.**
- C.2. In addition to the main conclusions of the review, the written report should set out clearly any relevant findings arising from the QA review and associated recommendations for remediation of these findings.**
- C.3. Recommendations in the report should be required to be implemented within specified timeframes, set out in the report.**
- C.4. RABs should assign each QA review a grade, clearly explained and consistently applied.**
- C.5. Written reports should be approved by the second individual who carried out the review under B.7**
- C.6. A RAB's annual public report under section 1496(1)(j) of the Act on the overall results of its quality assurance reviews, should provide clear and useful information for relevant stakeholders, demonstrating how the RAB has discharged its quality assurance function. It should be made available on the RAB's website.**

Application guidance

A RAB can demonstrate compliance with the above guidelines by meeting the following expectations:

- (a) A RAB ensures that its written report on the QA review can be easily understood. Reports are structured so that conclusions are clearly set out and any significant matters are prioritised as findings along with specific, implementable recommendations. A RAB provides a statutory auditor or audit firm with an opportunity to comment on the report to note factual errors before it is finalised.
- (b) Recommendations should be required to be completed within a reasonable timeframe, which would not generally be expected to be greater than 12 months from the date of the report.
- (c) RABs have target timeframes for the issuance of reports following QA reviews and monitor outcomes against the targets along with reasons for any delays.
- (d) RABs provide detailed descriptions of available grades and any necessary application guidance for reviewers.
- (e) For the purposes of comparability in the market, RABs will be requested to provide explanations to IAASA as to how the RAB's grading system maps to IAASA's grading system, which is publicly available.

D. TAKE TIMELY, PROPORTIONATE AND EFFECTIVE ACTIONS AS REQUIRED

Guidelines

- D.1. Where recommendations are issued, RABs require statutory auditors and audit firms to proactively provide evidence of the implementation of those recommendations within the required timeframe.**
- D.2. RABs review the evidence provided and conclude as to whether the recommendations have been appropriately implemented and whether any further action is warranted. The considerations and conclusions of these reviews should be documented and reviewed by a second individual, either a reviewer or other individual within the quality assurance system hierarchy.**
- D.3. Where a RAB concludes that recommendations have not been appropriately implemented, the matter should be referred for regulatory or disciplinary or action.**
- D.4. Where a RAB identifies significant deficiencies in the quality of a statutory auditor or audit firm's work or behaviour, the matter should be referred in the appropriate manner for regulatory or disciplinary action, to be undertaken in accordance with IAASA's Guidelines on Investigation and Disciplinary Functions.**

Application guidance

A RAB can demonstrate compliance with the above guidelines by meeting the following expectations:

- (a) RAB has a system to monitor receipt of recommendation implementation reports from firms.
- (b) RABs have target timeframes for the implementation of recommendations and monitor outcomes against the targets along with reasons for any delays.
- (c) RAB has appropriate oversight in place to ensure consideration of the implementation of recommendations is documented and evidenced by a peer or a line manager. RABs may determine factors that impact the depth of that review.
- (d) RAB has a procedures manual, which provides guidance regarding the consideration of implementation of recommendations.
- (e) RABs have target timeframes for the referral from QA for regulatory or disciplinary action from the time of conclusion of the QA review or from the time of RABs consideration of recommendation implementation.
- (f) Where RABs use separate processes for addressing QA matters i.e. regulatory action or disciplinary action, RABs ensure that the QA regulatory action process results in the same outcomes as would occur via the disciplinary action process.



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