IAASA

Irish Auditing & Accounting Supervisory Authority

FEEDBACK PAPER

The future auditing framework for Ireland

Annex – Responses Received

03 April 2017

1. Responses to the Consultation on the future of auditing framework for Ireland

Comment letters were received from nine parties. The respondents were:

a) ACCA;

b) The Association of International Accountants ('AIA');

c) Chartered Accountants Ireland ('CAI')

d) Deloitte;

e) Ernst & Young ('EY');

f) The Institute of Certified Public Accountants in Ireland ('ICPAI');

g) Irish Stock Exchange;

h) KPMG;

i) PricewaterhouseCoopers ('PWC');

Think Ahead ACCA

The future auditing framework for Ireland

A public consultation issued by the Irish Auditing & Accounting Supervisory Authority (IAASA)

Comments from ACCA
November 2016
Ref: TECH-CDR-1456

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 188,000 members and 480,000 students in 178 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of 100 offices and centres and more than 7,400 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting, and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

Further information about ACCA's comments on the matters discussed here may be requested from:

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ACCA welcomes the opportunity to comment on the alternative proposals issued by IAASA. Members of the ACCA Global Forum for Audit have considered the matters raised and their views are represented in the following. In addition, the expertise and experience of our members and in-house technical experts allow ACCA to provide informed opinion on a range of areas, including audit and regulation.

www.accaglobal.com.

SUMMARY

In this section of our response, we comment on the three options set out within the consultation paper, and consider whether these are discrete alternatives, or whether a combination of approaches would be more suitable. We should be considering both the immediate requirements and the longer term objectives of the auditing framework for Ireland.

Initially, however, we would like guidance from IAASA concerning what auditors should be doing now, given the short period before the audit of June 2017 year ends, and the immediate need for clarity when planning interim audit procedures. It is also important to understand the legal constraints within which these options must be considered. These include licensing concerns (with both the FRC and IFAC) and the implementation requirements of the EU Audit Regulation and Directive (ARD).

Option 1 – Adapt the UK FRC audit framework for the Irish market

The principal advantage of adapting the UK FRC framework for the Irish market is that it starts with 'adopting' the existing standards. Therefore, initially, there is little for IAASA to do, and it provides clarity for firms – especially those with both UK and Irish audit clients. We understand that IAASA has recently agreed a licensing arrangement with the FRC and IFAC, and we assume this will provide the necessary stability to permit the use of the UK FRC standards for as long as necessary. We also understand that these standards are considered to have been issued after due process, and the only changes required will be to amend the legal references.

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This option should only be regarded as a necessary transitional measure. The decision of what the auditing framework for Ireland should look like must start from the position that IAASA is the competent authority, and should develop a framework that is right for Ireland. A completely separate concern is that the withdrawal of the UK from the European Union could, eventually, lead to the UK amending its standards such that they deviate in material respects from European standards. This would, naturally, create complications should IAASA place undue reliance on the UK FRC framework.

Nevertheless, we believe that, in the short term, this option is the only practical solution. It is an expeditious solution, because the UK standards have already been updated for the ARD. However, in the longer term, disadvantages include the following arguments:

- If the UK standards start to diverge from the European standards, Ireland will, effectively, be forced to move away from the FRC standards at that time.
- As the competent authority for audit in Ireland, undue reliance by IAASA on the UK FRC framework might be considered inappropriate.
- There is an element of 'gold plating' within the FRC standards, which may not be required in Ireland, and the need for this should also be addressed in due course.
- Aligning the Irish framework with that of the UK may simply be unpopular in Ireland and within the EU more widely. Although the UK will continue to have robust standards, it may be seen as being on the fringes of Europe, with its own set of standards, while European standards will have continued to develop within the EU.

Option 2 – Adapt / adopt the international audit framework

ACCA believes that this option should be seen as the longer term solution. It has the advantage of clarity (assuming auditors and firms have the information they require at an early stage, so that they may plan accordingly). It represents a clear framework to aim for by a particular date, and provides greater consistency over time and across jurisdictions.

The disadvantages of this approach are largely related to the time and resource required to make any necessary amendments to the international standards for the Irish

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context. If the specific requirements of Irish legislation are not incorporated into the standards, then clear guidance will need to be developed.

In our opinion, this option is the only sustainable long term solution. If the IAASB standards are adopted, there will be a need for IAASA to include a 'Standards Board' with responsibility for 'localising' the IAASB standards. It's remit must be to do just that, and not to change the IAASB standards themselves.

Option 3 – Develop domestic standards

We believe that this idea has no merit. It would involve a great deal of time and resource, and would be regarded as a retrograde step as far as global convergence is concerned. The primary risk would be that international investors would not be willing to place their trust in the robustness of Irish auditing standards.

AREAS FOR SPECIFIC COMMENT:

Having set out above the matters to be considered in detail, we shall now respond to the direct questions set out in section 7 of the consultation paper:

Please indicate your preferred option for the development of an auditing framework to be adopted by IAASA for the Irish market and provide a detailed rationale for your preference.

It might be suggested that the options presented would, ideally, be evaluated with the benefit of knowing the future of UK auditing and ethical standards. However, our position is that IAASA must focus on what is right for Ireland, and any reliance on UK standards should only be to facilitate a smooth transition in the short term. Any advantages in keeping the Irish system aligned with the UK framework (if possible) would only accrue to a relatively small number of stakeholders, and their arguments for such alignment are unrelated to the broader requirement - that Ireland retains a robust framework of auditing standards that upholds audit quality, consistency and understandability in an international market.

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Therefore, our preferred option would be to adopt the international audit framework (option 2). However, recognising the need to achieve certainty in the short term, and to effect an uncomplicated transition to a new framework, we believe that IAASA must, initially, base its framework of standards on the UK FRC standards (option 1).

Do you believe that another option not outlined in this Consultation Paper should be considered? If so, please outline this alternative option and specify your reasons for its use.

As we have set out above, we believe that the solution comprises a combination of options 1 and 2. Option 2 serves the best interests of the audit profession in Ireland and the majority of stakeholders. However, we acknowledge that option 1 will facilitate a smooth transition. This should be implemented as soon as possible, as a short term measure, and IAASA's approach should be clearly communicated to the audit profession soon, in order to achieve the clarity required.

Please provide your observations as to the phases and timelines for implementation of your preferred option.

We strongly recommend that the FRC standards should be adopted as a matter of urgency. We believe that this measure is necessary in the public interest. The transition to 'localised' IAASB standards should be completed expeditiously.

Within the transition period, a 'Standards Board' should be established within IAASA, for the purpose of developing the 'localised' IAASB standards. These should be issued collectively, with mandatory application with effect from the end of the transition period. Transparency, including guidance for practitioners, will be required during the transition period.

Please provide any additional observations you may have on the proposals set out in this Consultation Paper

Ireland will shortly not have any extant auditing standard, and it already lacks ethical standards in respect of certain year ends. A temporary framework needs to be put in place as a matter of urgency. However, initially, IAASA must issue a clear statement of

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its direction of travel. This should be set in the context of the legal considerations, including licences (from the FRC and IFAC) and the implementation of the ARD.

CONCLUSIONS

We have set out above our preferred approach, although it is clear that the solution is not straight-forward. Above all, auditors in the Republic of Ireland require as much clarity as possible. The transition to the new framework should be made as easy as possible for practitioners, and IAASA should set out a roadmap (with a clear timeframe) for the transition from the FRC standards to the new Irish framework. Communication of the way forward must be prolific and as early as possible.

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CONSULTATION

IRISH AUDITING & ACCOUNTING SUPERVISORY AUTHORITY (IAASA)

THE FUTURE AUDITING FRAMEWORK FOR IRELAND

NOVEMBER 2016

ABOUT AIA

The Association of International Accountants (AIA) was founded in the UK in 1928 as a professional accountancy body and from conception has promoted the concept of 'international accounting' to create a global network of accountants in over 85 countries worldwide.

AIA is recognised by the UK government as a recognised qualifying body for statutory auditors under the Companies Act 2006, across the European Union under the mutual recognition of professional qualifications directive and as a prescribed body under the Companies (Auditing and Accounting) Act 2003 in the Republic of Ireland. AIA also has supervisory status for its members in the UK under the Money Laundering Regulations 2007. AIA is a Commonwealth Accredited Organisation.

AIA promotes and supports the advancement of the accountancy profession both in the UK and internationally. The AIA exams are based on International Financial Reporting and International Auditing Standards and are complimented by a range of variant papers applicable to local tax and company law in key jurisdictions together with an optional paper in Islamic accounting.

AIA members are fully professionally qualified to undertake accountancy employment in the public and private sectors.

AIA RESPONSE

QUESTION 1

PLEASE INDICATE YOUR PREFERRED OPTION FOR THE DEVELOPMENT OF AN AUDITING FRAMEWORK TO BE ADOPTED BY IAASA FOR THE IRISH MARKET AND PROVIDE A DETAILED RATIONALE FOR YOUR PREFERENCE

AIA recognises the position IAASA is looking to take in relation to the development of an auditing framework to be adopted for the Irish market.

In the short term it is preferable to maintain the status quo to some extent with the implementation of Option 1. This will ensure a smoother transition for firms and businesses in their current operating models who are reliant on current FRC standards and an auditing framework. The adaption of the FRC framework to fit more closely with the Irish legal position would be an option that would result in the smallest use of resources. Option 1 provides greater continuity and protects the interest of accountants and therefore the public to a greater extent in the shorter term.

The uncertainty created by Britain's exit from the European Union is also a reason for continuing in the short term with adaption of the FRC framework. In consideration of the fact that the UK Government does not plan to engage 'Article 50' until March 2017, with a proposed negotiation and exit process lasting at least two years, this means that there is a considerable period of time before the UK system is outside of European law.

In the longer term there is a clear trend towards convergence of International Standards and it is to be assumed at some point that Ireland will be forced to implement its own 'homegrown' audit framework. Until that point AIA would recommend maintaining Option 1.

AIA works with our members and partners in financial centres around the world to encourage trust, clarity and shared international standards in the accounting profession and supports the work of the IFRS Foundation and the International Accounting Standards Board (IASB) in developing a single set of high quality and globally accepted international standards.

AIA supports IFAC's vision of a global accountancy profession which helps support and develop strong, sustainable and, above all, transparent and trusted economies. In support AIA has adopted IFAC's Code of Ethics for professional accountants and also incorporates IFAC's International Education Standards (IES) into our own policies, procedures and educational programmes.

In addition, maintaining and adapting Option 1 for the short term would give greater flexibility in the long term as the FRC audit framework is largely based on International Standards and therefore forms a base layer on which to build an unique, relevant and flexible Irish framework.

QUESTION 2

DO YOU BELIEVE THAT ANOTHER OPTION NOT OUTLINED IN THIS CONSULTATION PAPER SHOULD BE CONSIDERED? IF SO, PLEASE OUTLINE THIS ALTERNATIVE OPTION AND SPECIFY YOUR REASONS FOR ITS USE

AIA does not believe there are any other appropriate options available which have not previously been outlined in the consultation paper.

QUESTION 3

PLEASE PROVIDE YOUR OBSERVATIONS AS TO THE PHASES AND TIMELINES FOR IMPLEMENTATION OF YOUR PREFERRED OPTION

AIA suggests that IAASA should take into account the needs of practising accountants when considering timescales of implementation for any new audit framework in the Republic of Ireland and be mindful of key reporting dates and deadlines, giving companies and auditors ample time to make appropriate changes and prepare for the implementation of new standards.

In addition the uncertainty of Britain's exit from the European Union in terms of the FRC audit framework could add a dimension of uncertainty to any implementation or licensing.

QUESTION 4

PLEASE PROVIDE ANY ADDITIONAL OBSERVATIONS YOU MAY HAVE ON THE PROPOSALS SET OUT IN THIS CONSULTATION PAPER

It would support the transparency and understanding of timescales and progress of the process if IAASA could provide to Recognised and Prescribed Accountancy Bodies an ongoing indication of the progress of discussions with the Financial Reporting Council regarding licensing the audit framework.

FURTHER INFORMATION

The above replies represent our comments upon this consultation document. We hope that our comments will be helpful and seen as constructive. AIA will be pleased to learn of feedback, and to assist further in this discussion process if requested.

If you require any further information, please contact:

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CREATING WORLD CLASS ACCOUNTANTS

AIA
THE ASSOCIATION OF INTERNATIONAL ACCOUNTANTS

Chartered Accountants Ireland

Mr Kevin Prendergast
Chief Executive Officer
Irish Auditing and Accounting Supervisory Authority
Willow House
Millennium Park, Naas
Co Kildare

30 November 2016

Dear Kevin

IAASA Consultation Paper: The future auditing framework for Ireland

Chartered Accountants Ireland ('the Institute') welcomes the publication of the IAASA consultation paper ('CP') and the opportunity to comment on the future auditing framework in Ireland. This is a very important decision for IAASA, the auditing profession and indeed business in Ireland. Ireland has benefited significantly over the years from being subject to a high quality, internationally recognised suite of standards as applied in the UK, with the UK's Financial Reporting Council ('FRC') setting standards for Ireland as well as the UK. As explained in the CP, one of the outcomes of the transposition of the EU Audit Regulation and Directive ('ARD') in Ireland is that IAASA has had to assume responsibility for the adoption of auditing, ethical and quality control standards in this jurisdiction, thus ending the long-standing position of the FRC') as standard setter for Ireland as well as the UK.

It is most unfortunate that this very significant outcome of the ARD transposition was completely unanticipated in Ireland, only coming to light a matter of weeks before the *European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016* ('SI 312') was signed into law.

From the perspective of maintaining and enhancing Ireland's international reputation as an environment in which to do business, it is imperative that due care and attention is given to the very significant decision on which IAASA is now consulting, to ensure that the standards applied in Ireland are of sufficiently high standard and are internationally recognised.

The CP provides a high level overview of the options envisaged by IAASA for the future audit framework for Ireland, but there are a number of key areas where the information provided is insufficient or lacks clarity. Option 3 is for IAASA to develop standards – but the CP does not set out whether IAASA would envisage developing standards based on any other standards framework, for example IAASB standards or would develop the IAASA standards from first principles. An audit framework is an amalgam of auditing, quality control and ethical standards, which are adopted as a package. The CP refers to an "IAASA Ethical Standard" without any mention of the basis for that standard. Given that the international auditing and ethical standards cross refer to the IESBA Code, and the international recognition afforded to the IESBA

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Code, it is difficult to see how IAASA could adopt those standards in isolation from the provisions of the IESBA Code. The CP has not set out how this option would address the interaction of the IAASA Ethical Standards and the IESBA Code.

Furthermore, it is important to emphasise that whilst the CP presents options with regard to the long-term audit framework to apply in Ireland, decisions made at this point in time may need to be revisited and reconsidered in light of key future developments, most significantly the implications associated with the final terms agreed for the UK's withdrawal from membership of the European Union, or the potential for the European Commission to adopt International Auditing Standards under Article 26 of the EU Audit Directive.

The Institute has for many years promulgated the FRC's financial reporting standards for use in Ireland. This long-standing relationship with the FRC may be relevant to IAASA in coming to its decision. We understand that it is intended that the Minister of Jobs, Enterprise and Innovation will, in the near future, sign a statutory instrument prescribing the FRC as the body responsible for issuing statements of accounting standards for the purposes of the definition of 'accounting standards' in section 275(1) of the Companies Act 2014.

IAASA's remit includes to "promote adherence to high professional standards in the auditing and accountancy profession". There are three different options set out in the CP. It is worth pointing out from the outset that both **option 1** ('Adapt the UK FRC audit framework for the Irish market') or **option 2** ('Adopt the international audit framework' – with or without amendment) would involve the use of a high quality, internationally recognised set of standards as a basis for the Irish framework (subject to our above comments as regards the IESBA Code). The CP does not, however, clearly set out what is envisaged with respect to potential amendments. There is also a lack of clarity in the CP as to what exactly is envisaged for **option 3** '(Develop domestic standards') – the statement in the CP that "...auditors and audit firms would be obliged to comply with [the IFAC] standards in addition to domestically developed standards" might suggest perhaps standalone Irish standards sitting alongside, but not conflicting with, the IFAC standards. If it is envisaged that IAASA would develop standards from first principles under option 3, we would not favour that option due to concerns about reputational issues and a lack of standard setting infrastructure and resources in Ireland currently. We do not include any further discussion of option 3 in this submission as a result.

Recognition of Institute members as Statutory Auditors in the Ireland and the UK

Irish and UK company law recognises the Institute as well as the Institute of Chartered Accountants in England & Wales and the Institute of Chartered Accountants in Scotland as recognised accountancy bodies (in Ireland) and recognised supervisory bodies (in the UK). This allows for members of each of these bodies who are statutory auditors to audit companies in both jurisdictions. Whilst there is no direct link between the choice of audit framework and the legal recognition of statutory auditors in both jurisdictions, we believe that the issue merits consideration.

We consider that it is in the interests of both the audit profession and business in Ireland, that this cross jurisdictional recognition is maintained. It is vital that this issue be handled properly for the purposes of maintaining cross border trading and business links and with the UK as a whole, particularly in light of risks to be faced as regards the UK exit from the EU. It is also an issue of particular significance to this Institute in terms of our status as an all-island body, with many members in Northern Ireland and indeed in the rest of the UK. We also assume that there would be a similar interest in the UK in maintaining mutual recognition. We recommend that IAASA in pursuing its standard setting mandate considers this cross jurisdictional recognition and takes potential impacts into account in making its decisions. We consider that IAASA should seek greater clarity on this issue, through engagement with the Department of Jobs, Enterprise and Innovation (DJEI) and the UK Department of Business, Energy & Industrial Strategy (BEIS), before making a final decision on the audit framework for Ireland.

There are many different aspects of the decision which need very careful consideration. Some of the most critical from the Institute's perspective are:

- Avoiding **conflicts in language** between the standards adopted and the Irish legislation;
- The current lack of **infrastructure and resources**, both financial and subject matter expertise, available to IAASA to operate as an effective standard setter;
- The challenges posed by **two different sets of standards** for both audit firms and educators such as the Institute.

Consistency of language between Irish legislation and the standards

As discussed in a recent meeting with IAASA, we consider it very important that the language of standards in whichever framework is adopted does not conflict with the language in the ARD and SI 312. Otherwise, auditors and businesses may be left with the difficulty of trying to interpret different wording in attempting to act in accordance with the law, whilst also meeting the requirements of the standards. Indeed, it is conceivable that differences could mean that compliance with one may inhibit compliance with the other; a situation that should be avoided at all costs. Following the abovementioned meeting, at which the transitional standards to be adopted by IAASA were discussed, concerns as regards language inconsistency will be relayed in writing to IAASA in the coming days. Such concerns would also need to be addressed in adopting final standards.

Standard Setting Infrastructure and Resources

The Institute, in responding to DJEI's consultation on its 'Statement of Strategy 2016-2019' emphasised the need, arising from the transposition of the ARD, to ensure that IAASA is adequately and appropriately resourced to meet its new responsibilities on an ongoing basis as regards the adoption of auditing and ethical standards in Ireland.

As you are aware, the FRC has a well-developed and resourced process for the development of standards. This process can include:

- The preparation and publication of consultation documents with initial FRC views;
- Outreach exercises conducted with stakeholders;
- The preparation and publication of exposure drafts, setting out key issues requiring consideration and input and containing draft impact assessments;
- Approval of the publication of consultation papers and exposure drafts by the relevant Council (in this case the Audit and Assurance Council), the Codes and Standards Committee and the FRC Board;
- Formal 12 week consultation periods, save where an urgent response is required or where there is another good reason to adopt a shorter period of consultation;
- The publication of feedback statements alongside the final standards, setting out a summary of the responses received.

There is significant external stakeholder involvement at various points in the process, ensuring the quality of the proposals and the final standards/amendments. The standard setting bodies of IFAC employ similar processes and procedures in their standard setting activities. As mentioned earlier, IAASA does not currently have this type of infrastructure.

Two sets of standards

As noted in the CP, each of the options presented involves different standards for Ireland than for the UK. Audit firms with both Irish and UK clients have operated on the basis of a single set of standards for many years. This has facilitated largely harmonised audit procedures and processes for both jurisdictions. Issues pertaining to independence of auditors have been governed by consistent requirements. It has also facilitated a consistent approach to education and training for the professional accountancy bodies. Whilst the new arrangement will inevitably lead to some divergence in standards, it may be a matter of degree. Adopting option 1 is likely to result in less divergence between Ireland and the UK. On the other hand, adopting option 2 is likely to mean that the Irish standards are closer to those applied in other EU Member States and are consistent with international standards and not dependent on UK governmental decisions, which are likely to diverge from EU consistency after the UK exits the EU.

Consistent with the discussion above, there may be more concern about differences in ethical requirements than in auditing standards.

The FRC's auditing standards have been developed on the basis of the IAASB's *International Standards on Auditing* and the two sets of standards have become much more aligned over recent years, such that the number of 'ISA plus' paragraphs in the FRC's auditing standards has reduced significantly.

The FRC's ES 2016 has been developed such that its provisions "should adhere to the principles of the IESBA Code", though the ES 2016 also includes (i) provisions arising from the requirements of the ARD, as transposed in the UK (ii) provisions relating to other public interest assurance engagements, and (iii) additional FRC ethical requirements and gold plating.

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Therefore, differences will need to be identified and addressed in developing audit procedures and processes, in assessing auditor independence issues and in developing education and training programmes and materials.

The appendix to this letter contains a table setting out some of the more relevant aspects and issues to consider in deciding to adopt option 1 or option 2, including those mentioned above. As the CP envisages option 2 to involve the IFAC standards with or without amendment, we have included commentary on 'option 2A' (IFAC standards adopted with no amendments) and 'option 2B' (IFAC standards adopted with amendments for use in Ireland). As mentioned earlier, we do not consider option 3 to be a viable alternative for IAASA at this point in time and have therefore not included any commentary on this option in the table.

Please contact me by email at mark.kenny@charteredaccountants.ie or on 01-6377344 if you wish to discuss any or our comments in more detail and/or to arrange a meeting with members of our technical committees.

Yours sincerely

Mark Kenny
Director, Representation and Technical Policy

Framework	***Option 1 – adapt FRC framework:*** ***FRC framework adopted with amendments for use in Ireland***	***Option 2A – adopt international framework without amendment:*** ***IESBA Code*, ISQC1 and ISAs adopted without amendment*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***	***Option 2B – amend international framework:*** ***IESBA Code*, ISQC1 and ISAs adopted with amendments for use in Ireland*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***
Issue			
Licensing requirements	Licence with FRC required which needs to be maintained. FRC licensing arrangement would have to be reviewed and reconsidered following Brexit and decisions made by the FRC post Brexit on their standards.	It may be possible to require auditors in Ireland to apply the IFAC standards without a licence, particularly for auditors who are members of IFAC member accountancy bodies. IAASA would need to confirm whether this is the case. IAASA would need to consider potential issues for auditors which are members of non-IFAC member accountancy bodies – that IFAC is a public interest body and publishes its standards directly may be relevant to this consideration.	IAASA needs to consider whether a licence is required to issue IFAC standards amended for use in Ireland.
Dual standards – ROI & UK/ NI	Minimum departure would be for Irish legal differences but there could be greater differences in the future, depending on standards/ amendments adopted by IAASA.	More differences than under option 1, particularly as regards independence requirements.	Quantum of differences would depend on the extent of the Irish amendments, in particular the approach taken by IAASA to developing an ethical standard.

Framework	***Option 1 – adapt FRC framework:*** ***FRC framework adopted with amendments for use in Ireland***	***Option 2A – adopt international framework without amendment:*** ***IESBA Code*, ISQC1 and ISAs adopted without amendment*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***	***Option 2B – amend international framework:*** ***IESBA Code*, ISQC1 and ISAs adopted with amendments for use in Ireland*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***
Issue			
Ethical requirements	FRC Ethical Standard 2016 as amended would consolidate ethical requirements, including requirements of the EU Audit Regulation / SI 312, in a single document.	Please refer to the discussion in the letter regarding the lack of clarity in the CP about IAASA's intentions as regards an ethical standard and the difficulties involved in adopting the international auditing and quality control standards without the provisions of the IESBA Code. If IAASA decides to adopt the IESBA Code unamended, auditors would have to refer to EU Audit Regulation / SI 312 requirements separately. IAASA or the accountancy bodies may produce guidance bringing together the requirements.	Please refer to the discussion in the letter regarding the lack of clarity in the CP about IAASA's intentions as regards an ethical standard and the difficulties involved in adopting the international auditing and quality control standards without the provisions of the IESBA Code. Under this option, IAASA would 'overlay' the requirements of the EU Audit Regulation / SI 312.
Language conflicts	FRC standards, particularly the Ethical Standard 2016, have embedded the requirements of the ARD for the UK. The language of SI 312 is different in certain key areas and thus particular care is required in amending the FRC standards to reflect accurately the language of SI 312.	No issue in this regard as the standards are not amended for the requirements of the ARD / SI 312.	Any amendments to the IFAC standards would have to reflect the language of the ARD / SI 312.

Framework	***Option 1 – adapt FRC framework:*** ***FRC framework adopted with amendments for use in Ireland***	***Option 2A – adopt international framework without amendment:*** ***IESBA Code*, ISQC1 and ISAs adopted without amendment*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***	***Option 2B – amend international framework:*** ***IESBA Code*, ISQC1 and ISAs adopted with amendments for use in Ireland*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***
Issue			
Standard setting processes and resources	Important for IAASA to ensure the standard setting function is adequately resourced and has appropriate processes in place.	Subject to the comments above as regards the IESBA Code, whilst IAASA would be adopting the IFAC standards unamended, processes and procedures would still be required if IAASA intends to produce, or approve, auditor guidance documents.	Important for IAASA to ensure the standard setting function is adequately resourced and has appropriate processes in place.
Consultation requirements	The FRC consulted on its revised standards at the end of 2015. At that point, some Irish responses to the consultation argued against elements of 'gold plating'. In addition, the environment in Ireland has since changed following the signing of S.I. 312 in June 2016, such that IAASA may need to consider an Ireland-only consultation process. Such a consultation may also be necessary for the specific Irish amendments. Consideration should also be given to the need for consultation on auditor guidance documents.	No amendments to the standards to consult upon under this option. Consideration should however be given to the need for consultation on auditor guidance documents.	Consultation may be necessary for the specific Irish amendments. Consideration should however also be given to the need for consultation on auditor guidance documents.

Framework	***Option 1 – adapt FRC framework:*** ***FRC framework adopted with amendments for use in Ireland***	***Option 2A – adopt international framework without amendment:*** ***IESBA Code*, ISQC1 and ISAs adopted without amendment*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***	***Option 2B – amend international framework:*** ***IESBA Code*, ISQC1 and ISAs adopted with amendments for use in Ireland*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***
Issue			
UK Corporate Governance Code – requirements for auditors	It is considered likely that Irish listed companies would prefer their auditors to be subject to the same reporting requirements with regard to entities' compliance with the UK Corporate Governance Code as their UK counterparts. Option 1 would achieve this.	It is considered likely that Irish listed companies would prefer their auditors to be subject to the same reporting requirements with regard to entities' compliance with the UK Corporate Governance Code as their UK counterparts. IAASA should consider the need for separate requirements for auditors to be issued, perhaps in conjunction with the ISE. Consideration would also be needed on whether these requirements should be aligned with the specific FRC requirements in this regard and whether this would need to be reflected in a licence agreement with the FRC. If IAASA proposes to have different requirements, then the impact on audited entities should also be considered.	It is considered likely that Irish listed companies would prefer their auditors to be subject to the same reporting requirements with regard to entities' compliance with the UK Corporate Governance Code as their UK counterparts. IAASA should consider the need for the inclusion of reporting requirements with regard to entities' compliance with the UK Corporate Governance Code in the standards. Consideration would also be needed on whether these requirements should be aligned with the specific FRC requirements in this regard and whether this would need to be reflected in a licence agreement with the FRC. If IAASA proposes to have different requirements, then the impact on audited entities should also be considered.

Framework	***Option 1 – adapt FRC framework:*** ***FRC framework adopted with amendments for use in Ireland***	***Option 2A – adopt international framework without amendment:*** ***IESBA Code*, ISQC1 and ISAs adopted without amendment*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***	***Option 2B – amend international framework:*** ***IESBA Code*, ISQC1 and ISAs adopted with amendments for use in Ireland*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***
Issue			
Other guidance for auditors	We understand that certain FRC Practice Notes and Bulletins are to be included in the IAASA/FRC licence agreement. IAASA should consider whether the licence includes all documents necessary for Irish auditors, and if not, how that gap should be filled. For instance, we note that it is not envisaged that the Standards for Investment Reporting (SIRs), which are currently used by Irish auditors, would be included in the licence agreement. There is also a question as to whether the licence agreement deals with documents issued by the FRC in the UK in the future, should they be relevant to Irish auditors.	Separate guidance may be issued by IAASA or by the accountancy bodies (possibly subject to IAASA approval). Historically the Institute has worked with FRC to develop guidance documents such as Practice Notes and Bulletins for Ireland on a consistent basis across the jurisdictions, generally working off the UK documents as a starting point for the Irish guidance. Does IAASA intend to include this in its role as standard setter? Consideration should be given to whether such guidance would be developed in Ireland from first principles (including whether the relevant resources are available) or whether a licence agreement would be required from FRC to use their documents as a basis for Irish guidance. A further question arises as to whether the standards would be sufficiently similar for the FRC document to be the appropriate starting point.	Separate guidance may be issued by IAASA or by the accountancy bodies (possibly subject to IAASA approval). Historically the Institute has worked with FRC to develop guidance documents such as Practice Notes and Bulletins for Ireland on a consistent basis across the jurisdictions, generally working off the UK documents as a starting point for the Irish guidance. Does IAASA intend to include this in its role as standard setter? Consideration should be given to whether such guidance would be developed in Ireland from first principles (including whether the relevant resources are available) or whether a licence agreement would be required from FRC to use their documents as a basis for Irish guidance. A further question arises as to whether the standards would be sufficiently similar for the FRC document to be the appropriate starting point.

Framework	***Option 1 – adapt FRC framework:*** ***FRC framework adopted with amendments for use in Ireland***	***Option 2A – adopt international framework without amendment:*** ***IESBA Code*, ISQC1 and ISAs adopted without amendment*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***	***Option 2B – amend international framework:*** ***IESBA Code*, ISQC1 and ISAs adopted with amendments for use in Ireland*** ****see letter for comments on a lack of clarity in the CP as regards the ethical requirements***
Issue			
Recognition of Statutory Auditors in the Ireland and the UK	IAASA should consider the possibility of aspects of this option which might cast doubt on mutual recognition, e.g. if differences in standards are adopted in Ireland in the future. IAASA should engage with DJEI and BEIS to establish potential issues.	IAASA should consider the possibility of aspects of this which might cast doubt on mutual recognition, e.g. this option starts out with differences. IAASA should engage with DJEI and BEIS to establish potential issues.	IAASA should consider the possibility of aspects of this which might cast doubt on mutual recognition, e.g. this option starts out with differences. IAASA should engage with DJEI and BEIS to establish potential issues.

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Kevin Prendergast
Chief Executive
Irish Auditing & Accounting Supervisory Authority
Willow House
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30 November 2016

Re: The Future Auditing Framework for Ireland

Dear Mr. Prendergast,

We are pleased to comment on the future auditing framework for Ireland and support IAASA's efforts to obtain the views of stakeholders in this important process. It is our strongly held belief that International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") provide a high quality framework and that supplementation is not only unnecessary but undesirable, for the reasons articulated in our responses to the matters consulted on set out below. This view is unchanged from our letter to you on 2 June and in fact made all the more persuasive by the fact that the UK has now voted to leave the EU. Furthermore, we have now seen the implementation of the EU Audit Reform Directive and Regulation in both countries and there are significant differences between the two, which makes maintenance of the historical linkage all the more challenging.

1. **Please indicate your preferred option for the development of an auditing framework to be adopted by IAASA for the Irish market and provide a detailed rationale for your preference.**

<u>Option 1 – Adapt the UK FRC audit framework for the Irish market</u>

Ireland's accounting profession has a rich history of working in partnership with the accounting profession in the UK to ensure that what were perceived at the time as the highest standards were applied in Ireland's accounting and auditing frameworks. The shared standards for accounting and auditing has been very good for Ireland. They have allowed Irish accountants and auditors to leverage and contribute to cutting edge accounting and auditing thinking and practices, while much of the world played catch up either following the US or UK standards or relying on International Standards. This approach made great sense as historically the UK and Ireland were politically, judicially and legislatively very close. But, times have fundamentally changed.

Earlier this year, the FRC stopped issuing standards applicable in both the UK and Ireland. This precipitated the need for the current consultation and a period of uncertainty as to which standards apply. As you know, the effort to license the FRC standards on terms and conditions which are acceptable to both parties has been more time-consuming than initially anticipated. This highlights the challenge where Irish standards are based on UK standards into which you have no control over the development, issuance or agreement to use in Ireland. In addition, we understand that draft Irish standards will need to be shared with the FRC for review and comment prior to issuance creating additional uncertainty.

Ireland has at its disposal a set of high quality, generally-accepted global auditing and ethical standards which are used as the basis of standards across the EU and elsewhere in the world. The fundamental purpose of adopting additional national measures, supplementing ISAs, is to address specific national legal requirements or other local considerations and this would not be achieved by adopting measures developed without Irish representation in the standard setting process.

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Although the timing and terms of the UK's withdrawal from the EU is uncertain, for this purpose we believe it is safe to assume that UK law and standards are likely to diverge more and more from EU legislation. This would create additional costs in terms of modifying the FRC's framework to align with EU law and could delay implementation of newly issued international standards in Ireland.

Proponents of this approach argue that it benefits auditors and firms that provide audit services in both the UK and Ireland in that they only need to be familiar with a single framework. We are one such firm and we believe that this benefit is overstated. An auditor providing such services must already be familiar with Company law in both jurisdictions. In addition, in today's globalized world, we are already providing services under several other frameworks, including the standards of the Public Companies Accounting Oversight Board. While this does create challenges in terms of training and deployment of tools and guidance, it is a reality of the world we live in and this factor should not be overstated in terms of weighing up the options. Lastly, if this option is taken, practitioners will need to be familiar with the modifications made by IAASA to the FRC standards and therefore the simplicity of a single framework is an impossibility no matter which option is taken.

Option 2 – Adopt the international audit framework

ISAs issued by IAASB are legislative neutral and therefore can be adopted without the creation of a standard setting process here in Ireland. The infrastructure required to set standards, and even to 'Green Ink' them as would be required under option 1, should not be underestimated. It requires input from an expert network and wider stakeholders. It would require significant funding and knowledgeable resources, both of which are in short supply. This cost is minimised under option 2.

There would be a continued need for guidance on laws and regulations impacting auditors but, as noted above, this is the case regardless of the approach adopted. Many EU countries have adopted ISAs as issued by the IAASB successfully. They are designed to be scalable and appropriate for use in the vast majority of situations. We believe that there is a significant efficiency to be gained, particularly for a country of our size, in leveraging these standards to minimize the effort required locally.

The EU Audit Reform Directive envisages a situation where the EU Commission mandates use of ISAs as issued by the IAASB for all EU countries. While all indications are that this is not imminent, the question is not if but when this will occur. Rather than being reactive, we have the opportunity to transition to ISAs as issued by the IAASB now, in a timeline of our own choosing; we believe this is a key benefit to this option.

ISAs are recognized by users of financial statements as a high quality framework of auditing standards. Under Option 1, we understand standards would be referred to as ISA (Ireland). While the fact is that these standards would be effectively the same, and in areas more onerous to apply, than ISAs as issued by the IAASB, international users may not understand this fact and it could disadvantage Irish companies as a result. This would be particularly concerning to Irish entities listed on exchanges outside of Ireland.

In terms of ethical standards, there is no need for modification to implement the member state options taken in implementing EU audit reform given the provisions of SI 312 automatically override any conflicting guidance in the ethical standards. The statutory instrument was prepared with Irish interests in mind and protects a level playing field for Irish companies with other countries in the EU. However, when the FRC developed its revised 2016 standards to the same reforms, they gold plated some independence requirements by making them extraterritorial. This was done in the context of UK interests. If these are implemented in Ireland, which is a more open economy with greater FDI, it would have a significant competitive disadvantage for FDI investment when compared with other EU nations.

Option 3 – Develop domestic standards

You have set out in your consultation paper a number of risks and practical issues with this approach, which we will not reiterate here. We believe that these negatives heavily outweigh any perceived benefits and that this is not a feasible option. Therefore we have not considered this alternative further herein.

We have summarized our views on options 1 & 2 in the appendix.

2. Do you believe that another option not outlined in this Consultation Paper should be considered? If so, please outline this alternative option and specify your reasons for its use.

No, we do not believe that any alternatives not outlined in the consultation paper should be considered.

3. Please provide your observations as to the phases and timelines for implementation of your preferred option.

If adoption of ISAs as issued by the IAASB is the chosen route, the consultation paper outlines that these would be effective for financial years beginning on or after 17 June 2018.

From our perspective, this would require updates to our own internal tools, guidance and learning materials. As a global firm, we have the benefit of access to pre-existing materials prepared under these standards. However, even for firms who are not in this situation, given the limited differences that currently exist between ISAs as issued by the FRC and ISAs as issued by the IAASB, we believe that this effort would be marginal rather than transformational. In a post-Brexit world, the standards may diverge and therefore delaying the transition may increase the cost without any additional benefit. We believe this is a strong argument against the 'wait and see' approach. Ultimately, the timetable outlined means that 2019 year ends would be the first conducted under the new framework allowing ample time for orderly implementation and in fact, we believe that if option 2 is elected, that transition could be achieved even earlier than outlined. IAASA might consider making the standards effective for periods beginning on or after 1 January 2018.

4. Please provide any additional observations you may have on the proposals set out in this Consultation Paper.

The question of mutual recognition, whereby Irish auditors are recognized as registered auditors by certain UK bodies, has been raised as a key factor to be considered in choosing a framework supporting the position of adopting FRC based standards.

As an audit firm operating cross-border, we believe that maintenance of mutual recognition is critically important. Any challenge or even the suggestion of uncertainty would have significant impact for accountants and auditors operating between the two countries and their movement between jurisdictions with a particular issue for practitioners in Northern Ireland, increase the cost of business and have a profound impact on Chartered Accountants Ireland as an all-island body. Notwithstanding that, we do not believe that adoption of ISAs as issued by IAASB would impact this since the differences are minimal and UK company law and ethical standards continue to apply to audits of UK companies regardless of the option taken in relation to auditing standards. However we believe IAASA through its interactions with the FRC and the DJEI has a significant role to play in ensuring mutual recognition continues into the future as we navigate the impact of Brexit.

We have limited our comments to auditing and ethical standards. However, whatever framework is adopted, absolute clarity is necessary on the suite of guidance to be included within the framework (practice notes, etc.). Under all options, guidance will be necessary and IAASA, we believe, should have a role in setting and approving some of that guidance. Option 1 potentially gives access to more guidance (subject to the extent of the licencing agreements), however, as we have seen with the development of Practice Notes for Ireland, getting timely guidance is still a challenge.

Conclusion

In conclusion, we recommend the adoption of ISAs as issued by the IAASB in Ireland. The key points, supporting our view, are:

- A robust, globally recognized set of standards is available to us;
- The international framework is legislative neutral so would minimise standard setting costs to be incurred in Ireland;
- UK law and standards may diverge from EU norms subsequent to their withdrawal from the European Union; and

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- UK standards will be developed based on the needs of the UK market without Irish representation. There are already significant differences in the Ethical standard due to decisions taken relating to implementation of audit reforms.

We believe that the application of a global standard in an unmodified form serves the needs of the Irish market in that it preserves a level playing field with other European countries and eliminates dependency on a quango in another country for standard setting – especially one leaving the EU.

Thank you for your consideration of the points outlined in this letter. If you have any further questions or would like to discuss this matter further, please contact Niall Walsh at (01) 417 2309 or Glenn Gillard at (01) 417 2802.

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Appendix

Option 1 – Adapt UK FRC Framework	**Option 2 – Adopt International Framework**
Pros • Minimal change for Ireland in short term • Leverage UK investment • Historic link with FRC • Access to FRC developed guidance as a base for guidance in Ireland	Pros • Minimal Costs • Potential to seamlessly implement as former FRC standards were IFAC standard compliant – there for minimal initial Change and Complexity • Timely future adoption of standards • Consistency with other EU Member States • Additional standards (ISRE, ISAE, ISRS) • No UK gold plating
Cons • Future UK amendments may not be consistent with EU laws • UK Gold Plating of standards • No input into the standard setting process which is overseen by a UK statutory body • Green Inking complexity & costs • Diverging laws over time - "Brexit" risks • Timing of issuance of standards dependent on FRC • Challenges related to licensing of FRC Standards	Cons • Complexity of multiple sources of authorities material (standards, laws and regulations) • Need to develop materials to support application in Irish legal environment • Need to develop guidance on an on-going basis to support auditors

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30 November 2016

IAASA Consultation: The future auditing framework for Ireland

Dear Kevin

We welcome the opportunity to respond to IAASA's consultation paper "The future of auditing framework for Ireland" published on 27 October 2016. We fully support IAASA's commitment to high quality audit and the adoption of a framework in Ireland which will ensure the maintenance of investor and wider stakeholder confidence in audit.

The IAASA auditing framework will apply to statutory audit firms and statutory auditors performing Irish statutory audits for financial years commencing on or after 16 June 2016.

Although the unexpected transfer of the role of audit standard setter in Ireland from the FRC to IAASA in June of this year was unforeseen, the consequential delay in implementing an auditing framework for Ireland is now proving critical for the profession and in particular those firms who are auditors of Public Interest Entities (PIEs).

The auditing framework for Ireland will incorporate the statutory changes on audit in the European Union Audit Regulation and Directive (ARD), passed in 2014 and transposed in Ireland by Statutory Instrument 312 (SI 312) in June 2016. This introduces significant changes for the audit landscape impacting not only statutory auditors and statutory audit firms, but also corporates and the Audit Committees of corporates who qualify as PIEs. The requirements of the ARD are set out in Irish law in SI 312. In the UK many of the requirements have been reflected directly in the FRC's auditing framework. A key consideration in assessing the appropriate auditing framework is acknowledging that there are differences in how the UK and Ireland have implemented certain measures in the ARD. In addition, the FRC has further supplemented the ARD requirements in a number of areas and which are primarily reflected in the FRCs new Ethical Standard (UK) 2016.

Chartered Accountants Ireland made a submission to the FRCs consultations published in December 2014 and in September 2015 and relating to the proposed new FRC standards including the supplemental requirements in the Ethical Standards which went beyond the ARD. We agreed with the positions presented by the CAI including concerns expressed on proposed measures that went beyond the ARD. These concerns were not taken into account in the final standards. The submission by CAI is available on the FRC website at https://frc.org.uk/Consultations.

This firm has actively engaged throughout the development of the ARD both at European level and nationally with the Department of Jobs, Enterprise and Innovation (DJEI). We made submissions to both public consultations by the DJEI in 2012 and again in 2014. In these submissions we outlined our support for changes in standards that strengthen audit quality and enhance investor confidence. We also highlighted our concerns where measures might be taken in Ireland that went beyond those necessary to preserve quality and confidence in audit. We continue to support standards that promote consistency of the regulatory framework of statutory audit within the EU and at international level. Rules that go further only serve to add complexity, disruption and inevitably lead to increased costs which ultimately threaten Ireland's competitiveness.

The explanatory preface of EU Regulation 53/2014 on requirements relating to the statutory audit of PIEs states as follows "*A common regulatory approach should enhance the integrity, independence, objectivity, responsibility, transparency and reliability of statutory auditors and audits in the Union, thus to the smooth functioning of the internal market, while achieving a high level of consumer and investor protection. The development of a separate act for public interest entities should also ensure consistent harmonisation and uniform application of the rules and thus contribute to a more effective functioning of the internal market.*"

As well as supporting the principle of harmonisation we also welcome strengthening the coordination of audit supervision throughout the Union, with the establishment of the Committee of European Auditing Oversight Bodies (CEAOB). The CEAOB, whose members include national supervisors such as IAASA, will help drive supervisory convergence and promote high-quality audits in the Union. We believe it is important that IAASA is engaged at these fora. Such coordination by national supervisors will serve to ensure consistent quality and remove the risk of different interpretation of the harmonising rules between different member states impacting the profession and clients.

Up until June of this year, the application of a common auditing framework in the UK and Ireland, with minor differences to reflect jurisdictional legislative references, has operated as an effective standard setting model ensuring high quality standards for use by the profession.

Auditors in Ireland and the UK practice in both jurisdictions and have applied these same high quality standards. This is a critically important arrangement for statutory auditors including ensuring an effective arrangement for the performance of group audits by statutory auditors where the client operates in both the UK and Ireland. The consultation paper raises the point that under option 2, auditors operating in both jurisdictions would have to be familiar with two frameworks. Whilst this would require measures to be taken by the statutory audit firm / auditor to ensure they are knowledgeable on two sets of standards, it is already common practice for statutory auditors to operate with more than one set of standards. Statutory auditors and audit firms often deal with Irish and UK requirements alongside US/ SEC rules and ensure appropriate knowledge of the dual standards on an engagement.

We have set out in Appendix I to this letter our responses to the specific matters raised in the consultation paper. We hope that you find our comments useful and would be happy to discuss further or provide further clarity on any of the points raised.

Yours sincerely

Dermot Quinn
Audit Compliance Principal

Appendix I: Responses to the specific matters consulted on by IAASA

1. **Please indicate your preferred option for the development of an auditing framework to be adopted by IAASA for the Irish market and provide a detailed rationale for your preference.**

The consultation paper sets out some high level commentary on the three options being consulted on for the future audit framework for Ireland. Two of the options use as their starting base established frameworks, the FRC auditing framework or the IAASB's International standards. The third option proposed is that IAASA would develop its own auditing framework without reference to any existing established framework. We have set out our comments with respect to each option below and conclude with a summary of our views on the options.

Option 1: Adapt the UK FRC audit framework for the Irish market

This option is subject to a license agreement between the FRC and IAASA. At the time of this consultation the license is still under negotiation between the two authorities. No details are presented in the consultation paper in respect of the key provisions of the license agreement. Whilst it is for IAASA to ensure the license terms are appropriate, since it is the intention under this option proposed for IAASA to adapt the UK FRC audit framework for the Irish market, it is important that the license terms give IAASA unfettered right to make the necessary amendments on initial adoption and in the future. Such provision is essential for an operable arrangement to ensure that the IAASA auditing framework remains fit for purpose in an Irish context.

As mentioned earlier there are differences in how certain rules within the ARD have been implemented in the UK and Ireland. While these differences will need to be reflected in the IAASAs auditing framework and ensure alignment with the requirements and wording of SI 312, we are aware that the FRC, the UK profession and other stakeholders have collectively engaged on interpretations of certain key provisions of the FRC rules and particularly where there is complexity or lack of clarity. The FRC has commenced issuing Staff Guidance Notes to inform on the positions it has taken on the areas which have been subject to these discussions. It is unclear from the consultation paper how and indeed if IAASA will similarly engage with the profession and other stakeholders on these matters. In the absence of IAASA being clear on this position there is a risk that it will be assumed that the positions taken in the UK will apply in Ireland. This would not be appropriate and since some of these positions are based on differences in implementation of the ARD as well as differences in Irish legal interpretation. Any decision by IAASA to proceed with option 1 should ensure that this is considered and that there is no automatic application of interpretations which have been taken in the UK. These positions have also not taken account of the views of stakeholders in Ireland.

This option would likely provide benefits due to closer consistency of standards applying in Ireland and the UK, subject to our above comments where the ARD has been implemented differently in the respective jurisdictions.

The FRC auditing framework is also supported in development and maintenance by an authority which has significant experience and resource dedicated to the standard setting process including engagement with stakeholders and dealing with the complexity of issues which can be encountered in the implementation programme of new standards. A robust and high quality process in standard development and maintenance along with the appropriate resource with relevant skillset and expertise in this area is paramount and something IAASA will need to consider in the context of going with this option. As we understand the license agreement with the FRC will include related guidance and practice notes that have long been used in Ireland in assisting with the application of the auditing standards for specific clients, the continuation of an arrangement where such interpretative material can be used for adoption in Ireland would be welcome.

Finally, it is however also relevant in considering this option to reflect on the potential impact of the UKs vote to leave the European Union and which introduces uncertainty in respect of the future plans for the FRCs standards. Whilst the FRC has publically indicated that its current regulatory framework will continue to apply as the UK responds to the outcome of the referendum, a potentially significant divergence in the future is possible. Notably however, we believe that any potential for such divergence in the future is likely not imminent, but does become a greater risk as the UK leaves the EU.

Option 2: Adapt the International audit framework

We assume that there is currently no issue with the agreement of a license were the IFAC standards to be used as a base, and in the absence of such a risk being presented in the consultation paper.

Indeed this is unlikely as the use of international auditing standards by member states in the European Union is wide, with a FEE survey conducted in April 2015 showing that 16 of the 28 member states had adopted the International framework without amendment. Of the remainder, 9 had adopted with some add ons or carve-outs for local requirements (which included the UK & Ireland) and 3 were awaiting adoption by the European Commission.

These statistics weigh favourably in terms of option 2 in terms of practice in the European Union. A copy of the FEE Survey is attached for your reference.

The options set out in the consultation paper propose taking the International ISAs and ISQC1, with or without amendment for the particular circumstances of the Irish market. However rather than adopting the International Ethics standards (IESBA Code), the paper refers to adoption of an Ethical Standard developed by IAASA. Perhaps the intention is to adopt the IESBA Code and to supplement with further guidance, similar to the approach used to develop the FRC Ethical standard. The consultation paper is not clear in this regard and we are unsure how it would be feasible or workable to adopt the International ISAs and ISQC1 and not also adopt the IESBA code as a base framework.

The options proposed by IAASA also provide for two variations on adopting the international audit framework.

The first is that the international audit framework would be adopted without amendment for the Irish context, and therefore if we understand what has been presented as proposed, the requirements of auditors in Irish law including the changes from the ARD, would be maintained separately in law rather than being included within the standards themselves. This could pose significant challenges for auditors complying with a framework made up of a set of auditing and ethical standards and quality control standard, which sit separately from a suite of other important Irish legislative and regulatory requirements.

As an alternative, and which would address this concern is the proposal whereby the international standards are taken and adapted for the Irish market. This would involve IAASA incorporating the requirements of the ARD into the International standards as well as legacy requirements which are included in the extant standards and which include those driven by GAAP (eg going concern; ISA 570) and by specific legal and regulatory reporting requirements (eg Auditors Right and Duty to report to the Regulators in the Financial Sector; ISA 250B and The Auditor's Statutory Reporting Responsibility in relation to Directors' Reports; ISA 720B) to highlight some key ones.

However this is perhaps not an insurmountable challenge, although would be dependent on appropriate resource and skillset being available to IAASA. It would appear that other member states, like the UK, have successfully incorporated local add ons into the national standards, and on:e they are done then it is maintenance of any future changes that needs to be dealt with.

Option 3: Develop domestic standards

The proposal that IAASA develop a complete auditing framework without reference to any existing framework would be a challenge to IAASA as it would require significant resource to undertake this option. As the firms would have to comply with the International auditing framework issued by IFAC it is difficult to envisage how a locally developed set of auditing standards would interact with this existing requirement.

We would not support this option.

Summary views on the options presented

We do not consider option 3 to be a feasible one and would not support option 3.

Options 1 and 2 use as their starting base an already established framework, the FRC auditing framework or the IAASB's International standards and both involve the application of high quality recognised standards.

We believe there are benefits to both options 1 and 2, but equally there are other matters we have highlighted above which require to be carefully assessed in choosing one over the other. Both will require IAASA to have the appropriate resource to amend the base framework, and/or provide interpretative guidance.

We have not concluded on a preferred option as certain details to fully inform on each option are no: known at this time, or are not fully set out in the paper. This includes details of the finalisation of th: license with the FRC and an understanding of the key terms of the license, how IAASA plans to resource an audit standard setting unit and the lack of certainty in respect of how the UKs exit from Europe will impact on their future standards.

Given that IAASA is planning to temporarily adopt amended FRC standards for Ireland to align with SI 312, some of these uncertainties might be further considered as certainty on these important aspects of the options is known.

2. **Do you believe that another option not outlined in the Consultation Paper should be considered? If so, please outline this alternative option and specify your reasons for its use.**

We do not believe there is any other feasible alternate option not already outlined in the Consultation Paper.

3. **Please provide your observations as to the phases and timelines for implementation of your preferred option.**

   As noted in our earlier comments, the absence of an auditing framework in Ireland for statutory audits whose years commenced on or after 16 June 2016 is now becoming critical and will soon begin to impede on the operations of statutory auditors and statutory audit firms. IAASAs proposal to implement an interim auditing standards framework is very welcome and will provide an important temporary measure until the consultation process is completed.

   If there is no time limit for IAASA adopting interim rules as a temporary arrangement, then we would suggest that IAASA ensure that an appropriate period of time be afforded to resolve some of these uncertainties and consider their implications however we would expect adoption of final standards by June 2017. This would also be on the basis that the interim arrangements are appropriate and reflect the possibility of either option 1 or 2, being adopted with or without amendment, and that these comply with the requirements of the ARD as transposed in Ireland and allow for alignment of interpretations taken by other European member states.

4. **Please provide any additional observations you may have on the proposals set out in this consultation paper.**

   We have no other observations.

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30th November 2016

Dear Kevin,

Consultation Paper - The Future Auditing Framework for Ireland

We welcome the opportunity to respond to the consultation paper – The Future Auditing Framework for Ireland.

In doing so we have considered the three options outlined with regard to which audit framework to adopt for Irish audit engagements in relation to financial periods beginning on or after 17th June 2016.

We have set out below our responses to the matters raised:

1. Please indicate your preferred option for the development of an auditing framework to be adopted by IAASA for the Irish market and provide a detailed rationale for your preference

CPA Ireland's preferred option for the development of an auditing framework is Option 2 - adopt the international audit framework.

In our view the IAASB's International Standards on Auditing and the International Standard on Quality Control (ISQC) are globally accepted standards and understood throughout the profession. Such a move would further ensure consistency of global auditing standards and put Ireland on a level playing pitch with many of it's European neighbours.

In light of the forthcoming Brexit, whereby the UK will exit the EU, there are substantial concerns that the Irish and UK auditing frameworks will diverge over time. This may potentially leave Ireland in a difficult position in the future.

It seems appropriate therefore at this point in time to take up the opportunity to move away from the UK's auditing framework.

In entering a licensing arrangement with the IAASB it may be appropriate to provide for the amendment of the ISA's for the particular circumstances of the Irish market as other jurisdictions have done.

It is recognized that there would be a need to develop a separate IAASA Ethical Standard that would need to meet the requirements of the IESBA standard, Irish law and EU requirements on ethics.

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2. Do you believe that another option not outlined in this consultation paper should be considered? If so, please outline this alternative approach.
No.

3. Please provide your observations as to the phases and timelines for implementation of your preferred option.

Whilst there will undoubtedly be a requirement for upskilling by the profession and a requirement to consider and amend educational and examination materials in Ireland, as the FRC auditing standards are based on the IAASB's ISAs the requirement will not be as onerous as a move under option 3.

It is difficult to set out a timetable for option 2 but it is recognized that it will take time to develop ethical standards and to negotiate a licensing arrangement. We would envisage an appropriate timetable to be as follows;

Task	To be completed no later than
IAASA to develop an Ethical Standard	30 June 2017
IAASA to negotiate licensing arrangement	30 June 2017
Public consultation on ethical standard and possible amendments to ISAs for Irish market	31 July 2017
Adoption of standards	30th November 2017
Effective date for ISAs and new Ethical Standards in Ireland	Financial years beginning on or after 17th June 2018

4. Additional observations
We would welcome further public consultation on the chosen option and it's implementation in Ireland where appropriate.

We would also welcome further consideration whereby a mechanism would allow for the issue of the Practice Notes/Auditing Guidelines for the Irish market.

It is essential to ensure that any arising new requirements for the Irish auditing framework are proportionate and deliver a robust, globally acceptable framework.

If you have any queries on any aspect of our response please contact us.

Yours sincerely,

Emer Kelly

Emer Kelly;
Secretary
Audit Practices Committee

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Irish Stock Exchange

Mr Kevin Prendergast
Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park
Naas
Co Kildare

30 November 2016

Dear Kevin

Re: Consultation on the Future Auditing Framework for Ireland

The Irish Stock Exchange (ISE) welcomes the opportunity to respond to the consultation by IAASA on the future auditing framework for Ireland.

By way of background, the ISE operates the regulated market (Main Securities Market) in Ireland on which equity securities, government bonds, collective investment undertakings and debt securities are admitted. In addition, the ISE operates three multilateral trading facilities, the Enterprise Securities Market, the Atlantic Securities Market and the Global Exchange Market. At the end of October 2016, the ISE had 52 quoted equities admitted to trading on its markets, 32 government bonds/treasury bills, 1,812 funds and sub-funds, as well as over 28,000 international debt security listings.

It is worth highlighting that the majority of companies with shares listed on the ISE have a dual listing on the London Stock Exchange. An important feature of the ISE listing regime for these companies is maintaining parity of listing and corporate governance standards with those that apply in the UK. We believe that this is relevant to your consultation on the auditing framework.

The ISE is of the view that option 1 should be pursued so that the UK FRC audit framework is applied to the Irish market and adapted as appropriate. Given the historic alignment of the Irish and UK auditing and accounting frameworks, we consider that this is the most straightforward approach and would deliver continuity of existing practice for audit firms, listed companies, investors and other stakeholders. Any Brexit related future amendments to the framework could be decided at a later date when there is clarity on whether or not the FRC auditing standards remain in full compliance with EU law.

We would also kindly request IAASA to consider the following issues which are relevant to the ISE listing regime:

- Under the ISE Listing Rules, companies undertaking large transactions are required to prepare circulars for investors which are reviewed and approved by the ISE. The Listing Rules contain the disclosure requirements for circulars, including those relating to the financial information and the reporting accountant's opinion. We therefore consider that it is important for the existing standards and guidance for the work of reporting accountants in connection with investment circulars to continue to apply in Ireland.
- In addition, the ISE Listing Rules require listed companies to apply the UK Corporate Governance Code and to ensure that the auditors review certain disclosures in their annual reports and, therefore, it is important for the FRC guidance for auditors on corporate governance to remain in effect in Ireland.

Should you have any questions on our response, please contact me on 01 617 4239.

Yours sincerely

Daryl Byrne

Daryl Byrne
Head of Regulation

KPMG

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Mr Kevin Prendergast
Irish Auditing & Accounting Supervisory Authority
Willow House
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Naas
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Our ref 12344504_1

25 November 2016

Dear Mr. Prendergast

IAASA Consultation: The future auditing framework for Ireland

KPMG is pleased to provide our comments and observations on the Irish Auditing & Accounting Supervisory Authority's (IAASA) consultation on 'The future auditing framework for Ireland' issued on 27 October 2016. In responding to the consultation regarding our preferred option for the development of an auditing framework for Ireland we have made certain assumptions for clarity which are outlined below.

Matter 1: Please indicate your preferred option for the development of an auditing framework to be adopted by IAASA for the Irish market place and provide a detailed rationale for your preference

Our preferred option for the development of an auditing framework for Ireland is to adapt the Financial Reporting Council's (FRC) auditing framework for Ireland (Option 1). **However, we believe that the adaptation for Ireland should remove all 'UK augmentation' (see below) of ethical requirements over and above the requirements of SI 312 of 2016 and Regulation 537/2014** on the basis that this 'UK augmentation' is not required by Irish or EU law and places unnecessary cost and burden on Irish business.

Assumed suite of standards and guidance to be licenced from the FRC

We assume that the FRC's audit framework, subject to the agreement of a licence arrangement with the FRC, would include the following:

- International Standard on Quality Control (UK) 1 Revised June 2016;
- The Revised Ethical Standard 2016 (ES 2016);
- International Standards on Auditing (UK) Revised June 2016;
- International Standards on Auditing (UK) 800 & 805; and
- Other standards and guidance for auditing issued by the FRC as set out in Appendix 1.

In addition, we believe that any licence arrangement with the FRC should also include the longstanding suite of standards and guidance for the work of reporting accountants in connection with investment circulars (such as Investment Reporting Standards Applicable to all Engagements in Connection with an Investment Circular 1000) given that these are used by the Irish accounting profession in connection with Stock Exchange transactions, many of which involve the listing of securities by Irish entities on the London Stock Exchange. This would also be consistent with one of the principal objects of IAASA which is to promote adherence to high quality professional standards in the auditing and accountancy profession as set out in section 904(b) of the Companies Act 2014.

Removal of 'UK augmentation' from the FRC's Ethical Standard

The FRC has taken various positions in its Ethical Standard which differ from the provisions of SI 312 of 2016 and the language contained therein. Whilst some of these differences are quite obvious (such as, for example, mandatory audit firm rotation and the wording of the derogation from the prohibition of certain non-audit services by auditors of public interest entities ('PIEs') – *'immaterial'* in regulation 106 of SI 312 of 2016 versus *'inconsequential'* in paragraph 5.168R of ES 2016) others include:

1. The ES 2016 positions as regards the provision of tax services, such as the prohibition of tax services on a contingent basis to listed entities (ES 5.85), stricter / tighter provisions regarding the self-review and advocacy threats for example;

2. The alteration to the way the fee cap applies in ES 2016, which has extended this cap beyond the statutory auditor or audit firm to also include a member of the network of the statutory audit firm (ES 4.34R);

3. The extraterritorial application, beyond the EU, of the ES 2016 requirements regarding component auditors which are network firms (ES 1.53) – such component auditors being required to apply the ES 2016 rather than the IESBA Code;

4. The requirement that the 'key audit partner' rotates after acting in the role for 5 years and completes a 5 year cooling off period whereas the Regulation 537/2014 requires a 3 year cooling off period (ES 3.10R); and

5. The application of the rotation requirements by the ES 2016 to a wider group of individuals, namely the other 'key partners involved in the engagement', than envisaged in the Regulation 537/2014.

As stated above, we believe that the adaptation for Ireland should remove all 'UK augmentation' of the ethical requirements over and above the requirements of SI 312 of 2016 and Regulation 537/2014 on the basis that this 'UK augmentation' is not required by Irish or EU law and places unnecessary cost and burden on Irish business.

While we believe it is important to ensure that the auditing framework for Ireland remains closely aligned with that of the UK (see below), it is important in doing so that Irish businesses are not put at a significant competitive disadvantage relative to their peers in other EU Member States. This is particularly so in a post Brexit environment, when comparisons with the standards in the other 26 Member States will become a more relevant benchmark. In this regard, we believe that it is important not to over-rule decisions taken by the Oireachtas in the legislative process and in our view, in adapting the ES 2016 for application in Ireland it should implement the exact requirements as set out in SI 312 of 2016.

It is also important to avoid a situation in which some but not all of the UK augmentation is removed, as that would lead to a mixture of ethical requirements, those of the FRC and the EU. It would be difficult for Irish entities to interpret the requirements of an Irish ethical standard in such circumstances, as limited interpretative guidance would be available, for example CEAOB[1] or FRC interpretative guidance may not be relevant to such an Irish ethical standard.

Reasons for supporting Option 1

In our view, the advantages of Option 1 significantly outweigh the advantages of either of the proposed alternative options (Option 2: adapt the international audit framework and Option 3: develop domestic standards) set out in the consultation paper.

Continuation of mutual recognition of Irish and UK auditors

We believe that the current legislative arrangement whereby there is 'mutual recognition' of Irish and UK (including Northern Ireland) auditors in the respective markets by virtue of provisions of section 1217 and schedule 10 of the Companies Act 2006 and section 930 of Companies Act 2014 is of significant benefit to Irish and UK businesses that operate in both jurisdictions. Mutual recognition reduces the cost of and increases the quality of statutory audits of such businesses by allowing them to have a single audit relationship across both jurisdictions. Ensuring that mutual recognition continues to apply into the future should, in our view, be the key consideration in selecting the future auditing framework for Ireland. We believe that selecting Options 2 or 3 may put the continuation of mutual recognition at serious risk.

Closely aligned auditing framework in Ireland and the UK

As auditors of UK entities, we must comply with the FRC's standards for those audits. In doing this, it is of significant benefit to have the auditing framework in Ireland as closely aligned to that of FRC as possible. The benefits of having the auditing frameworks as closely aligned as possible arise, on the basis that:

[1] Committee of European Audit Oversight Bodies.

- we already have independence, quality control, and audit systems, policies and procedures in place which are designed to comply with the extant FRC auditing framework;
- our training and continuing professional development programs have been developed based on the extant FRC auditing framework; and
- it would significantly increase the complexity and cost of audits, for example in group audit situations, were different auditing frameworks to apply in each jurisdiction.

Consolidated suite of standards and guidance

The FRC's auditing framework provides auditors of UK entities a single reference point that incorporates the requirements of EU Audit Reform legislation into the auditing framework. As a result, the complexity of complying with the requirements of EU Audit Reform legislation and related ethical and audit standards has been significantly reduced for auditors of UK entities. We believe the best approach for Ireland is for IAASA to adapt the FRC's auditing framework for Ireland, which would provide a single set of ethical, quality control and auditing standards to be applied in Ireland. We believe this would avoid increasing the complexity and cost of audits for Irish businesses and the auditing profession.

The alternative may be an auditing framework that includes a multiplicity of professional standards and legislation encompassing a new ethical standard, International Standards on Auditing as issued by the International Auditing and Assurance Standards Board (IAASB) combined with Regulation 537/2014, SI 312 of 2016 and the Companies Act 2014 (when applicable) and other applicable legislation particularly for regulated entities. This type of auditing framework would, in our view, create significant complexity and result in significant additional effort in the performance of statutory audits of Irish entities. In addition, such an auditing framework would be significantly burdensome and costly for audit firms to support.

Relaxation of non-audit services for SME listed entities

We believe that the relaxation of non-audit services restrictions for SME listed entities (non-EU PIE entities with a market cap of less than €200 million) in the FRC's ethical standard is appropriate. It recognises the fact that such entities need additional professional support and recognises that there are costs that fall on those businesses as a result of the stringent non-audit service restrictions and prohibitions which apply to EU PIEs and large listed entities. In the event that IAASA decides to go above and beyond the requirements of Irish and EU law and apply the same requirements around non-audit services as that set out in the FRC Ethical Standard (see 'UK augmentation' above), we would strongly support the inclusion of the same relaxation for smaller listed Irish entities.

Entities applying the UK Corporate Governance Code

Irish entities applying the UK Corporate Governance Code, particularly those listed in London, we believe, would be very sensitive to having the auditor's report on their financial statements being the same as their peer entities in the UK. The FRC's ISAs (UK) include specific pluses with regard to auditor reporting in relation to audits of entities applying the UK Corporate Governance Code. Adapting the FRC's auditing framework for Ireland would achieve this outcome and this is not an insignificant benefit of this option.

Availability of other standards and supporting guidance

Finally, the FRC's auditing framework includes other standards and guidance for auditors and reporting accountants which have specifically been developed for use in the UK and Ireland over many years, such as the Statements of Standards for Reporting Accountants, Standards for Investment Reporting and FRC guidance on matters such as audit reporting, money laundering, corporate governance and other Practice Notes. The continued availability of these other standards and guidance for auditors and reporting accountants, which have been developed over many years, to form a basis for further development of standards and guidance by IAASA with the support of the profession in the future significantly reduces the burden on audit firms supporting their audit and other professionals. These other standards and guidance are not available under the international audit framework as set out in Option 2.

Matter 2: Do you believe that another option not outlined in the consultation paper should be considered? If so, please outline this alternative option and specify your reasons for its use

For the reasons stated above, we favour Option 1 with the caveat that the 'UK augmentation' included in the FRC Ethical Standard be removed on the basis that this goes above and beyond the requirements of Irish and EU law. Option 2 is less favourable on the basis that it does not have the benefits of Option 1 as set out in this letter. We do not believe that Option 3 involving the development of domestic standards by IAASA has merit given the cost, effort and timescale that this would involve.

Matter 3: Please provide your observations as to the phases and timelines for implementation of your preferred option

We believe that Option 1 involving the adapting of the FRC's auditing framework for Ireland can be achieved in a relatively short time frame. As such, we believe that it should be possible that the auditing framework for Ireland is in place for financial years beginning on or after 17 June 2016.

Indeed, we would strongly encourage IAASA to consider not tailoring the FRC auditing framework as a temporary measure but instead to proceed with Option 1 as we have outlined above. We believe it should be possible to complete the adaptation of the FRC auditing framework, the public consultation thereon and the adoption of the finalised standards in quarter 1 of 2017.

Matter 4: Please provide any additional observations you may have on the proposals set out in this Consultation paper

While Option 1 as outlined above is our preferred option, given the uncertainty created following the Brexit referendum regarding the UK's continued membership of the EU, we believe IAASA should monitor developments closely over the next number of years, as it may become untenable to continue basing the auditing framework for Ireland on that of the FRC at some point in the future. However, until such a point is reached, it is our preference to continue to base the auditing framework for Ireland on that of the FRC for as long as possible.

We hope you find our comments useful. We are committed to contributing to the constructive implementation of the new audit regulations and the adoption of the most appropriate auditing framework for Ireland. We would be pleased to meet with you and other stakeholders to discuss how this is best achieved. If you would like to discuss any of the above please contact Daniel O'Donovan or myself.

Yours sincerely

Eamonn Russell

Eamonn Russell
Partner, Department of Professional Practice

Appendix 1 – Other standards and guidance for auditing issued by the FRC

International Standard on Review Engagements (UK & Ireland)

ISRE (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity

Guidance

2006/4 Regulatory and Legislative Background to the Application of Standards for Investment Reporting in the Republic of Ireland

2006/5 The Combined Code on Corporate Governance: Requirements of Auditors Under the Listing Rules of the Financial Services Authority and the Irish Stock Exchange

2007/2 The Duty of Auditors in the Republic of Ireland to Report to the Director of Corporate Enforcement

2008/2 The Auditor's Association with Preliminary Announcements made in Accordance with the Requirements of the UK and Irish Listing Rules

2008/4 The Special Auditor's Report on Abbreviated Accounts in the United Kingdom

2008/10 Going Concern Issues During the Current Economic Conditions

2009/4 Developments in Corporate Governance Affecting the Responsibilities of Auditors of UK Companies

2010/1 XBRL Tagging of Information in Audited Financial Statements – Guidance for Auditors

2011/1 Developments in Corporate Governance affecting the Responsibilities of Auditors of Companies incorporated in Ireland

Bulletin 1(I) Compendium of Illustrative Auditor's Reports on Irish Financial Statements

Illustrative example of an Irish auditor's report reflecting the requirements of ISA (UK and Ireland) 700 (Revised June 2013)

Bulletin 2 Guidance for Reporting Accountants of Stakeholder Pension Schemes in the United Kingdom (Bulletin issued February 2013)

Bulletin 4 Recent Developments in Company Law, The Listing Rules and Auditing Standards that affect United Kingdom Auditor's Reports (Bulletin issued April 2014)

Practice Notes (PN)

PN 10(I) (Revised) Audit of Central Government Financial Statements in the Republic of Ireland

PN 12 (Revised) Money Laundering Legislation – Guidance for Auditors in the United Kingdom

PN 15(I) The Audit of Occupational Pension Schemes in Ireland

PN 16 (Revised) Bank Reports for Audit Purposes in the United Kingdom

PN 19(I) The audit of Banks in the Republic of Ireland

PN 23 Special Consideration in Auditing Financial Instruments – Revised July 2013

PN25 (Revised) Attendance at Stocktaking

PN26 (Revised) Guidance on Smaller Entity Audit Documentation

PN27 (I) (Revised) The audit of Credit Unions in the Republic of Ireland (May 2016)

Other

Briefing Paper Professional Scepticism – Establishing a common understanding and reaffirming its central role in delivering audit quality

Client Asset Assurance Standard

Contextual Material to the Client Asset Assurance Standard

pwc

Mr Kevin Prendergast
Chief Executive
Irish Auditing & Accounting
Supervisory Authority
Willow House
Millennium Business Park,
Naas
Co Kildare, Ireland

30 November 2016

Consultation Paper – The future auditing framework for Ireland (27 October 2016)

Dear Kevin

We welcome the opportunity to respond to the above consultation which we consider to be pivotal to the future of high quality audits and resultant confidence in capital markets in Ireland.

We appreciate that the decision that IAASA has to make in relation to the auditing framework that Ireland should use is a complex one given the diverse range of entities in Ireland, the international nature of these entities, the long history of use of common standards in UK and Ireland, resultant intertwining of accountancy professions between both jurisdictions and the uncertainties around when and what form Brexit will take.

In responding to the consultation we have had regard to the options and issues set out in Section 4 of the IAASA consultation paper. We have been guided by the following principles in arriving at our conclusion on which is our preferred option:

- maintaining the high quality of auditing standards that Ireland adheres to at present;
- our belief that providing principle based standards with detailed guidance to auditors is essential to achieving high audit quality; and
- minimising disruption to business and audit firms.

We have outlined our responses to the specific questions asked in section 7 of the consultation paper, together with a summary of our rationale for our response below. We have included a more detailed explanation of the rationale for our responses together with relevant supporting evidence in Appendix 1.A - *Analysis of the extent to which FRC Auditing Standards differ from the requirements of International Standards on Auditing (ISAs).*

Question 1

Please indicate your preferred option for the development of an auditing framework to be adopted by IAASA for the Irish market and provide a detailed rationale for your preference

We believe that the principles set out above would be best served by Option 1 – "Adapt the UK FRC audit framework for the Irish market". Our conclusion is based on the following:

- Both the auditing and ethical standards proposed under Option 1 are based on the existing standards that have been carefully developed by the UK FRC over many years to meet the needs of both UK and Irish markets. These standards are updated versions (to take account of the EU Audit Regulation and Directive – Regulation (2014/537/EU) and Directive (2014/56/EU)) of the extant standards that are currently in use in Ireland and therefore their use will maintain the existing high quality standards while minimising the disruption to business and audit firms. These standards also include long established useful guidance that assists auditors in understanding the IESBA/IAASB requirements in an Irish legal and business context.
- The FRC Ethical Standard contains clearer and more detailed guidance than the IESBA code, particularly in explaining the requirements relevant to a range of specific circumstances that may arise in carrying out an audit engagement. The guidance on the provision of taxation services and valuation services are just two of many examples. As noted in the Consultation Paper, this guidance would need to be developed or replicated by writing a new Irish Ethical Standard and by providing guidance outside of the auditing standards if Option 2 were adopted. In our view consistent application of standards is best achieved if requirements and guidance are in one place.
- Auditors in Ireland, like in all other EU countries, are currently addressing the change to independence rules introduced by the EU Audit Regulation and Directive. The interpretation of the Audit Regulation is very complex particularly for multinational Public Interest Entities (PIEs). As the IESBA code is a global standard it does not address the requirements of the EU Audit Regulation. The revised FRC Ethical Standard complies with the IESBA code and incorporates the EU requirements, including the Member State Options taken by the UK. The FRC Ethical Standard will need to be amended for use in Ireland to take account of differences in Member State Options taken between Ireland and the UK. However, in our view this is not a complicated task and is preferable to the development of a new Irish Ethical Standard.
- The FRC Auditing Standards include all the requirements of the IAASB Standards (option 2) but also important additional requirements relating to the application of the UK Corporate Governance Code ("Code") by our largest listed companies. FRC Auditing Standards also set out requirements and guidance on the auditor's statutory right and duty to report to regulators of PIEs and regulators of other entities in the financial sector to assist the auditor fulfil their legal responsibilities in this complex area that is of primary regulatory importance.
- The additional requirements relating to the Code were developed as part of a package of changes to both the Code and the Auditing Standards to address concerns identified by the many Inquiries and debates post the 2008 financial crisis and aimed to balance the responsibilities of company boards, audit committees and auditors in relation to the quality of narrative reporting to investors, particularly on business strategy and risk. These changes were the subject of extensive consultation in the UK and Ireland and have been very well received by investors and other global regulators. In our view, the additional requirements are proportionate, only applying to companies with a primary equity listing on the Irish Main Securities Market or the London Stock Exchange.
- As IAASA are aware, Ireland and the UK have shared not only a common auditing framework but also an accounting framework and corporate governance framework for many years. This has proved beneficial for both Irish and UK businesses which operate extensively in both jurisdictions. Over 80% of Irish companies with a primary equity listing on the main securities market of the Irish Stock Exchange are also listed on the London Stock Exchange in addition to some of Ireland's largest listed groups now only having a listing on the London Stock Exchange. As many Irish listed companies are required to apply the UK Corporate Governance

Code as a result of either a listing on the Irish Stock Exchange or a premium listing on the London Stock Exchange, we believe that the auditors' responsibilities and standards should be consistent. Differences in this regard are likely to result in confusion for investors.

We have set out a detailed analysis of our comparison of the differences between the audit framework under Option 1 and 2 and our detailed rationale for why we consider Option 1 to be the most appropriate in the Irish context at Appendix 1. A –E.

We do not consider that Option 3 is a viable option as we consider that the future audit framework to be used in Ireland must be based on the International Auditing Standards due to the open nature of our economy.

We acknowledge, as set out in the consultation document, that as a result of Brexit it is possible that the FRC Ethical and Auditing Standards may not remain in full compliance with EU laws in the future. However we consider that now is not the right time to make any changes to the future audit regime in Ireland as:

- The form of Brexit is not known.
- The timing of Brexit is uncertain and even if a hard Brexit is finally negotiated it is expected that it would be a significant number of years before the FRC standards would depart from compliance with EU law.
- Ireland does not have established processes in place at present to develop auditing and ethical standards. As a firm we have been actively involved through our work with Chartered Accountants Ireland and CCAB in assisting with the drafting appropriate guidance for auditors and accountants, including practice bulletins issued by the FRC for use in Ireland. Developing audit and ethical standards and guidance is a complex and demanding project, requiring technical expertise in the subject matter and significant amounts of research and consultation to understand and balance the needs of all stakeholders.

  If IAASA were to undertake either the role of original standard setter as outlined in Option 3 or to issue additional guidance for the Irish legal and business context as outlined in Option 2, investment in terms of organisational structure and resources will be required which we consider would be substantial. We believe that it would take some time to put these arrangements in place as the skill sets required are highly specialised.
- In relation to option 2 it is our understanding that national audit and ethical standards are still in use in France and Germany. These national standards, whilst ISA based still have some difference to the ISA standards and also include additional local requirements. The EU has not yet adopted International Auditing Standards and we believe it will be some time before this happens. We understand that France and Germany will not adopt ISA before this takes place. We consider that it would therefore be premature and risky for Ireland to change its audit framework at this time, given the continued availability of the tried and tested FRC audit framework.
- In our view, the appropriate time to consider a change in audit framework in Ireland is if and when UK and EU law starts to diverge.

Question 2

Do you believe that another option not outlined in this Consultation Paper should be consider? If so, please outline this alternative option and specify your reasons for its use.

We have not identified any alternative options to those set out in the consultation paper that IAASA should consider.

Question 3

Please provide your observations as to the phases and timelines for implementation of your preferred option.

Subject to the satisfactory conclusions of the negotiation of a licence with the FRC, we would expect that Option 1 could be implemented in a relatively short timeframe, as this option would effectively represent a continuation of the Standards introduced under the proposed transitional arrangements. As set out in the consultation paper, the FRC Ethical Standard will need to be updated for the current Irish legal position. We have considered the changes that would need to be made to reflect this and in our opinion this is not a complex task.

Whilst we expect that Option 1 could be completed in a short timeframe, we also consider that it is essential that the transitional arrangements should be finalised as soon as possible and should not be delayed as a consequence of this consultation. The EU Audit Regulation and S.I. 312/2016 (which transposes the accompanying Directive into Irish law) will typically first apply to financial years ending 30 June 2017. There are currently no standards in place in Ireland for these audits. Planning and preparation of group instructions for the audit of large international groups and many other entities needs to commence well in advance of the financial year end. It is essential that the transitional framework is in place as soon as possible to ensure there is no disruption. There is a lead time required to allow audit firms to complete their preparation for the new standards, including update to their processes and systems and providing appropriate guidance and training.

Question 4

Please provide any additional observations you may have on the proposals set out in this Consultation Paper.

Possible additional implications of Option 2 and 3

Currently members of the Irish Accountancy Bodies with appropriate qualifications are eligible for appointment as statutory auditors in the UK under the Companies Act 2006 as the Irish Accountancy Bodies are Recognised Supervisory Bodies (RSBs) under that Act.

One of the reasons that this is permitted at present is that the UK and Irish RSBs share audit regulations that require the use of the FRC Ethical and auditing standards and therefore meet the requirements of the UK Companies Act 2006 for RSBs to have appropriate requirements in place on holding an appropriate qualification, to be fit and proper and to maintain professional integrity and independence.

We consider that the process of identifying which audit framework Ireland should use, should also consider the potential impact any change may have on the Irish Accountancy Bodies continuing to meet the requirements to be a Recognised Supervisory Bodies (RSB) under the UK Companies Acts. In our view, it is preferable that the auditing framework in Ireland should support continuing recognition of Irish audit firms under UK company law and this is likely be impacted by how closely aligned the audit framework remains to the UK and the extent to which the training and qualification of Irish members covers both frameworks.

Should you wish to discuss any aspect of this response please feel free to contact the undersigned or Patricia Lynch on 01 792 6291 email patricia.lynch@ie.pwc.com.

Yours sincerely

Paul O'Connor

Paul W O'Connor

Partner

Email: paul.w.oconnor@ie.pwc.com

Tel:01 792 6035

pwc

Appendix 1.A

Analysis of the extent to which FRC Auditing Standards differ from the requirements of International Standards on Auditing (ISAs)

International Standards developed by the IAASB are intended to be capable of being implemented in diverse national environments. Consequently they are not intended to address and do not include additional audit requirements coming from Irish legislation or other established practices, for example the use of the UK Corporate Governance Code (the "Code") in Ireland and the UK. The IAASB permit national standards setters to make additions to ISAs subject to certain conditions and acknowledges the need for this, for example ISA 700 para 4 notes "This ISA promotes consistency in the auditor's report, but recognizes the need for flexibility to accommodate particular circumstances of individual jurisdictions."

At set out in the consultation document the current auditing framework in place (ISA (UK &Ireland) includes a number of additional local requirements and guidance ("pluses"). In considering our response to this consultation, we have reviewed in detail these pluses as contained in the 2016 Auditing Standards issued by the FRC for use in the UK for accounting periods commencing on or after 17 June 2016 that are also relevant to Ireland (i.e. equivalent legal reference, explanation or requirement). These pluses broadly fall into the following categories:

1. Additional requirements related to the application of the UK Corporate Governance Code that currently apply to all entities that have a primary equity listing on the Main Securities Market in Ireland and/or are premium listed entities on the London Stock Exchange.
2. Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related.
3. Additional requirements to assist the auditor understand the ISA requirements in the context of the requirements of Irish/UK legislation or the business environment in Ireland or the UK.
4. Additional requirements addressing requirements set out in the EU audit Directive and Regulation.

We have included a listing of these pluses for categories 1, 2, 3 and 4 in Appendix 1.B, 1.C, 1.D, 1.E)

1. ***Additional requirements related to the application of the UK Corporate Governance Code that currently apply to all entities that have a full equity listing on the Main Securities Market in Ireland and/or are premium listed entities on the London Stock Exchange.***

The UK Corporate Governance Code (the "Code") issued by the FRC is regarded as the pre – eminent corporate governance code internationally. The listing rules of the Main Securities Market of the Irish Stock Exchange requires that all companies with a primary listing of equity shares must include a statement in the annual report of how the company has applied the principles of the Code.

The FRC is a leader amongst global regulators having pioneered some of the most innovative changes to auditing standards in response to the debate and analysis following the global financial crisis of 2008. The background to these changes were set out initially in an FRC consultation paper "Effective Company Stewardship – Enhancing Corporate Reporting and Audit" issued in 2011. The aims set out in this paper were to see:

- Higher quality narrative reporting, particularly on business strategy and risk management;
- More widespread recognition of the importance of Audit Committees and, therefore, greater emphasis on their contribution to the integrity of financial reporting;
- Greater transparency of the way that Audit Committees discharge their responsibilities in relation to the integrity of the Annual Report, including oversight of the external auditors;

- More information about the audit process, both for Audit Committees and for investors, and a broadening of the scope of the auditor's responsibilities; and
- More accessible Annual Reports through the use of technology.

Following a number of extensive consultations in the UK and Ireland, changes to the auditing standards were developed in tandem with changes to the Code to recognise and balance the responsibilities of the Board, the audit committee and the auditor in these matters.

Whilst certain of the changes made to auditing standards following these consultations have now been reflected in ISAs issued by the IAASB, some important changes relating to what auditors are required to report to audit committees and specific auditor reporting responsibilities in respect of how companies report to their shareholders on how they have applied certain aspects of the Code have not.

For example a requirement under ISA (UK) 720 that is based on an existing requirement in ISA (UK&I) is that the auditor, when reporting on other information in the Annual Report in accordance with the requirements of ISA (UK) 720 para 22(e) shall specifically address the following elements of the other information in their auditor's report:

- The statement given by the directors that they consider the annual report and accounts taken as a whole to be fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy, that is materially inconsistent with the auditor's knowledge obtained in the audit;
- The section describing the work of the audit committee that does not appropriately address matters communicated by the auditor to the audit committee or the explanation as to why the annual report does not include such a statement or section that is materially inconsistent with the auditor's knowledge obtained in the audit;
- The directors' statement relating to Going Concern required under the Listing Rules that is materially inconsistent with the auditor's knowledge obtained in the audit.

In addition to the above, the implementation by the FRC of the recommendations of the Sharman Inquiry – "Going Concern and Liquidity Risks: Lessons for Companies and Auditors" resulted in the following additional incremental requirements in FRC auditing standards that are not currently included in the IAASB standards:

- In regard to the work performed in accordance with ISA (UK) 570 para 18-2 give a statement as to whether the auditor has anything material to add or draw attention to in respect of:
    - The directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
    - The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; and
    - The directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they have a reasonable expectation that the entity will continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

PwC consider that these additional reporting responsibilities are in the interests of good corporate reporting, assist auditors in their work and should continue to apply to Irish companies for the following reasons:

- As many Irish companies are listed on both the Irish Stock Exchange and London Stock Exchange or only on the London Stock Exchange, it is appropriate for the audit requirements in relation to the Company's reporting on how they have applied certain principles of the Code to be consistent with the UK audit requirements. We believe that investors in these entities have a valid expectation that Irish auditors would continue to address these requirements.
- These additional requirements have been in place now since 2013 in Ireland and are well established.
- These additions are proportionate as they only apply to Irish companies with a primary equity listing on the Main Securities Market of the Irish Stock Exchange or with a premium listing on the London Stock Exchange.

2. ***Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related.***

There are a relatively small number of pluses that are requirements in the current auditing standards that are not Code related. The most significant of these in our view are:

- ISA 250B – "The Auditor's Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector" which contains supplementary requirements to the International Standard ISA 250A– "Consideration of Laws and Regulations in an Audit of Financial Statements". This supplementary ISA provide important requirements and guidance to assist the auditor fulfil their legal responsibilities in this complex area that is of primary regulatory importance.
- Mandatory disclosure of materiality and scope in the audit reports of PIEs and other listed entities.

  ISA 701 – "Communicating Key Audit Matters in the Independent Auditor's Report" is mandatory for listed entities in the IAASB standards and the scope of this is extended by the EU audit regulations to other PIEs that are not listed.

  ISA (UK) 701 includes additional requirements to disclose in the auditor's report:

  - How the auditor has applied the concept of materiality in planning and performing the audit including the materiality threshold used by the auditor for the financial statements as a whole; and
  - An overview of the scope of the audit, including an explanation of how the scope addressed key audit matters and was influenced by the auditor's application of materiality.

  These pluses have been in place in Ireland for all entities that are required to or voluntarily report on how they apply the Code since 2013 (required for entities that are primary equity listed on MSM or premium listed on LSE). The scope of this plus is extended to all PIEs and other listed entities in the revised FRC standards.

  Investor feedback to the inclusion of this information within the audit report has been very positive as it provides valuable insight into the audit process and helps bridge the expectation gap. This information is also of particular use to regulators. For example in the FRC Report – "Extended auditor's reports – A further review of experience" a detailed analysis of materiality benchmarks used by Firms is included based on this information disclosed.

- The prohibition of the use of direct assistance of internal auditors in ISA 610. This additional requirement was the subject of a consultations by the FRC in 2012 and 2013. The conclusion of the consultation was that direct assistance should be prohibited on the basis that internal auditors are employed by the audited entity and may have financial interests in the entity and that as a consequence the FRC believed they were not independent when measured by the same standards applied to members of the audit team. This view is not shared by the IAASB or other standard setters for example, the PCAOB. Nevertheless this additional requirement has been in place for a number of years and auditors and companies have introduced the necessary changes to meet the more onerous requirements.

3. ***Additional requirements to assist the auditor understand the ISA requirement in the context of the requirements of Irish legislation or the business environment in Ireland.***

In our experience these additions are very helpful in ensuring that audits are conducted in accordance with Irish legislation and are best placed within the relevant auditing standard so that the auditor is aware of the Irish legal requirements and Irish context when considering the auditing standard requirements. In our opinion these additions also help to ensure consistent application of the legal/ISA requirement in Ireland.

pwc

Appendix 1. B

1. Additional requirements related to the application of the UK Corporate Governance Code that currently apply to all entities that have a primary equity listing on the Main Securities Market in Ireland and/or are premium listed entities on the London Stock Exchange

ISA (UK)	UK Pluses - Requirements
260 Communication with Those Charged with Governance	**Entities that report on application of the UK Corporate Governance Code** **16-1** In the case of entities that are required *[footnote 1d]*, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, or to explain why they have not, the auditor shall communicate to the audit committee the information that the auditor believes will be relevant to: • The board (in the context of fulfilling its responsibilities under Code provisions C.1.1, C.1.3, C.2.1, C.2.2 and C.2.3) and, where applicable, the audit committee (in the context of fulfilling its responsibilities under Code provision C.3.4); and • The audit committee (in the context of fulfilling its responsibilities under Code provision C.3.2) in order to understand the rationale and the supporting evidence the auditor has relied on when making significant professional judgments in the course of the audit and in reaching an opinion on the financial statements. If not already covered by communications under paragraphs 15 and 16 and 16R-2 of this ISA (UK) and paragraph 25 of ISA (UK) 570 (Revised June 2016), this information shall include the auditor's views: (a) About business risks relevant to financial reporting objectives, the application of materiality and the implications of their judgments in relation to these for the overall audit strategy, the audit plan and the evaluation of misstatements identified; (b) On the significant accounting policies (both individually and in aggregate); (c) On management's valuations of the entity's material assets and liabilities and the related disclosures provided by management; (d) Without expressing an opinion on the effectiveness of the entity's system of internal control as a whole, and based solely on the audit procedures performed in the audit of the financial statements, about: (i) the effectiveness of the entity's system of internal control relevant to risks that may affect financial reporting; and (ii) other risks arising from the entity's business model and the effectiveness of related internal controls to the extent, if any, the auditor has obtained an understanding of these matters; (e) About the robustness of the directors' assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity and its outcome, including the related disclosures in the annual report confirming that they have carried out such an assessment and describing those risks and explaining how they are being managed or mitigated (in accordance with Code provision C.2.1); (f) About the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate (in accordance with Code provision C.2.2), and their statements: (i) in the financial statements, as to whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, including any related disclosures identifying any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements (in accordance with Code provision C.1.3); and (ii) in the annual report as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions (in accordance with Code provision C.2.2); and (g) On any other matters identified in the course of the audit that the auditor believes will be relevant to the board or the audit committee in the context of fulfilling their responsibilities referred to above.

Appendix 1.B continued

1. Additional requirements related to the application of the UK Corporate Governance Code that currently apply to all entities that have a primary equity listing on the Main Securities Market in Ireland and/or are premium listed entities on the London Stock Exchange

<table>
<tr><th>ISA (UK)</th><th>UK Pluses - Requirements</th></tr>
<tr><td>260
Communication with Those Charged with Governance (continued)</td><td>The auditor shall include with this communication sufficient explanation to enable the audit committee to understand the context within which the auditor's views relating to the matters in paragraph (d) above are expressed, including the extent to which the auditor has developed an understanding of these matters in the course of the audit and, if not already communicated to the audit committee, that the audit included consideration of internal control relevant to the preparation of the financial statements only in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of internal control.
1d In the UK, these include companies with a premium listing of equity shares regardless of whether they are incorporated in the UK or elsewhere.</td></tr>
<tr><td>570
Going Concern</td><td>Auditor Conclusions
18-2 For entities that are required, [footnote 4c] and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, or to explain why they have not, the auditor shall read and consider in light of the auditor's knowledge obtained in the audit, including that obtained in the evaluation of management's assessment of the entity's ability to continue as a going concern:
(a) The directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
(b) The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
(c) The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
(d) The director's explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.
The auditor shall determine whether the auditor has anything material to add or to draw attention to in the auditor's report on the financial statements in relation to these disclosures, and shall report in accordance with the requirements of paragraph 21-2 and ISA (UK) 720 (Revised June 2016). [footnote 4d]
4c In the UK, these include companies with a premium listing of equity shares regardless of whether they are incorporated in the UK or elsewhere.
4d ISA (UK) 720 (Revised June 2016), The Auditor's Responsibilities Relating to Other Information, paragraph 22-4.
18-3 Matters the auditor considers when determining whether there is anything to add or to draw attention to concern: in the auditor's report on the financial statements shall include, based on the auditor's knowledge obtained in the audit, including that obtained in the evaluation of management's assessment of the entity's ability to continue as a going
• Whether the auditor is aware of information that would indicate that the annual report and accounts taken as a whole are not fair, balanced and understandable in relation to the principal risks facing the entity including those that would threaten its business model, future performance, solvency or liquidity; and
• Matters relating to the robustness of the directors' assessment of the principal risks facing the entity and its outcome, including the related disclosures in the annual report and accounts, that the auditor communicated to the audit committee [footnote 4e] and that are not appropriately addressed in the section of the annual report that describes the work of the audit committee.</td></tr>
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Appendix 1.B continued

1. Additional requirements related to the application of the UK Corporate Governance Code that currently apply to all entities that have a primary equity listing on the Main Securities Market in Ireland and/or are premium listed entities on the London Stock Exchange

ISA (UK)	UK Pluses - Requirements
570 Going Concern (continued)	*4e ISA (UK) 260 (Revised June 2016), Communication with Those Charged with Governance, paragraph 16-1(e).* ***Use of Going Concern Basis of Accounting is Appropriate and no Material Uncertainty has been Identified*** **21.2** (a) For entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, or to explain why they have not, the auditor has anything material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements, and the directors' identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
701 Communicating Key Audit Matters in the Independent Auditor's Report	**Communicating Key Audit Matters and Other Audit Planning and Scoping Matters** **16-2** In order to be useful to users of the financial statements, the explanations of the matters required to be set out in the auditor's report in paragraphs 13 and 16-1 shall be described: (c) In the case of entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, or to explain why they have not, in a manner that complements the description of significant issues relating to the financial statements, required to be set out in the separate section of the annual report describing the work of the audit committee in discharging its responsibilities.*[footnote 5c]* The auditor seeks to coordinate descriptions of overlapping topics addressed in these communications, to avoid duplication of reporting about them, whilst having appropriate regard to the separate responsibilities of the auditor and the board for directly communicating information primarily in their respective domains. *5c In accordance with provision C.3.8 of the UK Corporate Governance Code.*
720 The Auditor's Responsibilities Relating to Other Information	**UK Corporate Governance Code Reporting** **22-3** For entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code or to explain why they have not, in meeting the auditor's responsibilities to report under paragraph 22(e), the auditor shall specifically address each of the following elements of the other information: **(a)** The statement given by the directors that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy, that is materially inconsistent with the auditor's knowledge obtained in the audit; **(b)** The section describing the work of the audit committee that does not appropriately address matters communicated by the auditor to the audit committee; **(c)** The explanation as to why the annual report does not include such a statement or section that is materially inconsistent with the auditor's knowledge obtained in the audit; **(d)** The parts of the directors' statement required under the Listing Rules relating to the entity's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) that do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code; and **(e)** The directors' statement relating to Going Concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) that is materially inconsistent with the auditor's knowledge obtained in the audit. In reporting under paragraph 22, the auditor shall describe the specific reporting responsibility relating to these matters in accordance with paragraph 22(d) and shall report on each of these matters by providing a statement in accordance with paragraph 22(e). (Ref: Para. A53-2–A53-3)

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Appendix 1.B continued

1. Additional requirements related to the application of the UK Corporate Governance Code that currently apply to all entities that have a primary equity listing on the Main Securities Market in Ireland and/or are premium listed entities on the London Stock Exchange

ISA (UK)	UK Pluses - Requirements
720 The Auditor's Responsibilities Relating to Other Information (continued)	**UK Corporate Governance Code Reporting – Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity** **22-4** For entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code or to explain why they have not, the auditor shall, having particular regard to the work performed in accordance with paragraph 18-2 of ISA (UK and Ireland) 570 (Revised June 2016), give a statement as to whether the auditor has anything material to add or draw attention to in respect of: **(a)** The directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; **(b)** The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; and **(c)** The directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. **(d)** In reporting under paragraph 22, the description of the auditor's responsibilities in relation to the other information required by paragraph 22(d) shall also include the auditor's additional responsibilities under paragraph 18-2 of ISA (UK) 570 (Revised June 2016) and the auditor's responsibility to report whether the auditor has anything material to add or draw attention to in relation to each of the above elements of the other information. In addition, where the auditor has identified anything material to add or draw attention to in respect of these elements of the other information, the auditor shall include in the auditor's report a statement that describes any other material information that the auditor considers it appropriate to add or draw attention to.

Appendix 1.C

2. Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related

ISA (UK)	UK Pluses - Requirements
200 Overall objectives of the independent auditor and the conduct of an audit in accordance with International Standards on Auditing (UK)	**Professional Skepticism** 15 In the UK, the auditor shall maintain professional skepticism throughout the audit, recognising the possibility of a material misstatement due to facts or behaviour indicating irregularities, including fraud, or error, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and of those charged with governance.
220 Quality Control for an Audit of Financial Statements	**Definitions** 7 (d) Engagement team *[footnote 4]* *4 The use of internal auditors to provide direct assistance is prohibited in an audit conducted in accordance with ISAs (UK) – see ISA (UK) 610 (Revised June 2013), paragraph 5-1.* *In the UK, Schedule 10 to the Companies Act 2006.*
230 Audit Documentation	**Definitions** 6 (a) In the UK, audit documentation shall include all documents, information, records and other data required by ISQC (UK) 1 (Revised June 2016), ISAs (UK) and applicable legal and regulatory requirements. **Assembly of the Final Audit File** 14 In the UK, the assembly of the final audit file shall be completed no later than 60 days from the date of the auditor's report.
250A Consideration of Laws and Regulations in an Audit of Financial Statements	**Scope of this ISA (UK)** 1-1 Guidance on the auditor's responsibility to report direct to regulators of public interest entities and regulators of other entities in the financial sector is provided in Section B of this ISA (UK). *[footnote 1a]* *1a ISA (UK) 250 (Revised June 2016), Section B—The Auditor's Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector.* **Responsibility for Compliance with Laws and Regulations**
250B The Auditor's Statutory Right and Duty to report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	**Scope** 1 This Section of ISA (UK) 250 deals with the circumstances in which the auditor of an entity subject to statutory regulation (a 'regulated entity') is required to report direct to a regulator information which comes to the auditor's attention in the course of the work undertaken in the auditor's capacity as auditor of the regulated entity. This may include work undertaken to express an opinion on the entity's financial statements, other financial information or on other matters specified by legislation or by a regulator. **The Auditor's Responsibilities** 2 The auditor of a regulated entity generally has special reporting responsibilities in addition to the responsibility to report on financial statements. These special reporting responsibilities take two forms: (a) *A responsibility to provide a report on matters specified in legislation or by a regulator.* This form of report is often made on an annual or other routine basis and does not derive from another set of reporting responsibilities. The auditor is required to carry out appropriate procedures sufficient to form an opinion on the matters concerned. These procedures may be in addition to those carried out to form an opinion on the financial statements; and (b) *A statutory duty to report certain information, relevant to the regulators' functions, that come to the auditor's attention in the course of the audit work.* The auditor has no responsibility to carry out procedures to search out the information relevant to the regulator. This form of report is derivative in nature, arising only in the context of another set of reporting responsibilities, and is initiated by the auditor on discovery of a reportable matter.

Appendix 1.C continued

2. Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related

ISA (UK)	UK Pluses - Requirements
250B The Auditor's Statutory Right and Duty to report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector (continued)	**3** This section of this ISA (UK) deals with both forms of direct reports. Guidance on the auditor's responsibility to provide special reports on a routine basis on other matters specified in legislation or by a regulator is given in the Practice Notes dealing with regulated business, for example banks, building societies, investment businesses and insurers. **4** The statutory duty to report to a regulator applies to information which comes to the attention of the auditor in the auditor's capacity as auditor. In determining whether information is obtained in that capacity, two criteria in particular need to be considered: first, whether the person who obtained the information also undertook the audit work; and if so, whether it was obtained in the course of or as a result of undertaking the audit work. Appendix 2 to this Section of this ISA (UK) sets out guidance on the application of these criteria. **5** The auditor may have a statutory right to bring information to the attention of the regulator in particular circumstances which lie outside those giving rise to a statutory duty to initiate a direct report. Where this is so, the auditor may use that right to make a direct report relevant to the regulator on a specific matter which comes to the auditor's attention when the auditor concludes that doing so is necessary to protect the interests of those for whose benefit the regulator is required to act. **6** The requirements and explanatory material in this section of this ISA (UK) complement but do not replace the legal and regulatory requirements applicable to each regulated entity. Where the application of those legal and regulatory requirements, taking into account any published interpretations, is insufficiently clear for the auditor to determine whether a particular circumstance results in a legal duty to make a report to a regulator, or a right to make such a report, it may be appropriate to take legal advice. **Objective** **8** The objective of the auditor of a regulated entity is to bring information of which the auditor has become aware in the ordinary course of performing work undertaken to fulfil the auditor's audit responsibilities to the attention of the appropriate regulator as soon as practicable when: (a) The auditor concludes that it is relevant to the regulator's functions having regard to such matters as may be specified in statute or any related regulations; and (b) In the auditor's opinion there is reasonable cause to believe it is or may be of material significance to the regulator. **Definitions** **9** For purposes of this Section of this ISA (UK), the following terms have the meanings attributed below: (a) The Act(s) – Means those Acts that give rise to a duty to report to a regulator. For example, in the UK, this includes the Audit Regulation, *[Footnote 1]* the Financial Services and Markets Act 2000, the Financial Services Act 2012 and regulations made under those Acts, and any future legislation including provisions relating to the duties of auditors similar to those contained in that statute. (b) Audit – For the purpose of this Section of this ISA (UK), the term "audit" refers both to an engagement to report on the financial statements of a regulated entity and to an engagement to provide a report on other matters specified by statute or by a regulator undertaken in the capacity of auditor. (c) Auditor – The term "auditor" should be interpreted in accordance with the requirements of the Acts. Guidance on its interpretation is contained in Practice Notes relating to each area of the financial sector to which the duty applies. (d) Material significance – The term "material significance" requires interpretation in the context of the specific legislation applicable to the regulated entity. A matter or group of matters is normally of material significance to a regulator's functions when, due either to its nature or its potential financial impact, it is likely of itself to require investigation by the regulator. Further guidance on the interpretation of the term in the context of specific legislation is contained in Practice Notes dealing with the rights and duties of auditors of regulated entities to report direct to regulators.

Appendix 1.C continued

2. Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related

ISA (UK)	UK Pluses - Requirements
250B The Auditor's Statutory Right and Duty to report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector (continued)	(e) Regulated entity – An individual, company or other type of entity which is: (h) Authorized to carry on business in the financial sector which is subject to statutory regulation; or (iii) A public interest entity. *[Footnote 2]* (f) Regulator – Such persons as are empowered by the Act(s) to regulate the entity. The term includes the Financial Conduct Authority, the Prudential Regulation Authority, and such other bodies as may be so empowered in future legislation. (g) "Tipping off" – Involves a disclosure that is likely to prejudice any investigation into suspected money laundering which might arise from a report being made to a regulatory authority. *[Footnote 3]* Money laundering involves an act which conceals, disguises, converts, transfers, removes, uses, acquires or possesses property which constitutes or represents a benefit from criminal conduct. *1 Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014.* *2 ISA (UK) 220 (Revised June 2016), Quality Control for an Audit of Financial Statements, paragraph 7(m)-1 defines public interest entity.* *3 More detail is provided in the definition contained in Section A of ISA (UK) 250 (Revised June 2016).* **Conduct of the Audit – Planning** **10** When obtaining an understanding of the business for the purpose of the audit, the auditor of a regulated entity shall obtain an understanding of its current activities, the scope of its authorisation and the effectiveness of its control environment. **Conduct of the Audit - Supervision and Control** **11** The auditor shall ensure that all staff involved in the audit of a regulated entity have an understanding of: (a) The provisions of applicable legislation; (b) The regulator's rules and any guidance issued by the regulator; and (c) Any specific requirements which apply to the particular regulated entity, appropriate to their role in the audit and sufficient (in the context of that role) to enable them to identify situations which may give reasonable cause to believe that a matter should be reported to the regulator. **Conduct of the Audit - Identifying Matters Requiring a Report Direct to Regulators** **12** Where an apparent breach of statutory or regulatory requirements comes to the auditor's attention, the auditor shall: (a) Obtain such evidence as is available to assess its implications for the auditor's reporting responsibilities; (b) Determine whether, in the auditor's opinion, there is reasonable cause to believe that the breach is of material significance to the regulator; and (c) Consider whether the apparent breach is criminal conduct that gives rise to criminal property and, as such, should be reported to the specified authorities.

Appendix 1.C continued

2. Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related

ISA (UK)	UK Pluses - Requirements
250B The Auditor's Statutory Right and Duty to report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector (continued)	**The Auditor's Statutory Duty to Report Direct to Regulators** **13** When the auditor concludes, after appropriate discussion and investigations, that a matter which has come to the auditor's attention gives rise to a statutory duty to make a report the auditor shall *[footnote 4]* bring the matter to the attention of the regulator as soon as practicable in a form and manner which will facilitate appropriate action by the regulator. When the initial report is made orally, the auditor shall make a contemporaneous written record of the oral report and shall confirm the matter in writing to the regulator. **14** When the matter giving rise to a statutory duty to make a report direct to a regulator casts doubt on the integrity of those charged with governance or their competence to conduct the business of the regulated entity, the auditor shall *[footnote 4]* make the report to the regulator as soon as practicable and without informing those charged with governance in advance. *4 In the UK, subject to compliance with legislation relating to "tipping off".* **The Auditor's Right to Report Direct to Regulators** **15** When a matter comes to the auditor's attention which the auditor concludes does not give rise to a statutory duty to report but nevertheless may be relevant to the regulator's exercise of its functions, the auditor shall *[footnote 4]*: (a) Consider whether the matter should be brought to the attention of the regulator under the terms of the appropriate legal provisions enabling the auditor to report direct to the regulator; and, if so (b) Advise those charged with governance that in the auditor's opinion the matter should be drawn to the regulators' attention. Where the auditor is unable to obtain, within a reasonable period, adequate evidence that those charged with governance have properly informed the regulator of the matter, the auditor shall *[footnote 4]* make a report direct to the regulator as soon as practicable. *4 In the UK, subject to compliance with legislation relating to "tipping off".* **Contents of a Report Initiated by the Auditor** **16** When making or confirming in writing a report direct to a regulator, the auditor shall: (a) State the name of the regulated entity concerned; (b) State the statutory power under which the report is made; (c) State that the report has been prepared in accordance with ISA (UK) 250, Section B 'The auditor's Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector'; (d) Describe the context in which the report is given; (e) Describe the matter giving rise to the report; (f) Request the regulator to confirm that the report has been received; and (g) State the name of the auditor, the date of the written report and, where appropriate, the date on which an oral report was made to the regulator and the name and title of the individual to whom the oral report was made. **Relationship With Other Reporting Responsibilities** **17** When issuing a report expressing an opinion on a regulated entity's financial statements or on other matters specified by legislation or a regulator, the auditor: (a) Shall consider whether there are consequential reporting issues affecting the auditor's opinion which arise from any report previously made direct to the regulator in the course of the auditor's appointment; and (b) Shall assess whether any matters encountered in the course of the audit indicate a need for a further direct report.

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Appendix 1.C continued

2. Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related

ISA (UK)	UK Pluses - Requirements
260 Communications with those charged with governance	**Matters to Be Communicated - Planned Scope and Timing of the Audit** **15** When the auditor is required or decides to communicate key audit matters in accordance with ISA (UK) 701 *[footnote 1c]* the overview of the planned scope and timing of the audit shall also include communicating about the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. *1c Paragraphs 30–31 of ISA (UK) 700 (Revised June 2016), Forming an Opinion and Reporting on Financial Statements, set out the requirements to apply ISA (UK) 701, Communicating Key Audit Matters in the Independent Auditor's Report.*
570 Going Concern	**Audit Conclusions** **18-1** If the period to which those charged with governance have paid particular attention in assessing going concern is less than one year from the date of approval of the financial statements, and those charged with governance have not disclosed that fact, the auditor shall do so within the auditor's report. *[footnote 4b]* *4b If the non-disclosure of the fact in the financial statements is a departure from the requirements of the applicable financial reporting framework, the auditor would give a qualified opinion ("except for").* **Use of Going Concern Basis of Accounting is Appropriate and no Material Uncertainty has been Identified** **21-1** When the auditor is required *[footnote 4f]* or decides to communicate key audit matters in accordance with ISA (UK) 701, where the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances and no material uncertainty has been identified, the auditor shall: (a) Determine in accordance with ISA (UK) 701, in light of the audit evidence obtained and the conclusions reached in the audit and having particular regard to any evaluation the auditor undertakes in accordance with paragraph 20, whether a key audit matter relating to going concern exists that should be communicated in the auditor's report; and (b) Where a key audit matter exists that should be communicated, communicate the key audit matter in the auditor's report in accordance with ISA (UK) 701. **21-2** Where the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances and no material uncertainty has been identified, the auditor shall report by exception in accordance with paragraph 43-1 of ISA (UK) 700 (Revised June 2016) in a separate section in the auditor's report with the heading "Conclusions relating to Going Concern", or other appropriate heading, as to whether: (Ref: Para A27-1–A27-2) (b) In other cases, the auditor concludes that: (i) Management's use of the going concern basis of accounting in the preparation of the entity's financial statements is not appropriate; or (ii) Management has not disclosed in the entity's financial statements any identified material uncertainties that may cast significant doubt about the entity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorized for issue. *4f ISA (UK) 700 (Revised June 2016), Forming an Opinion and Reporting on Financial Statements, paragraphs 30–31 set out the requirements to apply ISA (UK) 701, Communicating Key Audit Matters in the Independent Auditor's Report.*

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Appendix 1.C continued

2. Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related

ISA (UK)	UK Pluses - Requirements
610 Using the Work of Internal Auditors	**Scope of this ISA (UK)** **5-1** The use of internal auditors to provide direct assistance is prohibited in an audit conducted in accordance with ISAs (UK). For a group audit this prohibition extends to the work of any component auditor which is relied upon by the group auditor, including for overseas components. Accordingly, the requirements and related application material in this ISA (UK) relating to direct assistance are not applicable (**The non-applicable requirements are those set out in paragraphs 27-35 and 37**. The non-applicable application material is that set out in paragraphs A32-A41). **Effective Date** **12** *[footnote]* *6a This ISA (UK) is effective for audits of financial statements for periods ending on or after 15 June 2014 (For the purpose of audits under ISAs as issued by the IAASB, the material pertaining to the use of direct assistance has an effective date of audits of financial statements for periods ending on or after 15 December 2014. However, as stated in paragraph 5-1, the use of internal auditors to provide direct assistance is prohibited in an audit conducted in accordance with ISAs (UK) – such prohibition being effective from the effective date of this ISA (UK), audits of financial statements for periods ending on or after 15 June 2014).* **Determining Whether, in Which Areas, and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance** **26** paragraphs 27–35 and 37 do not apply *[footnote 8a]* *8a The use of internal auditors to provide direct assistance is prohibited in an audit conducted in accordance with ISAs (UK). See paragraph 5-1 above of this ISA (UK).*
700 Forming an opinion and reporting on the Financial Statements	**Auditor's Report** **20-1.** The auditor's report shall be in clear and unambiguous language. **Key audit matters** **30-1** For audits of complete sets of general purpose financial statements of public interest entities and other entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, the auditor shall communicate in the auditor's report in accordance with ISA (UK) 701.
701 Communicating Key Audit Matters in the Independent Auditor's Report	**Scope of this ISA (UK)** **1-1** This ISA (UK) also deals with the auditor's responsibility to communicate other audit planning and scoping matters in the auditor's report. **5** This ISA (UK) also applies to audits of complete sets of general purpose financial statements of other public interest entities and entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code. **Communicating Key Audit Matters** **11 (a)** and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team **13-2** In describing why the matter was determined to be a key audit matter in accordance with paragraph 13(a), the description shall indicate that the matter was one of the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor. **Communicating Other Audit Planning and Scoping Matters** **16-1** The auditor's report shall provide: (a) An explanation of how the auditor applied the concept of materiality in planning and performing the audit. Such explanation shall specify the threshold used by the auditor as being materiality for the financial statements as a whole; *[footnote 5a]* and (b) An overview of the scope of the audit,*[footnote 5b]* including an explanation of how such scope:

Appendix 1.C continued

2. **Additional requirements over and above the ISA requirements, appropriate to the Irish and UK environment that are not Code related**

ISA (UK)	UK Pluses - Requirements
701 Communicating Key Audit Matters in the Independent Auditor's Report (continued)	(i) Addressed each Key Audit Matter relating to one of the most significant risks of material misstatement disclosed in accordance with paragraph 13(b); and (ii) Was influenced by the auditor's application of materiality disclosed in accordance with paragraph 16-1(a). *5a As required by paragraph 10 of ISA (UK) 320 (Revised June 2016), Materiality in Planning and Performing an Audit.* *5b See also paragraphs 15 and A11 to A16 of ISA (UK) 260 (Revised June 2016), Communication with Those Charged with Governance and paragraph 49 of ISA (UK) 600 (Revised June 2016), Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).* **Communicating Key Audit Matters and Other Audit Planning and Scoping Matters** **16-2** In order to be useful to users of the financial statements, the explanations of the matters required to be set out in the auditor's report in paragraphs 13 and 16-1 shall be described: (a) So as to enable a user to understand their significance in the context of the audit of the financial statements as a whole and not as discrete opinions on separate elements of the financial statements; (b) In a way that enables them to be related directly to the specific circumstances of the entity and are not, therefore, generic or abstract matters expressed in standardized language; and
720 The Auditor's Responsibilities Relating to Other Information	**Reporting** **21** In the UK, the auditor's report shall always include a separate section with a heading "Other Information", or other appropriate heading.*[footnote 2c]* **22 (d)** In the UK, the description of the auditor's responsibilities in relation to the other information required by paragraph 22(d) shall also include the auditor's responsibilities under paragraph 14-1, 22D-1, 22D-2, 22-3 and 22-4 where applicable. *2c ISA (UK) 700 (Revised June 2016) requires that "The auditor shall not sign, and hence date, the auditor's report earlier than the date on which all the other information has been approved by those charged with governance and the auditor has considered all necessary available evidence."*

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Appendix 1.D

3. Additional requirements to assist the auditor understand the ISA requirement in the context of the requirements of Irish/UK legislation or the business environment in Ireland or the UK

ISA (UK)	UK Pluses - Requirements
200 Overall objectives of the independent auditor and the conduct of an audit in accordance with International Standards on Auditing (UK)	**Scope of this ISA (UK)** **2** offering of securities to the public *[footnote 1a]* *1a In the UK, standards and guidance for accountants undertaking engagements in connection with an investment circular are set out in the FRC's Standards for Investment Reporting (SIRS).* **An Audit of Financial Statements** **3** The scope of an audit does not, however, constitute an assurance engagement with respect to the future viability of the audited entity or on the efficiency or effectiveness with which the management or administrative body has conducted or will conduct the affairs of the entity. When conducting an audit, the auditor may identify or be required to consider related matters and, where applicable, may be required to report or to communicate with management or those charged with governance or other parties on such matters in accordance with applicable laws or regulations, the ISAs (UK) or relevant ethical requirements. **4** ... with oversight from those charged with governance *[footnote 1b]* *1b In the UK, those charged with governance are responsible for the preparation of the financial statements. For corporate entities, directors have a collective responsibility; those charged with governance of other types of entity may also have a collective responsibility established in applicable law or regulation or under the terms of their appointment.* **Definitions** **13 (a) (ii)** In the UK, the applicable financial reporting framework includes the requirements of applicable law. **13 (d)** ... other members of the engagement team *[footnote 3a]* *3a In the UK, this includes the key audit partner as defined in ISA (UK) 220 (Revised June 2016), Quality Control for an Audit of Financial Statements, paragraph 7D-1(d).* **13 (h)** In the UK, management will not normally include non-executive directors. **13 (o)** In the UK, those charged with governance include the directors (executive and non-executive) of a company and the members of an audit committee where one exists. For other types of entity it usually includes equivalent persons such as the partners, proprietors, committee of management or trustees.
210 Agreeing the Terms of Audit Engagements	**Definitions** **4** ... The use by management *[footnote 1a]* *1a In the UK those charged with governance are responsible for the preparation of the financial statements.* **Preconditions for an Audit** **6 (b) (iii)** To provide the auditor with *[footnote 2a]* *2a Sections 499 and 500 of the Companies Act 2006 set legal requirements in relation to the auditor's right to obtain information.* **Agreement on Audit Engagement Terms** **10 (c)** The responsibilities of management *[footnote 2b]* *2b In the UK, the engagement letter sets out the responsibilities of those charged with governance.*

Appendix 1.D continued

3. Additional requirements to assist the auditor understand the ISA requirement in the context of the requirements of Irish/UK legislation or the business environment in Ireland or the UK

ISA (UK)	UK Pluses - Requirements
220 Quality Control for an Audit of Financial Statements	**Definitions** **7 (g)** In the UK, this includes any company in which the public can trade shares, stock or debt on the open market, such as those listed on the London Stock Exchange (including those admitted to trading on the Alternative Investments Market) and ISDX Markets. It does not include entities whose quoted or listed shares, stock or debt are in substance not freely transferable or cannot be traded freely by the public or the entity. **7 (n)** Auditors in the UK are subject to ethical requirements from two sources: the FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by the auditor's relevant professional body.
250A Consideration of Laws and Regulations in an Audit of Financial Statements	**Responsibility for Compliance with Laws and Regulations** **3** disclosures in an entity's financial statements *[footnote 1b]* *1b In the UK, those charged with governance are responsible for the preparation of the financial statements.* **Definition** **11-1** This ISA (UK) also refers to 'money laundering'. 'Money laundering' is defined in Legislation *[footnote 3a]* and in general terms involves an act which conceals, disguises, converts, transfers, removes, uses, acquires or possesses property resulting from criminal conduct. *3a In the UK, the Money Laundering Regulations 2007 and the requirements of the Proceeds of Crime Act 2002 bring auditors within the regulated sector, requiring them to report suspected money laundering activity and adopt rigorous client identification procedures and appropriate anti-money laundering procedures.* **Reporting of Identified or Suspected Non-Compliance - Reporting Non-Compliance to Those Charged with Governance** **19&22** the auditor shall communicate ... *[footnote]* *4a Subject to compliance with legislation relating to 'tipping off".* In the UK, 'tipping off' is an offence under the Proceeds of Crime Act 2002 (POCA) section 333A. It arises when an individual discloses: (a) that a report (internal or external) has already been made where the disclosure by the individual is likely to prejudice an investigation which might be conducted following the internal or external report that has been made; or (b) that an investigation is being contemplated or is being carried out into allegations that a money laundering offence has been committed and the disclosure by the individual is likely to prejudice that investigation. Whilst 'tipping off' requires a person to have knowledge or suspicion that a report has been or will be made, a further offence of prejudicing an investigation is included in POCA section 342. Under this provision, it is an offence to make any disclosure which may prejudice an investigation of which a person has knowledge or suspicion, or to falsify, conceal, destroy or otherwise dispose of, or cause or permit the falsification, concealment, destruction or disposal of, documents relevant to such an investigation. The disclosure offences under sections 333A and 342 are not committed if the person disclosing does not know or suspect that it is likely to prejudice an investigation.

Appendix 1.D continued

3. Additional requirements to assist the auditor understand the ISA requirement in the context of the requirements of Irish/UK legislation or the business environment in Ireland or the UK

ISA (UK)	UK Pluses - Requirements
260 Communication with Those Charged with Governance	**The Role of Communication** 4 information relevant to the audit *[footnote]* *1a In the UK, Sections 499 and 500 of the Companies Act 2006 set legal requirements in relation to the auditor's right to obtain information.* **Definitions** **10 (a)** In the UK, those charged with governance include the directors (executive and non-executive) of a company and the members of an audit committee where one exists. For other types of entity it usually includes equivalent persons such as the partners, proprietors, committee of management or trustees. **10 (b)** In the UK, management will not normally include non-executive directors. **Matters to Be Communicated - The Auditor's Responsibilities in Relation to the Financial Statement Audit** **14 (a)** financial statements that have been prepared by management *[footnote 1b]* *1b In the UK, those charged with governance are responsible for the preparation of the financial statements.* **Matters to Be Communicated - Auditor Independence** **17 (a)** ... complied with relevant ethical requirements regarding independence *[footnote 1h]* *1h In the UK, auditors are subject to ethical requirements from two sources: the FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor and the ethical pronouncements established by the auditor's relevant professional body. In the case of listed companies, the FRC's Ethical Standard, Part B, Section 1 – General Requirements and Guidance, paragraphs 1.61 to 1.71 address communication with those charged with governance.*
315 Identifying and Assessing Risks of Material Misstatement Through Understanding the Entity and its Environment	**Definitions** **4 (a)** Representations by management *[footnote]* *1a In the UK, those charged with governance are responsible for preparing the financial statements.*
402 Audit Considerations relating to an Entity using a Service Organization	**Obtaining an Understanding of the Services Provided by a Service Organization, Including Internal Control** **9 (e)** If the service organisation maintains all or part of a user entity's accounting records, whether those arrangements impact the work the auditor performs to fulfil reporting responsibilities in relation to accounting records that are established in law or regulation.

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Appendix 1.D continued

3. Additional requirements to assist the auditor understand the ISA requirement in the context of the requirements of Irish/UK legislation or the business environment in Ireland or the UK

ISA (UK)	UK Pluses - Requirements
501 Audit Evidence – specific considerations for selected items	**Litigation and Claims** **9 (a)** Inquiry of management *[footnote 3a]* *3a In the UK the auditor also makes appropriate inquiry of those charged with governance.* **10 ...** letter of inquiry, prepared by management *[footnote 3b]* *3b In the UK the letter may need to be prepared by those charged with governance.* **11 (a)** Management refuses... *[footnote 3c]* *3c In the UK permission may be denied by those charged with governance.*
550 Related Parties	**Responsibilities of the Auditor** **3 ...** establishes such requirements *[footnote 3a]* *3a In the UK, specific accounting and disclosure requirements for related party relationships, transactions and balances are established in accounting standards and in law and regulations.*
560 Subsequent Events	**Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements Are Issued** **11 ...** management amends the financial statements *[footnote 4a]* *4a In the UK the responsibility for amending the financial statements rests with those charged with governance.* **Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued** **15 ...** management amends the financial statements *[footnote 6a]* *6a Detailed regulations governing revised financial statements and directors' reports, where the revision is voluntary, are set out in the UK in section 454 of the Companies Act 2006.* **17 ...** management does not take the necessary steps *[footnote 6b]* *6b In the UK, those charged with governance have responsibility for taking the steps referred to in paragraph 17.*
570 Going Concern	**Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern** **3 ...** requirement for management *[footnote 1a]* *1a In the UK, those charged with governance are responsible for the preparation of the financial statements and the assessment of the entity's ability to continue as a going concern.* **13 ...** at least twelve months from that date. *[footnote 4a]* *4a In the UK, the period used by those charged with governance in making their assessment is usually at least one year from the date of approval of the financial statements.*
580 Written Representations	**Written Representations about Management's Responsibilities - Information Provided and Completeness of Transactions** **11-1** Management may include in the written representations required by paragraphs 10 and 11 qualifying language to the effect that the representations are made to the best of its knowledge and belief. Such qualifying language does not cause paragraph 20 to apply if, during the audit, the auditor found no evidence that the representations are incorrect.
600 Special Considerations – Audits of Group Financial Statements (including the work of component auditors)	**Requirements – Responsibility** **11** In the UK, the group engagement partner's firm bears the full responsibility for the auditor's report on the group financial statements.

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Appendix 1.D continued

3. Additional requirements to assist the auditor understand the ISA requirement in the context of the requirements of Irish/UK legislation or the business environment in Ireland or the UK

ISA (UK)	UK Pluses - Requirements
700 Forming an opinion and Reporting on the Financial Statements	**Definitions** **4.** *[footnotes]* *4 ISA 800 has not been promulgated by the FRC for application in the UK.* *5 ISA 805 has not been promulgated by the FRC for application in the UK.* 7 *[footnotes]* *5a In the IFRS Framework this is acknowledged in paragraph 17(c) of IAS 1. In UK GAAP this is acknowledged in Sections 396(4) and 404(4) of the Companies Act 2006.* *5b This is sometimes referred to as the "true and fair override". In the IFRS Framework this is acknowledged in paragraph 19 of IAS 1. In UK GAAP this is acknowledged in Sections 396(5) and 404(5) of the Companies Act 2006.* **Form of opinion** **16** In the UK, when expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework it is not sufficient for the auditor to conclude that the financial statements give a true and fair view solely on the basis that the financial statements were prepared in accordance with accounting standards and any other applicable legal requirements. **Auditor's Report** **25** In the UK, when expressing an unmodified opinion on financial statements prepared in accordance with a fair presentation framework the opinion paragraph shall clearly state that the financial statements give a true and fair view. **Basis of opinion** **28 (a)** .....and applicable law **28 (c)** In the UK, auditors are subject to ethical requirements from two sources: the FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor, and the ethical pronouncements established by the auditor's relevant professional body. When identifying the relevant ethical requirements in the auditor's report, the auditor indicates that these include the FRC's Ethical Standard, applied as required for the types of entity determined to be appropriate in the circumstances. **Responsibilities for the Financial Statements** **33** *[footnote]* *13a In the UK, those charged with governance are responsible for the preparation of the financial statements.* **36** In the UK, the auditor's report shall include a statement that [those charged with governance] are responsible for the preparation of financial statements [that give a true and fair view]. **Location of the Description of the Auditor's Responsibilities for the Audit of the Financial Statements** **41** In the UK, the auditor is permitted to cross-refer to the applicable version of a "Description of the Auditor's Responsibilities for the Audit of the Financial Statements" that is maintained on the website of an appropriate authority. **Other Reporting Responsibilities** **43-1.** If the auditor is required to report on certain matters by exception, the auditor shall describe in the auditor's report the auditor's responsibilities for such matters and incorporate a suitable conclusion in respect of such matters. **Date of the Auditor's Report** **49-1.** The date of an auditor's report on an entity's financial statements shall be the date on which the auditor signed the report expressing an opinion on those financial statements. **49-2.** The auditor shall not sign, and hence date, the auditor's report earlier than the date on which all the other information contained in the annual report has been approved by those charged with governance and the auditor has considered all necessary available evidence.

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Appendix 1.D continued

3. Additional requirements to assist the auditor understand the ISA requirement in the context of the requirements of Irish/UK legislation or the business environment in Ireland or the UK

ISA (UK)	UK Pluses - Requirements
710 Comparative Information – Corresponding Figures and Comparative Financial Statements	**The Nature of Comparative Information** **2-1** In the UK the corresponding figures method of presentation is usually required.
720 The Auditor's Responsibilities Relating to Other Information	**Scope of this ISA (UK)** **1-1.** This ISA (UK) also deals with certain additional obligations imposed by law or regulation on the auditor to report on statutory other information, based on the work undertaken in the course of the audit. **8** ... except in respect of the auditor's responsibilities to report in accordance with paragraphs 22D-1 and 22D-2. **Objectives** **11 (c)-1** Where required by law or regulation, to form an opinion on whether the information given in the other information is consistent with the financial statements and the auditor's knowledge obtained in the audit; and **Definitions** **12 (a)** In the UK, an annual report includes at least: (i) The statutory other information; and (ii) Any other documents that are incorporated by cross-reference in, or distributed to shareholders with, statutory other information either voluntarily or pursuant to law or regulation or the requirements of a stock exchange listing. **12 (b)** In the UK, a misstatement of the other information also exists when the statutory other information has not been prepared in accordance with the legal and regulatory requirements applicable to the statutory other information. **12 (d)** Statutory other information – Those documents or reports that are required to be prepared and issued by the entity (including any reports or documents that are incorporated by cross reference) in relation to which the auditor is required to report publicly in accordance with law or regulation. In the UK, the statutory other information includes, where required to be prepared: (i) The directors' report; (ii) The strategic report; (iv) The separate corporate governance statement.*[footnote 2a]* *2a When the required information is not included within or incorporated by cross reference to the directors' report.* **Obtaining an Understanding of the Entity and its Environment relating to Statutory** **Other Information** **12-1** For entities that are required to prepare statutory other information, as part of obtaining an understanding of the entity and its environment in accordance with ISA (UK) 315 (Revised June 2016), *[footnote 2b]* the auditor shall obtain an understanding of: (a) The legal and regulatory requirements applicable to the statutory other information; and (b) How the entity is complying with those legal and regulatory requirements. *2b ISA (UK) 315 (Revised June 2016), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment, paragraph 11.*

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Appendix 1.D continued

3. Additional requirements to assist the auditor understand the ISA requirement in the context of the requirements of Irish/UK legislation or the business environment in Ireland or the UK

ISA (UK)	UK Pluses - Requirements
720 The Auditor's Responsibilities Relating to Other Information (continued)	**Reading and Considering the Other Information** **14-1** For entities that are required to prepare statutory other information, the auditor shall read the statutory other information and, in doing so shall consider, based on the work undertaken in the course of the audit, whether the statutory other information appears to be materially misstated in the context of the auditor's understanding of the legal and regulatory requirements applicable to the statutory other information **14-2** For entities that are required to prepare statutory other information, as the basis for the consideration required by paragraphs 14(a), 14(b) and 14-1, the auditor shall perform such procedures as are necessary in the auditor's professional judgment to identify: (a) Any material inconsistencies between the other information and the financial statements; (b) Any material inconsistencies between the other information and the auditor's knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit; and (c) Whether the statutory other information appears to be materially misstated in the context of the auditor's understanding of the legal and regulatory requirements applicable to the statutory other information. **Reporting** **22 (c)** In the UK, where the auditor is required to express an opinion on some or all of the other information in accordance with paragraphs 22D-1 or 22D-2 or otherwise in accordance with law or regulation, the statement required by paragraph 22(c) shall be a modified statement that the auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express an audit opinion or, except to the extent otherwise explicitly stated in the auditor's report, any form of assurance thereon.

4 Additional requirements coming from the EU audit Directive and Regulation

ISA (UK)	UK Pluses - Requirements
220 Quality Control for an Audit of Financial Statements	**7 (f)-1** Key audit partner – Is defined in UK legislation *[footnote 4a]* as: (i) The statutory auditor designated by an audit firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the audit firm; or (ii) In the case of a group audit, the statutory auditor designated by an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the statutory auditor designated at the level of material subsidiaries; or (iii) The statutory auditor who signs the audit report. **7 (m)-1** Public interest entity – Is defined in UK legislation *[footnote 4b]* as: (i) An issuer whose transferable securities are admitted to trading on a regulated market; *[footnote 4c]* (ii) A credit institution within the meaning given by Article 4(1)(1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, other than one listed in Article 2 of Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and investment firms; (iii) An insurance undertaking within the meaning given by Article 2(1) of Council Directive 1991/674/EEC of the European Parliament and of the Council on the annual accounts and consolidated accounts of insurance undertakings. *4b In the UK, Section 494A of the Companies Act 2006.* *4c In the UK, "issuer" and "regulated market" have the same meaning as in Part 6 of the Financial Services and Markets Act 2000.* **Engagement Performance** **21R-1** For audits of financial statements of public interest entities, the engagement quality control reviewer, on performing an engagement quality control review, *[footnote 4d]* shall also consider the following elements: (a) The independence of the firm from the entity; (b) The significant risks which are relevant to the audit and which the key audit partner(s) has identified during the performance of the audit and the measures that the key audit partner(s) has taken to adequately manage those risks; (c) The reasoning of the key audit partner(s), in particular with regard to the level of materiality and the significant risks referred to in paragraph 21R-1(b); (d) Any request for advice to external experts and the implementation of such advice; (e) The nature and scope of the corrected and uncorrected misstatements in the financial statements that were identified during the carrying out of the audit; (f) The subjects discussed with the audit committee and management and/or supervisory bodies of the entity; (g) The subjects discussed with competent authorities *[footnote 4e]* and, where applicable, with other third parties; and (h) Whether the documents and information selected from the file by the engagement quality control reviewer support the opinion of the key audit partner(s) as expressed in the draft of the auditor's report and the additional report to the audit committee. *[footnote 4f]* *4d The requirement for an engagement quality control review is established in ISQC (UK) 1 (Revised June 2016), paragraph 36R-1.* *4e In the UK, the competent authority designated by law is the Financial Reporting Council.* *4f The requirements for these reports are set out respectively in ISA (UK) 700 (Revised June 2016), Forming an Opinion and Reporting on Financial Statements and ISA (UK) 260 (Revised June 2016), Communication with Those Charged with Governance.*

Appendix 1.E continued

4 Additional requirements coming from the EU audit Directive and Regulation

ISA (UK)	UK Pluses - Requirements
220 Quality Control for an Audit of Financial Statements (continued)	**21R-2** The engagement quality control reviewer shall discuss the results of the review, including the elements assessed in paragraph 21R-1, with the key audit partner(s). **Documentation** **24D-1** The auditor shall include in the audit documentation: (a) All significant threats to the firm's independence as well as the safeguards applied to mitigate those threats; and (b) Those matters it is required to assess before accepting or continuing a statutory audit engagement in accordance with ISQC (UK) 1 (Revised June 2016). **25R-1** For audits of financial statements of public interest entities, the engagement quality control reviewer shall also record: (a) The oral and written information provided by the key audit partner(s) to support the significant judgments as well as the main findings of the audit procedures carried out and the conclusions drawn from those findings, whether or not at the request of the engagement quality control reviewer; and (b) The opinions of the key audit partner(s), as expressed in the draft of the reports required by ISA (UK) 260 (Revised June 2016) and ISA (UK) 700 (Revised June 2016). **25R-2** For audits of financial statements of public interest entities, the auditor and the engagement quality control reviewer shall keep a record of the results of the engagement quality control review, together with the considerations underlying those results, in the audit documentation.
230 Audit Documentation	**Documentation of the Audit Procedures Performed and Audit Evidence Obtained** *Form, Content and Extent of Audit Documentation* **8D-1** The auditor shall retain any other data and documents that are important in supporting the auditor's report as part of the audit documentation. **Assembly of the Final Audit File** **14D-1** The auditor shall retain audit documentation that is important for monitoring compliance with ISAs (UK) and other applicable legal requirements.
240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	**Communications to Management and with Those Charged with Governance** **41R-1** For audits of financial statements of public interest entities, when an auditor suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the entity, may occur or has occurred, the auditor shall, unless prohibited by law or regulation, inform the entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future. (Ref: Para. A63-1) **Communications to Regulatory and Enforcement Authorities** **43R-1** For audits of financial statements of public interest entities, where the entity does not investigate the matter referred to in paragraph 42R-1, the auditor shall inform the authorities responsible for investigating such irregularities. (Ref: Para. A66-1–A66-2)
250A Consideration of Laws and Regulations in an Audit of Financial Statements	**Reporting Non-Compliance to Regulatory and Enforcement Authorities** **22R-1.** For audits of financial statements of public interest entities, when an auditor suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the entity, may occur or have occurred, the auditor shall, unless prohibited by law or regulation, inform the entity and invite it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future. (Ref: Para. A18-2–A18-3) **Reporting of Identified or Suspected Non-Compliance** **28R-1** For audits of financial statements of public interest entities, where the entity does not investigate the matter referred to in paragraph 22R-1, the auditor shall inform the authorities responsible for investigating such irregularities. (Ref: Para. A19-13–A19-14)

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Appendix 1.E continued

4 Additional requirements coming from the EU audit Directive and Regulation

ISA (UK)	UK Pluses - Requirements
250B	**13R-1** For audits of financial statements of public interest entities, the auditor shall: (a) Report promptly to the regulator any information concerning that public interest entity of which the auditor has become aware while carrying out the audit and which may bring about any of the following: (i) A material breach of the laws, regulations or administrative provisions which lay down, where appropriate, the conditions governing authorization or which specifically govern pursuit of the activities of such public interest entity; or (ii) A material threat or doubt concerning the continuous functioning of the public interest entity; or (iii) A refusal to issue an audit opinion on the financial statements or the issuing of an adverse or qualified opinion. (b) Report any information referred to in paragraph 13R-1(a)(i)-(iii) of which the auditor becomes aware in the course of carrying out the audit of an undertaking having close links with the public interest entity for which they are also carrying out the audit.
260 Communication with Those Charged with Governance	**Requirements - Those Charged with Governance** **11R-1** For audits of financial statements of public interest entities, if the entity does not have an audit committee, the additional report to the audit committee required by paragraph 16R-2 shall be submitted to the body performing equivalent functions within the entity. **Matters to Be Communicated - Public Interest Entities** **16R-2** For audits of financial statements of public interest entities, the auditor shall submit an additional report to the audit committee of the entity explaining the results of the audit carried out and shall at least: (a) Include the declaration of independence required by paragraph 17R-1(a); (b) Identify each key audit partner(s) *[footnote 1e]* involved in the audit; (c) Where the auditor has made arrangements for any of the auditor's activities to be conducted by another firm *[footnote 1f]* that is not a member of the same network, or has used the work of external experts, the report shall indicate that fact and shall confirm that the auditor received a confirmation from the other firm and/or the external expert regarding their independence; (d) Describe the nature, frequency and extent of communication with the audit committee or the body performing equivalent functions within the entity, the management body and the administrative or supervisory body of the entity, including the dates of meetings with those bodies; (e) Include a description of the scope and timing of the audit; (f) Where more than one auditor has been appointed, describe the distribution of tasks among the auditors; (g) Describe the methodology used, including which categories of the balance sheet have been directly verified and which categories have been verified based on system and compliance testing, including an explanation of any substantial variation in the weighting of system and compliance testing when compared to the previous year, even if the previous year's audit was carried out by another firm; (h) Disclose the quantitative level of materiality applied to perform the audit for the financial statements as a whole and where applicable the materiality level or levels for particular classes of transactions, account balances or disclosures, and disclose the qualitative factors which were considered when setting the level of materiality;

Appendix 1.E continued

4 Additional requirements coming from the EU audit Directive and Regulation

ISA (UK)	UK Pluses - Requirements
260 Communication with Those Charged with Governance (continued)	(i) Report and explain judgments about events or conditions identified in the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and whether they constitute a material uncertainty, and provide a summary of all guarantees, comfort letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment; (j) Report on any significant deficiencies in the entity's or, in the case of consolidated financial statements, the parent undertaking's internal financial control system, and/or in the accounting system. For each such significant deficiency, the additional report shall state whether or not the deficiency in question has been resolved by management; (k) Report any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks; (l) Report the valuation methods *[footnote 1g]* applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods; (m) In the case of an audit of consolidated financial statements, explain the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the financial reporting framework; (n) Where applicable, identify any audit work performed by component auditors in relation to an audit of consolidated financial statements other than by members of the same network to which the auditor of the consolidated financial statements belongs; (o) Indicate whether all requested explanations and documents were provided by the entity; (p) Report: (i) Any significant difficulties encountered in the course of the audit; (ii) Any significant matters arising from the audit that were discussed or were the subject of correspondence with management; and (iii) Any other matters arising from the audit that in the auditor's professional judgment, are significant to the oversight of the financial reporting process. Where more than one auditor has been engaged simultaneously, and any disagreement has arisen between them on auditing procedures, accounting rules or any other issue regarding the conduct of the audit, the reasons for such disagreement shall be explained in the additional report to the audit committee. *1e "Key audit partner" is defined in paragraph 7(f)-1 of ISA (UK) 220 (Revised June 2016), Quality Control for an Audit of Financial Statements.* *1f "Firm" is defined in ISA (UK) 220 (Revised June 2016) as a sole practitioner, partnership or corporation or other entity of professional accountants.* *1g ISA (UK) 330 (Revised June 2016), The Auditor's Responses to Assessed Risks, paragraph 19R-1 deals with the auditor's responsibility to assess the valuation methods applied, including any impact of changes of such methods.* **Auditor Independence** **17R-1** For audits of financial statements of public interest entities, the auditor shall: (a) Confirm annually in writing to the audit committee that the firm and partners, senior managers and managers, conducting the audit are independent from the audited entity; and (b) Discuss with the audit committee the threats to the auditor's independence and the safeguards applied to mitigate those threats *[footnote 1i]* *1i Paragraph 27R-2 of ISQC (UK) 1 (Revised June 2016), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, deals with the auditor's responsibility to assess such matters.*

Appendix 1.E continued

4 Additional requirements coming from the EU audit Directive and Regulation

ISA (UK)	UK Pluses - Requirements
260 Communication with Those Charged with Governance (continued)	**The Communication Process - Forms of Communication** **20R-1** For audits of financial statements of public interest entities: (a) The additional report to the audit committee *[footnote 1j]* shall be in writing. (b) The additional report to the audit committee shall be signed and dated by the engagement partner. (c) Upon request by either the auditor or the audit committee, the auditor shall discuss key matters arising from the audit, referred to in the additional report to the audit committee, and in particular deficiencies communicated in accordance with paragraph 16R-2(j). *1j Paragraph 16R-2 deals with the auditor's responsibilities to prepare an additional report to the audit committee.* **The Communication Process - Timing of Communications** **21R-1** For audits of financial statements of public interest entities, the auditor shall submit the additional report to the audit committee not later than the date of submission of the auditor's report *[footnote 1k]* *1k ISA (UK) 700 (Revised June 2016), Forming an Opinion and Reporting on Financial Statements.*
260 Communication with Those Charged with Governance (continued)	**The Communication Process - Forms of Communication** **20R-1** For audits of financial statements of public interest entities: (a) The additional report to the audit committee *[footnote 1j]* shall be in writing. (b) The additional report to the audit committee shall be signed and dated by the engagement partner. (c) Upon request by either the auditor or the audit committee, the auditor shall discuss key matters arising from the audit, referred to in the additional report to the audit committee, and in particular deficiencies communicated in accordance with paragraph 16R-2(j). *1j Paragraph 16R-2 deals with the auditor's responsibilities to prepare an additional report to the audit committee.* **The Communication Process - Timing of Communications** **21R-1** For audits of financial statements of public interest entities, the auditor shall submit the additional report to the audit committee not later than the date of submission of the auditor's report *[footnote 1k]* *1k ISA (UK) 700 (Revised June 2016), Forming an Opinion and Reporting on Financial Statements.* **Documentation** **23D-1** For audits of financial statements of public interest entities, the auditor shall retain any other data and documents that are important in supporting the additional report to the audit committee *[footnote 2a]* as part of the audit documentation. *2a Paragraph 16R-2 deals with the auditor's responsibilities to prepare an additional report to the audit committee.*

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Appendix 1.E continued

4 Additional requirements coming from the EU audit Directive and Regulation

ISA (UK)	UK Pluses - Requirements
330 The Auditor's Responses to Assessed Risks	**Evaluating the Operating Effectiveness of Controls - Substantive Procedures** **19R-1** For audits of financial statements of public interest entities, the auditor shall assess the valuation methods applied to the various items in the financial statements including any impact of changes of such methods.
510 Initial Audit Engagements – Opening Balances	**Required Understanding of Prior Year Responses to Risks** **8R-1** For audits of financial statements of public interest entities, the auditor shall obtain an understanding of the predecessor auditor's methodology used to carry out the audit, sufficient to enable the auditor to communicate with those charged with governance those matters required by paragraph 16R-2(g) of ISA (UK) 260 (Revised June 2016). *[footnote 3a]* *3a ISA (UK) 260 (Revised June 2016), Communication with Those Charged with Governance.*
540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	**Indicators of Possible Management Bias** **21D-1** In accordance with ISA (UK) 200 (Revised June 2016), *[footnote 7a]* the auditor shall maintain professional skepticism throughout the audit and in particular when reviewing management estimates relating to fair values, the impairment of assets and provisions. *7a ISA (UK) 200 (Revised June 2016), Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK), paragraph 15.*
570 Going Concern	**Evaluating Management's Assessment** **12D-1** In accordance with ISA (UK) 200 (Revised June 2016), *[footnote 3a]* the auditor shall maintain professional skepticism throughout the audit and in particular when reviewing future cash flow relevant to the entity's ability to continue as a going concern. *3a ISA (UK) 200 (Revised June 2016), paragraph 15.*
600 Special Considerations – Audits of Group Financial Statements (including the work of component auditors)	**Understanding the Component Auditor** **19D-1** The group engagement team shall request the agreement of the component auditor to the transfer of relevant documentation during the conduct of the group audit, as a condition of the use by the group engagement team of the work of the component auditor. **Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained -** **Evaluating the Component Auditor's Communication and Adequacy of their Work** **42D-1** The group engagement team shall: (a) Evaluate and review the work performed by the component auditor for the purpose of the group audit; or (b) Where the group engagement team is unable to request or secure the agreement required by paragraph 19D-1, take appropriate measures (including carrying out additional work, either directly or by outsourcing such tasks, in the relevant component) and inform the competent authority. *[footnote 9a]* *9a In the UK, the competent authority designated by law is the FRC or the Recognised Supervisory Body to whom the FRC has delegated regulatory tasks, as applicable.* **Communication with Those Charged with Governance of the Group** **49D-1** For audits of group financial statements of public interest entities, the group engagement partner's firm shall bear the full responsibility for the additional report to the audit committee. *[footnote 12a]* *12a ISA (UK) 260 (Revised June 2016), paragraph 16R-2 deals with the auditor's responsibilities to prepare an additional report to the audit committee.*

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Appendix 1.E continued

5. Additional requirements coming from the EU audit Directive and Regulation

ISA (UK)	UK Pluses - Requirements
600 Special Considerations – Audits of Group Financial Statements (including the work of component auditors) (continued)	**Documentation** **50D-1** The group engagement team shall include in the audit documentation the nature, timing and extent of the work performed by the component auditor, including, where applicable, the group engagement team's review of relevant parts of the component auditor's audit documentation. **50D-2** The group engagement team shall retain sufficient and appropriate audit documentation to enable the competent authority *[footnote 9a]* to review the work of the auditor of the group financial statements. **50D-3** Where: • the group engagement team is subject to a quality assurance review or an investigation concerning the group audit; and • the competent authority *[footnote 9a]* is unable to obtain audit documentation of the work carried out by any component auditor from a non-EEA member state; and • the competent authority requests delivery of any additional documentation of the work performed by that component auditor for the purpose of the group audit (including the component auditor's working papers relevant to the group audit), the group engagement team shall, in order to properly deliver such documentation in accordance with such request, either: (a) Retain copies of the documentation of the work carried out by the relevant component auditor for the purpose of the group audit (including the component auditor's working papers relevant to the group audit); or (b) Obtain the agreement of the relevant component auditor that the group engagement team shall have unrestricted access to such documentation on request; or (c) Retain documentation to show that the group engagement team has undertaken the appropriate procedures in order to gain access to the audit documentation, together with evidence supporting the existence of any impediments to such access; or (d) Take any other appropriate action. *9a In the UK, the competent authority designated by law is the FRC or the Recognised Supervisory Body to whom the FRC has delegated regulatory tasks, as applicable.*
620 Using the Work of an Auditor's Expert	**The Competence, Capabilities and Objectivity of the Auditor's Expert** **9R-1** For audits of financial statements of public interest entities, where the auditor has used the work of an auditor's external expert, the auditor shall obtain a confirmation from the auditor's external expert regarding their independence. **Documentation** **15D-1** The auditor shall document any request for advice from an auditor's expert, together with the advice received.

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Appendix 1.E continued

4. **Additional requirements coming from the EU audit Directive and Regulation**

ISA (UK)	UK Pluses - Requirements
700 Forming an opinion and reporting on the Financial Statements	**Other Reporting Responsibilities** **45R-1** For audits of financial statements of public interest entities, the auditor's report shall: (a) State by whom or which body the auditor(s) was appointed; (b) Indicate the date of the appointment and the period of total uninterrupted engagement including previous renewals and reappointments of the firm; (c) Explain to what extent the audit was considered capable of detecting irregularities, including fraud; (d) Confirm that the audit opinion is consistent with the additional report to the audit committee. *[footnote 16a]* Except as required by paragraph 45R-1(d), the auditor's report shall not contain any cross-references to the additional report to the audit committee; (e) Declare that the non-audit services prohibited by the FRC's Ethical Standard were not provided and that the firm remained independent of the entity in conducting the audit; and (f) Indicate any services, in addition to the audit, which were provided by the firm to the entity and its controlled undertaking(s), and which have not been disclosed in the annual report or financial statements. *16a ISA (UK) 260 (Revised), Communication with Those Charged with Governance, paragraph 16R-2.*
701 Communicating Key Audit Matters in the Independent Auditor's Report	**Descriptions of Individual Key Audit Matters** **13R-1** In describing each of the key audit matters in accordance with paragraph 13, the auditor's report shall provide, in support of the audit opinion: (a) A description of the most significant assessed risks of material misstatement, (whether or not due to fraud); (b) A summary of the auditor's response to those risks; and (c) Where relevant, key observations arising with respect to those risks. Where relevant to the above information provided in the auditor's report concerning each of the most significant assessed risks of material misstatement (whether or not due to fraud), the auditor's report shall include a clear reference to the relevant disclosures in the financial statements.
720 The Auditor's Responsibilities Relating to Other Information	**Reporting** **22D-1** For UK entities that are required to prepare statutory other information,2d the auditor shall in the auditor's report: (a) State whether, in the auditor's opinion, based on the work undertaken in the course of the audit: (i) The information given in the strategic report (if any) and the directors' report for the financial year for which the accounts are prepared is consistent with those accounts; and (ii) Any such strategic report and the directors' report have been prepared in accordance with applicable legal requirements; (b) State whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, the auditor has identified material misstatements in the strategic report (if any) and the directors' report; and (c) If applicable, give an indication of the nature of each of the misstatements referred to in paragraph 22D-1(b).

Appendix 1.E continued

4. Additional requirements coming from the EU audit Directive and Regulation

ISA (UK)	UK Pluses - Requirements
720 The Auditor's Responsibilities Relating to Other Information (continued)	**Separate Corporate Governance Statement** **22D-2** For UK entities that are required to prepare statutory other information, 2e where the entity prepares a separate corporate governance statement in respect of a financial year, the auditor shall in the auditor's report: (Ref: Para. A53-1) (a) State whether, in the auditor's opinion, based on the work undertaken in the course of the audit, the information given in the statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures): (i) Is consistent with those accounts; and (ii) Has been prepared in accordance with applicable legal requirements; (b) State whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, the auditor has identified material misstatements in the information in the statement referred to in paragraph 22D-2(a); (c) If applicable, give an indication of the nature of each of the misstatements referred to in paragraph 22D-2 (b), and (d) State whether, in the auditor's opinion, based on the work undertaken in the course of the audit, rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees) have been complied with, if applicable.