

2023

Annual audit programme and activity report

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Vision

Public trust and confidence in quality auditing and accounting



Mission

Upholding quality corporate reporting and an accountable profession

Our Values



Excellence

Striving to be
the best we
can be



Independence

Regulating
impartially and
objectively



Integrity

Being
trustworthy and
respectful

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Chief Executive's introduction

In accordance with section 930B of the Companies Act 2014, I am pleased to present the Irish Auditing and Accounting Supervisory Authority's (IAASA's) 2023 annual audit programme and activity report. This report summarises the activities performed by the Authority during 2023 in its oversight of the audit profession in Ireland.

IAASA is the competent authority responsible for the public oversight of statutory auditors in Ireland. IAASA's statutory functions include the quality assurance review of auditors of public-interest entities (PIEs) and the oversight of the recognised accountancy bodies (RABs) who supervise auditors of all other entities.

Outcomes from IAASA's work on the public oversight of statutory auditors in 2023 included:

- Oversight and reporting on oversight
 - Inspected seven PIE firms by reviewing 31 audits and four internal control areas.
 - Completed two joint inspections with the PCAOB.
 - Published reports on the quality assurance reviews of the seven PIE firms inspected in 2022.
 - Issued supervisory reports, including recommendations with regard to licensing of statutory auditors and audit firms, to the three RABs inspected in 2022.
 - Completed supervisory reviews and issued thematic report on the initial stages of the complaints process in the three RABs.
 - Issued guidelines for RABs on the approval and registration of statutory auditors and audit firms.
 - Issued a letter to CEOs of RABs highlighting IAASA's expectations with regard to transitional provisions for statutory auditors seeking to be approved as Sustainability Assurance Providers under the Corporate Sustainability Reporting Directive ('CSRD').
- Enforcement
 - Entered into six settlement agreements, in relation to section 934 investigations.
- Stakeholder engagement
 - Hosted annual briefing for audit committees.
 - Hosted a roundtable meeting of PIE audit firms and separately for RABs on relevant matters for each.
- Publications
 - Published report on the CEAOB survey on materiality in the context of an audit – Ireland.
 - Factsheets providing an overview of IAASA's role and approach to the quality assurance review of the audits of PIEs and of the functions of IAASA's Regulatory and Monitoring Supervision.
- International cooperation and engagement
 - Active membership of the Committee of European Auditing Oversight Bodies (CEAOB) and the International Forum of Independent Audit Regulators (IFIAR), with IAASA's Chief Executive Officer elected as vice chair of IFIAR in April 2023.

This report provides useful insights into IAASA's work in overseeing the audit profession, explaining the oversight activities relating to audit quality. For further information about the full range of IAASA's regulatory and supervisory activities, please refer to IAASA's website.

Kevin Prendergast

Chief Executive Officer

29 May 2024

Annual Audit Programme and Activity Report



IAASA inspected 31 audits of PIEs across the seven PIE firms



1,169 audit firms approved to audit in Ireland



6 PABs representing 44,547 members in Ireland



6 Enforcement Investigations concluded



7 PIE firms in Ireland auditing 523 audit clients



3 Supervisory Reviews carried out on the initial stage of complaints process



Chapter 1

Quality assurance review
of PIE firms



Introduction

This chapter outlines the Authority's work in the quality assurance review of statutory auditors and audit firms that perform statutory audits of PIEs in Ireland. It also summarises the Authority's international cooperation related to audit. Work programme priorities for 2024 are also outlined.

Resources

In 2023, there were 9 audit inspectors and one administrative executive in IAASA's Audit Quality Unit. The Audit Quality Unit was overseen by IAASA's Head of Operations.

Funding

IAASA's Audit Quality Unit is funded through a statutory levy on firms that perform statutory audits of public-interest entities (PIE firms). There are two parts to the levy. The first part is a standing charge for all PIE firms to reflect the base level of work involved in inspecting a PIE firm. The standing charge does not vary across the firms. The remainder of the levy is allocated across PIE firms based on their market share of the statutory audit fees for all audits of PIEs.

Further details about the 2023 levy and its allocation across the PIE firms will be provided in IAASA's 2023 annual report, which will be made available on IAASA's website.

Overview of Ireland's PIE audit market

Statutory audit

A statutory audit is an audit of financial statements required by law. An auditor expresses an opinion on whether the financial statements are prepared in accordance with the relevant reporting framework. The purpose of statutory audit is to enhance users' confidence in the financial statements.

A statutory auditor or audit firm carrying out statutory audits must be approved and registered by a RAB. The Companies Registration Office (CRO) maintains the register of statutory auditors and audit firms in Ireland on its website (www.cro.ie). At 31 December 2023, there were 1,169 audit firms approved to carry out statutory audits in Ireland (2022: 1,266). Further details on the approval of statutory auditors and audit firms are set out in chapter 3.

PIEs and their auditors

The term public-interest entity (PIE) is defined in the Companies Act 2014, as:

- entities with securities listed on an EU regulated stock exchange
- credit institutions
- insurance undertakings

Further guidance on the definition of a PIE is available on IAASA's [website](#).

Any statutory auditor or audit firm on the CRO register may be appointed as an auditor to a PIE. Under law, auditors are required to inform IAASA the first time they are appointed as an auditor to a PIE. At 31 December 2023, IAASA was notified of seven PIE firms (2022: seven), auditing 523 PIEs (2022: 544).

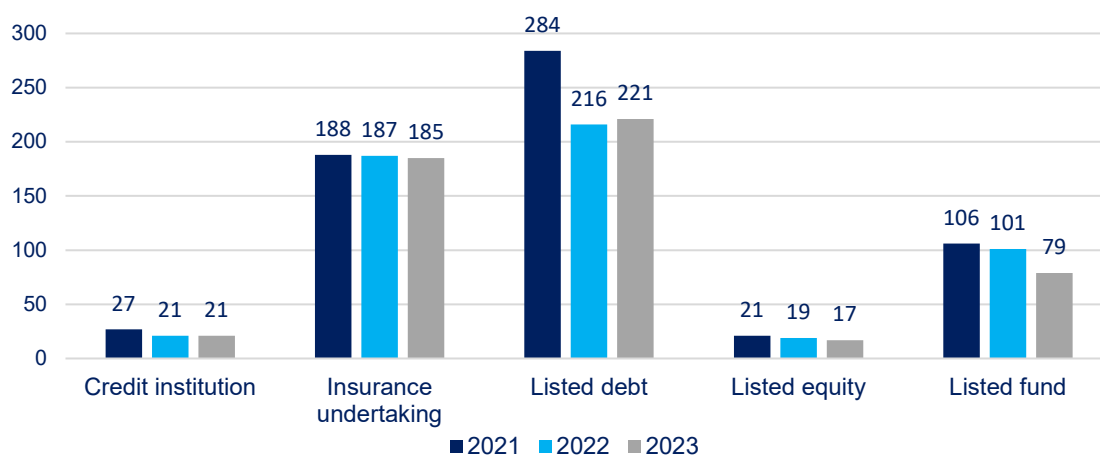
These PIE firms were:

- BDO
- Deloitte
- EY
- Grant Thornton
- KPMG
- Mazars
- PricewaterhouseCoopers Ireland

Each PIE firm must provide an annual return to the Authority setting out details of the PIEs audited by the firm in the year. The annual return is used by the Authority to track changes in the population of PIE audits and to select audits of PIEs for inspection by the Authority.

Chart A below shows the number of PIE audits based on the above PIE firms' most recent annual returns.

Chart A: PIE Population



In 2023, four audit firms (Deloitte, EY, KPMG and PricewaterhouseCoopers Ireland) audited approximately 73% of PIEs (2022: 75%) and earned approximately 89% of the related fees (2022: 87%).

Chart B overleaf illustrates the market share of each of the seven PIE firms in Ireland, showing the number of PIEs audited by each PIE firm in 2023 and the fees earned by each firm in respect of these audits of PIEs.

Chart B: PIE Market Share

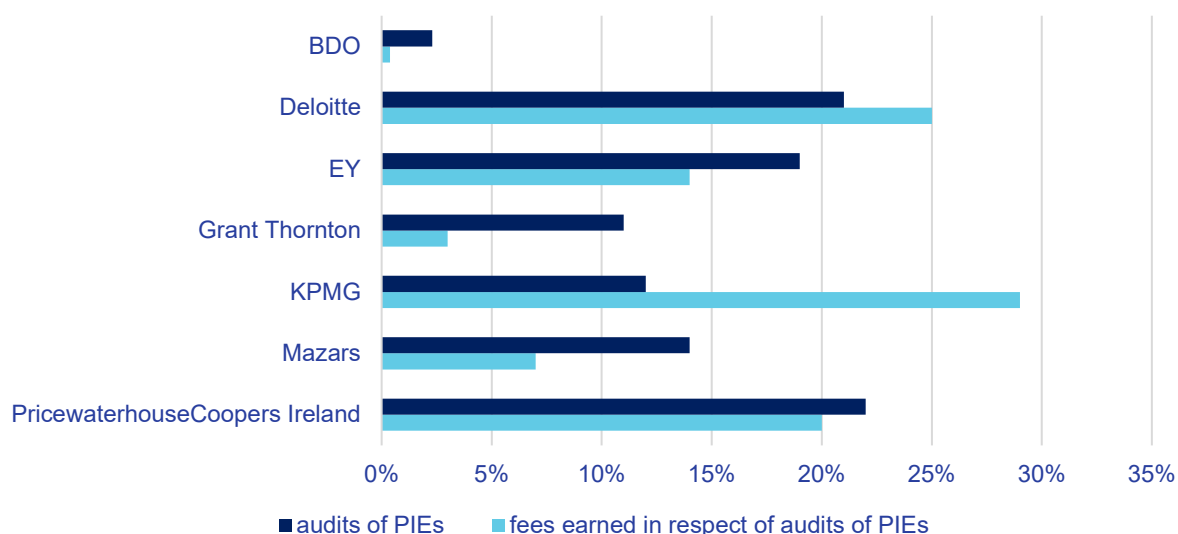
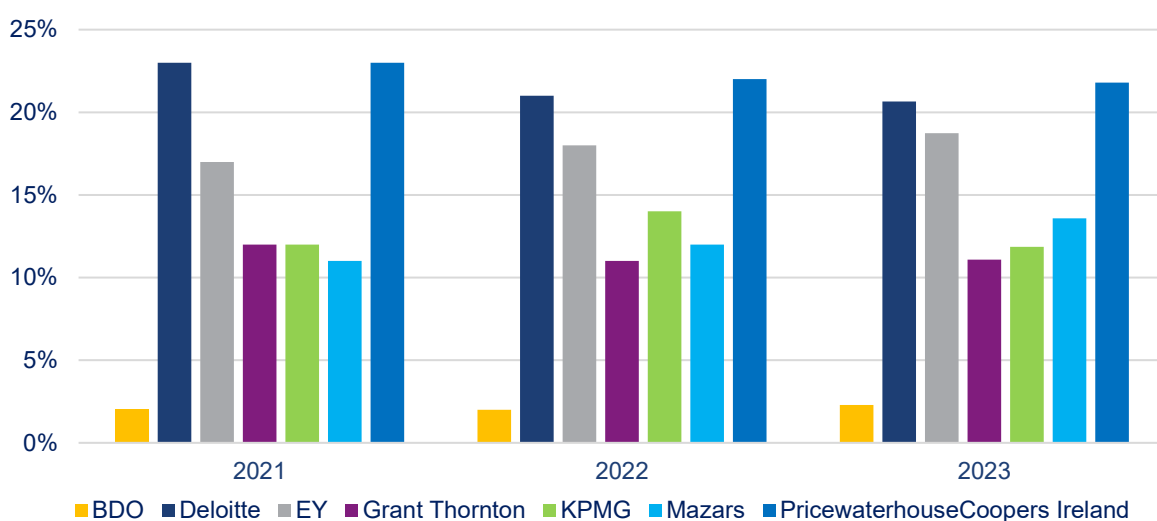


Chart C below illustrates the developments in the Irish market in relation to the market share of each PIE firm in Ireland since 2021. The chart shows that each of the 'Big 4' PIE firms has consistently audited more than 10% of the PIEs in the last three years.

Chart C: Developments in the Irish PIE audit market



IAASA's quality assurance review process

Purpose of a quality assurance review

The purpose of IAASA's quality assurance review process is to assess the effectiveness of a PIE firm's system of quality management.

A quality assurance review:

- assesses the effectiveness of the firm's system of quality management
- evaluates the quality of a sample of audits of PIEs

The quality assurance review process is not designed to identify all weaknesses that may exist in a firm's system of quality management. Ultimate responsibility for audit quality rests with the statutory auditor issuing an audit opinion.

Assessment of a firm's system of quality management

The International Standard on Quality Management (Ireland) 1 (ISQM 1) and International Standard on Quality Management (Ireland) 2 (ISQM 2) became effective from 15 December 2022 and replaced the International Standard on Quality Control (Ireland).

IAASA's assessment of a firm's system of quality management involves a review of the firm's approach in designing, implementing and operating the eight components of a system of quality management for audits of financial statements, as set out in ISQM 1.

These are:

- The firm's risk assessment process
- Governance and leadership
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Engagement performance
- Resources
- Information and communication
- The firm's monitoring and remediation process

ISQM 1 requires audit firms to complete an evaluation of their system of quality management within one year following December 15, 2022. IAASA commenced its review of the PIE firms' application of ISQM 1 in 2023. Over a three year period, IAASA will assess each of the eight components of the PIE firms' systems of quality management.

Selection of a sample of audits of PIEs

IAASA selects a sample of PIE audits for inspection using a risk-based approach. For each audit inspected, IAASA evaluates the sufficiency and quality of audit evidence across a number of selected audit areas.

The sample size selected for each firm is driven by factors, such as the number of PIEs audited by a firm, the results of previous inspections relating to the firm, any significant changes in a firm's market share or type of PIE audited by the firm.

IAASA then uses a risk selection model. The risk selection model applies many factors and weights the factors where appropriate. These factors include:

- PIE type
- PIE size
- facts which come to the attention of IAASA relating to a PIE such as public announcements by the company or matters on public record
- audit fees, non-audit fees, year on year changes in audit fees
- the PIE firm's experience of auditing the specific PIE type
- previous audit quality referrals, if any, to IAASA's Enforcement Unit

In selecting a sample PIE audit for inspection, IAASA also considers factors that are not within the risk selection model. Such factors can include media coverage and complaints as well as matters identified by IAASA's Corporate Reporting Supervision Unit and other pertinent matters. The Authority also assigns a higher risk rating to PIE firms where previous inspection results were weak.

IAASA's risk-based approach allows for audits with particular complexities to be selected, as well as audits that have a higher risk. The audits of PIEs inspected by IAASA are not representative of the PIE audit population. For this reason, IAASA's inspection results cannot be extrapolated to make inferences about audits that have not been inspected.

Inspection procedures for audits of PIEs

In evaluating the quality of an audit of a PIE, IAASA considers the sufficiency and quality of audit evidence across a number of selected audit areas. The audit areas reviewed are selected at the discretion of IAASA, taking into consideration specific risks related to the PIE as well as areas of focus for IAASA.

Where there are matters that are relevant both to IAASA's Corporate Reporting Supervision Unit and IAASA's Audit Quality Unit, a joint inspection is performed.

IAASA may expand the number of audits or audit areas inspected in response to issues identified.

IAASA's recommendations

Where IAASA notes non-compliance with legislation, standards or a firm's policies, a finding is raised. For each finding, IAASA sets out its recommendations. The recommendations detail the actions required of the firm to remediate deficiencies or implement improvements going forward.

PIE firms are required by law to implement IAASA's recommendations within 12 months and IAASA is required to impose a sanction on PIE firms that fail to do so. PIE firms are required to provide IAASA with a written submission detailing the actions taken to implement them. IAASA undertakes follow-up procedures to ensure that the IAASA's recommendations have been appropriately implemented within 12 months.

IAASA's rating and grading policy

Findings in relation to the effectiveness of a PIE firm's system of quality management have their significance indicated by way of a colour-coding system, as follows: yellow (minor deficiency), amber (improvement is required) and red (significant deficiency).

Each of the audits of PIEs inspected as part of the quality assurance review is assigned a grade as follows: 1 (good audit), 2 (limited improvements required), 3 (improvements required) and 4 (significant improvements required).

Further details on IAASA's rating and grading policy are set out in the Appendix.

Referral to IAASA's Enforcement Unit

Where IAASA suspects possible significant breaches of standards or possible contraventions of legislation by a statutory auditor, the matter is referred to IAASA's Enforcement Unit. In these cases, the Audit Quality Unit still issues recommendations in the usual manner and the PIE firm is required to implement the recommendations within 12 months.

Chapter 2 in this report explains the process followed by IAASA's Enforcement Unit.

Reporting

Each year, IAASA issues a report on the quality assurance review of each PIE firm. The purpose of the report is to communicate the deficiencies identified through the quality assurance review and the recommendations arising.

The report on the quality assurance review includes:

- a brief overview of the PIE firm
- an explanation of the quality assurance review process
- an explanation of the scope of IAASA's quality assurance review
- an overview of IAASA's findings
- the results of the quality assurance review, including findings and recommendations on the firm's system of quality management and a summary of audits of PIEs inspected
- the results of follow-up procedures

IAASA's 2023 quality assurance review activity

Inspection of PIE firms' systems of quality management

In 2023, IAASA assessed the design of the system of quality management in four ISQM 1 component areas:

- risk assessment process
- governance and leadership
- resources – technological resources, intellectual resources and service providers
- information and communication

For the resources component, IAASA assessed the firm's system of quality management across the areas of technological resources, intellectual resources and service providers. For the remaining components, IAASA assessed the full component areas. In 2023, IAASA assessed the quality objectives, quality risks and related responses designed by each PIE firm across each component area reviewed.

Findings were identified in the areas of governance and leadership, resources and information and communication. Although not included in the review scope for IAASA in 2023, one firm identified breaches in the area of acceptance and continuance that merited reporting as a finding on the firm's system of quality management. The severity of findings on PIE firms' systems of quality management in 2023 ranged between yellow (minor deficiency) and amber (improvement required).

The Authority raised five findings across the areas reviewed in 2023, with findings identified in four of the seven PIE firms.

Chart D : Findings Identified in 2023



The quality assurance review report for each of the seven PIE firms explains the background to each finding and the issue identified by IAASA in relation to the firm's system of quality management. Each quality assurance review report also explains IAASA's recommendations for each finding on the firm's system of quality management, setting out how IAASA expects the firm to remediate deficiencies or implement improvements going forward. The 2023 quality assurance review reports for these firms are published on the Authority's [website](#).

Inspection of audits of PIEs

In 2023, IAASA inspected 31 audits of PIEs across the seven PIE firms. The number of audits of PIEs reviewed in each of the seven PIE firms varied between three and five. The financial statements for one of the PIEs reviewed was also reviewed by IAASA's Corporate Reporting Supervision Unit.

Chart E below shows the grades assigned to the 31 audits of PIEs inspected in 2023 and Chart F provides the comparative grading assigned to PIE audits for 2021 – 2023. 77% of audits of PIEs inspected across the seven firms were assigned a grade of 2 or higher, indicating that these audits were of a good standard or required limited improvements. For the 23% of audits inspected that were assigned a grade of 3, improvements were required.

Chart E: Grading of PIE audits 2023

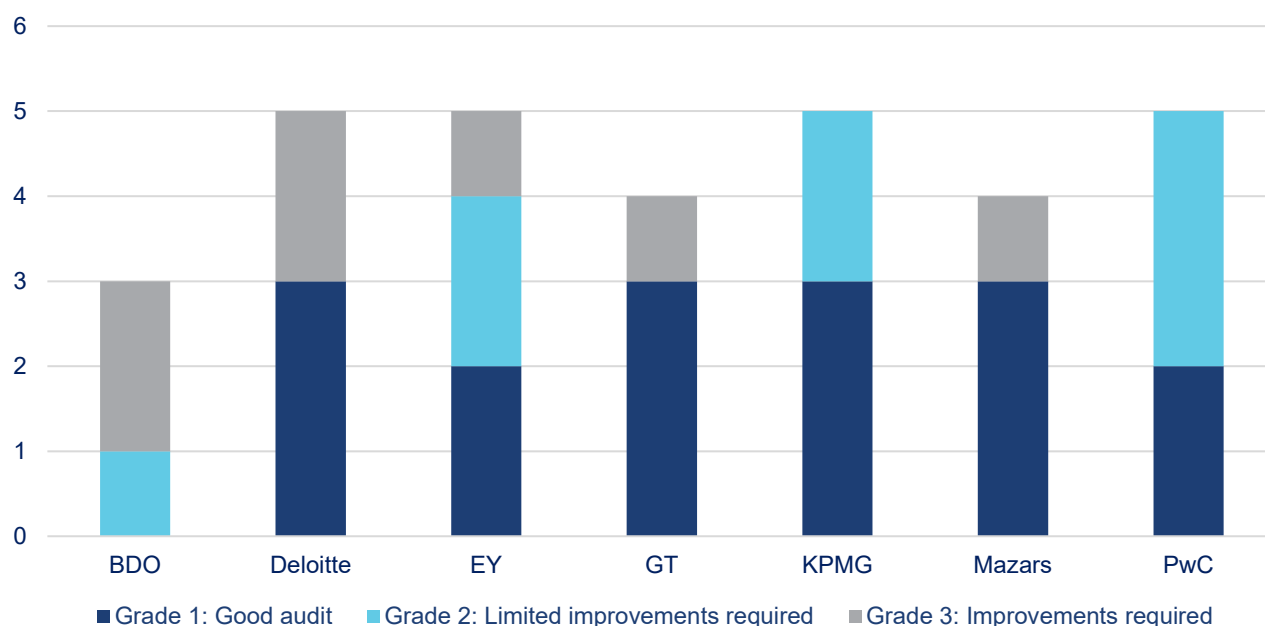
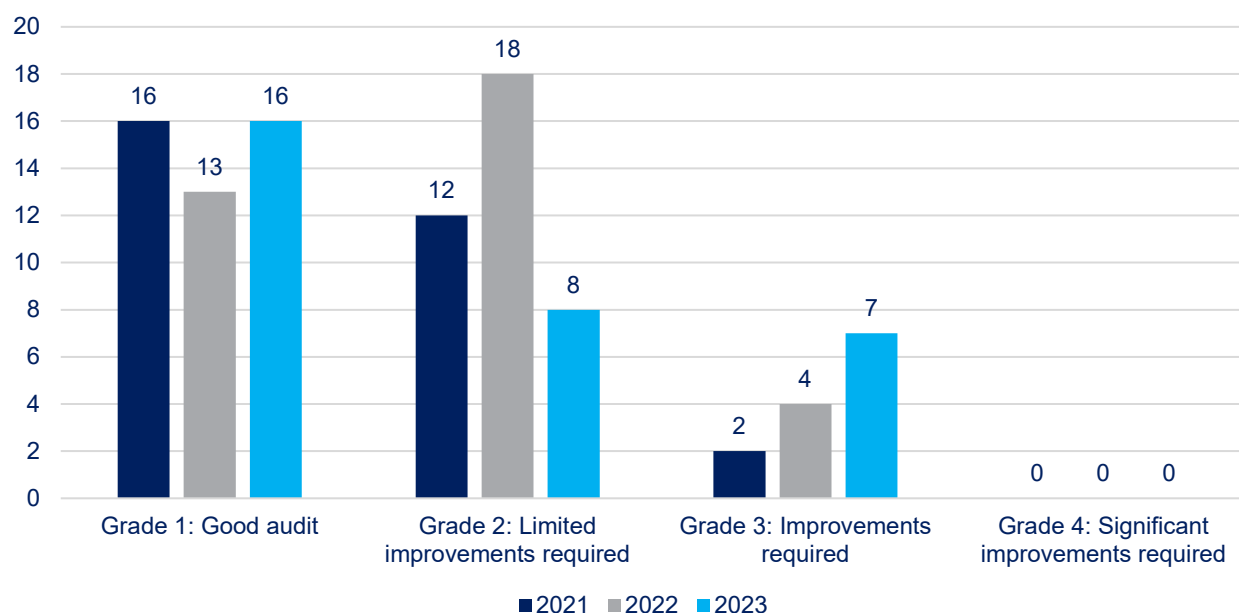


Chart F: Grading of PIE audits – 3 year review



The key recommendations arising from inspection of audits of PIEs in 2023 are set out in the quality assurance reports of each PIE firm, available on IAASA's [website](#).

Table A below sets out some of IAASA's recurring key recommendations.

Table A: Recurring Key Recommendations

Audit area	IAASA's key recommendations
Related parties	<p>The audit file should sufficiently evidence the audit procedures performed around related party controls and disclosures, and the conclusions reached thereon.</p> <p>The auditor should make the appropriate inquiries of management in relation to related parties and related party transactions.</p> <p>The audit file should sufficiently evidence the design and performance of substantive procedures for each material disclosure in the financial statements, including evaluating whether the identified related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework.</p> <p>The audit file should also sufficiently evidence the auditor's conclusion regarding the appropriateness of an arm's length assertion made by</p>

Audit area	IAASA's key recommendations
	<p>management in relation to the related party transactions disclosed in the financial statements.</p>
<p>Communications with those charged with governance</p>	<p>Auditors should ensure that key audit matters included in the auditor's report are consistent with the information communicated to those charged with governance and with the engagement team's audit approach throughout the audit file.</p> <p>Auditors should also ensure that the planned scope of the audit is correctly communicated with those charged with governance.</p>
<p>Review of financial statements</p>	<p>Auditors should sufficiently evidence substantive procedures for each material financial statement disclosure.</p> <p>The auditor should perform and evidence an appropriate evaluation of the judgements and key sources of estimation uncertainty, in order to ensure appropriate disclosure has been made in the financial statements, in accordance with the requirements of the applicable financial reporting framework.</p> <p>The financial statement disclosure checklist should be accurately and fully completed with sufficient review time allocated to the financial statement disclosure checklist.</p> <p>The auditor should clearly evidence their consideration over the appropriateness of the relevant accounting policies.</p> <p>The audit file should sufficiently evidence the engagement team's evaluation as to whether the information presented in the financial statements, in relation to financial investments, is relevant, reliable, comparable, and understandable and provides adequate disclosures to enable the intended users to understand the effect of material transactions.</p> <p>Procedures should be put in place to ensure that financial statements are not dated, by the directors, and evidenced as approved prior to their actual date of finalisation. Where there are instances of differences between the date of finalisation and date of approval of the financial statements, as stated in the financial statements, evidence outlining consideration of these matters should be included on the audit file.</p> <p>Referenced financial statements should be retained on the audit file and sufficiently evidence how the auditor evaluated that the information</p>

Audit area	IAASA's key recommendations
	<p>presented in the financial statements is relevant, comparable, and understandable.</p> <p>The audit file should evidence how the auditor evaluated whether the statement of cash flows was prepared in accordance with the requirements of the applicable financial reporting framework.</p> <p>The key audit matter description should correctly summarise the auditor's response to the risk.</p>
Subsequent events	<p>The audit file should sufficiently evidence the engagement team's understanding of the procedures established by the management of the entity to ensure that subsequent events are identified.</p> <p>The audit file should sufficiently evidence how the auditor determined that subsequent events disclosed in the financial statements are appropriately reflected in accordance with the applicable financial reporting framework.</p>
Engagement quality control review	<p>The audit file should evidence all discussions of significant matters arising during the audit engagement between the engagement partner and the engagement quality control reviewer.</p> <p>The audit file should demonstrate a robust appraisal by the engagement quality control reviewer of the quality of the work performed and the conclusions reached by the engagement team.</p> <p>The audit file should evidence the conclusions reached by the engagement quality control reviewer around the significant judgments made by the engagement team and in formulating the auditor's report.</p>

Follow-up on recommendations

The Authority reviewed all submissions received from PIE firms explaining the actions taken to implement IAASA's recommendations and performed follow-up procedures, where necessary. The Authority is satisfied that all recommendations made to the PIE firms in 2022 were appropriately implemented in 2023.

The results of the 2022 quality assurance reviews in respect of seven PIE firms were published by the Authority in March 2023 and are available on IAASA's [website](#).

Supporting high standards in audit of PIEs

In October 2023, IAASA hosted a briefing for audit committees. The discussion focussed on topics such as regulatory updates, EC developments, sustainability reporting and cyber security. The briefing featured panellists including chartered accountants and representatives from the retail, financial services, audit and investment banking industries.

IAASA also hosted a roundtable discussion with all seven PIE firms. Those attending discussed financial reporting updates, preparedness for the CSRD, IAASA's audit inspection results and key findings and recommendations, IAASA's hybrid inspection approach, ISQM (Ireland) and audit committee engagement.

In 2023, the Authority issued publications in the form of thematic reports, observation papers, insights series and factsheets. IAASA's publications in 2023 covered topics such as: materiality, audit of financial statement disclosures, communication with those charged with governance and matters to be considered in preparing approving and auditing financial statements. These publications are available on IAASA's [website](#).

International cooperation

IAASA believes that cooperating with international audit regulators is fundamental to its success. As the entities and firms within the Authority's remit often operate within global structures, it is vital that regulators cooperate to share knowledge, experience, and act consistently where possible. Such activities assist regulators to achieve their aim of effectively and efficiently contributing to continuing improvements in audit quality.

IAASA actively participates in both the CEAOB and IFIAR.

IAASA holds a position on the organising committee of the CEAOB inspections sub-group and the consultative group of the CEAOB, which supports the Chair of the CEAOB. IAASA has representatives on all CEAOB sub-groups, including the Inspections, International Auditing Standards, Enforcement, Market Monitoring and International Equivalence and Adequacy sub-groups. IAASA actively participates in five of the CEAOB's task forces, in the areas of training, financial services, Grant Thornton, sustainability reporting and IT. IAASA is also the Chair of the CEAOB's Training Task Force.

In April 2023, Kevin Prendergast, IAASA's Chief Executive Officer was elected as vice chair of IFIAR. IAASA is a member of IFIAR's Inspection Workshop Working Group and continued its preparations during 2023 to host IFIAR's 2024 inspection workshop in Dublin. IAASA is also a member of IFIAR's Enforcement Working Group and a participant in IFIAR's Technology Task Force.

IAASA's international engagement normally involves several meetings per year. In 2023, these meetings continued to take place in the form of in person meetings and virtual meetings.

2024 work programme priorities

Quality assurance reviews

In 2023, a key priority for the Authority was to engage with PIE firms in relation to the design and implementation of their systems of quality management in compliance with the ISQM 1, which became effective on 15 December 2022. This priority continues in 2024 as IAASA moves into its second year of reviewing the implementation of ISQM 1 in PIE firms. In 2024, IAASA will also commence its review of PIE firm's implementation of ISQM 2. IAASA intends to continue to apply a risk-based approach in selecting audits of PIEs for inspection in 2024.

IAASA plans to continue to communicate the results of the quality assurance review process to key stakeholders and to engage further with IAASA's stakeholders through the publication of observations and commentaries. To that end, in early 2024, IAASA published the 2023 quality assurance review reports in respect of seven PIE firms.

In 2023, the Authority had nine audit inspectors. In 2024, IAASA is expanding its team of audit inspectors to continue to perform quality assurance reviews across the seven PIE firms whilst preparing for the implementation of the CSRD. In preparation for the CSRD implementation, IAASA will continue to review draft sustainability reporting standards, attend workshops provided by the European Financial Reporting Advisory Group (EFRAG) and actively participate in sub-groups at a European level. Furthermore, IAASA will continue to liaise with relevant stakeholders in the Irish market to identify the readiness for implementation and any potential issues being encountered.

Hybrid inspection approach

IAASA will continue to apply a hybrid inspection approach in 2024, combining the efficiencies afforded by remote working with the efficacy of an on-site presence. IAASA's hybrid inspection approach combines in person meetings and onsite fieldwork with remote access to documentation, such as audit files.

International cooperation

IAASA will continue to actively participate in the international groups of regulators and support their activities by moderating and presenting at meetings and workshops.

In March 2024, IAASA hosted IFIAR's Annual Inspection Workshop in Dublin. The workshop was attended by almost 150 participants from 46 IFIAR members across the globe and provided an opportunity for participants to meet and discuss inspections processes, learn and leverage from each other, and consider similarities and differences among their practices and methodologies. As well as hosting the workshop, IAASA facilitated workshop sessions on topics such as the automated tools and techniques used in audits, engagement quality reviews, banking and insurance audits, ISQM and enforcement.

A central part of IAASA's CEO's role as IFIAR vice chair is overseeing the activities of IFIAR's working groups and task forces, which play a crucial role in supporting IFIAR and its members' core aim to enhance audit oversight around the world. In his role as IFIAR vice chair, IAASA's CEO now has greater access to the global audit networks and insights on global audit developments. IAASA has

leveraged these insights in executing its regulatory role in Ireland. IAASA's CEO's role as IFIAR vice chair serves to further build public confidence in the quality of audits in Ireland and serves to ensure that the perspective of smaller regulators with relatively limited resources is represented at a global level.



Chapter 2

Enforcement



Introduction

Investigations are undertaken by IAASA's Enforcement Unit into PIE audit firms, auditors of PIEs and accountancy bodies.

This chapter outlines the Authority's work in investigating possible contraventions of applicable law or a RAB's standards by statutory auditors. The chapter also summarises the Authority's international cooperation related to enforcement. Work programme priorities for IAASA's Enforcement Unit in 2024 are also outlined.

Resources

At 31 December 2023, IAASA's Enforcement Unit had one Senior Enforcement Counsel. The unit is overseen by IAASA's Chief Executive.

Funding

IAASA's Enforcement Unit is funded 60% by a statutory levy on the prescribed accountancy bodies (PABs) and 40% by the Exchequer. The levy on the PABs allocates the costs to each PAB based on the number of its members and audit firms in Ireland. In addition, any fine income received, or costs recouped are lodged to a statutory reserve fund and may be used only for enforcement purposes.

Enforcement against auditors and recognised accountancy bodies

IAASA has a range of powers to gather evidence. A person may be required to produce documentation or attend before the Authority to answer questions on oath. A person may also be required to give the Authority any other assistance, which that person is reasonably able to give, in connection with an investigation by the Authority.

Statutory auditors and audit firms

Under section 934 of the Companies Act 2014, IAASA can take enforcement action in response to a breach of RAB standards or a contravention of legislation.

Breach of RAB standards

Section 934 of the Companies Act 2014 sets out that IAASA may undertake investigations of possible breaches of a RAB's standards by a statutory auditor. IAASA may investigate such a suspected breach if it is of the opinion that it is appropriate or in the public interest to do so. If IAASA determines that a breach of a RAB's standards has occurred, IAASA may impose any sanction to which a statutory auditor would have been liable under the constitution and byelaws of the RAB.

Contravention of legislation

Section 934 of the Companies Act 2014 sets out that IAASA may undertake investigations of possible contraventions of legislation by a statutory auditor. If IAASA determines that there has been a contravention of legislation by a statutory auditor, sanctions may be imposed. Sanctions that may be imposed by the Authority include a temporary ban on a statutory auditor from carrying out statutory audits, a declaration that an audit report does not meet certain requirements, and financial sanctions.

Accountancy bodies

Under section 933 of the Companies Act 2014, IAASA may conduct enquiries into whether a PAB has complied with its approved investigation and disciplinary procedures and, where appropriate, impose sanctions. Also under section 933, IAASA may conduct enquiries into whether a RAB has complied with its statutory obligations. IAASA may also impose sanctions in relation to these enquiries.

More details on IAASA's Enforcement Unit are available on IAASA's [website](#).

IAASA's 2023 enforcement activity

During the year, IAASA continued to develop its processes and procedures in the conduct of investigations under section 934 of the Companies Act 2014.

Table B below summarises IAASA's enforcement activity in 2023. The table shows IAASA's investigations in relation to possible contraventions of legislation or breaches of a RAB's standards by a statutory auditor under section 934 of the Companies Act 2014 (section 934 investigations). The table also shows IAASA's enquiries under section 933 of the Companies Act 2014.

Table B: Enforcement Activity 2023

	Section 934 investigations	Section 933 enquiries
Open at 1 January	6	0
Opened during the year	0	1
Concluded during the year	6	(0)
Open at 31 December 2023	0	1

Chart G: Summary of Enforcement Activity 2023



The table above reflects the number of investigations relating to individuals and firms.

During the year, the Authority entered into six settlement agreements, in relation to section 934 investigations. A link to the text of the agreements is available on IAASA's [website](#). The Authority launched one enquiry under section 933 in 2023.

In 2023, the Authority also implemented its powers, for the first time, under section 934(2)(b) of the Companies Act 2014, to undertake an investigation concerning an audit which does not fall under the Authority's direct inspection regime, where the Authority is of the opinion that it is appropriate or in the public interest to do so. This resulted in the sanction of two audit partners.

International cooperation

As part of IAASA's belief that cooperating with international audit regulators is fundamental to its success, IAASA holds a position on the organising committee of the CEAOB Enforcement sub-group and the IFIAR's Enforcement Working Group. As a result of such involvement IAASA presents at virtual and in person workshops/conferences. In 2023 a number of presentations were made by IAASA, including at the IFIAR Enforcement Conference in London, an IFIAR enforcement presentation in Berlin and a CEAOB enforcement webinar. Such participation in workshops and webinars is vital to learn and share experiences in enforcement action, for example, IAASA's settlement process and procedures has received positive international interest.

2024 work programme priorities

The Authority intends to continue to progress the enquiry that was ongoing at the year end and further develop its policies and procedures. In 2024, the Authority will continue its enforcement activity, considering all matters referred to its Enforcement Unit and where appropriate performing enquiries and investigations.

At the start of 2024, a campaign was launched to appoint members to Committees of Full Investigation and/or Full Enquiry. If the Authority considers that there is a *prima facie* case following investigation and there is no prospect of settlement, the case may be referred to a Full Enquiry/Investigation Committee. The Authority will appoint an Enquiry/Investigation Committee to conduct a full enquiry/investigation on its behalf. The Committee will consist of three individuals and the majority of each committee shall not be members of a PAB.

IAASA will continue to actively participate in the international groups of regulators and support their activities by presenting at meetings and workshops.



Chapter 3

Functions performed by
the RABs



Introduction

This chapter summarises the activities of the RABs in performing the statutory functions assigned to them for the regulation of statutory auditors and audit firms as well as IAASA's oversight of third country auditors in Ireland. It also outlines the Authority's activities in its oversight of the RABs in 2023 and its 2024 work programme priorities.

Resources

At 31 December 2023, there was 1 senior manager, 3 regulatory supervisors and 2 administrative staff in IAASA's Regulatory and Monitoring Supervision Unit. The unit is overseen by IAASA's Head of Operations.

Funding

IAASA's Regulatory and Monitoring Supervision Unit is funded 60% by a statutory levy on the PABs and 40% by the Exchequer. The levy on the PABs allocates the costs to each PAB based on the number of its members and audit firms in Ireland. Further details about the 2023 levy and its allocation across the PABs are provided in IAASA's financial statements, which will be available on its website.

Functions performed by the recognised accountancy bodies

Overview

The Companies Act 2014 assigns the performance of certain functions in respect of statutory auditors and audit firms to the RABs subject to oversight by IAASA, namely:

- approvals and registration (including appropriate qualification)
- continuing education
- quality assurance reviews of statutory auditors and audit firms in relation to audits of entities that are not PIEs
- investigation and discipline

At 31 December 2023, there were three RABs recognised to undertake the above functions:

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

This chapter summarises the RABs' activities in relation to the functions delegated to them by the Authority in the four areas listed on the previous page.

IAASA has relied on the RABs to provide some of the information set out in this chapter and the information may be subject to variances due to the structure and operations of the three RABs.

The Profile of the Profession, published by IAASA, provides more detailed information on the RABs' performance of their functions and is available on IAASA's [website](#).

IAASA's oversight activities

Supervisory visits

IAASA undertakes supervisory visits to the RABs to assess the quality of their activities in performing their functions in respect of statutory audit. IAASA's supervisory visits focus on the functions performed by the RABs in respect of statutory auditors, assessing compliance with legal requirements and IAASA guidelines.

Following a supervisory visit, IAASA issues a report to the RAB setting out the matters identified during the visit and IAASA's recommendations. Findings are categorised using the RAY (red / amber / yellow) classification for significance of the finding, red being the most significant. IAASA liaises with the RAB throughout the process and considers any concerns the RAB has regarding its ability to implement IAASA's recommendations. RABs are required to implement the recommendations within 12 months and provide a report to IAASA outlining the implementation of recommendations. IAASA reviews this implementation report and considers whether it is appropriate to close the recommendation. Where a recommendation is not implemented appropriately, IAASA may take further action.

Engagement

On an annual basis IAASA reviews regulatory plans, annual returns, annual and regulatory reports and engages with RABs on these reports. IAASA continually engages with the RABs, in the form of meetings, roundtables and ad hoc communications.

On an ongoing basis, IAASA meets with each RAB to discuss matters including their compliance with legislative requirements, implementation of IAASA's guidelines and the implementation of IAASA's recommendations arising from supervisory visits or other regulatory engagement. IAASA reviews and approves changes proposed by RABs to their constitutional documents and provides feedback on guidance documents where relevant.

Referral to IAASA's Enforcement Unit

Where the Authority receives a complaint that indicates possible significant breaches of a RAB's investigation and disciplinary procedures, the matter is referred to the Authority's Enforcement Unit.

Functions performed by the recognised accountancy bodies during 2023

Approval and registration of statutory auditors and audit firms

The RABs may approve statutory auditors and audit firms in accordance with the Companies Act 2014. In 2023, IAASA issued guidelines for RABs on the approval and registration of statutory auditors and audit firms. These guidelines have an effective date of 1 June 2024.

At 31 December 2023, there were 1,169 audit firms registered to carry out statutory audits in Ireland (2022:1,266), with 1,942 individuals in those firms authorised to act as statutory auditors (2022: 2,049).

The number of audit firms registered to audit in Ireland has decreased by 8% in 2023 and the number of statutory auditors registered to audit in Ireland has decreased by 5%.

Table C below shows the movement in audit firms and statutory auditors during 2023.

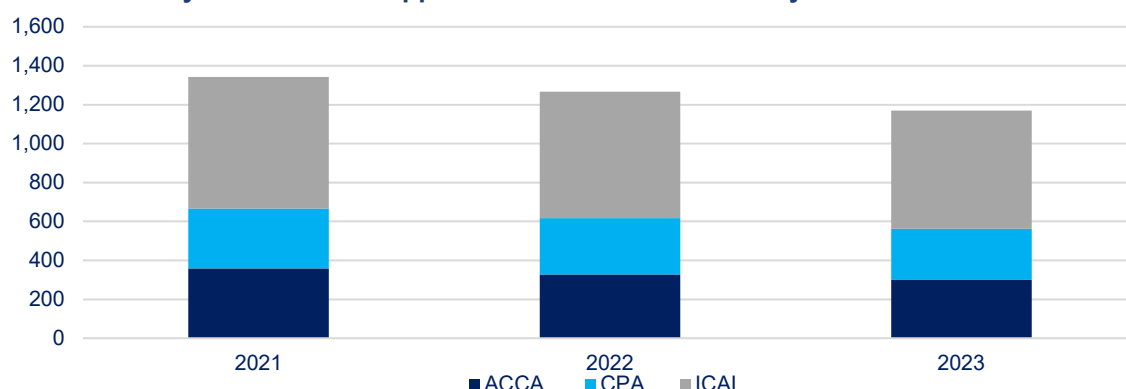
Table C: Movement in statutory audit firms and auditors in 2023

	Total	ACCA	CPA	ICAI
Audit firms registered to audit in Ireland at 1 January	1,266	328**	289	649
<i>During the year:</i>				
New applications granted	29	3	7	19
Applications not renewed or voluntarily surrendered	(124)	(36)	(29)	(59)
Registrations withdrawn	(3)	-	(2)	(1)
Other*	1	5	(2)	(2)
Audit firms registered to audit in Ireland at 31 December	1,169	300	263	606
- Of those, number with offices in Ireland at 31 December	997	267	263	467
Statutory auditors registered to audit in Ireland at 31 December	1,942	361	343	1,238
- Of those, number located in Ireland at 31 December	1,662	314	343	1,005

* data cleansing, movement in jurisdiction, deceased members

** amended opening balance

Chart H: Statutory Auditor Firms approved to audit in Ireland – 3 year review



Monitoring continuing education

Continuing education or continuing professional development (CPD) is the means by which a statutory auditor maintains and enhances their professional knowledge, skills and values.

IAASA issued guidelines for RABs for monitoring and enforcement of continuing education for statutory auditors and audit firms with an effective date of 1 January 2022. RABs monitor statutory auditors CPD on a cyclical basis as required by IAASA guidelines. The CPD review is often carried out simultaneously with the quality assurance review.

Table C below summarises the CPD reviews of auditors undertaken by the RABs during 2023

Table D: CPD records reviewed in 2023

	Total	ACCA	CPA	ICAI
CPD records reviewed in the year	766	157	411	198
Desktop reviews (risk based)	32	8	-	24
Desktop reviews (random)	14	-	14	-
On-site reviews	288	58	56	174
Other monitoring activities	432	91	341	-
CPD records that did not comply with CPD requirements after follow up action was taken	39	35	-	4
Of those, statutory auditors that were:				
<i>Subject to regulatory action</i>	35	35	-	-
<i>Subject to disciplinary action</i>	-	-	-	-

Quality assurance systems

RABs are required to operate a system of quality assurance review of statutory auditors and audit firms, with the exception of PIE audits, which are directly inspected by IAASA. RABs are required to undertake a quality assurance review of each statutory audit firm based on an analysis of risk, but at least once every six years. IAASA issued guidelines for RABs when performing the Quality Assurance function in respect of statutory auditors and audit firms with an effective date of 1 January 2023.

In 2023, the RABs concluded 235 quality assurance reviews of audit firms (2022: 205). Where deficiencies were identified, the RABs imposed conditions, restrictions or penalties on the statutory auditor or audit firm. These ranged from the requirement to provide additional information to the suspension of audit registration. 51 of the quality assurance reviews concluded in 2023, by the RABs, identified deficiencies that resulted in regulatory action being taken against the statutory auditor or audit firm (2022: 41).

In 2023, 39% of the quality assurance reviews required to be performed to meet the legislative cycle were non-compliant with the cycle requirements. Reasons provided by RABs for not meeting legislative cycle requirements include scheduling of visit, time taken to conclude visit and audit firms surrendering audit registration during the year.

Table E below summarises the RABs' quality assurance activities and results during the year.

Table E: Quality assurance in 2023

	Total	ACCA	CPA	ICAI
Quality assurance reviews concluded in the year	235	74	45	116
1. Good	28	5	9	14
2. Limited improvements required	144	56	22	66
3. Improvements required	26	9	10	7
4. Significant improvements required	37	4	4	29
Of the quality assurance reviews concluded in the year, those that resulted in regulatory action	51	4	14	33

Investigation and disciplinary systems

The Companies Act 2014 requires RABs to implement effective systems of investigations and penalties in relation to the inadequate execution of an audit. In 2021, IAASA issued guidelines for RABs when performing investigation and disciplinary (I&D) functions. These guidelines have an effective date of 1 January 2022.

In 2023, the RABs opened 53 new complaint cases concerning statutory auditors and audit firms (2022: 50). The nature of complaints varied and related to audit and non-audit work. The majority of

new complaints arose under the categories of an alleged breach of a body's code of ethics, rules or regulations and poor work, unsatisfactory professional service or conduct.

Table F below shows the complaints received, and closed, by the RABs relating to statutory auditors and audit firms in 2023.

Table F: Summary of Complaints 2023

	Total	ACCA	CPA	ICAI
New complaints received	53	14	10	29
Complaints closed	77	15	13	49
Complaints closed with adverse findings	15	1	8	6
Complaints closed with adverse findings and sanctions imposed	15	1	8	6
Average time taken to close a complaint (in months)		6	14	16

IAASA's oversight activities in 2023

Supervision framework

During 2023, IAASA continued its revised approach to supervising RABs. The process aligns resources with regulatory priorities and allows for improved consistency and efficiency of supervision. Draft guidelines for RABs when performing the approval and registration function in respect of statutory auditors and audit firms were circulated for consultation and final guidelines were issued during 2023. These approval and registration guidelines apply to RABs from 1 June 2024. Guidelines are now issued for RABs for their performance of all assigned functions for statutory auditors and audit firms.

2023 supervisory visits

In 2023, IAASA conducted reviews of the initial stages of a RAB's complaints process. Final reports were issued to two RABs in 2023 with a final report issuing to the third RAB early in 2024. IAASA issued seven amber findings and one yellow finding with recommendations across the three RABs. The Authority also commented on a number of areas of weakness for each RAB where there wasn't a specific case of non-compliance noted but where a process or constitutional document did not appear to be operating or drafted in a manner that ensures compliance with the requirements in the legislation, guidelines or the RABs' own standards.

The findings noted in the reports to the three RABs included incidents of non-compliance with legislation, IAASA guidelines and the RABs' own constitutional documents. The nature of the findings included, but was not limited to:

- issues regarding the accuracy and completeness of information provided to IAASA

- delays in progressing complaints
- issues with oversight of closing complaints
- breach of RAB policies
- not progressing complaint in line with byelaws
- byelaws not in line with process.

In addition to following up on the recommendations issued to each of the RABs, IAASA will use the findings to inform a review of the I&D Guidelines. This will take place after further aspects from the next stages of the I&D system are reviewed. This is planned for review in 2024.

In 2023, IAASA issued a written notice to a RAB in accordance with its powers under section 931(2) of the Companies Act.. The notice was issued where it was found that supervisory recommendations were not implemented as required from a previous visit. Further details are included [here](#).

Engagement

IAASA engages with RABs on an ongoing basis to monitor compliance with legislation and with IAASA guidelines. Additionally, IAASA discusses any other relevant regulatory matters with the RABs. Of note in 2023 was the CSRD; registration and approval guidelines; the implementation of quality assurance guidelines; the thematic review on further stages of the complaints process; and the issue of a section 931 notice.

Throughout 2023, IAASA hosted a number of roundtable meetings with attendees from RABs and the Department of Enterprise Trade and Employment ('DETE'). These meetings included discussion around the proposals in the CSRD and what was being transposed into Irish legislation. The transposition of the CSRD is expected in Irish legislation by summer 2024. As the transposition to Irish legislation is not yet complete, neither IAASA nor the RABs have the requisite powers to carry out any functions in regard to sustainability reporting and assurance. However, IAASA is of the view that, given the timelines involved, it is important for all stakeholders to be actively preparing for the implementation of the legislation. IAASA notes that it is likely that a number of statutory auditors will require approval to carry out assurance engagements on sustainability reporting during 2024, given that assurance work will likely commence in advance of the financial year end. To that end, IAASA wrote [a letter issued to CEOs of RABs](#) setting out IAASA's current expectations in relation to the approval of extant statutory auditors to carry out assurance engagements on sustainability reporting, referred to as Sustainability Assurance Service Providers (SASPs).

In 2022, IAASA conducted a thematic review on investigation and disciplinary systems across the six PABs which included the three RABs. The review focussed on the initial stages of the complaints process and covered the initial submission stage of a complaint through to the action available to the RAB when a complaint is determined to be admissible. In 2023, IAASA undertook a further thematic review on PABs' investigation and disciplinary systems. The review focused on the investigation and outcomes stages of the complaints process including disciplinary and appeals. Information was gathered from PABs by way of a questionnaire and responses were collated. Further information is available [here](#)

Some of the key observations from this thematic review are summarised below:



Investigations in three of the PABs are conducted by an independent committee and by members of the executive in the other three PABs.

The outcomes at the conclusion of an investigation vary but all PABs can offer consent orders, onward referral to an independent assessor or committee, or dismissal.

All PABs offer a review or appeal of the decision of the investigation, but the outcomes of the review or appeal vary.



The disciplinary and appeals processes are similar between PABs taking the form of a disciplinary committee hearing the complaint and determining the outcome, and if an appeal is received and permitted, an appeal committee hears the appeal.



There are differences in the rules for committee composition across the PABs.

Disciplinary and appeal hearings are mainly held virtually but can be held in person.

Disciplinary and appeal hearings are held in public with some exceptions.



All respondents can be represented by a lawyer or by another person at disciplinary and appeals hearings.



Where allegations are proven, all disciplinary and appeal committees have a range of sanctions available. Examples available to all PABs include expulsion, withdrawal of practising certificates, fines, and reprimands.

In general, PABs publish adverse outcomes of hearings.

The majority of PABs do not permit a member to resign while the disciplinary process is ongoing.



In November 2023, IAASA hosted a roundtable discussion with the three RABs in Ireland. One RAB provided a presentation of the use of immersive technology for training in the profession. DETE gave an update on company law and there were other presentations including topics such as the regulatory landscape, stakeholders, standards and policy, CSRD and other regulatory updates relevant to RABs.

Third country auditors

A third country auditor is an auditor who issues an audit opinion in relation to an entity not incorporated within the EU, which is listed on an EU regulated stock exchange. In Ireland, such auditors must make an application to register with IAASA, following which a detailed assessment is undertaken to ensure the auditor meets the relevant criteria. IAASA processes third country applications as they arise and processes renewals and any updates throughout the year.

During 2023, IAASA renewed the full registration of 11 (2022: 12) third country audit firms and registered one firm. The decrease relates to the removal of auditors who no longer hold a relevant

audit client. IAASA is also responsible for updating the register of third country auditors (available on the CRO website: www.cro.ie) for approved applications and notifying any other changes to the CRO.

IAASA also contributes to the CEAOB sub-group that assesses countries wishing to be deemed equivalent by the EU, and which makes a recommendation to the EU in that regard. In 2023, the group carried out an internal survey of third country audit registrations in the member states.

2024 work programme priorities

Supervisory visits

During 2024, IAASA intends to carry out three supervisory visits to RABs. The planned supervisory visits will focus on aspects from the RABs' investigation and disciplinary systems, including a review of outcomes of investigations such as consent orders and settlements, findings and orders, sanctions and publications and appeals.

IAASA will also review the RABs' implementation of recommendations arising from the licensing supervisory visits completed in 2022.

Engagement

In February 2024, members of Chartered Accountants Ireland and CPA Ireland voted in favour of a proposal to amalgamate the two Institutes. IAASA will work closely with the two Institutes to ensure the amalgamation and ongoing performance of regulating and monitoring members is maintained in line with legislation and IAASA guidelines.

IAASA will continue to oversee the RABs and their performance of functions under the Act. IAASA will also continue to host CSRD roundtable meetings with the RABs and DETE and will liaise with RABs regarding the implementation of legislation. IAASA will commence drafting and consulting on guidelines for SASPs.

IAASA will continue to engage with RABs on topics related to quality assurance (QA) and, to that end, in February 2024, IAASA hosted a joint QA workshop for QA inspectors in all RABs and in IAASA for discussion and information sharing on relevant themes arising in QA reviews.

IAASA intends to conduct a thematic review on regulatory governance in RABs, the results of which will influence the review and consultation of potential amendments to IAASA's General guidelines. IAASA intends to continue its stakeholder engagement through issuing publications on topics such as the complaints process and on the QA cycle.

IAASA will also continue its engagement with DETE, FRC and CRO on common matters affecting RABs.



Appendix

Appendix

IAASA's rating and grading policy

Ratings

Findings in relation to the effectiveness of a PIE firm's system of quality management have their significance indicated by way of a colour-coding system.

● **Red** indicates that a finding is a significant deficiency.

● **Amber** indicates that an improvement is required. This is a less than significant failure to:

- meet the requirements of the ethical standards and International Standard on Quality Management (Ireland) 1 (ISQM 1); or
- apply a firm's processes or procedures.

● **Yellow** indicates that a finding is a minor deficiency. This is:

- a minor failure in the application of a firm's procedures or processes; or
- a low level deficiency that has the potential to develop into a significant or less than significant failure to meet the requirements of the ethical standards and ISQM 1.

Grades

Each of the audits of PIEs inspected as part of the quality assurance review is assigned a grade.

- 1** A **1** grade is a good audit with no concerns regarding the sufficiency and quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Any concerns are very limited in their implications (both individually and collectively).
- 2** A **2** grade is an audit that requires limited improvements. There are only limited concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Although there may be some concerns, their implications (both individually and collectively) are limited.
- 3** A **3** grade is an audit that requires improvements. There are some concerns, assessed as less than significant, regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Although there may be concerns, their implications (both individually and collectively) are less than significant.
- 4** A **4** grade is an audit that requires significant improvements. There are significant concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. There may be concerns in other areas, with implications that are individually or collectively significant.



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