

2024

Consultation Paper
Proposal to Revise the Ethical
Standard for Auditors (Ireland)

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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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1. Summary

The purpose of this consultation is to obtain stakeholders' views on IAASA's proposal to revise the Ethical Standard for Auditors (Ireland). In line with IAASA policy, the revisions reflect recent changes to the corresponding Ethical Standard (UK) issued by the Financial Reporting Council (FRC), which in turn were primarily based on revisions to the IESBA¹ Code of Ethics for Professional Accountants. As detailed in Section 3.3 of this paper, several revisions have also been made to reflect changes to the IESBA Code since the Ethical Standard for Auditors (Ireland) was last updated, in areas where there are currently differences between the UK and Irish provisions.

The proposed effective date of the revised standard is for audits of financial statements for periods commencing on or after 15 December 2025, with early adoption permitted.

The main proposed changes to the standard are summarised in section 3 below and the proposed revised standard can be found [here](#).

2. Background

The Ethical Standard for Auditors (Ireland) is based on the Ethical Standard (UK), which has been developed by the FRC and is designed to follow the principles of the IESBA Code of Ethics.

IAASA's policy is to make minimal amendments to the UK standards. Amendments are considered where there is a conflict with Irish or EU law or where there are distinct differences between the Irish and UK markets which impact on the applicability of a standard in Ireland.

In August 2023, the FRC issued a consultation on proposed revisions to the UK Ethical Standard, details of which are available [here](#). The FRC issued a revised UK standard, feedback statement and summary of key changes in January 2024 (details of which are available [here](#)). IAASA has reviewed these changes in detail to assess whether they are appropriate for adoption in Ireland.

3. Overview of proposed revisions

3.1 Revisions

The substantive revisions to the Ethical Standard for Auditors (Ireland) which IAASA proposes to adopt are:

- Amendments to reflect changes to the IESBA Code of Ethics since the Irish standard was last revised in 2020. In particular, the strengthening of certain provisions relating to the provision of non-audit services (Section 3.3 refers). These revisions will align the Ethical Standard for Auditors (Ireland) with international ethical standards. They will also help to ensure that high standards of independence are applied consistently by Irish auditors.
- Updating of language to reflect the introduction of ISQM (Ireland) 1 and ISQM (Ireland) 2, as well as revisions to ISA (Ireland) 220.
- Simplification and clarification of the standard, including in relation to:

¹ The International Ethics Standards Board for Accountants (IESBA) is also a committee of IFAC.

- Reporting of breaches to competent authorities (paragraphs 1.21 – 1.25)
- Considering the perspective of an objective, reasonable and informed third party, for example, paragraphs 2.59 and 5.32
- Communication about the provision of non-audit services to public interest entities (PIEs) or other listed entities with those charged with governance (paragraph 5.29)
- Provision of additional examples, for example, in relation to internal audit services (paragraph 5.49) and information technology services (paragraphs 5.56 and 5.57)
- Enhanced restrictions on audit firms' reliance on fees from connected entities (paragraphs 4.33 – 4.42).
- New requirements on public disclosure of fee-related information for PIEs and listed entities (paragraphs 4.46 – 4.53).

We believe that these proposed revisions to the Ethical Standard (Ireland) will enhance audit quality and are appropriate for adoption in Ireland.

3.2 PIEs and listed entities

The definition of PIE in the Ethical Standard for Auditors (Ireland) is the same as that in Irish and EU law, i.e. transferrable securities admitted to trading on a regulated market, credit institutions, and insurance undertakings. Audits of PIEs are subject to additional ethical requirements set out in legislation, which are reflected in the standard. Consequently, IAASA intends to retain this definition of PIE in the Ethical Standard.

The IESBA Code sets out additional ethical requirements that apply to companies coming under the IESBA definition of PIE. In general, these requirements are less stringent than those required in Irish and EU law for PIEs. IESBA has recently amended its definition of PIEs to publicly traded entities, entities taking deposits from members of the public and those providing insurance services to members of the public. National standard setters are also encouraged to consider applying the additional ethical requirements to other classes of entities (e.g. pension funds and charities) where it is in the public interest.

The term 'listed entity' is used in the Irish standard to apply the additional 'IESBA PIE' requirements in the international code. A listed entity is currently defined in IAASA's Glossary of Terms as:

“An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body. This includes any entity in which the public can trade shares, stock or debt on the open market, such as those listed on the Irish/London Stock Exchanges (including those admitted to trading on the Alternative Investment Market and Euronext Growth) and ISDX Markets.”

Consequently, in Ireland, the additional (IESBA PIE) ethical provisions in the IESBA code apply to entities with a listing on a secondary market.

IAASA is now seeking respondents' views as to whether there are any other categories of entities for which the statutory audit should be subject to these additional requirements in the public interest, or whether there are any categories of entities that should be scoped out of this 'listed entity' definition. As the IAASA Glossary of Terms also applies to the auditing framework, any such changes would have to be considered in the context of the additional requirements for listed entities set out in the Irish auditing and quality management standards, such as the requirement in ISQM (Ireland) 1 for the audit of a listed entity to be subject to an engagement quality review.

3.3 Updates to the IESBA Code related to non-audit services

IESBA has made several revisions to the international code since the Ethical Standard for Auditors (Ireland) was last revised in 2020. These have been reflected in the proposed revisions to the Irish standard. They primarily relate to the extension of certain non-audit services requirements to apply to network firms, for example:

- Restriction of loan staff assignments (paragraph 2.36) by network firms and threats to independence are to be reduced to an acceptable level
- Restriction on contingent fees for the provision of non-audit services by network firms (paragraph 4.10)

3.4 Consideration of the Irish market and legislation

The FRC's revisions were reviewed in detail for potential conflicts with Irish or EU law or areas where there are distinct differences in the Irish market that would impact the applicability of the revised provisions here. Consequently, not all the recent amendments to the UK standard have been reflected in the exposure draft.

As part of our consultation in Section 4 below we are seeking respondents' views as to whether there are additional issues they wish to bring to IAASA's attention in these areas i.e. legal or market differences that may impact on the applicability of the proposed changes in Ireland.

4. Matters on which IAASA is consulting

Set out below are several matters on which IAASA is seeking views by 5pm on Friday 25 October 2024.

No.	Matter on which views are sought
1.	<p>Are there any proposed revisions to the Ethical Standard for Auditors (Ireland) that in your view conflict with Irish or EU law?</p> <p>If so, please:</p> <ul style="list-style-type: none">• Identify the relevant proposals and the relevant legal provisions• Give reasons for your view• Describe how you believe these matters should be addressed in the Ethical Standard for Auditors (Ireland)
2.	<p>Are there any areas where, in your view, there are distinct differences between the Irish and UK markets that would impact the applicability of the proposed amendments in Ireland?</p> <p>If so, please:</p> <ul style="list-style-type: none">• Give reasons for your view• Identify the market sectors, entities etc. in Ireland impacted by the proposed amendment• Describe how you believe these matters should be addressed in Ethical Standard for Auditors (Ireland)

3. Do you consider that there are any additional categories of entities for which it is in the public interest that the statutory audit should be subject to the additional requirements applying to listed entities?

If so, please:

- Identify the categories of entity
- Explain your reasoning, including why it is in the public interest that such entities should be subject to additional requirements in the Ethical Standard for Auditors (Ireland) and Irish auditing framework

4. Do you consider that there are existing categories of entities that should be excluded from the definition of 'listed entities'?

If so, please:

- Identify the categories of entity, including their nature, typical activities and approximate number
- Explain your reasoning as to why such entities should not be subject to additional requirements in the Ethical Standard for Auditors (Ireland) and Irish auditing framework

5. Are there any recent amendments to the UK Ethical Standard that have not been included in the exposure draft which, in your opinion, IAASA should consider adopting in Ireland?

6. Are there any additional amendments that, in your view, IAASA should consider when revising the Ethical Standard for Auditors (Ireland)?

7. Is the proposed effective date, i.e. for audits of financial statements for periods beginning on or after 15 December 2025, appropriate?

If not, please give reasons and indicate the effective date that you would consider appropriate.

5. Making your submission

IAASA invites comments on the proposed revision of the Ethical Standard for Auditors (Ireland). In particular, comments are sought on the matters set out in section 4.

Comments are most helpful if they:

- Respond directly to the question asked
- Provide a clear rationale for your position
- Provide evidence supporting your views
- Describe in detail any alternative options you wish IAASA to consider

Please submit your response using the response template available on this [link](#) or email your response to submissions@iaasa.ie by **5pm on Friday 25 October 2024**.

IAASA will consider all responses from identifiable individuals and organisations that are received by this deadline. IAASA may publish a feedback statement summarising the content of the responses. Responses may also be published in full or in part and attributed to respondents.



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