Responses Received Revision of the Ethical Standard for Auditors (Ireland)

IAASA
Irish Auditing & Accounting Supervisory Authority

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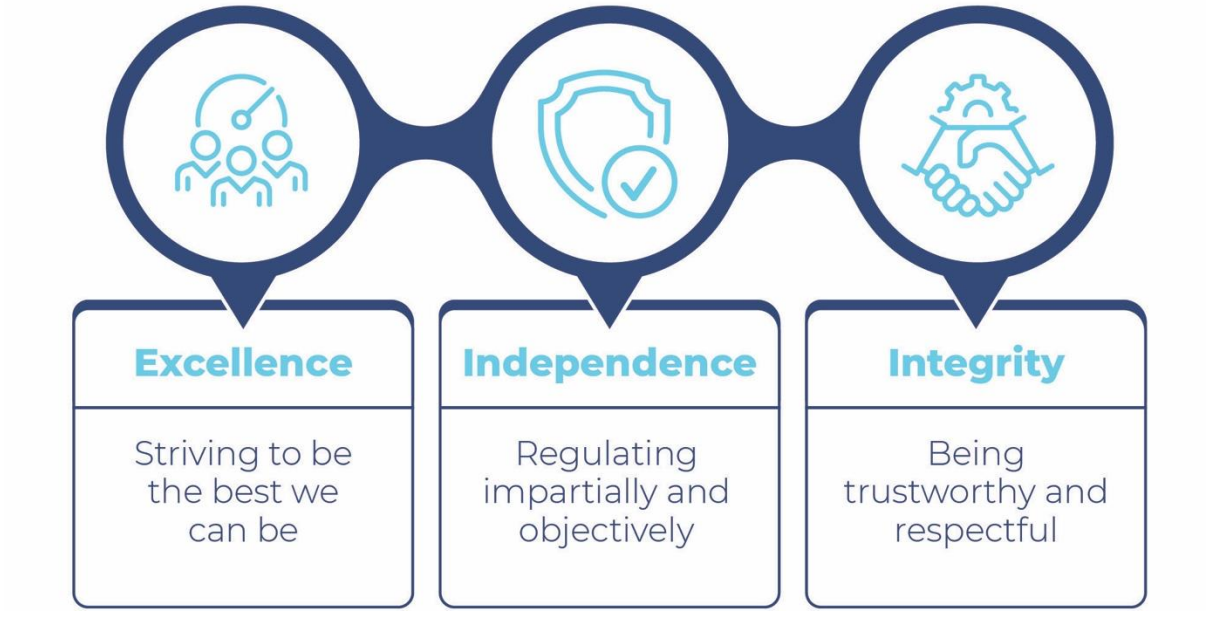
Vision
Public trust and confidence in quality auditing and accounting


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

Proposal to Revise the Ethical Standard for Auditors (Ireland)

A public consultation issued by IAASA

Comments from ACCA to IAASA

25 October 2024

Ref: TECH-CDR-2181

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of 252,500 members and 526,000 future members based in 180 countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in Accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that Accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities. And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation.

Find out more at accaglobal.com.

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

Mike Suffield

Director, Policy & Insights

Mike.Suffield@accaglobal.com

Antonis Diolas

Head of Audit and Assurance

Antonis.Diolas@accaglobal.com

GENERAL COMMENTS:

ACCA welcomes the opportunity to comment on the proposals issued by the IAASA. We are pleased to note that the proposed changes reflect significant developments in the International Ethics Standards Board for Accountants (IESBA) code since the IAASA last revised the Ethical Standard in 2020, helping to ensure that the Ethical Standard for Auditors (Ireland) as stringent as the IESBA code and the UK equivalent standard, revised in 2023.

We are generally supportive of the proposed revisions to the Ethical Standard for Auditors (Ireland). However, we have identified some areas of concern, and these are highlighted in our responses to the specific questions noted below.

In particular, we note that, without implementing the UK carve-out for listed entities whose securities are, in substance, not freely transferable or cannot be traded freely by the public or entity, the proposed Ethical Standard for Auditors (Ireland) suggests applying universally the stringent ethical requirements to all PIEs. This is likely to impact entities such as private equity funds, SPVs, or mutual structures that, while technically listed, are not truly accessible to or impacting the general public.

Additionally, when it comes to non-audit services smaller companies listed on less prominent markets or exchanges might now fall under the same level of scrutiny as larger public companies. This could increase compliance burdens for companies that do not pose the same level of public interest risk.

With respect to Fees, Remuneration and Evaluation Policies, Gifts and Hospitality, Litigation, we highlight significant concerns with the inclusion of “or a collection of entities with the same beneficial owner or controlling party” in paragraph 4.33 raised by our stakeholders.

Q1: Are there any proposed revisions to the Ethical Standard for Auditors (Ireland) that in your view conflict with Irish or EU law?

We did not identify any proposed revisions that are in conflict with Irish or EU Law to the best of our knowledge.

Q2: 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?

Yes, we find that there are distinct differences between the Irish and UK markets that would likely impact the applicability of the proposed amendments in Ireland.

Please see our responses to Q4,Q5 and Q6 for more information.

Q3: 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?

No, we rather consider that some categories should be excluded. See our responses to Q4 and Q6 for further information.

Q4: Do you consider that there are existing categories of entities that should be excluded from the definition of ‘listed entities’?

While the scope of entities classified as listed or PIEs might not change given that IAASA intends to retain its PIE and listed entity definitions in the Ethical Standard, the term ‘listed entity’ is used in the Irish Standard to apply the additional ‘IESBA PIE’ requirements in the

international code. Therefore, more entities will need to apply the more stringent ethical requirements such as those with a listing in secondary market.

We find that the Irish definition of listed entities is broader than the IESBA and UK definitions. We therefore suggest that that the Irish definition should be amended to include the UK carve out for a listed entity whose securities are in substance not freely transferable or cannot be traded freely by the public or entity for the following reasons:

- By excluding entities whose securities are not freely transferable or traded by the public, IAASA would limit the scope to entities with genuine public interest. This would for example exclude categories such as certain private equity funds, SPVs, or mutual structures that, while technically listed, are not truly accessible to or impacting the general public. This in turn will also help with avoiding the costs and administrative burden of applying these standards to entities with limited public accountability.

- This would further align the Irish definition to the UK and IESBA approaches promoting consistency with international practices. This alignment would also help auditors and entities that operate cross-border, offering consistency across jurisdictions, especially for those familiar with the narrower UK and IESBA definitions.

- We believe a carve-out based on the free transferability of securities is straightforward, avoiding the need for complex size or market cap thresholds while still achieving the goal of limiting the scope to entities with genuine public interest.

Q5: 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?

While we recognise that the rotation requirements followed in Ireland are in line with the EU audit regulations, we note that the UK Ethical Standard does include provisions with regards to partner rotation in paragraphs 3.13 to 3.15. These paragraphs provide reliefs in situations where an entity lists or there are significant changes permitting the engagement partner to continue in role, when other requirements of the standard would require rotation. We understand that it might be challenging to amend the IAASA Ethical Standard in this regard with respect to PIEs, however, we suggest that consideration should be given whether such reliefs should be provided for other listed entities.

Q6: Are there any additional amendments that, in your view, IAASA should consider when revising the Ethical Standard for Auditors (Ireland)?

Non-audit services

Smaller companies listed on less prominent markets or exchanges might now fall under the same level of scrutiny as larger public companies. This could increase compliance burdens for companies that do not pose the same level of public interest risk. While we support the alignment with the revision to the IESBA's Code in relation to non-audit services, we stress that the additional restrictions on non-audit services and the requirement for stricter auditor independence might not be as relevant or necessary for these entities, leading to questions about whether the revised standard should be more tailored to the specifics of the Irish market. Furthermore, we emphasise that the IESBA Code includes two important provisions that significantly reduce the cost of monitoring non-audit services that are not included in the IAASA ES as follows:

- The first provision pertains to unlisted audit clients where the IESBA Code only applies restrictions to the audited entity and its downstream controlled undertakings (rather

than to its affiliates / related entities). The relief is significant because it simplifies the process to identify upstream affiliates and sister entities to a great extent.

- The second provision relates to the reasonable conclusion exception outlined in R600.26, which offers relief from the prohibitions on non-audit services when the affiliates are not audited entities and where no self-review threat would arise. We note that a similar provision is also included in the US SEC rules.

Fees, Remuneration and Evaluation Policies, Gifts and Hospitality, Litigation

Our stakeholders have raised significant concerns regarding the inclusion of "or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)" as outlined in paragraph 4.33. We emphasise that this requirement would be challenging to implement, as it demands systems capable of linking groups of entities that are not defined as affiliates for the purpose of monitoring fee dependency. Given that such entities may not be audit clients, firms are unlikely to have the authority to obtain complete information in the absence of legislative support. This is also substantiated by the fact that the standard does not provide a definition for "beneficial owner" or "controlling party," and therefore is unclear how firms would put in place systems to capture such information accurately.

Q7: 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.

We find the effective date to be appropriate as it is important to provide sufficient time for implementation of the changes and at the same time ensure that the Ethical Standard is up to date with the IESBA Code's latest revisions, as well as with the revised Ethical Standard UK the soonest possible.

Chartered Accountants House
47–49 Pearse Street
Dublin 2, D02 YN40

Tel +353 1 637 7200
Email MembersServices@charteredaccountants.ie

www.charteredaccountants.ie

IAASA
Millennium Park
Naas

25 October 2024
Via email submissions@iaasa.ie

Proposal to Revise the Ethical Standard for Auditors (Ireland)

Dear IAASA

Chartered Accountants Ireland welcomes the opportunity to provide feedback to IAASA on the proposed Ethical Standard for auditors.

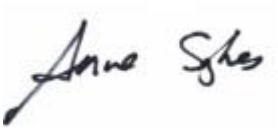
Our detailed responses to the questions posed are in the attached and we would like to highlight some key comments:

- We support changes to the auditing framework that aligns us with the international code and with the majority of EU countries.
- We note the addition of paragraph 3.20 disregarding gaps in service caused by periods of leave such as maternity or paternity leave for the purpose of calculation rotation periods and we welcome this development.
- We note the addition of tables in a number of places, e.g. 3.19 Rotation of partners and we welcome these as we believe that they add clarity.
- An additional bullet has been added to paragraph 1.60 indicating that in communicating to those charged with governance, the firm must provide detail on the 'significance of any breaches' in the period. In applying this requirement, if the guidance in the IESBA Code on determining the significance of a breach is the relevant guidance then we would ask for clarification of that fact, or if not that further guidance is included in the revised standard.
- In Section 4 Fees, Remuneration and Evaluation Policies, Gifts and Hospitality, Litigation, the insertion of "or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)" will be significantly problematic to operationalise as it will require firms to have systems with the capability to link groups of entities together to enable the monitoring for fee dependency purposes when those entities are not affiliates, under the definition, of each other. It will also be difficult to obtain complete information for the entities that are not audit clients given that there is no legislative provision that enables the firm to require the information. Also, no definition is included in the standard of beneficial owner or controlling party and a definition thereof is needed for firms to put in place systems to capture such information. Furthermore, we believe the costs of implementing this proposal will outweigh the benefits to the public interest.
- The consultation proposal asks if any proposed amendments conflict with local laws or market conditions. However, there is no impact analysis provided as part of the consultation in order to confidently assess this and we would welcome this as part of future consultations.

If you have any questions on the comments in this response, please do not hesitate to contact me at anne.sykes@charteredaccountants.ie or on + 353 1 6377 313.

Yours sincerely

Anne Sykes



Secretary Assurance and Audit Technical Committee

Chartered Accountants Ireland

No.	Matter on which views are sought	
1.	Are there any proposed revisions to the Ethical Standard for Auditors (Ireland) that in your view conflict with Irish or EU law? If so, please: • 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)	With respect to paragraph 5.29 (new), reproduced below for ease "5.29 Before providing non-audit services to an entity relevant to an engagement, an audit firm carrying out statutory audits of public interest entities or other listed entities (and where the audit firm belongs to a network, any member of such network) shall seek approval from those charged with governance. The audit firm shall discuss with those charged with governance the nature of the services to be provided, identified threats to independence and safeguards. The audit firm shall also communicate to those charged with governance whether the proposed non-audit services is compliant with this Ethical Standard." We understand the above insertion originates from the most recent IESBA Code changes for audit professionals. Whilst certain audit firms affiliated with international networks are members of IFAC, and therefore also apply the IESBA code, not all audit firms in Ireland are. Accordingly, we believe the incorporation of the pre-approval requirement would be onerous for certain firms. Additionally, given that the Irish definition of listed entity is broader than the UK and most other EU jurisdictions, the pre-approval requirement would extend to a wider group of entities and will put the Irish investment management market at a disadvantage compared to the UK investment management market in particular the securitisation and fund industry.

No.	Matter on which views are sought	
		We propose the following changes (strikethrough/additions in blue) to reduce the requirement of obtaining the concurrence of those charged with governance that the service is permissible as follows: "5.29 Before providing non-audit services to an entity relevant to an engagement, an audit firm carrying out statutory audits of public interest entities or other listed entities (~~and where the audit firm belongs to a network, any member of such network~~) shall seek approval from those charged with governance for non-audit services provided to the entity relevant to an engagement and affiliates. The audit firm shall discuss with those charged with governance the nature of the services to be provided, identified threats to independence and safeguards. The audit firm shall also communicate to those charged with governance whether the proposed non-audit services is compliant with this Ethical Standard." The proposed fee disclosure requirements would include fees to network firms which goes beyond the requirement of the Companies Act. While the proposed amendment aligns the Ethical Standard with the IESBA requirements, for those firms that are not members of IFAC, the additional requirements will be onerous requiring systems to capture that information and as it is not a legislative requirement is open to challenge by those changed with governance.
2.	Are there any areas where, in your view, there are distinct differences between the Irish and UK	In the case of a breach identified in the last bullet point in paragraph 2.9, firms would appear to be required to exclude partners from their assigned service

No.	Matter on which views are sought	
	markets that would impact the applicability of the proposed amendments in Ireland? If so, please: • 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)	line or office, relocate the partner and persons closely associated with them, move the engagement partner or resign from the audit engagement. We believe that this could have adverse impact on the quality of work and efficiency and does not best serve the public interest. "….In addition, in the case of a person, for the period referred to in supporting ethical provision A2.1D: • they are excluded from being a *covered person* for any engagements in relation to which the breach occurred; and • where the holding or transaction is not permitted in accordance with paragraph 2.4D(a), they are excluded from any role by virtue of which they would be operating in the **same office or business unit** as the engagement partner for the engagement in relation to which the breach arose, if they themselves are not the engagement partner. " As the Irish and UK markets differ in size this would have a bigger consequence in the Irish market than in the UK market (for example moving from financial services to manufacturing would give rise to significant quality challenges). We would suggest that ensuring that the individual is no longer a covered person with respect to the engagement would be sufficient to reduce the threat to an acceptable level within the context of the Irish market. At a minimum we would ask that it applies only to Directly Involved Covered Persons.

No.	Matter on which views are sought	
		Additionally, in the new wording on paragraph 5.29," other listed entity" is in italics which indicates a defined term. However, this is not defined in the glossary, and it is unclear how this applies to affiliates of such entities. The changes in paragraph 5.82 relating to tax services are also affected by this. To increase the consistency of the revision made in paragraph 5.32, we would suggest the changes as marked in blue below: 5.32 Matters to be documented include: • potential threats identified; • proposed safeguards adopted and why they are considered to be effective in responding to the specific potential threats identified; • any significant judgements concerning the potential threats and proposed safeguards; • where relevant, how the Objective and Reasonable Third Party Test was applied; and • communication with those charged with governance.
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?	We do not believe that there are currently any additional categories of entities that should be subject to the additional listed entity requirements under the proposed standard.

No.	Matter on which views are sought	
	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	We understand that the majority of other EU countries are not proposing to introduce the additional categories of PIE as suggested by IESBA and we believe we should endeavour to remain in alignment with the EU.
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	When an Irish entity is determined to be a listed entity, additional auditing requirements apply: • auditing standards require that an engagement quality reviewer is required to review the audit file in addition to the engagement partner. • International Standard on Auditing (Ireland) 701, Communicating Key Audit Matters in the Independent Auditor's Report applies in addition to ISA 700. • Additional rotation requirements apply. • Additionally, there are requirements under the IESBA Code to obtain pre-approval for non-audit services provided to any parent undertaking of the PIE and all controlled undertakings. Many firms apply additional internal procedures to ensure the quality of an audit conducted for an entity determined to be a public interest entity.

No.	Matter on which views are sought	
		All of these additional requirements and procedures add significantly to the cost of performing an audit. When an entity is listed and its shares or debt are widely held by members of the public there is a clear public interest that the auditor provides information to the members of the entity and that additional quality controls apply, as together with the annual financial statements it is likely one of the only opportunities to obtain an insight into the entity's financial health. However, many entities that are listed **are not actively traded**, are held exclusively by a small number of sophisticated investors and are often in vehicles that have been established for specific purposes and will unwind, generally automatically, in a specific timeframe. Equally there are entities that are listed where the shares or the debt are held entirely within a group (e.g. listings for tax purposes). It is fair to say that such entities do not have a public interest. The additional procedures and costs involved in completing an audit of these entities are often not justified by size of the entity or required by their stakeholders. The International Ethics Standards Board for Accountants (IESBA), *Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code,* are effective for audits of financial statements for periods beginning on or after 15 December 2024.

No.	Matter on which views are sought	
		The IESBA's PIE Definition standard introduces an overarching objective for additional independence requirements for entities that are public interest entities (PIEs), changes the extant Code's definition of PIE so that it now includes: - a publicly traded entity; - an entity one of whose main functions is to take deposits from the public; and - an entity one of whose main functions is to provide insurance to the public The revised Code encourages relevant local bodies responsible for standard setting to adopt this revised definition of PIE with refinements they deem necessary. The addition of deposit taking institutions and insurance undertakings broadly brings that part of revised definition in line with the EU Regulation definition of a PIE. In 2014 it was determined that that in Ireland credit unions would not be considered PIEs and we are of the view that the considerations set out in that determination remain valid. The revised Code defines publicly traded entity, as an entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange.

No.	Matter on which views are sought	
		The intention is to focus on entities where unsophisticated investors/members of the public have exposures, so that a risk-based approach is taken. The definition of Public Interest Entity in the EU Directive brings entities listed on a regulated market in scope. While implementation in many EU countries is under consideration, it is understood that most countries in the EU will continue to only consider entities defined by EU law as PIEs for the purposes of applying independence restrictions (e.g. Sweden, the Netherlands, Italy (although we understand they also have an intermediate regime that is not deemed a PIE). In Hungary, the EU definition is extended to certain other insurance undertakings based on a size criteria. In France, in addition to the EU PIE definition, our understanding is that the expectation is that only entities with a consolidated balance sheet of greater than €5 billion would be brought in scope. Similarly in Canada, the definition of listed entities excludes certain entities on the basis of market capitalization. While, in the US, listed entities only includes entities whose auditors are subject to the SEC issuer independence rules (i.e. entities listed on US stock markets/certain registered investment advisers and broker dealers). The UK have for many years excluded entities where the shares or debt in the listed entity are not in substance freely transferable or cannot be traded freely by the public or the entity (e.g. because the listing is a structural requirement for that entity and its shares, stock or debt are not traded, or because the consent of another party is required to trade in the shares, stock or debt).

No.	Matter on which views are sought	
		The impact of the carve out is significant from a cost perspective as these entities do not require additional procedures and the restrictions applying to the provision of non-audit services do not apply to the carved out entities. Therefore in conclusion, it appears that Ireland's definition of listed entity is broader than in most countries and that in increasing audit costs it reduces our international competitiveness and provides no benefits to the public interest. We would therefore recommend that IAASA adopt the publicly traded concept in the IESBA Code which is already incorporated within the UK definition of a listed entity. By including such entities in the Irish definition, the additional independence and quality control requirements apply to a wider group of entities and will put the Irish investment management market at a disadvantage compared to the UK investment management market in particular the securitisation and fund industry. Furthermore, and most importantly if the definition of a public interest entity includes entities which do not contain such interest, scarce resources that should be deployed to audits of entity financial statements with a public interest are deployed to where there is no such public interest. The result is a significant negative impact to the public interest.
5.	Are there any recent amendments to the UK Ethical	The FRC ES includes provisions with regard to partner rotation at 3.13 to 3.15,

No.	Matter on which views are sought	
	Standard that have not been included in the exposure draft which, in your opinion, IAASA should consider adopting in Ireland?	inclusive, that provide reliefs in situations where an entity lists or there are significant changes permitting the engagement partner to continue in role, when other requirements of the standard would require rotation. While we understand that there may be difficulties in amending the IAASA ES in this regard with respect to PIEs, we would ask that consideration be given to providing these reliefs for other listed entities.
6.	Are there any additional amendments that, in your view, IAASA should consider when revising the Ethical Standard for Auditors (Ireland)?	Paragraph 1.24 (reporting breaches to the Competent Authority) It is reasonable to infer that professional judgement will be required/relied upon in determining reasonable notice and the nature or seriousness of the breach. However, potential examples and guidance on the evaluation criteria in determining seriousness and what the Competent Authority would consider reasonable notice would be required in order to effectively apply this provision. Section 4 Fees, Remuneration and Evaluation Policies, Gifts and Hospitality, Litigation - In paragraph 4.33 the insertion of "or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)" will be significantly problematic to operationalise as it will require firms to have systems with the capability to link groups of entities together to enable the monitoring for fee dependency purposes when those entities are not affiliates, under the definition, of each other. It will also be difficult to

No.	Matter on which views are sought	
		obtain complete information for the entities that are not audit clients given that there is no legislative provision that enables the firm to require the information. Also, no definition is included in the standard of beneficial owner or controlling party and a definition thereof is needed for firms to put in place systems to capture such information. Furthermore, we believe the costs of implementing this proposal will outweigh the benefits to the public interest. - The proposed fee disclosure requirements in 4.49 reference related entities, should this reference be to affiliates? Section 5 Non-audit Services While the removal of the materiality qualifiers for certain services (for example tax and legal services) will align the restrictions to the IESBA Code, as noted earlier for firms that are not members of IFAC, the additional restriction will impose a burden on clients to obtain alternative service providers and consequent costs which would be unwarranted in the Irish marketplace. Equally the imposition of very significant prohibitions on corporate finance services will impact smaller clients and owner managed businesses in particular where it is usual in the Irish marketplace to rely on one service provider.

No.	Matter on which views are sought	
		The IESBA Code includes two important provisions that significantly reduce the cost of monitoring non-audit services that are not included in the IAASA ES as follows: - The first of these applies to unlisted audit clients where the IESBA Code only applies restrictions to the audited entity and its downstream controlled undertakings (rather than to its affiliates / related entities). The relief is important because it significantly reduces the process to identify upstream affiliates and sister entities. - The second is the reasonable to conclude exception relief set out in R600.26 which provides relief from the prohibitions on non-audit services in instances where the affiliates are not audited entities and where no self-review threat would arise. A similar provision is also contained in the US SEC rules. The table included in the ED at paragraph 1.46 is very helpful to users however we have noted the following provisions are missing. We recommend the following provisions are included for completeness: **PIE** 2.36 (b) (i) Loan Staff Assignments 3.13 Key Audit Partners and Engagement Partners- Joint Audit Arrangements 4.20 Fees- Disclosure of contingent fees in group engagements

No.	Matter on which views are sought	
		4.46 – 4.53 Public Disclosure of Fee-related Information for Public Interest Entities and Listed Entities **Listed** 3.13 Key Audit Partners and Engagement Partners- Joint Audit Arrangements 4.46 – 4.53 Public Disclosure of Fee-related Information for Public Interest Entities and Listed Entities
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.	While the 2025 implementation is generally reasonable we would note that if the beneficial owner amendments are implemented as currently drafted in section 4 this would give rise to significant implementation and operational issues for all firms.

Deloitte Ireland LLP
Deloitte & Touche House
29 Earlsfort Terrace
Dublin 2
D02 AY28
Ireland

Tel: +353 (1) 417 2200
Fax: +353 (1) 417 2300
Deloitte.ie

Kevin Prendergast
Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park,
Naas, Co Kildare
W91 C6KT

Email: submissions@iaasa.ie

25th October 2024

Dear Mr Prendergast,

Deloitte Ireland LLP welcomes the opportunity to respond to the Irish Auditing & Accounting Supervisory Authority's (IAASA) invitation to comment on the Ethical Standard for Auditors (Ireland) 2024 ("the standard").

We fully support IAASA in their overarching ambition in relation to the standard and alignment with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics. We believe that continued alignment by IAASA to the international requirements promotes consistency in application of the independence requirements both within and across audit firms.

While we are supportive of the overarching ambition, our key concern is that the scope of the standard is too broad as IAASA's definition of "listed entity" is broader than the definition set out by the Financial Reporting Council (FRC) and means the International IESBA provisions only intended to be applicable to publicly traded entities are applicable to listed entities which are not publicly traded. This poses a challenge in the Irish market given the significant number of these entities incorporated in Ireland. Further, it represents a divergence in definition from both the FRC definition and the IESBA code and the procedures required in light of the listed entity definition add an additional layer of complexity and onerous requirements on auditors. We have set out further considerations in relation to this matter in our response to question 4.

Deloitte.

We have set out below our detailed responses to the questions posed as part of the consultation. We are grateful for the opportunity to participate and share our views as part of this consultation period and would be happy to discuss any areas contained in this response as you consider your next steps. Please do not hesitate to contact me if you wish to discuss any of our responses.

Yours sincerely

Darren Griffin
National Professional Practice Director

Deloitte.

1. Are there any proposed revisions to the Ethical Standard for Auditors (Ireland) that in your view conflict with Irish or EU law?
If so, please:

- 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)

The proposed fee disclosure requirements at paragraphs 4.46- 4.53 "Public Disclosure of Fee-related Information for Public Interest Entities and Listed Entities" are inconsistent with the Companies Act 2014 however does not conflict with the requirements within the Companies Act.

2. 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? If so, please:

- 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) IAASA: Proposal to revise Ethical Standard for Auditors (Ireland) 5

In paragraph 4.33 "or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)" has been inserted to align with the FRC Ethical Standard. We believe to be able to fully assess the impact of such an amendment, we would need further guidance on how to implement this.

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

We do not believe 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.

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

In the updated Code effective for periods beginning on or after 15 December 2024, IESBA introduced an overarching objective for additional independence requirements for entities that are public interest entities (PIEs). The definition of a PIE per the Code now includes:

- a publicly traded entity;
- an entity one of whose main functions is to take deposits from the public; and
- an entity one of whose main functions is to provide insurance to the public

Deloitte.

The IESBA acknowledged that the proposed high-level mandatory PIE categories could scope in entities in whose financial condition the public interest is not significant. The IESBA's intention was to allow the relevant local bodies to tighten those high-level mandatory categories by making it clearer (a) which entities were intended to be included (by, for example, including references to local legislation or public stock exchanges), and (b) which entities were excluded that the Code would otherwise include.

In the UK, where the shares or debt in a listed entity are not in substance freely transferable or cannot be traded freely by the public or the entity, these entities have been excluded for many years from the definition of a public interest entity. The impact of this is significant from a cost perspective as these entities do not require additional procedures and the restrictions applying to the provision of non-audit services do not apply to these entities.

Further, excluding these entities from the PIE definition aligns with the IESBA's definition of a publicly traded entity whereby the Code defines a publicly traded entity as one that issues financial instruments which are transferable and traded through a publicly accessible market mechanism, including stock exchanges.

There is a clear public interest when an entity is publicly traded that the auditor provides information to the members of the entity and that additional quality controls apply in the provision of audit services as the annual financial statements are likely one of the only opportunities for investors to assess the overall financial well-being of the entity.

There are a significant number of entities within the Irish market that are listed but not actively traded, particularly in the investment management and the structured finance industries, with approximately 70% of the listed entities that we audit not being traded. These entities tend to be held exclusively by a small number of institutional investors, for example where an entity issues debt in the form of a profit participating note (PPN) which is privately negotiated between the company and a noteholder, these PPNs are listed on a secondary exchange and offered only to institutional investors. Further, these entities are often in vehicles that have been established for specific purposes (operating as an SPV) and will unwind in a specific timeframe. Equally there are entities that are listed where the shares or the debt are held entirely within a group (e.g. listings for tax compliance purposes whereby the entity is not actively traded).

The additional quality controls and costs associated with the additional procedures in the provision of audit services to these entities are often not justified by the size of the entity and the nature of the listing.

As Ireland's definition of listed entity is broader than that in the UK and doesn't align with the overall objective of IESBA to include additional provisions for PIEs with significant public interest in their financial condition, we would request that IAASA consider adopting the exclusions already adopted in the UK. Further, we recommend that the terminology remains as 'listed entity' as opposed to being updated to 'publicy traded entity' so that there is consistency with the auditing standards.

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?

Outside of the exposure draft, we understand that the FRC are due to issue an updated glossary soon to accompany its updated Ethical Standard. We would welcome an updated glossary to include definitions of terms used in the Exposure Draft which have not been defined including "other listed" at 5.29 and "controlling shareholder" at 5.70d.

Further, we will need definitions for the terms "beneficial owner" and "controlling party" to be able to properly implement the updates to 4.33 as outlined above.

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

Deloitte.

Paragraph 1.31 notes that "Where an entity becomes a controlled undertaking of a PIE… the auditor will be required to provide within their auditor's report a statement of independence." Guidance would be welcomed in relation to the expected wording to be included in the auditor's report in this specific circumstance given a statement of independence is included in all audit reports.

Paragraph 1.60 introduces an additional bullet point "the details and significance of any breaches of the Ethical Standard in the relevant period" are to be communicated to those charged with governance. Clarification would be welcomed if the expectation is to communicate breaches of the Ethical Standard in relation to each entity relevant to the engagement only as "any breaches" could be interpreted more broadly to mean any breaches within the firm in the relevant period.

The table included in the ED at 1.46 is very helpful to users however we have noted the following provisions detailed in the ED are missing from the table. We recommend the following provisions are included for completeness:

PIE
2.36 (b) (i) Loan Staff Assignments
3.13 Key Audit Partners and Engagement Partners- Joint Audit Arrangements
4.20 Fees- Disclosure of contingent fees in group engagements
4.46 – 4.53 Public Disclosure of Fee-related Information for Public Interest Entities and Listed Entities

Listed
3.13 Key Audit Partners and Engagement Partners- Joint Audit Arrangements
4.46 – 4.53 Public Disclosure of Fee-related Information for Public Interest Entities and Listed Entities

In line with the ISEBA code sections R610.5 and R610.6, we would recommend extending restrictions in relation to corporate finance services to network firms as this restriction applies at an international level so network firms will already be impacted by this.

We welcome the addition of the paragraph 3.20 and commend its practicality.

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

We are supportive of the proposed effective date for audits of financial statements for periods beginning on or after 15 December 2025 and understand that the dates at 1.74 and 1.75 will be updated to reflect 15 December 2025 as opposed to 15 December 2024.

Ernst & Young
Chartered Accountants
Harcourt Centre
Harcourt Street
Dublin 2
D02 YA40
Ireland

Tel: + 353 1 475 0555
ey.com

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

25 October 2024

By email

Dear Mr. Prendergast,

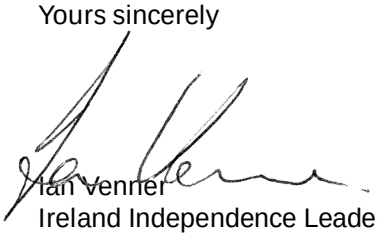
Proposal to Revise the Ethical Standard for Auditors (Ireland)

We are pleased to respond to your consultation paper with regard to the proposal to revise the Ethical Standard for Auditors (Ireland) (E.S.).

We are supportive of the proposal to adopt the revised standard.

We have responded to the specific questions set out in the consultation in the attached.

Yours sincerely



Ian Venner
Ireland Independence Leader and Ethics Partner

Building a better working world

1. Are there any proposed revisions to the Ethical Standard for Auditors (Ireland) that in our view conflict with Irish or EU law?

   If so, please:

   - 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)

There are no matters within the E.S. that we see as conflicting directly with Irish or EU law. However, the inclusion of the recent IESBA pre-approval requirement at reference within 5.29 is more onerous than the current requirements under the EU ARD as it captures a wider scope of entities. EY considers this places the Irish investment management market at a distinct disadvantage against the UK investment management market, specifically around the fund and securitisation industry. Further, the extension of the proposed fee disclosure to include fees to network firms exceeds the requirements under the Companies Act.

We would propose the following changes (strikethrough/additions in green bold) to minimise the obligations to obtain the concurrence of those charged with governance that the service is permissible as follows:

"5.29 Before providing non-audit services to an entity relevant to an engagement, an audit firm carrying out statutory audits of public interest entities ~~(and where the audit firm belongs to a network, any member of such network)~~ shall seek approval from those charged with governance **for non-audit services provided to the entity relevant to an engagement and affiliates.** The audit firm shall discuss with those charged with governance the nature of the services to be provided, identified threats to independence and safeguards. The audit firm shall also communicate to those charged with governance whether the proposed non-audit services is compliant with this Ethical Standard."

2. 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?

   If so, please:

   - 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)

The inclusion of the newly inserted bullet at paragraph 2.9 would suggest a requirement to exclude partners from their assigned service line or office, relocate a partner and persons closely associated with them, move the engagement partner or resign from the audit engagement. EY considers the inclusion of this bullet to have the potential to impact the quality of audits performed, be disruptive to the individual, firm and clients to a level disproportionate to the matter at hand and would not serve the public interest. Other safeguards can be identified which should both protect the public interest while minimising the potential disruption and quality issues above.

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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

In line with most EU member states, EY does not believe that supplementary categories of entities need to be subject to any additional listed entity requirements under the proposed standard.

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

EY recommends that IAASA adopts the publicly traded concept in the IESBA Code which is already incorporated within the UK definition of a listed entity. Ireland's current definition of listed entity is broader than in most countries.

EY believes that increasing audit costs due to additional auditing requirements, where there is limited or no real public interest, reduces our international competitiveness and provides no benefits to the broader public interest.

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?

EY appreciates the difficulties around amending the IAASA E.S. with respect to partner rotation. However, the inclusion of permitted relief when an entity lists or undergoes other significant change permits the engagement partner to continue in role as per FRC E.S. 3.13 to 3.15 would be a welcome inclusion to IAASA E.S.

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

Paragraph 1.24

Direction in respect to what might constitute 'reasonable notice' would be helpful along with potential examples and guidance in respect of evaluation criteria around reporting breaches to the Competent Authority.

Paragraph 1.46

The table included in the ED at paragraph 1.46 is helpful guidance, however, we note the provisions outlined below are missing. We recommend the following provisions are referenced in the table for completeness:

PIE

- 2.36 (b) (i) Loan Staff Assignments
- 3.13 Key Audit Partners and Engagement Partners- Joint Audit Arrangements
- 4.20 Fees- Disclosure of contingent fees in group engagements
- 4.46 – 4.53 Public Disclosure of Fee-related Information for Public Interest Entities and Listed Entities

Listed

- 3.13 Key Audit Partners and Engagement Partners- Joint Audit Arrangements
- 4.46 – 4.53 Public Disclosure of Fee-related Information for Public Interest Entities and Listed Entities

Paragraph 4.33

The insertion of "or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)" will be significantly difficult to execute. There is no legislative provision to obtain complete information for the entities that are not audit clients which will create a limitation around this requirement. EY would appreciate a definition of the term Beneficial Owner or Controlling Partner to help implementation. Consideration around the cost of execution versus the benefit to the public interest would be appreciated.

Paragraph 4.49

We suggest there should be a reference to 'affiliates' within the proposed fee disclosure requirements in 4.49 as opposed to "related entities".

Paragraphs 5.29 and 5.82

We suggest inclusion of the term 'other listed entity' currently presented in italics within paragraphs 5.29 and 5.82 in the Glossary of Terms.

Paragraph 5.32

To enhance the revisions made in 5.32, we would encourage the following further amendments in green bold text:

> "5.32 Matters to be documented include:
>
> - potential threats identified;
> - proposed safeguards adopted and why they are considered to be effective in responding to the specific potential threats identified;
> - any significant judgements concerning the potential threats and proposed safeguards;
> - where relevant, how the Objective and Reasonable Third Party Test was applied; and
> - communication with those charged with governance."

Finally, the IESBA Code documents two important provisions that significantly diminishes the cost of monitoring non-audit services that are not included in the IAASA ES as follows:

- The first relates to unlisted audit clients where the IESBA Code only applies restrictions to the audited entity and its downstream controlled undertakings (rather than to its affiliates / related entities). This distinction is critical because it significantly decreases the process to identify upstream affiliates and sister entities.
- The second is the reasonable to conclude exception relief set out in R600.26 which provides relief from the prohibitions on non-audit services in instances where the affiliates are not audited entities and where no self-review threat would arise. A similar provision is also contained in the US SEC rules.

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.

While the 2025 implementation date is generally reasonable, we would note that if the beneficial owner amendments are implemented as currently drafted in section 4 this would give rise to significant implementation and operational issues.

25 October 2024

Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park,
Naas, Co Kildare
W91 C6KT

Submitted by email to submissions@iaasa.ie

Re: **Irish Debt Securities Association's Response to IAASA's Consultation Paper - Proposal to Revise the Ethical Standard for Auditors (Ireland)**

Dear Sir,

I refer to the above mentioned consultation paper and while trying to respond via the template, the text box for Q4 wouldn't accept the complete response to that question, so we included the response in two sections, one in the text box for Q4 and the remainder in the text box for Q5 and for completeness we include the complete response to Q4 below.

Q4. 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*

IDSA response:

In the updated IESBA Code effective for periods beginning on or after 15 December 2024, IESBA introduced an overarching objective for additional independence requirements for entities that are public interest entities (PIEs). The definition of a PIE per the Code now includes:

- a publicly traded entity;
- an entity one of whose main functions is to take deposits from the public; and
- an entity one of whose main functions is to provide insurance to the public

The IESBA acknowledged that the proposed high-level mandatory PIE categories could scope in entities in whose financial condition the public interest is not significant. The IESBA's intention was to allow the relevant local bodies to tighten those high-level mandatory categories by making it clearer (a) which entities were intended to be included (by, for example, including references to local legislation or public stock exchanges), and (b) which entities were excluded that the Code would otherwise include.

The IAASA Glossary of terms defines listed entities as:

Listed entity—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.

The current definition of a Listed Entity is not consistent with the FRC's definition of a Publicly Traded Entity.

When an Irish entity is classified as a listed entity, it must adhere to additional auditing and independence requirements. These include the following:

- Auditing standards require the involvement of an engagement quality reviewer alongside the engagement partner.
- International Standard on Auditing (Ireland) 701, Communicating Key Audit Matters in the Independent Auditor's Report, applies in addition to ISA 700.
- Furthermore, the IESBA Code mandates obtaining concurrence from TCWG that non-assurance services provided to any direct or indirect controlling undertaking of the PIE and all controlled undertakings are permissible.

The current definition of Listed Entities necessitates significant additional auditing and independence resources, yet it offers no added benefit to the public interest. When determining what entities should be considered under the definition of listed entities, it is important to consider the purpose of the listing and its wider impact on, or relevance to the public interest.

Certain entities can have significant impact and influence on markets and commerce, but also on wider society. Most often these entities will have their shares listed on a main market stock exchange and rely on capital funding/liquidity from the public in order to operate effectively. Such entities will always be of significant public focus because of the nature of the business, size of their operations and/or number of employees, each of which are key parameters when defining such entities. These entities are and should be exposed to increased regulatory and quality scrutiny due to their significant impact on the public interest.

Classification as listed entities per the IAASA definition, brings advantages but also significant challenges. It can enhance an entity's credibility, signalling to investors and the wider public that additional regulations and quality requirements driven by the relevant regulatory bodies are adhered to, and that the entity is subject to the appropriate level of scrutiny. These levels of scrutiny and compliance are fundamental for entities which are considered to have an impact on the public interest.

Certain Listed entities that fall under the current definition currently face a higher than necessary regulatory burden. This increased scrutiny and compliance brings with it often unnecessary complexity which comes at a cost to the investor. This is the case for entities with a very specific and pre-defined purpose, for which accessing capital finance through public funding is not the reason for their listing status. (e.g. special purpose vehicles ("SPVs") listed for tax efficiency purposes). The inclusion of entities such as these within the Listed Entities definition does not add value to the investors and users of the accounts and the related audit reports, primarily because the information generated by the stock exchanges for such entities (e.g. published price of the listed debt) is not used for the purpose of determining a price or value of the entity.

As mentioned above, SPVs with listed debt are an example of entities which we believe are unnecessarily captured within the definition of Listed Entities. Given the limited recourse nature of such vehicles, bankruptcy remote basis as well as the management structure (with the majority of entities being administered by third parties on an auto pilot / pre-determined basis, along with a large number of internal securitisations where the notes issued are held by the originator), it is difficult to understand or point to what, if any positive impact these additional compliance and quality requirements achieve, hence is unlikely that they add value to the users of the financial statements but results in an increased cost to the investors. At the date of this submission there are almost 900 entities with debt listed on the Euronext Dublin Global Exchange Market ("GEM").

It is crucial that Ireland remains competitive in the European capital markets. Inconsistency and misalignment with other jurisdictions should be avoided where possible. By focusing and refining the definition of Listed Entities, this will ensure the appropriate level of resource and scrutiny is deployed in the rights areas of the market to ensure investor confidence in Ireland as a jurisdiction which is rigorous in terms of quality, but pragmatic in its scope.

In our opinion the Listed Entities definition should be limited to entities whose instruments are available to the public and where they are transferable securities admitted to and actively traded by the public.

IAASA has historically sought alignment with the FRC. We recommend that the definition of Listed Entities be aligned with the FRC's definition, including only those entities whose transferable securities are publicly available and actively traded on a regulated or recognized stock exchange, such as those listed on Euronext Dublin (Main Market). It should exclude

entities whose quoted or listed shares, stock, or debt are not freely transferable or cannot be freely traded by the public or the entity (e.g., due to structural listing requirements or the need for another party's consent to trade). We believe aligning these definitions is in the public interest to prevent the unnecessary allocation of resources to entities that do not impact the wider public interest.

For clarity, we have not commented on the definition of term Public Interest Entity which is used and defined in EU legislation (as implemented in Ireland in the Companies Act 2014).

Yours sincerely,

GARY PALMER
Chief Executive
Irish Debt Securities Association
26 Lower Baggot St
Dublin 2

Irish Funds Response to IAASA's Proposal to Revise the Ethical Standard for Auditors (Ireland)

25 October 2024

Introduction

The Irish Funds Industry Association (Irish Funds) is the representative body for the international investment funds industry in Ireland. Our members include fund managers, fund administrators, transfer agents, depositaries, professional advisory firms, and other specialist firms involved in the international fund services industry in Ireland. By enabling global investment managers to deploy capital around the world for the benefit of internationally based investors, we support saving and investing across economies. Ireland is a leading location in Europe and globally for the domiciling and administration of investment funds. The funds industry employs over 19,500 professionals across every county in Ireland, with almost 37,500 of a total employment impact right across the country[1] and provide services to almost 8,900 Irish regulated investment funds with assets of EUR 4.4 trillion[2].

The recent IAASA Consultation Paper “Proposal to Revise the Ethical Standard for Auditors (Ireland),” is welcomed in relation to the opportunity for the definition of a Listed Entity per IAASA to be aligned with others, specifically those set out by accounting standard setters, the Financial Reporting Council (FRC).

The following response specifically relates to question 4 of the above-mentioned consultation.

1 Assessment of the impact of the Funds & Asset Management Industry on the Irish Economy, Indecon, 2024
2 Central Bank of Ireland, June 2024.

Question 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

The IAASA Glossary of terms defines listed entities as:

Listed entity—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.

The current definition of a Listed Entity is not consistent with the FRC's definition of a Publicly Traded Entity.

When an Irish entity is classified as a listed entity, it must adhere to additional auditing and independence requirements. These include the following:

- Auditing standards require the involvement of an engagement quality reviewer alongside the engagement partner.
- International Standard on Auditing (Ireland) 701, Communicating Key Audit Matters in the Independent Auditor's Report, applies in addition to ISA 700.
- Furthermore, the IESBA Code mandates obtaining concurrence from TCWG that non-assurance services provided to any direct or indirect controlling undertaking of the PIE and all controlled undertakings are permissible.

The current definition of Listed Entities necessitates significant additional auditing and independence resources, yet the added benefits to the public interest are limited, if any. When determining what entities should be considered under the definition of listed entities, it is important to consider the purpose of the listing and its wider impact on, or relevance to the public interest.

Certain entities can have significant impact and influence on markets and commerce, but also on wider society. Most often these entities will have their shares listed on a main market stock exchange and rely on capital funding/liquidity from the public in order to operate effectively. Such entities will always be of significant public focus because of the nature of the business, size of their operations and/or number of employees, each of which are key parameters when defining such entities. These entities are and should be exposed to increased regulatory and quality scrutiny due to their significant impact on the public interest.

Classification as listed entities per the IAASA definition brings advantages but also significant challenges. It can enhance an entity's credibility, signaling to investors and the wider public that additional regulations and quality requirements driven by the relevant regulatory bodies are adhered to,

and that the entity is subject to the appropriate level of scrutiny. These levels of scrutiny and compliance are fundamental for entities which are considered to have an impact on the public interest.

Certain Listed entities that fall under the current definition currently face a higher than necessary regulatory burden. This increased scrutiny and compliance brings with it often unnecessary complexity which comes at a cost to the investor. This is the case for entities with a specific and pre-defined purpose, for which accessing capital finance through public funding is not the reason for their listing status. (e.g., funds established with its shares listed for tax /efficiency purposes).
The inclusion of funds such as these within the Listed Entities definition does not add value to the investors and users of the accounts and the related audit reports, primarily because the information generated by the stock exchanges for such entities (e.g. published price) is not used for the purpose of determining a price or value of the entity.

There are many open-ended funds which have their shares listed for tax/distribution purposes in which investors subscribe and redeem at the NAV per share (as opposed to the stock exchange share price), unlike an ETF which operates intra-day share pricing and is actively traded on an exchange.

In our view, due to the fact that these entities would not be admitted and actively traded on the relevant stock exchange, we do not believe it is appropriate to include these entities within the definition of Listed Entities. Ultimately, there is no rationale for imposing greater regulatory and compliance burden on funds which are listed but traded and operated in the same manner as unlisted funds. Many of these funds are already subject to existing regulatory requirements (i.e., UCITS Regulations) which already have substantial investor protections and disclosure requirements to investors in place. The inclusion of these funds within the definition of Listed Entities is unlikely to add value to the investors of these entities.

It is crucial that Ireland remains competitive in the European capital markets. Inconsistency and misalignment with other jurisdictions should be avoided where possible. By focusing and refining the definition of Listed Entities, this will ensure the appropriate level of resource and scrutiny is deployed in the rights areas of the market to ensure investor confidence in Ireland as a jurisdiction which is rigorous in terms of quality, but pragmatic in its scope.

In our opinion the Listed Entities definition should be limited to entities whose instruments are available to the public and where they are transferable securities admitted to and actively traded by the public.

IAASA has historically sought alignment with the FRC. We recommend that the definition of Listed Entities be aligned with the FRC's definition, including only those entities whose transferable securities are publicly available and actively traded on a regulated or recognized stock exchange, such as those listed on Euronext Dublin (Main Market). It should exclude entities whose quoted or listed shares, stock, or debt are not freely transferable or cannot be freely traded by the public or the entity (e.g., due to structural listing requirements or the need for another party's consent to trade).
We believe aligning these definitions is in the public interest to prevent the unnecessary allocation of resources to entities that do not impact the wider public interest.

For clarity, we have not commented on the definition of term Public Interest Entity which is used and defined in EU legislation (as implemented in Ireland in the Companies Act 2014).

Disclaimer:

The material contained in this document is for general information and reference purposes only and is not intended to provide legal, tax, accounting, investment, financial or other professional advice on any matter, and is not to be used as such. Further, this document is not intended to be, and should not be taken as, a definitive statement of either industry views or operational practice or otherwise. The contents of this document may not be comprehensive or up-to-date, and neither IF, nor any of its member firms, shall be responsible for updating any information contained within this document.

KPMG

Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Telephone +353 1 410 1000
Fax +353 1 412 1122
Internet www.kpmg.ie

Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park
Naas
Co. Kildare
Ireland

24 October 2024

By email to: submissions@iaasa.ie

Dear Mr. Prendergast

Proposal to revise the Ethical Standard for Auditors (Ireland)

We welcome the opportunity to comment on IAASA's proposal to revise the *Ethical Standard for Auditors (Ireland).* We have responded below to certain specific questions from the consultation paper. In relation to all other questions in the consultation paper the Firm contributed to Chartered Accountants Ireland's response to the consultation paper, and we support that response.

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*

The IAASA Glossary of Terms defines listed entities as:
Listed entity—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.

This definition of a Listed Entity is currently not aligned with the FRC's definition of a Listed Entity or IESBA's definition of a Publicly Traded Entity. The FRC's definition excludes "*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*". IESBA's definition of a Publicly Traded Entity is defined as "*an entity that issues financial instruments that are transferable and traded through a publicly accessible market mechanism, including through listing on a stock exchange*". In both instances, the definitions aim to capture entities that are traded by the public, because those are the entities that have a public interest. In contrast, entities that are listed but not traded by the public do not have a public interest.

When an Irish entity is determined to be a listed entity, additional auditing and independence requirements apply:

- auditing standards mandate the involvement of an engagement quality reviewer in addition to the engagement partner.
- *International Standard on Auditing (Ireland) 701, Communicating Key Audit Matters in the Independent Auditor's Report* applies in addition to ISA (Ireland) 700.
- additionally, there are requirements under the IESBA Code to obtain concurrence from TCWG that non-assurance services that may be provided to any direct or indirect controlling undertaking of the PIE and all controlled undertakings are permissible.

Under the current definition listed entities that are not publicly traded face a higher than necessary regulatory burden. The increased independence requirement brings with it unnecessary complexity which comes at a cost to such entities and their shareholder(s).

This is particularly so for entities with a very specific and pre-defined purpose, for which accessing capital finance through public funding is not the reason for their listing status. (e.g. entities with debt listed for regulatory purposes but which is not traded by the public). The inclusion of entities such as these within the Listed Entity definition does not; protect the public interest, add value to the investors or users of financial statements and related audit reports. Rather treating such entities as having a public interest may harm the public interest because scarce resources are spread across a larger population of entities than is necessary.

It is crucial that Ireland remains competitive in the European capital markets. Inconsistency and misalignment with other jurisdictions should be avoided where possible. By focusing and refining the definition of Listed Entity, this will ensure the appropriate level of resource and scrutiny is deployed in the right areas of the market to ensure investor confidence in Ireland as a jurisdiction which is rigorous in terms of quality, and consistent with international norms.

IAASA have in the past sought consistency with the FRC. We recommend that the Listed Entity definition in the Glossary of Terms should be aligned to the FRC's definition to exclude 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 (e.g. because the listing is a structural requirement for that entity and its shares, stock or debt are not traded, or because the consent of another party is required to trade in the shares, stock or debt). We believe it is in the public interest to align these definitions in order to avoid the unnecessary deployment of resources to entities which have no impact on the wider public interest.

For clarity, we are not suggesting a change to the definition of term Public Interest Entity which is used and defined in EU legislation (as implemented in Ireland in the Companies Act 2014).

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

In paragraph 4.33 the insertion of "or a collection of entities with the same beneficial owner or controlling party (which is not a corporate holding entity)" will pose significant difficulty to operationalise. This new requirement will require the Firm to implement a system with the capability to link groups of entities together to enable the monitoring for fee dependency required by the proposed standard. However, no such system exists in the marketplace at present.

We also anticipate significant difficulty in obtaining complete information for entities that are not audit clients given that there is no legislative provision that enables the Firm to require the information needed to comply with this proposed requirement.

No definition is included in the standard of beneficial owner or controlling party, and a definition thereof is needed for the Firm to obtain or build a system to capture the data needed to comply with this proposed requirement.

Finally, we believe the proposal is disproportionate and does not create benefit to the public interest.

Should you wish to discuss any aspect of our response further, please do not hesitate to contact us.

Yours sincerely

Daniel O' Donovan
Head of DPP Audit & Assurance

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

25 October 2024

Consultation Paper - Proposal to Revise the Ethical Standard for Auditors (Ireland) 2024

Dear Kevin,

We welcome the opportunity to respond to the above consultation.

We concur with IAASA's objectives of updating the existing standard for changes to the IESBA Code, ensuring consistency of terminology with other standards/guidance and maintaining close alignment with FRC standards, to the extent possible.

Our detailed responses to the consultation questions are set out as follows:

Question 1

Are there any proposed revisions to the Ethical Standard for Auditors (Ireland) that in your view conflict with Irish or EU law?

If so, please:

- 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)

We are not aware of any conflicts between the revisions and Irish or EU law.

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1, D01 X9R7, Ireland
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.ie

Question 2

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?

If so, please:

• 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)

Other than outlined in our responses to Question 3 and Question 4 we don't believe there are distinct differences between the Irish and UK markets that would impact the applicability of the proposed amendments in Ireland.

Question 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

We do not 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.

As context for our response to this question, we note that the origin of the additional requirements applicable to "listed entities" dates back to the amendment of the ethical standard following the implementation of Directive 2014/56/EU which amended Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and the associated Regulation 537/2014 ("Audit Directive and Regulations"). Prior to the implementation of the Audit Directive and Regulations there was no concept of Public Interest Entity (PIE) in the ethical standard however additional ethical requirements did apply to listed entities.

The key reason for retaining the additional requirements for listed entities was to ensure that the more stringent ethical requirements for audits of such listed entities that did not fall within the definition of PIE would continue to apply after the implementation of the revised standard.

As stated in the consultation paper, the current definition of PIE in the extant Ethical Standard is the same as that set out in both Irish and EU law.

We note that the question of whether Ireland should include further entity types as PIEs under local legislation was last considered in Ireland at the time of implementation of the Audit Directive and Regulations, at which time a consultation was undertaken that was widely responded to and a decision was taken not to extend the PIE definition in Ireland beyond that of the EU definition. We

are of the view that there has not been significant change in the nature of entities operating in Ireland or industries in which they operate, in the intervening period, that would warrant the additional requirements that apply to listed entities being extended to other entity types in the public interest.

Question 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

We note that this definition applies the additional requirements to a broad range of entities beyond what was originally envisaged when the FRC ethical standard was revised to reflect changes resulting from the implementation of the Audit Directive and Regulation. A key difference between the definition of listed entity in the IAASA ethical standard and the FRC ethical standard is that the FRC definition of listed entity excludes entities whose securities are technically listed but which are not in substance freely transferable.

Under the extant Irish ethical standard, certain types of entities are differentiated as being "in the public interest" purely by the fact that an entity has a technical listing notwithstanding the fact that the entity in substance does not have the characteristics of a public interest entity as this technical listing does not permit the trading of the entities' shares, stocks or debt by the public or any other party. This results in these entities being subject to more onerous ethical requirements than would apply in other jurisdictions including the UK or the US. These entities fall into two broad categories as set out below.

1. *Collective investment vehicles ("CIVs") that are listed on stock exchanges that are not EU regulated and where no actual trading takes place or can take place as there is no trading facility associated with that listing type.*

CIVs include a very wide range of investment funds and vehicles serving different purposes and are aimed at different investor groups. In some cases CIVs have very few investors or stakeholders.

The IESBA Code sets down the following factors to consider in evaluating the extent of public interest in the financial condition of an entity:

• The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business.

• Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.

• Size of the entity.

• The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.

• Number and nature of stakeholders including investors, customers, creditors and employees.

• The potential systemic impact on other sectors and the economy as a whole in the event of

financial failure of the entity.

CIVs are subject to strong consumer and investor protection laws and European regulations (e.g. MIFID, UCITS, AIFMD) to ensure the CIV is sold to an investor who is "suitable" (per MIFID criteria). Regulators have set minimum investor information requirements for such CIVs. Such requirements always include information about the investment strategy to be followed, the performance track record and associated risks and the level of fees. CIVs may offer frequent opportunities to buy and sell the CIV investment at a price reflecting the value of the CIV. The liquidity required to facilitate this activity can only be achieved in one of two ways as described below.

a. Subscription-redemption process

Investments in open ended CIVs (other than Exchange Traded Funds ("ETFs)" which are publicly traded) take place through subscriptions and redemption (the "S/R") placed directly by the investors with the CIV. The CIV accepts such S/R provided the terms of the prospectus are met (nature of the investor, size of the transaction, impact on the liquidity of the CIV in case of redemptions). Although this process is described in the prospectus of the CIV, the S/R does not constitute a trading mechanism as investors lodge their transaction requests individually with the CIV like any customer would with its provider. Such transactions are subject to consumer protection laws and regulation (MIFID, UCITS, AIFMD) and not trader protection provisions set out in stock exchange laws and regulations.

In practice, S/R do not take place directly with the CIV but via a network of distributors (banks, financial intermediaries) who collect the S/R instructions from investors and ensure the related proceeds reach the CIV in exchange for a transfer of securities issued/redeemed by the CIV.

This market infrastructure of distributors cannot qualify as an organized market as it only collects S/R instructions from investors and transfers them to the CIV for execution, distributors do not execute transactions themselves.

In particular,

- they do not define the price of the transactions as the Net Asset Value per security to be used will only be known after the S/R instructions have been processed by the CIV and the Net Asset Value is calculated by the CIV;
- they do not have the authority to strike a transaction as it is the role of the Board of the CIV or its manager (Investment Advisor, General Partner, legal representative); and
- they do not act as a broker or market maker.

Accordingly, being a CIV where subscriptions and redemptions are possible does not imply the entity is a publicly traded entity as the S/R mechanism does not qualify as a publicly available market mechanism with transactions taking place through stock exchanges.

b. Listing on a stock exchange

Despite being open to subscriptions and redemptions, some funds are also listed on stock exchanges, but often there is no mechanism for actual trading to take place. These CIVs are listed usually to ease the dissemination of the price of a CIV via the stock exchange's infrastructure. Some CIVs also use the listing to demonstrate that they qualify as transferable securities or meet regulatory requirements needed by some of their investors. In practice, all transactions are carried out through the usual subscription / redemption process at the net asset value ("NAV") price and not through the market infrastructure of the stock exchange they are listed on.

In our view, listed CIVs with no effective trading should not be subject to the increased requirements for listed entities as they do not meet the publicly traded definition. The trading of the

CIV's financial instruments is not through a trading platform or system that is available to the public.

We are of the view that CIVs listed on non EU regulated markets with no effective trading should not be classified as listed entities under the IAASA ethical standard as they are no different in nature from a public interest perspective to unlisted CIVs.

2. *Other listed entities that are not freely transferable*

Another category of listed entity that is currently subject to the additional ethical requirements in the extant standard are entities that have a technica" listing usually for tax purposes. All of the securities of these listed entities are usually held by another group entity and none of the securities of the listed entity are traded or are available for trading. These entities by their nature do not have public interest characteristics, being wholly owned subsidiaries within a group structure.

In order to remove these anomalies, whilst still retaining the additional ethical requirements for other listed entities that do have public interest characteristics, we suggest that the definition of listed entity in the Irish ethical standard is aligned with that of the FRC ethical standard by adding " 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 (e.g. because the listing is a structural requirement for that entity and its shares, stock or debt are not traded, or because the consent of another party is required to trade in the shares, stock or debt)."

The analysis and conclusions above are supported by the *IESBA Staff Q&A - Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code ("IESBA QA")*, which was published in September 2024.

In particular we note that Q6 of the IESBA QA asks *"What does the criterion "traded through a publicly accessible market mechanism" mean? What are examples of entities that are determined to be included or excluded as Publicly Traded Entities ("PTEs") based on this criterion?"*

The Answer states that *"The criterion "traded through a publicly accessible market mechanism" means that the trading of an entity's financial instruments is through a trading platform or system that is available to the public. Such a mechanism can be either a primary or secondary stock exchange or an over-the-counter platform.* ***However, it is not intended to capture entities for which the only way to trade their financial instruments is through privately negotiated agreements, or entities whose listing on the market mechanism is only for tax or regulatory compliance. For instance, an entity whose listed debt securities are offered only to institutional investors would not meet the definition of PTE." (emphasis added)***

Q7 of the IESBA QA asks *"Do PTEs encompass all entities whose financial instruments are traded on any platforms, such as primary stock exchanges, secondary markets, and over-the-counter trading platforms?"*

The Answer states that *"The definition of PTE in the Code includes any entities whose financial instruments are traded through any publicly accessible market mechanism, whether it be a primary stock exchange or an over-the-counter platform. As part of its adoption and implementation process, the relevant local body may, for instance, determine that only entities whose financial instruments are trading on the primary stock exchange or other specified trading*

platforms attract significant public interest in those entities' financial condition and should be considered PTEs for purposes of determining PIEs. As such, the local body might refine its local definition of PTE to include only those entities."

Q8 of the IESBA QA asks *"Does the definition of PTE include entities whose stocks or debt instruments are traded on the unregulated markets of a jurisdiction?"*

The Answer states that *"Yes, but only if their instruments are available to the public for trading. The key factor for consideration is whether the financial instruments trading in a particular market are available to the public (as is generally the case for regulated markets). If an entity whose stocks or debt instruments are traded in an unregulated market where those instruments are not available to the public for trading, the entity would not be a PTE under the Code's definition."*

Q9 of the IESBA QA asks *"Does the definition of PTE include entities whose stocks or debt instruments are traded on the unregulated markets of a jurisdiction?"*

The Answer states that *"The IESBA used the term "publicly traded" instead of "publicly listed" as some financial instruments might only be listed and are not intended to be traded. Such situations can arise, for example, within groups where the relevant instruments are held entirely intra-group. Additionally, there might be shares in small "start-up" or new venture entities that are subscribed for by the public because of the tax breaks available and from which any exit will be only through a disposal managed by the professional advisers promoting the entity. In these instances, the entities would not be scoped in as PTEs.* ***The IESBA is of the view that entities whose financial instruments are only listed or issued to the public with no trading do not necessarily attract significant public interest in their financial condition." (emphasis added)***

Q17 of the IESBA QA asks *"Why are pension funds and collective investment vehicles (CIVs) not mandatory PIE categories in the revised PIE definition?"*

The Answer states that *"T****he IESBA determined after due public consultation during the development of the revised PIE definition that the categories of post-employment benefits (PEBs), such as pension funds, and CIVs should not be included as mandatory PIE categories in the revised PIE definition. This is because of the wide diversity in the types of PEBs and CIVs across jurisdictions, and therefore the potential to impose a disproportionate burden on relevant local bodies to determine what should be scoped in or out. (emphasis added)***

The IESBA also took into consideration the following observations and comments from stakeholders:

- *Whilst pension funds and CIVs can have a significant impact on stakeholders in the event of financial failure, in some jurisdictions many of them have only a few investors or stakeholders. There is therefore minimal public interest in the financial condition of these smaller entities.*
- *Some CIVs may otherwise be PIEs as PTEs.*
- *Some CIVs may not be open to the public and are available for trading only by institutional investors.*
- *In some jurisdictions, increased independence requirements would make those pension plans more expensive and thus result in some employers abandoning the plans altogether.*

• *Government-operated pension schemes may not pose significant risks to the public.*

• *In jurisdictions where the financial statements of the pension scheme only show the scheme's assets and not its liabilities, the financial statements are effectively stewardship accounts and do not convey the financial condition of the scheme. There may therefore not be much public interest in such a pension scheme.*

The IESBA has committed to conducting a holistic review of PEBs and CIVs and their relationships with trustees, managers and advisors. Further, the IESBA acknowledged that the categories of PEBs and CIVs may have been included in some local codes. It has, therefore, included in paragraph 400.23 A2 both pension funds and CIVs as examples of potential categories of PIE that may be considered by local bodies for addition to the local definition of PIE."

Question 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?

There are no amendments to the UK Ethical Standard that have not been included in the exposure draft which, in our opinion, IAASA should consider adopting in Ireland.

Question 6

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

We refer to paragraphs 1.74 and 1.75 of the Exposure Draft Ethical Standard for Auditors (Ireland) 2024. In our view the 15 December 2024 date in each of these paragraphs should be amended to 15 December 2025. These amendments would be consistent with the effective date of 15 December 2025 in paragraph 1.73 and would correctly give effect to the transition provisions in paragraphs 1.74 and 1.75.

We note that in paragraph 3.16 (c) (ii) it refers to the cooling off period for key partners involved in the engagement (KPIE) of audits of public interest entities and other listed entities is 3 years which is a change from the 2020 Ethical Standard. This is inconsistent with the cooling off period of 2 years for KPIEs on PIE and Other Listed entity audits set out in the table in para 3.19. It is also inconsistent with the FRC Ethical Standard which requires a cooling off period of 2 years for KPIEs on PIE and Other Listed entity audits.

Non-audit services provided via technology solutions

We note that the Ethical Standard does not specifically give effect to the requirements of para 520.7 AI of the IESBA Code of Ethics 2024 which extends the application of non-audit services considerations in section 600 of the IESBA Code to services provided via technology solutions, whether provided directly or indirectly, to audit clients and their related entities.

Para 520.7 A1 states : Where a firm or a network firm provides, sells, resells or licenses technology:

(a) To an audit client; or

(b) To an entity that provides services using such technology to audit clients of the firm or network firm, depending on the facts and circumstances, the requirements and application material in Section 600 apply.

We also note that the above requirement is effective for audits and reviews of financial statements for periods beginning on or after 15 December 2024.

Business Relationships

We note that in para 2.24 of the Ethical Standard the list of examples of business relationships that may create threats to independence does not include the example listed in para 520.3 A2 of the IESBA Code "Arrangements under which the firm or a network firm develops jointly with the client which or both parties sell or license to third parties."

Question 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.

We believe that the proposed effective date is appropriate.

Should you wish to discuss any aspect of this response please feel free to contact the undersigned.

Yours sincerely

Paul W O'Connor
Partner
Email: paul.w.oconnor@ie.pwc.com
Phone: 086 8068492

IAASA

Irish Auditing & Accounting
Supervisory Authority

Irish Auditing & Accounting Supervisory Authority

Willow House
Millennium Park
Naas, Co. Kildare
W91 C6KT
Ireland

Phone: +353 (0) 45 983 600
Email: info@iaasa.ie

www.iaasa.ie