

## PUBLIC NOTICE

### Enforcement Action

#### IRISH AUDITING AND ACCOUNTING SUPERVISORY AUTHORITY

(IAASA)

#### IN THE MATTER OF

**Teresa Morahan**

Respondent

1. Following an investigation by the Irish Auditing and Accounting Supervisory Authority ('the Authority'), a Settlement Agreement has been agreed and the Authority has decided to impose in respect of the respondent a reprimand and the respondent is further fined €16,800.
2. The contraventions were admitted by the respondent

#### Background

3. This matter concerned the statutory audit of the financial statements of North of England P&I Designated Activity Company for the year end 20 February 2023 (herein the entity). The respondent was the statutory auditor for the statutory audit of those financial statements. As Engagement Partner, she was required to take responsibility for the overall quality of each audit engagement, for the supervision and performance of the audit engagement and for the auditor's report being appropriate in the circumstances. Further she was required, through a review of the audit documentation and discussion with the engagement team, to be satisfied that sufficient appropriate audit evidence had been obtained.
4. The entity is licenced by the Central Bank of Ireland to carry on non-life insurance business in Ireland. Its main activity is the insurance of marine risks, in the form of marine liability cover provided to ship owners and charterers, in respect of Protection & Indemnity (P&I), Freight Demurrage & Defence (FD&D) and War Risks. Its risks are primarily written on a mutual basis, whereby persons entering ships for insurance in these classes become Members of the classes and corporate Members of the Company's parent, North Standard. The entity also provides insurance cover for fishing vessels and small craft in respect of hull and machinery, liability (including P&I and passenger liability cover), personal accident, defence risks, and

aquaculture insurance covering stock, equipment, vessels and support craft used in the farming of fish and other aquatic organisms. These classes of business are written on a non-mutual basis, providing a diversified income stream to support the underwriting of the mutual book of business on a not-for-profit basis.

5. The entity, was established in 2019 as a new insurer to write the European risks of North of England P&I Club (now North Standard Limited (NSUK)). The insurance cover written by the entity was a continuation of risks previously written by NSUK for those European members who could no longer be covered by the UK company following changes to regulation. Consequently, there would be certain processes which were performed using data and information relating to the group entity, North Standard Limited UK and subsidiaries ("group"). The work evidenced on the audit file refers to and relies on financial information relating to the group's audit trial balance and accounting records.

### **The Relevant Standards of Conduct**

6. As a result of the deficiencies identified in the audit file reviewed, a number of contraventions were identified.
7. Statutory Auditors are required to conduct an audit in accordance with applicable technical and professional standards, the relevant auditing standards, were the International Standards on Auditing (Ireland) ("ISAs"). The purpose of ISAs is to establish standards and general principles with which auditors are required to comply. Together they form a body of standards that should be applied before an auditor can express an opinion that financial statements give a 'true and fair view' within the meaning of the Companies Act 2014. Aspects of the following ISAs are referred to in this document:

ISA (Ireland) 200 - Overall objectives of the independent auditor and the conduct of an audit in accordance with international standards on auditing

ISA (Ireland) 220 - Quality Control for an Audit of Financial Statements

ISA (Ireland) 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

ISA (Ireland) 260 - Communication with Those Charged with Governance

ISA (Ireland) 330 - The Auditor's Responses to Assessed Risks

ISA (Ireland) 500 - Audit Evidence

ISA (Ireland) 550 - Related Parties

ISA (Ireland) 700 - Forming an opinion and reporting on financial statements

ISA (Ireland) 701 - Communicating Key Audit Matters in the Independent Auditor's Report

8. The Authority also had regard to Chartered Accountants Ireland (CAI) Code of Ethics:

*CAI Code of Ethics (in force at the relevant time):*

*113.1 The principle of professional competence and due care imposes the following obligations on members:*

*...*

*(b) To act diligently in accordance with applicable technical and professional standards when providing professional services*

**1. You did not ensure sufficient appropriate audit evidence was obtained to support the conclusions reached in the auditor's report in that:**

**1.1 You failed to obtain sufficient appropriate audit evidence to support the valuation and cut off assertions of technical provisions and reinsurer's share of technical provisions, and to demonstrate the relevance and reliability of information used as audit evidence in particular:**

**(i) you failed to obtain sufficient appropriate audit evidence on the reconciliation of the actuarial data to the relevant accounting records and underlying system in that:**

- **the amounts used in the reconciliations, evidenced on the audit file did not relate to the Entity or their accounting records**
- **the work papers, referenced as support to these reconciliations, were not included on the audit file.**

**(ii) you failed to obtain sufficient appropriate audit evidence to support the explanations of material differences in the documented reconciliation of the key actuarial input, claims data, to the Entity's accounting records.**

**(iii) you failed to adequately evidence an understanding of how group claims data used within actuarial models was relevant to and reconciled with, the Entity's accounting records.**

ISA (Ireland) 500, paragraph 6:

*The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.*

9. The respondent's auditor's report, noted one of the stated completed procedures by the respondent was "reconciled key actuarial inputs used in actuarial models to accounting records". The work evidenced on the audit file refers to and relies on financial information relating to the group audit trial balance and accounting records when reconciling data for the purposes of actuarial models. The respondent failed to provide evidence on the audit file demonstrating the relevance and reliability of group data as evidence of the accuracy and completeness of the data in relation to the audited entity.
10. The respondent included the claims development data, used by the actuaries, on the audit file. In the attempted reconciliation of this data, the respondent included the pool and mutual claims estimate listings, and the substantive procedures performed on this listing, as part of the key evidence used in the reconciliation of the data used by the actuaries. However, the audit work evidenced on the audit file on this listing was insufficient in order for the respondent to rely on the completeness and accuracy of the listing for the purpose of reconciliation with actuarial data.
11. The completeness test, evidenced on the "quaystone listing" work sheet of the pool and mutual claims estimate listing workpaper, relied upon and referenced work papers as support for material amounts and adjustments. These referenced workpapers were either an incorrect reference and related to a workpaper not included on the entity's audit file, or were workpapers, included on the audit file, that did not provide audit evidence relating to the material amounts and adjustments applied to the completeness test.
12. A further example of the respondent failing to include the relevant audit evidence on the audit file was in relation to the audit work performed in the IBNR Lead and Reconciliation to Actuarial Report (EU) workpaper.

**(iv) you failed to design and perform sufficient audit procedures for the purpose of obtaining sufficient appropriate audit evidence in relation to the accuracy of the allocation of the IBNR (“Incurred But Not Reported”) Pool, allocated from the Group total to the Entity by applying a tonnage percentage, amounting to \$22.7 million.**

ISA (Ireland) 500 paragraph 6

*The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence*

13. The Respondent evidenced on the audit an assessment of the pool IBNR reserving process at the entity. An IBNR Pool is a reserve fund that insurers or self-insured groups set aside to cover claims that have already happened but have not yet been reported.
14. The IBNR pool is allocated across the audited entity’s group by applying a tonnage percentage (tons of weight carried on a ship/cargo that the entity has insured), to the total pool IBNR reserves. This resulted in an amount of \$22.7m allocated to the audited entity.
15. The audit file included an EU pool allocation split workings workpaper. A number of issues were noted with the audit work evidenced within this workpaper for example:
  - for one adjustment applied in the “*pool allocation split*” work sheet, amounting to a total of \$1.7 million, a workpaper reference was included as a link to the work performed by the respondent as support for this adjustment. It was unclear if this workpaper reference was relating to a workpaper on this entity’s audit file. The workpaper on the audit file, with this reference, did not evidence audit work performed or support obtained in relation to this adjustment and it made no reference to this amount.
  - the total of the listing has been reconciled to the “*OS Claims Provision Pool*” amount within the pool and mutual claims estimate listing workpaper, as part of a completeness test. The audit work evidenced on the audit file relating to this listing was insufficient in order for the respondent to rely on the completeness and accuracy of the listing for the purpose of reconciliation.
  - the percentage splits as per tonnage split included in this working paper were taken from an “*RI tonnage report*” which was a report prepared by the entity. Insufficient audit procedures were performed on this report to test the reasonableness of the percentage tonnage allocation.

16. In light of the above, there was insufficient evidence on the audit file demonstrating how the respondent concluded the percentage tonnage allocation of the IBNR Pool to the entity, was reasonable and that the \$22.7m allocation was reasonable

**(v) you failed to obtain sufficiently appropriate audit evidence in relation to the accuracy of the allocation of the Group's margin for uncertainty to the entity, amounting to \$60.5 million, including the consideration of potential management bias.**

ISA (Ireland) 500 paragraph 6

*The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.*

ISA (Ireland) 240 paragraph 33-1

*In obtaining and evaluating audit evidence regarding possible management bias in making accounting estimates, the auditor shall also comply with the relevant requirements in ISA (Ireland) 540*

17. The respondent obtained the actuarial report from their actuary which stated that they had reviewed the approach taken for the margin at a combined level (i.e. group level), and only provided that at a 'high level', the margin to the entity looks reasonable. This was not sufficient evidence for the margin of uncertainty for the entity, particularly considering the materiality of the margin and that the actuary had noted in their report that they had not reconciled any inputs used in the margin calculation.
18. The respondent provided insufficient evidence on the audit file to demonstrate how she understood the margin of uncertainty in relation to entity and how it has been calculated for the entity. Furthermore, given that this is an accounting estimate, the respondent did not sufficiently evidence her challenge and consideration of potential management bias in relation to the margin of uncertainty for this entity. The respondent did not sufficiently evidence her consideration of the margin of uncertainty allocation on the audit file.

**1.2 There was insufficient evaluation by you of the appropriateness of the actuary's work for the Entity. In particular:**

- (i) you failed to sufficiently evidence the reconciliation of data disclosed in the model output/report to accounts including premiums, paid claims and incurred claims.**
- (ii) there was insufficient audit evidence in relation to the testing of the IBNR margin for one of the claims sampled amounting to \$2.1 million**
- (iii) there was insufficient evidence on the audit file of how you assessed and concluded on each of the "reliances, limitations and uncertainties" raised by the actuary for your assessment.**

ISA (Ireland) 500, paragraph 6:

*The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.*

- 19. Within the scope worksheet of the actuarial report excel file, the respondent's actuary recorded that it is the responsibility of the respondent to reconcile data disclosed in the model output/report, to accounts (including premiums, paid claims, incurred claims etc). The respondent failed to sufficiently evidence the reconciliation of data disclosed in the model output/report to accounts relating to accounting records.
- 20. The respondent's actuary outlined in the report that *"the SMI book require [SIC] the recognition of an unexpired risk provision, as well as an assessment that ensures that the unearned premium is sufficient to cover expected claims. Despite the AURR [Additional Unexpired Risk Reserve] being included in our scope, we have not been provided with any analysis of this reserve"* and the actuary noted that the gross SMI claims were \$23.6 million. The breakdown of this amount was provided by the respondent as:
  - Case reserves - \$17.9 million
  - IBNR BE- \$3.4 million
  - IBNR Margin - \$2.1 million
- 21. The claims reserves lead (EU) evidenced the breakdown of the \$2.1 million, with an account description of *"confidence adj uplift"*. The respondent had linked the IBNR lead workpaper as evidence of testing in relation to the IBNR margin amount. In this workpaper, the respondent evidenced the amount and

description being included in a table used to calculate the gross claims outstanding figures. However, there was insufficient evidence of the audit procedures that were performed to test the \$2.1 million IBNR figure.

22. Furthermore, the actuary provided six instances of reliances, limitations and uncertainties on its actuarial procedures which amounted to caveats on the procedures undertaken by the actuary over the technical reserves. There was insufficient evidence on the audit file to demonstrate how the respondent assessed and concluded on each of the “reliances, limitations and uncertainties” raised by the actuary for this statutory audit.

**1.3 You failed to sufficiently design and perform audit procedures to test the appropriateness and completeness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. In particular:**

- (i) you failed to obtain sufficient appropriate audit evidence that the population of journals used for testing was complete. The net loss in journal testing workpaper listing did not agree to the net loss in the trial balance or financial statements.**
- (ii) you failed to sufficiently evidence the audit procedures performed on the 494 journals, identified by the automated tool as “unusual revenue journal entries”.**
- (iii) you failed to sufficiently evidence audit procedures performed to test the appropriateness of the journal identified as a large value journal, amounting to \$103 million.**

ISA (Ireland) 240 paragraph 33

*Irrespective of the auditor’s assessment of the risks of management override of controls, the auditor shall design and perform audit procedures to:*

*(a) Test the appropriateness of manual or automated journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, including consolidation adjustments in the preparation of group financial statements. In designing and performing audit procedures for such tests, the auditor shall:*

*(i) Make inquiries of individuals with different levels of responsibility involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;*

*(ii) Select journal entries and other adjustments made at the end of a reporting period and post-closing entries; and*

*(iii) Consider the need to test journal entries and other adjustments throughout the period.*

23. The management override of controls workpaper outlined the work to be performed in relation to management override of controls. It outlined that the respondent had identified six criteria of journal entries and other adjustments that would result in the need for further testing. These six criteria were:
- criteria 1: rounded journals
  - criteria 2: journals including key words i.e. trigger words such as error, correct and fraud
  - criteria 3: unusual revenue journal entries
  - criteria 4 : weekend/holiday journals
  - criteria 5 : Benford's law
  - criteria 6: large value journals
24. The respondent recorded in this workpaper that the analysis and conclusion on the journal entry testing performed was in the referenced work sheets within the workpaper.
25. Firstly, it was unclear from the journal entries working paper how completeness of the general data used for journal entry testing was evidenced. The net loss of the total journals in this workpaper was evidenced as \$5.9 million, whilst the net loss per the trial balance and financial statements was approximately \$6.1 million. There was insufficient evidence on the audit file of the respondent addressing the differences noted, to be satisfied on the completeness of the journal entry data used as part of the management override of control journal testing, which is a significant risk area.
26. Secondly, criteria three of the workpaper is identified as "unusual revenue journal entries" and testing reference in the initial section of the workpaper links to the "revenue" work sheet within the workpaper for the testing performed. The respondent used the firm's automated tool to extract journals that were flagged as unusual revenue entries by the tool (e.g. where the revenue accounts have been debited) which resulted in 494 journals being identified. The main workpaper referenced by the respondent was the premium substantive testing (mutual business) workpaper. This workpaper did not provide sufficient audit evidence of the procedures performed on these identified journals. This workpaper did not sufficiently evidence the testing of the specific debited amounts or the reasonableness of these specific journal entries.
27. Criteria six, identified within the workpaper, related to "large value journals" and was linked to the "large volume journals" section of the workpaper. One of the large value journals extracted by the automated tool,

related to an amount of \$103 million posted as a debit journal entry to revenue. There was insufficient audit work evidenced on the workpaper in relation to the \$103 million journal.

28. As a result of the above, there was insufficient evidence on the audit file of the respondent's assessment of the journals identified by the automated tool as unusual or large value. There was insufficient evidence on the audit file of the testing of these journals as to why they were reasonable and appropriate journal entries.

**1.4 You failed to perform sufficient substantive audit procedures in relation to the following material disclosures disclosed in note 5 "Technical provisions – claims outstanding" of the financial statements:**

- (i) reconciliation of opening and closing provisions for claims.**
- (ii) expected timing of cash flows relating to net insurance claims.**
- (iii) sensitivity analysis.**

ISA (Ireland) 700 paragraph 11

*In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.*

ISA (Ireland) 330 paragraph 18

*Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.*

ISA (Ireland) 200 paragraph 11

*In conducting an audit of financial statements, the overall objectives of the auditor are:*

- (a) To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on*

*whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and*

*(b) To report on the financial statements, and communicate as required by the ISAs (Ireland), in accordance with the auditor's findings.*

29. Note 5 to the financial statements disclosed information relating to the significant risk and key matter area of technical provisions and included a reconciliation of the opening and closing provisions for claims for the period under review. It also included a disclosure on the expected timing of cash flows relating to net insurance claims.
30. The respondent documented her testing on the note disclosures of the financial statements in the *EU FS Notes* workpaper. The respondent had not included evidence of audit procedures being performed in relation to the \$112.4 million amount for claims incurred in the current policy year and the \$29.6 million relating to adjustments to prior year gross liabilities/reinsurance assets. The respondent referenced work performed within the claims paid lead EU workpaper as support for the disclosed amount for claims paid in the year of \$138.6 million. However, the total amount of claims paid in the year in the relevant work paper was shown as \$142 million. The respondent had not sufficiently evidenced the audit procedures performed in reconciling the \$3.4 million variance, which was a material difference.
31. Note 5 also disclosed the expected timing of cash flows relating to net insurance claims. The respondent referenced on the audit file that the work carried out on this disclosure was included in the cashflow workings workpaper. However, there was insufficient evidence of audit procedures being performed in relation to the note 5 disclosure within this workpaper.
32. Therefore, the respondent has not sufficiently evidenced the audit procedures performed on testing the disclosure for the expected timing of cash flows relating to net insurance claims.
33. Note 5 further disclosed a sensitivity analysis of both gross and net insurance claims development liabilities by policy year. The data included in these tables was used by the respondent's actuaries in their actuarial procedures on the technical reserves. The respondent evidenced the agreement of the totals of the disclosed table to the amounts presented in the statement of financial position, however, there was insufficient evidence of the audit procedures performed to assess the reasonableness of the breakdown of the amounts into their relevant year buckets.
34. Given the above, the respondent did not obtain sufficient audit evidence to conclude on whether the disclosures in note 5 were free from material misstatement, whether due to fraud or error.

**1.5 You failed to design and perform substantive audit procedures for each material class of transactions, account balance and disclosure in the financial statement. In particular:**

- (i) you failed to evidence substantive audit procedures being performed in relation to testing the material amounts within the breakdown of creditors disclosed in note 10 “Creditors” of the financial statements.**
- (ii) you failed to evidence substantive audit procedures being performed in relation to testing the following material disclosed amounts within note 11 “Operating Expenses by Nature” of the financial statements:**
  - a. brokerage - \$9,554,000**
  - b. allocation of staff costs to claims handling expenses – (\$10,466,000)**
  - c. purchase of goods and services - \$25,539,000**
- (iii) you failed to evidence substantive audit procedures being performed in relation to the material transactions with related parties and the amounts due to/from at year end, disclosed in note 21 “Related Party Transactions” of the financial statements.**
- (iv) you failed to evidence substantive audit procedures being performed in relation to the material disclosed amount for remuneration payable to key management personnel, amount of \$1.6 million, disclosed in note 21 “Related Party Transactions” of the financial statements.**
- (v) you failed to evidence sufficient support for the accuracy of the related parties disclosed in note 21 “Related Party Transactions” of the financial statements. You documented four related parties on the audit file, while nine were disclosed in note 21 “Related Party Transactions” of the financial statements.**
- (vi) you failed to perform sufficient substantive audit procedures over the material disclosed information in note 22 “Transition to Irish GAAP” of the financial statements.**

ISA (Ireland) 330 paragraph 18

*Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.*

ISA (Ireland) 700 paragraph 13(d)

*The information presented in the financial statements is relevant, reliable, comparable, and understandable.*

ISA (Ireland) 550 paragraph 25

*In forming an opinion on the financial statements in accordance with ISA (Ireland)*

*700, the auditor shall evaluate:*

*(a) Whether the identified related party relationships and transactions have been*

*appropriately accounted for and disclosed in accordance with the applicable*

*financial reporting framework; and*

*(b) Whether the effects of the related party relationships and transactions:*

*(i) Prevent the financial statements from achieving fair presentation (for fair presentation frameworks); or*

*(ii) Cause the financial statements to be misleading (for compliance frameworks).*

35. In respect of 1.5(i) above, note 10 to the financial statements included a breakdown of the creditors as at 20 February 2023. The breakdown included a material balance for each component of the total creditors amounts (creditors arising out of direct insurance operations, creditors arising out of reinsurance and other creditors). The notes workpaper evidenced the respondent's reconciliation between the trial balance, the lead sheets and the financial statements for the statement of financial position.
36. However, the respondent referenced two workpapers as evidence or a link to the work performed in relation to each line item of the creditor's breakdown. In respect of one of those workpapers referenced, the audit file does not contain that workpaper. The other referenced workpaper is extracted from the entity's group audit file, showing the creditors balances from the group and the parent company's perspective and they do not reconcile or relate to the entity.
37. As a result, there was insufficient evidence on the audit file of substantive procedures being performed in relation to the creditors note disclosure of the entity.
38. In respect of 1.5(ii) above, note 11 to the financial statements included a breakdown of the operating expenses by nature for the year ended 20 February 2023.
39. The material balances included within this note disclosure were (figures rounded for ease of reference):
- Brokerage \$9.5 million
  - Staff costs \$2.4 million

- Allocation of staff costs to claims handling expenses \$10.5 million
  - Purchase of goods and services \$25.5 million
40. There was insufficient evidence on the audit file of audit procedures performed by the respondent over the brokerage balance of \$9.5 million, purchase of goods and services balance of \$25.5 million and the testing of the reasonableness of the allocations relating to the staff costs to claims handling expenses balance of \$10.5 million. These figures were all individually material.
41. In respect of 1.5 (iii) – (v) above, note 21 of the financial statements disclosed a listing of the related parties to the entity, disclosing nine related parties, along with the transactions with related parties during the year.
42. The respondent documented the listing of related parties within the related party lead workpaper. However, this listing included only four of the identified related parties disclosed in noted 21. There was a lack of evidence in the audit file to demonstrate the respondent's consideration of the additional related parties.
43. In addition, note 21 provided a disclosure on the transactions with related parties and amounts due to/from at year end. The note disclosure is split between the amounts included in the income statements and amounts per the statement of financial position.
44. The related party lead workpaper included the extracted financial statement note, showing material related party transactions, for amounts due to and from related parties, for three separate parties. The respondent had referenced five separate workpapers as evidence or a link to the work performed in relation to these transactions. Each of the referenced workpapers provided insufficient evidence in relation to the testing of the material related party transactions disclosed in the financial statements and they were insufficient to support the evaluation whether the effects of the related party relationships and transactions disclosed caused the financial statements to be misleading or prevent the financial statements from achieving fair presentation.
45. In respect of 1.5(vi), note 22 of the financial statements disclosed that the Company has prepared its financial statements in accordance with Irish GAAP for the first time, having previously applied International Financial Reporting Standards ('IFRS') in their preparation. The note provides further quantitative and qualitative disclosure in relation to the accounting policy change to FRS 102.
46. The respondent included a workpaper on the audit file, which stated that the respondent considered the completeness of an adjustment, linking it to another workpaper relating to the accounting policy change from IFRS to Irish GAAP. This linked workpaper appeared to be an analysis by the group audit committee, and referring to an amount in relation to the adjustment for the reduction of premium income and acquisition costs in the year ended 20 February 2022. This amount was significantly different to the \$7.9 million disclosed adjustment in relation to the audited entity.

**1.6 You failed to provide all required communications to those charged with governance. In particular:**

- (i) **you failed to accurately communicate the significant risks identified by you in the audit. In particular, the following significant risks were not communicated:**
- a. existence of claims estimates**
  - b. existence of RI share of Technical Provisions**

ISA (Ireland) 260 paragraph 15

*The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the auditor*

47. On the audit file, the respondent included two communication reports, evidencing the communication between the respondent and those charged with governance - planning ISA 260 letter and final ISA 260 letter. In these documents, the respondent communicated an overview of the significant and elevated risks identified for the audit. Four areas are clearly identified as significant risks:
- management override
  - fraud in revenue recognition
  - valuation of technical provisions
  - valuation of RI share of technical provisions
48. The audit file included a “RRS Risk and Response” screen, listing all risks identified and concluding whether the risk is none, low, medium, evaluated or significant. This screen displayed 17 risks that had been concluded by the respondent to be significant risks. The respondent had included a mapping document on the audit file. The purpose of this mapping document was to document how significant risks raised within the audit planning section, in the audit file, conformed to those communicated with those charged with governance. The 17 risks were noted as being included within the document, with each being ticked to one of the four areas, communicated as significant risks, in the ISA 260 letter.
49. In the audit file a significant risk was assigned to the existence assertion of both the claim estimates and the reinsurance share of technical provisions. In the mapping document, the respondent linked these to the areas of technical provisions and reinsurance share of technical provisions. However, within the communication documents, the titles of the significant risk areas communicated to those charged with

governance and the corresponding description of key risks of errors in the areas of technical provisions and reinsurance share of technical provisions only communicated the valuation, completeness and cut off assertions as significant/key risks. Therefore, the communication with those charged with governance did not adequately communicate that the respondent had identified the existence assertion, relating to both the areas of technical provisions and reinsurance as a significant risk area.

**1.7 You failed to include performance materiality, in the section of the Auditor's report titled "our application of materiality".**

ISA (Ireland) 701 paragraph 16-1

*(a) Specify:*

*(i) The threshold used by the auditor as being materiality for the financial statements as a whole; and*

*(ii) Performance materiality*

*(b) Provide an explanation of the significant judgments made by the auditor in determining materiality and performance materiality; and*

*(c) Provide an overview of the scope of the audit, including an explanation of how such scope:*

*(i) Addressed each Key Audit Matter relating to one of the most significant risks of material misstatement disclosed in accordance with paragraph 13(b); and*

*(ii) Was influenced by the auditor's application of materiality disclosed in accordance with paragraph 16-1(a)-(b).*

50. The disclosure of performance materiality was not included in the "our application of materiality" section of the respondent's report. This is a specific requirement of ISA 701 and provides important context to the reader of the financial statements in understanding the materiality levels applied by the respondent in the forming of the opinion on the entity's annual report.

## Conclusion

ISA (Ireland) 220 paragraph 32:

*On or before the date of the auditor's report, the engagement partner shall determine, through review of audit documentation and discussion with the engagement team, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued.*

51. As identified in the grounds above, there were multiple instances where sufficient appropriate audit evidence was not obtained to support the conclusions reached. It was the responsibility of the respondent to act diligently in accordance with applicable technical and professional standards.

## Sanction

52. The sanction imposed must be proportionate balancing the need to protect the public with the respondents' own interests.
53. The purpose of sanction is to declare and uphold proper standards of conduct amongst statutory auditors and statutory audit firms and to maintain public and market confidence in statutory auditors and statutory audit firms and their regulators. In addition, the purpose of sanction is to protect the public from statutory auditors and statutory audit firms whose standard of work falls short of the high-quality audit expected of statutory auditors and statutory audit firms.
54. In coming to the appropriate and proportionate sanction the Authority took into account the Authorities sanctions guidance (effective from 8 March 2021) : The Authority also had regard to its published policy on settlement agreements. The Authority had regard to:
- (a) The gravity and duration of the relevant contravention;
  - (b) The degree of responsibility of the specified person;
  - (c) The financial strength of the specified person;
  - (d) The amount of profits gained or losses avoided by the specified person in consequence of the contravention;
  - (e) The level of cooperation of the specified person with the Supervisory Authority;

(f) Previous relevant contraventions committed by the specified person.

55. In considering the appropriate sanction in this case the Authority took into account a number of factors. The Authority took into account the number of contraventions that were identified in this case and as the audit partner it was the respondent's responsibility to ensure that there was sufficient audit evidence obtained and that there was compliance with auditing standards.
56. In mitigation the respondent has engaged from the outset of the preliminary investigation with the Authority. The respondent's admissions demonstrate insight into the contraventions that were identified. The Authority has also taken into account the respondent's 31 years as an auditor and that the respondent has no previous disciplinary history. It is accepted that this case does not concern matters relating to personal gain or dishonesty.
57. In considering the level of engagement of the respondent with the Authority, an early settlement discount was also applied to any fine imposed. The Authority took into account the timing of the admissions and it considered that it was appropriate to apply an early settlement discount of 30% to the level of the fine imposed.
58. The Authority considered the sanction options open to it in ascending order of seriousness and it concluded that the appropriate and proportionate sanction in respect of the respondent is a **reprimand** and that she be further **fined** €16,800.

Dated: 26 May 2026