

5 October 2018

**General guidelines for the recognised
accountancy bodies when performing
regulatory functions in respect of
statutory auditors**

MISSION

To contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest.

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1. Regulatory outcomes

High quality statutory audit enhances the integrity of a financial report and, therefore, its usefulness. An effective regulatory framework promotes high quality audit and thereby enhances public confidence in the auditing profession and serves the public interest.

Under IAASA's oversight, each RAB is responsible for the regulation and monitoring of the statutory auditors it has authorised and for ensuring that its regulatory arrangements are designed to promote high quality audit and achieve the following outcomes:

- only suitably qualified and trained individuals are authorised to perform statutory audit in Ireland;
- all auditors are subject to effective regulation and monitoring to ensure they maintain their professional competency at an appropriate level and perform high quality audits in accordance with applicable legislation and auditing and ethical standards; and
- those auditors whose performance fails to meet the required standard are subject to timely, proportionate and effective actions.

2. Purpose

The primary purpose of this document is to set out the general guidelines which IAASA expects each RAB to apply across its regulatory functions to ensure an effective regulatory framework and to support the achievement of the outcomes set out above.

These guidelines are not intended to replace or override any legislative provisions. They should be read in conjunction with the Act, Regulation (EU) No 537/2014 and any section 931 notice, rule or other guideline that IAASA may issue from time to time. The RABs may seek engagement with IAASA in more complex areas, as necessary.

Nothing in these guidelines may be construed so as to constrain IAASA from taking action, where it deems it to be appropriate, in respect of the conduct of a RAB or a statutory auditor.

3. Definitions

Applicable provisions	As defined by section 900(1) of the Act, i.e.: <i>"applicable provisions', in relation to a Part 27 function and a recognised accountancy body, means, in addition to the provision of this Act that confers that function—</i> <i>(a) any other provisions of this Act or of a statutory instrument made under this Act,</i> <i>(b) the provisions of any section 931 notice given to the body that are relevant to that function,</i> <i>(c) the provisions of Regulation (EU) No 537/2014 that are relevant to that function, and</i> <i>(d) the provisions of any rule, guideline, term or condition, relevant obligation, or direction, referred to in section 906 that are relevant to that function,</i> <i>in accordance with which that function shall be performed by that body."</i>
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The Companies Act 2014 / the Act	The Companies Act 2014, as amended
Other relevant person	An individual, who is not a RAB employee, with responsibility for performing a specific aspect of a regulatory function in accordance with a RAB's constitution, bye-laws, rules and regulations etc. as approved by IAASA
RAB	Recognised Accountancy Body
Regulatory board	The body with responsibility for the oversight of a RAB's performance of its regulatory functions
Regulatory committee	A RAB committee with a decision making role in the performance of one or more regulatory functions in relation to individual statutory auditors
Regulatory function	A function conferred on a RAB by a provision of Part 27, Schedule 19 or Schedule 20 of the Companies Act 2014 that it may perform in relation to statutory auditors. In particular: <ul style="list-style-type: none"> • approval and registration, which includes activities in relation to training and qualifications; • continuing education; • quality assurance systems; • investigative and administrative disciplinary systems; and • the setting, monitoring and enforcement of appropriate standards.
Statutory auditor / auditor	An individual or firm that is approved in accordance with Part 27 of the Act to carry out statutory audits in accordance with Irish law

4. Scope

Section 906 of the Companies Act 2014 provides that IAASA may issue guidelines concerning any matter that relates to its functions.

These guidelines are applicable to all RABs recognised in accordance with the provisions of Section 930 of the Companies Act 2014 that are authorised to perform any or all of the regulatory functions. As at the date of publication of these guidelines, the five RABs are:

- ACCA - Association of Chartered Certified Accountants;
- CPA - Institute of Certified Public Accountants in Ireland;
- ICAEW - Institute of Chartered Accountants in England and Wales;
- ICAI - Institute of Chartered Accountants in Ireland; and
- ICAS - Institute of Chartered Accountants of Scotland.

While these guidelines are focussed on the RABs' activities in respect of statutory auditors, the RABs are encouraged to apply the expectations expressed within to their regulation and monitoring of non-audit members where relevant and appropriate.

5. Effective date

With effect from 1 April 2019, these guidelines apply to all RABs when performing the regulatory functions.

These guidelines shall be in effect until such time as they are withdrawn, amended or replaced by IAASA. It is IAASA's intention that the guidelines will be subject to periodic review and updating, in consultation with the RABs unless the proposed amendments are inconsequential.

6. General guidelines

The guidelines in sections A to E below set out requirements to be adhered to by each RAB that is authorised to perform one or more regulatory functions along with examples as to the processes that may be applied in practice to support the relevant requirement.

However, it is not intended to set out a complete list of the ways in which a RAB may comply with the requirements. Each RAB should be able to demonstrate that it has adhered to the requirements set out in these guidelines through the implementation of effective regulatory policies and procedures tailored to its individual context.

In addition, each RAB is responsible for ensuring that the provisions of its constitution, bye-laws, rules and regulations are in compliance with the requirements set out in these guidelines.

A. EFFECTIVE REGULATORY GOVERNANCE

Requirements:

- A.1. A RAB shall have an effective corporate governance framework which establishes clear lines of responsibility and effective internal control mechanisms. The framework shall be documented.**
- A.2. The governance structure shall be designed to ensure that there is adequate review and oversight of the RAB's regulatory functions, including a robust risk management framework.**
- A.3. Conflicts of interest shall be avoided in the performance or oversight of regulatory functions.**

Application examples:

- (a) The roles, responsibilities and powers of all boards, committees and individuals involved in the performance and oversight of the regulatory functions should be clearly documented.
- (b) Conflict of interest policies and procedures should be in place to ensure that potential conflicts in the processing of regulatory matters are actively considered, managed and documented. A RAB's structure, policies and procedures should include safeguards to ensure that a RAB's member representation activities could not improperly influence the operation of the regulatory processes in respect of individual members.
- (c) The regulatory board should approve the annual regulatory plan and thereafter be provided with relevant, sufficient and timely information for each of the regulatory functions sufficient to discharge its oversight responsibility.
- (d) The regulatory board should periodically review the performance of each regulatory function. Key performance indicators for the regulatory functions, including those for regulatory staff, should be designed to support the regulatory outcomes.
- (e) The regulatory board should exercise effective oversight of regulatory risks. A RAB's risk management framework should address the risks to the achievement of the RAB's regulatory objectives.
- (f) The regulatory board should report to the overall governing body on a periodic basis regarding the performance of the regulatory functions. Where the regulatory board delegates authority for the performance of one or more tasks to a sub-committee, the sub-committee should be subject to similar requirements.

B. ADEQUATE RESOURCING OF REGULATORY FUNCTIONS

Requirements:

- B.1. All regulatory functions shall be allocated sufficient staffing and other relevant resources to operate effectively.**
- B.2. All staff, boards and committees involved in the performance and oversight of the regulatory functions shall have the requisite expertise, experience and skills to effectively discharge their responsibilities. They shall be provided with appropriate supports to competently perform their roles.**

Application examples:

- (a) The regulatory board should regularly consider the adequacy of the resources applied to the regulatory functions including finances, staffing, management information systems, and IT infrastructure. Where deficiencies are identified, the regulatory board should take appropriate action to rectify the situation promptly.
- (b) Regulatory boards and committees should be of sufficient size and range of expertise having regard to their specific responsibilities. Members of such bodies and other relevant persons should confirm that they have sufficient time to devote to the role, and that they understand the confidentiality and conflict of interest obligations imposed on them.
- (c) Members of regulatory boards and committees, staff and other relevant persons should be required to undertake sufficient training related to the operation of the relevant regulatory process and to maintain their knowledge and skills up-to-date having regard to legislative and other developments.
- (d) The use of external consultants to perform specific tasks within the regulatory functions should be subject to appropriate control processes. Such processes should address matters such as ensuring relevant qualifications and good repute, consideration of conflicts of interest, and their ongoing compliance with the applicable provisions.

C. OPERATION OF REGULATORY COMMITTEES

Requirements:

- C.1. Regulatory committees shall operate in such a way as to ensure independent decision-making, undertaken in a timely, proportionate and consistent manner.**
- C.2. Regulatory committees shall be subject to appropriate oversight to ensure they meet their obligations and support the achievement of the regulatory outcomes.**

Application examples:

- (a) Each regulatory committee should have written terms of reference outlining its purpose, responsibilities, and rules of operation.
- (b) Members of regulatory committees should have limits on their term of office.
- (c) No Council member, regulatory board member or RAB staff member should be a member of a regulatory committee. Only members of a regulatory committee should take part in its deliberations and decision-making.
- (d) Each regulatory committee should be conferred with adequate powers to undertake its functions and be required to operate in accordance with the applicable provisions and the RAB's constitution, bye-laws, rules and regulations.
- (e) Each RAB should develop guidance for regulatory committees addressing key matters for effective performance.
- (f) The regulatory board should periodically review the performance of the regulatory committees, and ensure that appropriate actions are taken to implement necessary improvements.

C.1 and C.2 above should also be applied to other relevant persons who perform similar functions.

D. RABS' REGULATORY PROCESSES

Requirements:

- D.1. A RAB shall ensure that its regulatory processes are robust and designed to achieve consistent and proportionate outcomes.**
- D.2. A RAB shall ensure that its regulatory processes are clear and accessible to those stakeholders who are affected by them.**
- D.3. A RAB shall ensure an integrated and collaborative regulatory approach, which aims to enhance the efficiency and effectiveness of regulatory decision-making.**
- D.4. A RAB shall maintain adequate records in relation to its regulatory functions that are sufficient to demonstrate compliance with the applicable provisions and to allow IAASA to exercise its oversight responsibilities.**

Application examples:

- (a) A RAB should have documented processes in relation to its regulatory functions designed to comply with the applicable provisions and which are subject to periodic review to ensure consistency with any changed circumstances, developments in Irish legislation and good practice generally.
- (b) Information regarding a RAB's regulatory processes should be readily accessible to relevant stakeholders through appropriate communication channels. For example, information on the operation of a RAB's disciplinary process should be made available to both members and complainants.
- (c) A RAB should establish clear and timely communication channels between its regulatory departments and ensure that there are no unnecessary barriers to the sharing of information.
- (d) Each RAB should ensure that it has clear lines of communication with other RABs in respect of auditors under common remit.
- (e) A RAB should ensure that it retains adequate documentation of regulatory decisions, as well as evidence of review and controls for an appropriate period, in accordance with relevant legislative requirements.
- (f) A RAB should prepare a business continuity plan to ensure the maintenance of its regulatory activities in the event of a significant disruption to its processes. The plan should be reviewed, updated and tested on a periodic basis.

E. REPORTING TO IAASA

Requirements:

- E.1. A RAB shall ensure that it provides IAASA with all information it reasonably requires to fulfil its statutory oversight and reporting responsibilities and that such information is accurate and complete.**
- E.2. A RAB shall ensure that it informs IAASA of matters of relevance to its remit and of which it should be made aware on a timely basis.**

Application examples:

- (a) On an annual basis each RAB will submit a regulatory plan, annual return and annual compliance statement (as set out in the Appendix to these guidelines) to IAASA. The content and timeline for submission of these documents will be agreed with IAASA.
- (b) Significant events should normally be reported to IAASA within one month of occurrence. These include:
 - a. material uncertainties regarding a RABs' ability to perform one or more of the regulatory functions;
 - b. details of any material breaches of the applicable provisions; and
 - c. proposals to outsource a regulatory task or a significant component thereof.
- (c) Examples of other matters that should be reported to IAASA include, but are not limited to:
 - a. significant changes to regulatory processes and procedures, including changes in key personnel;
 - b. the initiation of legal proceedings relating to a RAB's regulatory functions, unless otherwise prohibited (e.g. by law, court order etc);
 - c. anticipated significant delays or proposed substantive changes to the manner in which a RAB intends to address an issue identified in a supervisory visit report issued by IAASA;
 - d. significant issues identified in an internal audit report or other similar report which relates to one or more regulatory functions; and
 - e. significant complaints received by a RAB in relation to its performance of a regulatory function.
- (d) On request by IAASA, a RAB shall take reasonable action to ensure that a report relating to its regulatory functions issued by a third party may be provided to IAASA.

Appendix - Annual Compliance Statement

We/I confirm that, to the best of my/our knowledge and belief, during the [reporting period] ended on [reporting date] [RAB name] as a recognised accountancy body has addressed and complied with the requirements of the:

1. Companies Act 2014, as amended, and Regulation (EU) No 537/2014 related to the performance of the [Institute's/Association's] regulatory functions in respect of statutory auditors;
2. section 931 notice(s) issued by IAASA;
3. guidelines issued by IAASA; and
4. any undertaking provided to IAASA.

[Point 2 and/or 4 may be omitted if not applicable]

Signed:

For and on behalf of [Regulatory Board]

Date



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