

2022

# Feedback Paper

## Adoption of the Standards for Investment Reporting (Ireland)

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## **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. Summary

Following public consultation, IAASA is issuing six Standards for Investment Reporting (Ireland) (SIRs (Ireland)):

1. SIR (Ireland) 1000 – Investment Reporting Standards Applicable to all Engagements in Connection with an Investment Circular
2. SIR (Ireland) 2000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information
3. SIR (Ireland) 3000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Profit Forecasts
4. SIR (Ireland) 4000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Pro Forma Financial Information
5. SIR (Ireland) 5000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Financial Information Reconciliations under the Listing Rules
6. SIR (Ireland) 6000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Quantified Financial Benefits Statements

The effective date of the SIRs (Ireland) is for reporting accountant engagements commencing on or after 15 September 2022. Early adoption is permitted.

## 2. Responses received

IAASA received four responses to the public consultation, as listed below – one representing four accountancy bodies and three from audit firms. The full responses are available [here](#) on the IAASA website.

- Consultative Committee of Accountancy Bodies - Ireland (CCAB-I)
- EY
- KPMG
- PwC

## 3. Matters on which IAASA consulted and summary of responses

A summary of the responses received to the specific questions asked in the consultation, and IAASA's responses are set out below. All of the responses received were considered in detail and, where considered appropriate, amendments were made to the SIRs (Ireland).

A working group with relevant technical expertise supported the SIRs (Ireland) project throughout. IAASA also engaged with its Technical Advisory Panel, the Central Bank, the Irish Stock Exchange, and the Takeover Panel on the responses received to the consultation and the final SIRs (Ireland) that accompany this feedback paper.

No.	Matter on which views were sought
1.	<p>Do you agree that it is in the public interest that IAASA adopts the SIRs (Ireland)?</p> <p>If not, please give your reasons and describe any alternatives that you wish IAASA to consider.</p>
Summary of Responses	All respondents agreed with the proposal to adopt the SIRs (Ireland).
IAASA Response	IAASA intends to adopt the SIRs (Ireland).
2.	<p>Do you agree that a reporting accountant performing an engagement involving an investment circular should be required to comply with the relevant ethical code of the recognised accountancy body (RAB) of which the reporting accountant is a member (SIR (Ireland) 1000.4)?</p> <p>If not, please give your reasons and state what alternative ethical provisions you consider to be appropriate.</p>
Summary of Responses	<p>While the respondents did not disagree with this proposal, they requested further clarifications.</p> <p>They noted that many companies seeking to raise funds in Ireland obtain a dual listing and therefore reporting accountants are bound by the UK rules, including the Ethical Standard issued by the Financial Reporting Council (FRC), as well as their own professional body's code of ethics in Ireland. One respondent expressed the view that having two sets of rules adds complexity for the issuer and the firm. They also stated that while IAASA is currently not aware of any instance where the IESBA Code, which forms the basis for the RABs' ethical codes, is more restrictive than the FRC Ethical Standard this will need to be monitored.</p> <p>One respondent requested clarification regarding which independence provisions of the IESBA Code of Ethics are to be applied - Part 4A (Independence for Audit and Review Engagements) or Part 4B (Independence for Assurance Engagements other than Audit and Review Engagements).</p>
IAASA Response	<p>An engagement in connection with an investment circular is an assurance engagement. Consequently, Part 4B of the IESBA Code (Independence for Assurance Engagements Other Than Audit and Review Engagements) applies when using the SIRs (Ireland). A firm may elect to comply with stricter independence requirements, such as those in the IAASA Ethical Standard, as this would also result in compliance with Part 4B. A footnote has been inserted in SIR (Ireland) 1000 to clarify this.</p> <p>With regards to issuers with a listing in both Ireland and the UK, it is noted that UK SIR 1000 states that reporting accountants should adhere to the professional bodies' ethical guidance as well as the FRC's Ethical Standard.</p>

3.	<p>In the context of IAASA’s policy to make minimal amendments to the UK standards, are there any provisions in the proposed SIRs (Ireland) that conflict with Irish or EU law?</p> <p>If so, please:</p> <ul style="list-style-type: none"> <li>• Identify the relevant legal provisions</li> <li>• Give reasons for your view</li> <li>• Describe how you believe these matters should be addressed in the SIRs (Ireland)</li> </ul>
Summary of Responses and IAASA Response	<p>No respondent identified provisions that conflict with Irish or EU law.</p> <p>They identified areas where they believe further clarification or amendment would be helpful. These comments and IAASA’s response are summarised in Section 4 below.</p>
4.	<p>In the context of IAASA’s policy to make minimal amendments to the UK standards, are there any areas where there are distinct differences between the Irish and UK markets which would impact on the applicability of the proposed standards in Ireland?</p> <p>If so, please:</p> <ul style="list-style-type: none"> <li>• Give your reasons</li> <li>• Identify the market sectors, entities, etc. in Ireland impacted by the proposed standard</li> <li>• Describe how you believe these matters should be addressed in the SIRs (Ireland)</li> </ul>
Summary of Responses and IAASA Response	<p>No respondent identified differences between the Irish and UK markets that would impact on the applicability of the SIRs (Ireland). One respondent identified areas where they believe further clarification or amendment would be helpful, which two other respondents indicated they supported.</p> <p>These comments and IAASA’s response are summarised in Section 4 below.</p>
5.	<p>Is the proposed effective date, i.e. for reporting accountant engagements commencing on or after 15 September 2022, appropriate?</p> <p>If not, please give reasons and indicate the effective date that you would consider appropriate.</p>
Summary of Responses	<p>All respondents agreed with the effective date.</p>
IAASA Response	<p>The effective date of the SIRs (Ireland) is for reporting accountant engagements commencing on or after 15 September 2022. Early adoption is permitted.</p>

## 4. Detailed comments

As noted above, this section summarises respondents' substantive comments in response to questions 3 and 4 in the consultation paper and IAASA's response.

### 4.1 Access to documentation

Respondents noted that SIRs (Ireland) 2000 and 6000 include requirements and guidance about access to audit documentation and considerations on obtaining such access. They stated that there is no legal right of access to audit documentation for reporting accountants in Ireland. One respondent expressed the view that this could be addressed by guidance issued by IAASA or the professional bodies or that legal changes may be required. Respondents also stated that the implications of access to required information should be considered, including where access is not provided.

It is IAASA's view that further amendment of the SIRs (Ireland) is not required. SIR (Ireland) 2000 covers situations where access is not granted by auditors and repeats the provisions of SIR 2000 issued by the FRC in March 2011 which are currently applied by Irish practitioners. Paragraph 54 of the standard states that the reporting accountant will need to obtain direct evidence if they cannot obtain the audit documents. Access to relevant auditor communications to those charged with governance may be covered as part of the terms of engagement.

SIR (Ireland) 6000 states that the reporting accountant shall consider if (s)he will require access to the work of the relevant financial advisers when agreeing the terms of engagement but does not require access as a condition of accepting the engagement. The reporting accountant will need to determine what alternative procedures may be required in such cases.

### 4.2 Modified opinions

Respondents queried why, given IAASA's policy to make minimal amendments to the UK standards, paragraph 59 of SIR (Ireland) 4000 on "modified opinions" differs from the corresponding provisions of the UK SIR 4000. It was noted that the FRC requires a 'positive and unmodified opinion' in its interpretation of the European Securities and Markets Authority (ESMA) guidance while SIR (Ireland) 4000 does not. They expressed the view that there should be consistency given the high number of dual listings and, in their opinion, there are no market or law differences that require this amendment.

The FRC's SIR 4000 was published in March 2020 and is based on the UK's interpretation of ESMA questions and answers on the Prospectus Regulation that were issued in January 2019. ESMA subsequently issued its final report entitled [ESMA Guidelines on Disclosure Requirements Under the Prospectus Regulation](#) in July 2020, paragraph 120 of which states:

*"Section 3 of Annex 20 implies that qualifications or emphases of matter should not arise in respect of how the pro forma information was compiled. If, however, the independent accountant or auditor wants to draw an investor's attention to the fact that qualifications or emphases of matter had arisen in respect of the underlying unadjusted historical financial information used to prepare the pro forma financial information, they are not prohibited from doing so. If qualifications or emphases of matter are included in that context, they should be presented separately in the report from the opinion concerning how the pro forma information was compiled."*

It is IAASA's view that the SIRs (Ireland) should reflect this latest documentation issued by ESMA. In this context, additional text (indicted in bold) has been inserted in paragraph 59 of SIR (Ireland) 4000

to clarify that a positive opinion must be provided and the report may also contain a separate qualification or emphasis of matter:

***“As CDR (EU) No 2019/980 requires a positive opinion, the reporting accountant shall not express an opinion when the directors have not applied the criteria set out in Appendix 1 of this SIR and, in the reporting accountant’s judgment, the effect of not doing so is, or may be, material. If the reporting accountant wants to draw an investor’s attention to the fact that qualifications or emphases of matter have arisen in respect of the underlying unadjusted historical financial information used to prepare the pro forma financial information, they shall be presented separately in the report from the opinion concerning how the pro forma information was compiled.”***

### **4.3 Guidance for preparers of proforma financial information**

One respondent noted that references in the UK standard to guidance issued by the Institute of Chartered Accountants in England and Wales (ICAEW) for preparers of proforma financial information were omitted from SIR (Ireland) 4000. They consider it an important reference source for reporting accountants and are of the view that reference to the ICAEW document should be included in SIR (Ireland) 4000 or guidance developed for use in Ireland.

It is not considered appropriate to include references in the SIRs (Ireland) to guidance issued by an accountancy body in another jurisdiction over which IAASA has no remit. The CCAB-I and Irish accountancy bodies may choose to develop guidance for their members on the preparation of proforma financial information.

### **4.4 SIR (Ireland) 3000**

One respondent considered that paragraph 77 of SIR (Ireland) 3000 required clarification. When considering this point, it was noted that paragraph 77 of the exposure draft did not fully reflect the wording of the corresponding provision of the UK standard. This has been corrected in the final SIR (Ireland) 3000 and should now provide sufficient clarity for reporting accountants.

### **4.5 Consultation period**

One respondent requested clarification about why the reference to the preparation of a financial information reconciliation to be published in a supplementary circular within 28 days of a contested offer becoming unconditional had been omitted from footnote 5 of SIR (Ireland) 5000.

It is IAASA’s understanding that this is a requirement of the UK Listing Authority. As there is no equivalent requirement in the Irish listing rules, this wording has been omitted from SIR (Ireland) 5000.

### **4.6 Confirmations**

Respondents queried the deletion of paragraphs 55 to 61 of the FRC’s SIR 6000 relating to "Confirmations of the report continuing to apply - subsequent documents" and the related Appendix 2. They stated that these confirmations are required by Rules 26(vi) and 28.5 of the Takeover Rules in Ireland.



Having consulted with the Takeover Panel, it is IAASA's understanding that Rule 28.5 applies to profit forecasts only and that in practice it never applies to quantified financial benefits statements. Consequently, paragraphs 55 to 61 and Appendix 2 of the FRC's SIR 6000 are not applicable in Ireland.

## 4.7 Editorial amendments

Two respondents identified several detailed provisions that they considered would benefit from amendment or clarification. All of these suggestions were reviewed in detail and, where considered necessary, the SIRs (Ireland) were amended to address the points raised.

## 5. Changes to the Euronext Growth rules

The SIRs (Ireland) have been updated for recent changes to the Euronext Growth rules. In particular, the contents of the information document prepared when applying for admission to the Euronext Growth Market are now set out in Appendix III to Part I of the Euronext Growth Rule Book. In addition, the rules now use the term 'listing sponsor' rather than 'advisor'. These changes relate to referencing and terminology only. They are not substantive changes from the exposure drafts.

## 6. Conclusion

Following the public consultation and amendment of the draft SIRs (Ireland) based on its consideration of the responses received, IAASA is issuing:

1. SIR (Ireland) 1000 – Investment Reporting Standards Applicable to all Engagements in Connection with an Investment Circular
2. SIR (Ireland) 2000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information
3. SIR (Ireland) 3000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Profit Forecasts
4. SIR (Ireland) 4000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Pro Forma Financial Information
5. SIR (Ireland) 5000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Financial Information Reconciliations under the Listing Rules
6. SIR (Ireland) 6000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Quantified Financial Benefits Statements

The final SIRs (Ireland) can be found [here](#).

A short presentation setting out the key features of the SIRs (Ireland) is available [here](#).

The effective date of the SIRs (Ireland) is for reporting accountant engagements commencing on or after 15 September 2022, with early adoption permitted.



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