

Kevin Prendergast

Irish Auditing & Accounting Supervisory Authority

Willow House

Millennium Park, Naas

Co Kildare,

Ireland

26 November 2021

E-mail: submissions@iaasa.ie

Dear Kevin,

The Assurance and Audit Technical Committee of Chartered Accountants Ireland is pleased to provide comments on IAASA's Proposal to Revise the **Irish Quality Management Standards Quality Management Standards**.

We address the questions in the consultation paper below and have included some additional matters.

Question 1. In the context of IAASA's policy to make minimal amendments to the UK standards, are there any provisions in the proposed quality management standards that, in your opinion, conflict with Irish or EU law?

In relation to Exposure Draft International Standard on Quality Management (Ireland) 1 (ED ISQM(Ireland)1) paragraph 19D-1 and 34D-3 we note the wording of these has been amended from the current equivalent paragraphs.

In the current standard, International Standard on Quality Control (Ireland)1 (ISQC(Ireland)1), the equivalent references are to "auditor" and "audit firms".

This has implications for our member firms.

Firstly, as these paragraphs relate to requirements of the Statutory Audit Directive, we believe that amendments are inconsistent with the requirements as enacted in Ireland through the Companies Act 2014.

19D-1. The firm shall have: (a) Sound administrative and accounting procedures; (b) Internal quality control mechanisms which are designed to secure compliance with decisions and procedures at all levels of the firm's working structure; (c) Effective procedures for risk assessment; and (d) Effective control and safeguard arrangements for information processing systems.

34D-3. When complying with the requirements set out in paragraphs 19D-1, 21D-1, 34D-1, 34R-2, 35D-1, 56D-1 and 58D-1(d)(ii) the firm shall: (a) Take into consideration the scale and complexity of the firm's activities; and (b) Be able to demonstrate to the competent authority that the firm's policies and procedures designed to achieve compliance with the

applicable requirements of this ISQM (Ireland) are appropriate given the scale and complexity of the firm's activities.

Secondly it is unclear how IAASA expects firms to address them as part of ISQM (Ireland) 1. What is the scope of these requirements? Given that they originate from the EU Audit Regulation/Directive are they not limited to audit? We would welcome further guidance on these requirements.

It is unclear whether IAASA expect firms to identify an additional component (to the eight components as detailed in section 6 of the draft ISQM(Ireland) 1) and develop objectives/risks/responses in relation to 'administrative and accounting practices' and monitor those in line with the standard.

Question 2. In the context of IAASA's policy to make minimal amendments to the UK standards, are there any areas not identified in this consultation paper where there are distinct differences between the Irish and UK markets which, in your opinion, would impact on the applicability of the proposed quality management standards in Ireland?

We are concerned that paragraphs 20 and 21 in ED ISQM (Ireland) 1 could obstruct the operation and structure of an audit firm in Ireland.

ED ISQM (Ireland) 1 paragraph 20 states "The firm shall assign:

- (a) Ultimate responsibility and accountability for the system of quality management to the firm's chief executive officer or the firm's managing partner (or equivalent) or, if appropriate, the firm's managing board of partners (or equivalent);*
- (b) Operational responsibility for the system of quality management"*

ED ISQM (Ireland) 1 paragraph 21D-1 requires that "at least one individual who is qualified as a statutory auditor is assigned" these roles.

We feel that given the size and structure of many firms in Ireland this may prohibit role (a) in paragraph 20 being assigned to the firm's chief executive officer/managing partner or role (b) being assigned to the head of quality and risk if they did not qualify under the Companies Act.

A consequence of this requirement could be firms splitting responsibility for these roles between responsibility for audits of financial statements and responsibility for other assurance and related service engagements. Additionally, not all assurance services are provided by, nor are they required to be provided by, personnel who are qualified as a statutory auditor. We believe that clarification for this requirement is needed to facilitate compliance.

We feel that the terms "qualified as a statutory" needs to be clarified. Is this intended to refer to responsible individuals who are approved as statutory auditors or those who hold relevant qualifications and are eligible for approval?

3. Is the proposed effective date of 15 December 2022, as set out in section 3, appropriate?

Yes, we believe the proposed effective date is appropriate given it is aligned with the IAASB effective date.

We also note and welcome that “Early adoption is permitted” instead of stronger wording of “strongly encouraged” as it allows the option but does not advocate for early adoption. Early adoption may not be feasible for many firms given the level of changes firms are required to make to be fully compliant by December 15,2022.

Additional matters

1. Definition of Listed entity – recent consultations

We note the current consultation on the definition of Listed Entities and Public Interest Entity (PIEs) by IAASA and the recent consultation on the definition of Listed Entity and PIE in the Code by International Ethics Standards Board for Accountants. the draft standards will need to be reviewed and updated when revisions to the code and definitions are finalised.

2. The use of the term ‘components’

We are concerned with the current wording in ED ISQM (Ireland) 2 paragraph 25-3 and the scope of the engagement quality review that it currently implies:

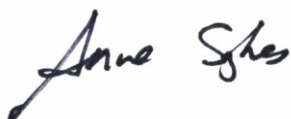
“For audits of group financial statements of public interest entities, the engagement quality reviewer also considers the matters required by paragraphs 25R-1(a)–(h) for components and discusses the results of the review with each of the relevant key audit partners. (Ref: Para. A48-2)”

We note that ISA(Ireland) 220 paragraph 21-3 refers to *“components where work has been carried out for the purposes of the group audit...”*.

We believe clarification is required to confirm the scope of the engagement quality review and whether is it intended to include **all** components, or only those where work has been carried out for the purposes of the group audit (i.e. in line with International Standard on Auditing (Ireland) 220).

If you have any questions on any of the comments in this response please do not hesitate to contact me at anne.sykes@charteredaccountants.ie or on + 353 1 6377313.

Yours sincerely



Anne Sykes

Secretary

Assurance and Audit Technical Committee

Chartered Accountants Ireland