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

E-mail: submissions@iaasa.ie

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Proposal to Revise the Irish Quality Management Standards

Dear Kevin,

Grant Thornton (Ireland) welcomes the opportunity to comment on the Irish Auditing & Accounting Supervisory Authority's (IAASA) Proposal to Revise the Irish Quality Management Standards.

We set out below our detailed response to IAASA's questions presented in the consultation paper and an additional matter we would like to bring to your attention in the context of the proposed Irish Quality Management Standards.

We would be pleased to discuss these responses with you.

Q1. 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?

Draft ISQM (Ireland) 1 paragraph 19D-1 states " *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.*

Draft ISQM (Ireland) 1 paragraph 34D-3 states " *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."*

In the context of Draft ISQM (Ireland) 1 paragraph 34D-3 (b) it is unclear how firms are required to demonstrate to IAASA that the firm's policies and procedures are designed to achieve compliance with the applicable requirements in Draft ISQM (Ireland) 1 paragraph 19D-1. Is the expectation that firms should identify an additional ISQM (Ireland) 1 component and develop objectives/risks/responses in relation to the requirements in

13-18 City Quay
Dublin 2
D02 ED70
Ireland

T +353 (0)1 6805 805
F +353 (0)1 6805 806
E info@ie.gt.com
www.grantthornton.ie

Draft ISQM (Ireland) 1 paragraph 19D-1 especially in terms of point (a) and monitor those risk and responses in line with the standard. Draft ISQM (Ireland) 1 paragraph 34D-3 is a specified response within the standard which does not link clearly to a current Draft ISQM (Ireland) 1 component similar to the other specified responses added.

Additionally, we are of the opinion that the scope of the requirement in Draft ISQM (Ireland) 1 paragraph is not clear. Given that they originate from the EU Audit Regulation/Directive which is enacted in Irish Company Law are they limited to the audit firm in line with the Irish Companies Act, or should they be applied to everything within the scope of Draft ISQM (Ireland) 1, or should they be applied firm wide?

Q2. 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?

Draft 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. . . .*

Draft ISQM (Ireland) 1 paragraph 21D-1 requires that " *at least one individual who is qualified as a statutory auditor is assigned*" these roles. The footnote to this paragraph states " *Qualification for appointment as a statutory auditor is dealt with Chapter 2 of Part 27 of the Companies Act 2014.*"

Given the size and structure of many firms in Ireland this may prohibit role (a) in Draft ISQM (Ireland) 1 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.

We are of the opinion that the phrase " *qualified as a statutory auditor*" needs to be clarified within the meaning of the Draft ISQM (Ireland) 1 itself and the requirement for assignment of responsibilities for these areas. We would request that the clarification clearly identifies whether this requirement means that the individuals in these roles are required to:

- be approved as a statutory auditor (i.e. approved responsible individuals); or
- hold relevant appropriate qualifications (i.e. Chapter 4 of the Audit Regulations) and are eligible for approval as a statutory auditor.

The latter in our opinion would be more appropriate and would more clearly align to the Audit Regulations.

Draft ISQM (Ireland) 1 paragraph 5 notes the scope of the standard includes " *other assurance or related services engagements*". In practice, not all assurance services are provided by, nor are they required to be provided by, personnel who are " *qualified as a statutory auditor*". The requirement in Draft ISQM (Ireland) 1 paragraph 21D-1 to assign responsibility to individuals who are " *qualified as a statutory auditor*" may conflict with the current structure of firms in the Irish market place given they are providers of both audit and non-audit services. Therefore, we are also of the opinion that the scope of

the standard in terms of what "other assurance or related services engagements" it applies to should be clarified.

- Q3. Is the proposed effective date of 15 December 2022, as set out in section 3, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.

The proposed effective date is appropriate given it is aligned with the effective date of the international standard.

We welcome the wording "Early adoption is permitted" instead of stronger wording of "strongly encouraged" used in the UK standard 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 matter - the use of the term 'components' in Draft ISQM (Ireland) 2 paragraph 25-3

"25-3. 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 are of the opinion that the reference to components in Draft ISQM (Ireland) 2 is required to be clarified to clearly define the scope of the engagement quality review in relation to components. The extant International Standard on Auditing (Ireland) 220 (Revised November 2020) paragraph 21-3 refers to components where work has been carried out for the purposes of the group audit and this wording has not been retained in Draft ISQM (Ireland) 2 paragraph 25-3. The current proposed wording may vastly extend the scope of the required review by the engagement quality reviewer in terms of components to immaterial components that have no group impact in the overall audit.

If you have any questions, please do not hesitate to contact me at Stephen.murray@ie.gt.com.

Yours sincerely,

A handwritten signature in black ink that reads "Stephen Murray". The signature is written in a cursive, flowing style.

Head of Audit & Assurance