

2018

Regulatory and Monitoring Supervision  
**Guidelines on matters to be  
considered by the RABs when  
granting exemptions from one of  
more of the subjects in the test of  
theoretical knowledge for  
approval as an auditor**

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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. Regulatory outcomes

High quality statutory audit enhances the integrity of a financial report and therefore, its usefulness. To that end, statutory audits must be undertaken by those who have the requisite education and training. A person is not eligible for approval as an auditor in Ireland unless they are a member of a RAB and hold an appropriate qualification awarded by a RAB following completion of relevant practical training and examinations.

Under the law, a RAB may exempt certain persons from subjects included in its education syllabus that are required for eligibility to be approved as an auditor. Where a RAB operates such a process, it should ensure that it is designed so that the following outcomes are achieved:

- the RAB's education standards are maintained;
- only individuals with the appropriate education as set out in Schedule 19 to the Companies Act 2014 are eligible for approval to audit in Ireland; and
- the process is applied in an equitable, transparent and consistent manner.

## 2. Purpose of these guidelines

The primary purpose of these guidelines is to assist the RABs in exercising their power under section 1472(3) of the Companies Act 2014 by setting out the principal matters which IAASA would expect a RAB to consider when granting exemptions to prospective auditors.

These guidelines are not intended to replace or override any legislative provisions. They should be read in conjunction with the Act, and any section 931 notice, rule or guideline as IAASA may issue from time to time. A RAB may seek engagement with IAASA in more complex cases, 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

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Audit qualification	Qualification awarded by a RAB to an individual who has at least met the standards relating to training and qualifications set out in Schedule 19 to the Act, pursuant to section 1472
The Companies Act 2014 / the Act	The Companies Act 2014, as amended
Previous qualification	The academic or professional award or particular subject(s) leading to such an award in respect of which it is proposed to grant an exemption
RAB	Recognised Accountancy Body
Statutory auditor/auditor	An individual who is approved in accordance with Part 27 of the Act to carry out statutory audits in accordance with Irish law

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## 4. Legal provisions

Schedule 19 to the Act details the “*standards relating to training and qualifications for approval of individual as statutory auditor*”, including in paragraphs 2(2) and 3, the subjects to be examined.

Section 1472(3) of the Act provides that, in certain circumstances, a RAB may exempt an individual from one or more of those subjects on the basis of their previous qualifications:

*“A recognised accountancy body may exempt in writing a person who has passed a university or equivalent examination, or who holds a university degree or equivalent qualification, in one or more of the subjects referred to in the test of theoretical knowledge specified in Schedule 19 if the body is satisfied that the passing of that examination, or the holding of that university degree or equivalent qualification, renders it unnecessary for the person to undergo that test in so far as those subjects are concerned.”*

Section 1472(4) provides that IAASA shall issue guidelines on the matters to be considered by the RABs when deciding whether or not to award an exemption:

*“The Supervisory Authority shall, at such times as it thinks it appropriate to do so, issue guidelines to recognised accountancy bodies as to the specific matters that should be given regard to in reaching a decision under subsection (3) whether or not to grant an exemption under that subsection to a person.”*

## 5. Scope

These guidelines are applicable to all RABs recognised in accordance with the provisions of section 930 of the Companies Act 2014, as amended, and which are authorised to perform the Part 27 function of approval of statutory auditors. They concern the granting of exemptions from the education element (test of theoretical knowledge) of the audit qualification only. Therefore, the implementation of these guidelines, in themselves, is not sufficient for a RAB to approve and register individuals as statutory auditors in Ireland. Other matters, not covered by these guidelines, which the RABs are required to consider when approving and registering auditors include the:

- standards relating to training for approval as an auditor as set out in Schedule 19 of the Act; and
- provisions of Chapter 2 of Part 27 of the Act relating to the approval of statutory auditors.

While these guidelines are focussed on the RABs’ activities in respect of statutory auditors, the RABs are encouraged to apply them to their general exemptions process where relevant and appropriate.

These guidelines do not apply to Member State auditors or third country auditors. The conditions for the approval of such individuals as statutory auditors are set out in sections 1470(b) and (c) of the Act respectively.

## 6. Effective date

With effect from 1 April 2019, these guidelines must be applied to all new applications for exemption in relation to subjects required for eligibility to be approved as a statutory auditor. Individual RABs may however, close identified gaps between their processes and these guidelines thereafter based on suitable time-bound action plans which should be agreed with IAASA.

By 31 March 2020 each RAB shall prepare and submit to IAASA a report detailing how the expectations expressed in these guidelines have been implemented.

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.

## 7. Guidelines – specific matters to which a RAB should give regard in exemption decisions

The specific matters to which, at a minimum, a RAB should give regard in reaching a decision to exempt a person from one or more subjects in its examinations for the qualification of auditors based on a previous qualification are listed below, together with guidelines regarding how those matters should usually be considered in practice.

A RAB should be able to demonstrate that it has considered each of matters set out in these guidelines through the retention of appropriate records.

## **A. Matter to be considered: RAB subjects required to be passed for audit qualification in accordance with the requirements of Schedule 19 to the Act**

### **Guidelines:**

- A.1. Each RAB should specify the subjects within its examination system that must be passed in order for an individual to meet the education standards for qualification as an auditor set out in Schedule 19.2(2) and 19.3 of the Companies Act 2014 and specify which of those subjects an applicant may be exempted from based on a previous qualification.
- A.2. Each of the subjects from which an applicant is seeking an exemption should be considered separately.
- A.3. Exemptions from subjects examined by a RAB at final examination level that are required for qualification as an auditor should not be granted, except where an applicant has passed the equivalent and final examinations of another RAB.

## **B. Matter to be considered: Time period since the awarding of the previous qualification**

### **Guidelines:**

- B.1. The exemption granted should be based on an evaluation of the syllabus and assessment system in respect of the previous qualification at the time the applicant obtained that award.
- B.2. The RAB should consider whether any changes (in legislation, auditing standards, accounting standards or other relevant developments) have taken place in the interim period that might mean the previous qualification is based on learning that does not reflect current requirements and practice and, therefore, an exemption should not be granted. In any event, the RAB should regularly review its time limit for the granting of exemptions for each subject, having regard to any such recent changes.
- B.3. In general, exemptions should not be granted in respect of previous qualifications awarded more than five years from the date of application for the exemption. Where it is proposed to grant exemptions in respect a previous qualification that was awarded more than five years ago, the RAB should satisfy itself as to how the individual has evidenced that they have maintained their professional competence and technical knowledge at an appropriate level in the intervening period.

## **C. Matter to be considered: Match to learning outcomes of relevant RAB subject**

### **Guidelines:**

- C.1. The syllabus studied and examined (including consideration of the proficiency level, depth of coverage and number of learning hours) for the previous qualification should substantially match the topics which the RAB includes in its own syllabus for that subject, sufficient to satisfy the RAB that the applicant should have attained the required learning outcomes for that subject.
- C.2. The exam papers and other assessment methods for the previous qualification should be assessed to ensure that they are comprehensive and do not permit core elements of the subject to be avoided.

## **D. Matter to be considered: Basis for awarding of previous qualification**

### **Guidelines:**

- D.1. The awarding of the previous qualification should be based on valid assessment procedures, including a written examination which tested both the individual's subject knowledge and its application.
- D.2. A significant element of the assessment for the awarding of the previous qualification should have been based on examinations, projects etc. completed by the individual (as opposed to group work).
- D.3. The awarding of the previous qualification should not have been based on the granting of substantial exemptions. A subject passed by compensation should not be considered eligible for exemption in respect of a Schedule 19 subject.

## **E. Matter to be considered: Level of previous qualification**

### **Guidelines:**

- E.1. Exemptions should be granted based on previous qualifications gained from recognised institutions and be equivalent to university level in Ireland.
- E.2. A previous qualification may be regarded as equivalent to university level in Ireland if it is, or forms part of, an award which is accredited at:
  - level 7 or above on the National Framework of Qualifications in Ireland;
  - level 6 or above on the Framework for Higher Education Qualifications in England, Wales and Northern Ireland; or
  - level 9 or above on the Scottish Credit and Qualifications Framework.
- E.3. Where it is proposed to grant an exemption in respect of a previous qualification obtained outside Ireland or the UK, the RAB should ensure that it has taken the appropriate steps to satisfy itself that the previous qualification was:
  - awarded by an educational establishment that is nationally recognised in its own country. The RAB should refer to the National Academic Recognition Information Centre (NARIC - <http://www.qqi.ie/Articles/Pages/NARIC-Ireland.aspx>) qualifications database when considering this matter; and
  - at a level that is of university level or equivalent in Ireland.

## **F. Matter to be considered: Sufficiency and reliability of evidence provided to support application for exemption**

### **Guidelines:**

- F.1. Applicants should be required to provide documentary evidence to demonstrate achievement of the previous qualification.
- F.2. The RAB should carry out due diligence checks to ensure that the previous qualification is genuine and is therefore an appropriate basis to consider the request for exemption.



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