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**Statement on Scope and
Authority of Audit and
Assurance
Pronouncements**

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IAASA: Statement on Scope and Authority of Audit and Assurance Pronouncements

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.

Table of Contents

| | Paragraph |
|---|-----------|
| Nature and Scope of IAASA Audit and Assurance Pronouncements..... | 1 – 10 |
| Standards and Guidance for Audits of Financial Statements | 11 – 13 |
| Authority of IAASA Audit and Assurance Pronouncements..... | 14 – 18 |

Nature and Scope of IAASA Audit and Assurance Pronouncements

1. Audit and assurance pronouncements issued by IAASA include:
 - Quality control standards¹ for firms that perform audits or reviews of financial statements or other public interest assurance engagements²;
 - Ethical and engagement standards for audits of financial statements and reviews of interim financial information by the auditor; and
 - Guidance for auditors of financial statements and auditors involved in other public interest assurance engagements.
2. Auditors should not claim compliance with IAASA's audit and assurance or ethical standards unless they have complied fully with all of those standards relevant to an engagement.
3. Quality control standards and engagement standards for audits of financial statements and other public interest assurance engagements (the International Standard on Quality Control (Ireland) 1 (ISQC (Ireland) 1)¹ and the International Standards on Auditing (Ireland) (ISAs (Ireland)) include objectives for the auditor, together with requirements³ and related application and other explanatory material. The Ethical Standard for Auditors (Ireland) contains overarching ethical principles and supporting ethical provisions, the ethical outcomes of which are required to be met, together with requirements³ and related application and other explanatory material.
4. It is necessary to have an understanding of the entire text of a standard, including its guidance, to understand its objectives, overarching ethical principles or supporting ethical provisions (as applicable) and to apply its requirements properly. Further explanation of the scope, authority and structure of the engagement standards is set out in ISA (Ireland) 200 (Updated December 2018), Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.
5. The engagement standard for reviews of interim financial information by the auditor contains requirements, basic principles and essential procedures (identified in bold type lettering) together with related guidance. The requirements, basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provide guidance for their application. It is therefore necessary to consider the whole text of the standard to understand and apply the requirements, basic principles and essential procedures properly.

¹ From December 2022, the quality control standards (ISQC (Ireland) 1 (Revised November 2020) and ISA (Ireland) 220 (Revised November 2020)) will be replaced by:

- ISQM (Ireland) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (effective as of 15 December 2022);
- ISQM (Ireland) 2, Engagement Quality Reviews (effective for audits and reviews of financial statement for periods beginning on or after 15 December 2022 and other assurance and related service engagements beginning on or after 15 December 2022); and
- ISA (Ireland) 220 (Revised December 2021), Quality Management for an Audit of Financial Statements (effective for audits of financial statements for periods beginning on or after 15 December 2022).

Early adoption is permitted.

² Public interest assurance engagements are audits of financial statements and other assurance engagements undertaken in accordance with performance standards issued by IAASA.

³ The level of authority of the text in requirement paragraphs is indicated by the use of the term 'the auditor shall'.

6. The ISAs (Ireland) and ISQC (Ireland) 1¹ are based on standards that have been issued by the UK Financial Reporting Council (FRC), which are in turn based on standards that have been issued by the International Auditing and Assurance Standards Board⁴ (IAASB) published by the International Federation of Accountants (IFAC) and used with the permission of IFAC. Shaded text in these standards identifies supplementary requirements and guidance appropriate in the context of Irish legislation and business practice. Requirements derived from the European Audit Directive⁵ and Regulation⁶ have the letter 'D' (for the Directive) or 'R' (for the Regulation) added to the paragraph number where appropriate. Similarly, the Ethical Standard for Auditors (Ireland) is based on the corresponding standard issued by the FRC and its overarching principles and supporting provisions reflect the EU Audit Directive and Regulation where relevant. Such requirements are highlighted with shading and annotated as 'D' or 'R' as applicable. ISAs (Ireland) are consistent with International Standards on Auditing as issued by the IAASB and the requirements of ISAs (Ireland) do not conflict with the requirements in ISAs. An audit conducted in accordance with ISAs (Ireland) does not therefore preclude the auditor from being able to assert compliance with International Standards on Auditing issued by the IAASB.
7. Requirements in the Audit Regulation contained in the Ethical Standard for Auditors (Ireland) and ISAs (Ireland) that are applicable to the audit of Public Interest Entities are applicable to those entities as defined in Irish company law⁷.
8. For the audit of Irish groups, the group auditor needs to be satisfied that the audit of the group financial statements, on which the group auditor gives an audit opinion, is in accordance with the ISAs (Ireland). Auditors of overseas components are not required to have regard to the additional requirements and guidance material in those standards, although the group auditor may decide to refer to it in their instructions to component auditors⁸.
9. The ISAs and ISQC 1¹, as issued by the IAASB, require compliance with 'relevant ethical requirements' which are described as ordinarily comprising the provisions of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (the IESBA Code⁹) related to an audit of financial statements together with national requirements that are more restrictive. The ISAs (Ireland) and ISQC (Ireland) 1¹ have supplementary material that makes clear that auditors in Ireland are subject to ethical requirements from two sources: the Ethical Standard for Auditors (Ireland) and the ethical pronouncements established by the auditor's recognised accountancy body.

4 IAASB is a committee of the International Federation of Accountants (IFAC). The IAASB's constitution and due process is described in its Terms of Reference.

5 Directive 2006/43/EC as amended by Directive 2014/56/EU.

6 Regulation (EU) No 537/2014.

7 Section 1461(1) of the Companies Act 2014.

8 If the auditor of an overseas component is a part of the same firm as the group auditor (i.e. the same legal entity) consideration needs to be given to whether the auditor of the overseas component has the same legal obligations as the group auditor and, therefore, is required to comply with the legal or regulatory requirements of the ISAs (Ireland). If such obligations exist, consideration needs to be given to the implications for communication between the group auditor and component auditor (for example where necessary to fulfil obligations for reporting money laundering offences or reporting matters to a regulator).

9 The IESBA Code can be downloaded free of charge from the IESBA website (www.ethicsboard.org).

10. The Ethical Standard for Auditors (Ireland) was developed with the intent that it should adhere to the principles of the IESBA Code.

Standards and Guidance for Audits of Financial Statements

11. Section 1526(1) of the Companies Act 2014 provides that IAASA shall adopt the auditing standards to be applied in Ireland in the conduct of statutory audits.
12. Ethical and engagement standards for audits of financial statements, which comprise the Ethical Standard for Auditors (Ireland) and ISAs (Ireland), apply to auditors carrying out:
- Statutory audits of companies in accordance with the Companies Act 2014;
 - Audits of financial statements of other entities if legal or regulatory requirements require application of those standards; and
 - Audits of other entities where the auditor elects, or is required by contract, to perform the work in accordance with the Irish Auditing Framework.
13. Guidance for auditors of financial statements is also issued in the form of Guidance Notes. Guidance Notes are persuasive rather than prescriptive and are indicative of good practice. They assist auditors in applying engagement standards to particular circumstances and industries. Auditors should be aware of and consider Guidance Notes applicable to the engagement. Auditors who do not consider and apply the guidance included in a relevant Guidance Note should be prepared to explain how the engagement standards have been complied with.

Authority of IAASA Audit and Assurance Pronouncements

14. In order to be eligible for appointment in Ireland as auditors of companies, or of any of the other entities that are required to be audited by statutory auditors, persons must be approved as a statutory auditor under Part 27 of the Companies Act 2014. Section 1464 of that Act provides that an accountancy body recognised by IAASA may approve statutory auditors in Ireland.
15. Section 930 of the Companies Act 2014 provides that IAASA may grant recognition to a body of accountants only if it is satisfied:
- That the body's standards regarding training, qualification and repute are sufficient to meet EU requirements;
 - As to the standards applied by the body in relation to, inter alia, ethics, independence, profession integrity and auditing standards;
 - As to the body's capacity to institute and apply effective arrangements to ensure compliance with and the enforcement of those standards; and
 - That the body will effectively perform its functions in respect of statutory auditors.
16. Apparent failures by auditors to comply with applicable ethical or engagement standards are liable to be investigated by IAASA or the relevant recognised accountancy body. Auditors who do not comply with the applicable ethical or engagement standards when performing statutory or other

audits make themselves liable to regulatory action which may include the withdrawal of registration and hence the eligibility to perform statutory audits.

17. Relevant IAASA pronouncements may be taken into account when the adequacy of the work of auditors is being considered in a court of law or in other contested situations.
18. The nature of the ethical and engagement standards and associated guidance requires auditors to exercise professional judgment in applying them. Where, in exceptional circumstances, auditors judge it necessary to depart from a requirement, basic principle or essential procedure that is relevant in the circumstances of a particular engagement, the auditor documents how the alternative procedures performed achieve the objective of the engagement and, unless otherwise clear, the reasons for the departure.



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