



Mr Kevin Prendergast
Chief Executive
Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park
Naas
Co Kildare

17 July 2020

Consultation Paper on Proposals to Revise the Ethical Standard for Auditors (Ireland), International Standards on Auditing (Ireland) and Glossary of Terms

Dear Sir,

We welcome the opportunity to respond to the above consultation.

PricewaterhouseCoopers is very committed to delivering the highest quality audits which are valued and understood by all stakeholders. Critical to upholding public confidence in financial reporting is maintaining robust standards of independence and ensuring the public interest is paramount.

We continue to be supportive of the initiatives and work of IAASA and playing our part in enhancing Ireland's reputation for high standards of corporate reporting, auditing and governance.

We have outlined our responses to the specific questions asked in section five of the consultation paper, together with a summary of our rationale for our responses below.

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

In the context of IAASA's policy to make minimal amendments to the UK standards, we have identified three proposed amendments to the auditing and ethical standards that may conflict with Irish or EU law.

a) ISA (Ireland) 720, The Auditor's Responsibilities Relating to Other Information Definitions

We suggest that a clarifying footnote is required in paragraph A53-4 to reflect changes made by S.I. 410/2018 - (European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (Amendment) Regulations

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2018). In the absence of this clarification, the auditing standard will be inconsistent with the Companies Act 2014.

- b) Paragraph 5.75 of the proposed new Ethical Standard states that where an entity relevant to the engagement is a listed entity, or a significant affiliate of such an entity, the firm shall not provide a service to prepare current or deferred tax calculations that “are or may reasonably be expected to be used by the entity when preparing accounting entries”. In our view, this may serve to introduce an inconsistency with the requirements of the 2014 Companies Act. Given no change in the underlying legal basis, we would suggest that the wording in the current Ethical Standard (paragraph 5.83 and 5.85 in the 2017 standard) be therefore retained.
- c) Paragraph 5.34 to 5.37 address, inter alia, the disapplication of the 70% fee cap to services “required by EU or national legislation”. In view of the change in paragraph 5.35 to clarify that audit related services include reporting required by law or regulation to be provided by an auditor (emphasis added), a similar conforming change will be needed in the first bullet of paragraph 5.37.

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 amendments to the standards in Ireland?

In the context of IAASA’s policy to make minimal amendments to the UK standards, we have identified one area in the consultation paper where there are distinct differences between the Irish and UK markets which, in our opinion, would impact on the applicability of the proposed amendments to the standards in Ireland.

a) ISA (Ireland) 700, Forming an Opinion and Reporting on Financial Statements

In the current standard, paragraph 45R-1 includes specific requirements for the audit report of EU PIE audits. These include, inter alia, a requirement to “explain to what extent the statutory audit was considered capable of detecting irregularities, including fraud”. In the proposed standard, this requirement is included in paragraph 29-1. The moving of this requirement from para 45R - 1 to para 29-1 has the effect of making this a requirement for all audits and not as is currently the case for EU PIE audits only.

We are seeking clarification of whether this is an intentional decision to bring additional entities into the scope of this legal requirement by means of an ISA Ireland plus or a drafting oversight due to the removal of “R” annotations in the FRC standard following Brexit that were used to denote paragraphs implementing requirements from EU audit regulation intending to be applicable for EU PIE entities.

In our view the additional application material is effectively an interpretation of the EU Regulation requirement. We understand that this application material is not consistent with how this requirement is interpreted in other EU countries where the requirement is generally interpreted as being met by the general description of the

scope of an audit as currently included in audit reports in accordance with ISA (Ireland) 700.

If this is an intentional decision to bring additional entities into the scope of this legal requirement we respectfully suggest that, in advance of the inclusion of this application material to the standard, the matter should be referred to the CEAOB for their interpretation of what this EU regulation means and to ensure that the way the regulation is interpreted in Ireland is consistent with the other EU countries.

We note that this application material has been applied in the UK to audits of EU PIE entities for the last three years by way of FRC Technical Advisory Group Guidance and no similar requirement was included in ISA (Ireland) at that time.

This change would have a greater impact in the Irish market as subsidiary companies (other than where the entire group meets the definition of a small company or where the subsidiary company is dormant) cannot avail of these audit exemptions, regardless of the size of the entity or nature of its activities. Section 479A – C of the UK Companies Act 2006 allows UK subsidiary companies of any size (subject to certain qualifying criteria) to avail of an audit exemption where a UK parent undertaking guarantees the outstanding liabilities of the subsidiary and providing a number of other conditions are met.

- 3) As noted in section 4 of the consultation paper, the FRC has expanded the scope of the non-audit services requirements applicable to PIEs to include ‘other entities of public interest’, as defined in the FRC’s glossary of terms. In your view, should IAASA expand the scope of the non-audit services requirements applicable to PIEs to include ‘other entities of public interest’ in Ireland?**

The current PIE definition set out in Irish law was a matter included in the 2014 public consultation “ Consultation on Member State Options under Audit Regulation (EU) No 537/2014 and Audit Directive 2014/56/EU” where responses were submitted by a wide group of stakeholders. Since this consultation we do not believe there has been significant developments in the Irish audit market place to warrant a further consultation to expand the PIE definition to include ‘other entities of public interest’ by or under any other enactment of law.

- 4) Are there any matters set out in section 4 of the consultation paper that should, in your view, be reflected in the revised standards in Ireland?**

In our view there are no matters set out in section 4 of the consultation paper that IAASA should reflect in the revised standards in Ireland as those matters conflict with Irish or EU law.

- 5) Is the proposed effective date, i.e. for financial periods beginning on or after 15 October 2020, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.**

While supportive of the revised standard, given the current conditions in which both preparers and auditors continue to operate, the proposed effective date does not provide sufficient time



for Companies, Audit Committees and broader stakeholders to assimilate the amendments and make any necessary business changes in an orderly way. Equally, there will be a requirement for revisions to be made to audit firm guidance, systems and training programmes to ensure the changes are properly understood and implemented.

We consider that an effective date for financial periods beginning on or after 15 April 2021 (i.e. a six month extension) should provide sufficient time for all stakeholders to assimilate the amendments and make any required operational changes in an orderly way.

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Should you wish to discuss any aspect of this response please feel free to contact Feargal O'Rourke, Ronan Doyle or Mary Cleary.

Yours sincerely,

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers