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BYE LAW 7

QUALITY ASSURANCE

7.1.1
In this Bye Law 7, a reference to any statute or statutory provision includes reference to that statute or statutory provision as from time to time amended, extended or re-enacted, with or without amendment.

7.1.2
In this Bye Law 7, unless there is something inconsistent in the subject or context, words denoting the singular number only, include the plural and vice-versa; words denoting one gender only, include the other genders; words denoting individuals include corporations and vice-versa; and references to "person" include reference to a *Firm*, or corporation, or other body of persons; words such as "hereunder", "hereto", "hereof" and "herein" and other words commencing with "here" shall refer, unless the context clearly indicates to the contrary, to the whole of this Bye Law 7 and not to any particular section or paragraph thereof.

7.1.3
The headings and captions to the paragraphs in this Bye Law 7 are inserted for convenience of reference only and do not affect its construction or interpretation.

7.1.4
The defined terms set out in Article 1 and Article 48 of the *Articles* have the same meaning in this Bye Law 7.

7.2
The purpose of the quality assurance process is to ensure that all *Authorised Firm*s maintain an appropriate level of professional standards in the performance of accounting and auditing services. This is achieved primarily by conducting on-site reviews of *Firm*s and, amongst other tasks, examining a cross section of current engagement files of *Firm*s at such intervals as may be determined by the *Institute*.

All *Firm*s shall appoint a Compliance Principal. All *Firm*s shall notify the *Institute In Writing* of the name of its Compliance Principal on his/her appointment. The *Institute* shall be notified if the Compliance Principal is changed by a *Firm* and of the name of the new appointment. The Compliance Principal shall be the point of contact with the *Firm* for the purposes of the quality assurance process.

7.3
*Member*s, *Affiliated Partner*s and *Responsible Individual*s and *statutory auditors* of Authorised *Firm*s shall ensure that they and all persons associated with them co-operate fully with the *Institute* in its monitoring and enforcement of compliance with regulations and Bye-Laws relating to the operation of their Practice and co-operate fully with Quality Assurance Officers. A failure to co-operate fully with the *Institute* may result in disciplinary action as laid down in these Bye Laws.

7.4
*Firm*s shall carry out their work according to accounting standards issued by the Financial Reporting Council (FRC) or the International Accounting Standards Board (IASB) as relevant, all auditing and ethical standards issued by the FRC or the Irish Auditing and Accounting Supervisory Authority (IAASA) as relevant and all quality control standards issued by the FRC or IAASA as relevant and the applicable Code of Ethics and relevant legislation.

7.5
*Firm*s shall maintain adequate accounting records for their practice at all times.

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7.6
Quality Assurance Officers engaged by the *Institute* carry out the quality assurance process independent of *Council*, on a confidential basis.

All Practice and client information obtained during a review and communication concerning the quality assurance process between the Quality Assurance Officer(s), the *Professiona*l Standards Department of the *Institute* and *Firm*s will be confidential unless the result is subject to *Appeal* or the case is referred to the Director of *Professiona*l Standards or the *Investigation Committee,* or the *Disciplinary Committee*, or requested by the Irish Auditing and Accounting Supervisory Authority or Central Bank in the course of supervision of the Institute's regulatory activities or other disclosure required by law.

If the Registration Committee, Registration Appeals Committee, *Investigation Committee*, *Disciplinary Committee* or a *Disciplinary Tribunal* direct that a quality assurance review be carried out, the Quality Assurance Officer(s) shall report back to the appropriate committee in relation to all aspects of the review including the findings and shall provide the appropriate committee with all relevant documentation including correspondence if required.

A Quality Assurance Officer, Director of Professional Standards, Registration Committee; Registration Appeals Committee; Investigation Committee; Disciplinary Committee or Appeal Panel may utilise the services of an expert or seek external advice in relation to any matter relating to a quality assurance review if considered necessary.

The Quality Assurance Officer and any other parties involved in a quality assurance review of a Firm shall confirm their independence in relation to the *Firm* itself as well as the clients of the Firm who's files are the subject of the review.

The Director of Professional Standards or the Quality Assurance Manager may report the findings of a review that results in a Grade C or D to the Registration Committee, Registration Appeals Committee, *Investigation Committee*, *Disciplinary Committee* or a *Disciplinary Tribunal* if considered necessary.

7.7
A *Firm* is required to achieve a Grade A on review before the review is deemed closed. This may not be achieved on a first visit. A follow up visit (re-review) or some other follow up action may be required to complete the review. *Firm*s will be advised of the findings at each stage of the Quality Assurance process. A full written report on the findings of each stage of the quality assurance process will be sent to the Compliance Principal of the *Firm* within 42 days of the review. This 42 day period may be extended at the discretion of Quality Assurance Officer if he/she deems that such an extension is required. This report shall include the main findings and outcome and where appropriate recommendations for improvement.

7.8
A Quality Assurance Officer may refer a matter as a complaint in accordance with Bye Law 6 if he/she considers it appropriate to do so. There is no Appeal in relation to the decision to refer a matter as a complaint. Such a referral can occur at any time or at any stage during the quality assurance review and may relate to one or more specific matters or the entire review.

7.9
Where a *Firm* does not accept the outcome of a Quality Assurance review such *Firm* may *Appeal* the outcome to the Director of Professional Standards or the Quality Assurance Manager. Any conditions imposed shall not be enforced until the appeal has been concluded unless deemed by the Director of Professional Standards to be necessary to protect the public or the clients of the *Firm*.

7.10
A panel of Independent Quality Assurance Appeals Reviewers, made up of appropriately qualified experts, shall be appointed annually by Council. No Council Member or employees of the Institute, or

members of the following Committees shall be eligible for appointment as an Independent Quality Assurance Appeals Reviewer – Registration Committee; Registration Appeals Committee; Investigation Committee; Disciplinary Committee; Appeal Panel .

An appeal must be made *In Writing* to the Director of Professional Standards or the Quality Assurance Manager setting out the grounds of the Appeal.

An *Authorised Firm* can only appeal on the grounds that the outcome:

(a) was wrong in law;

(b) wrongly interpreted any relevant Bye Law;

(c) wrongly interpreted any relevant accounting, auditing, ethical or legal requirements to such an extent that resulted in the scoring of a Grade C or Grade D; or

(d) did not comply with this Bye Law 7.

The appeal must be sent and received within 14 calendar days of the date that the written report of the findings was sent to the *Firm*. Late appeals will only be considered in exceptional circumstances and at the discretion of the Director of Professional standards, who's decision in relation to the allowability or otherwise of the appeal shall be final. . An Independent Quality Assurance Appeals Reviewer will be selected from the panel by the Quality Assurance Manager or the Director of Professional Standards, and the *Firm* will be notified of the appointment. A Reviewer will be obliged to complete a confidentiality and independence checklist before appointment.

All papers pertaining to the Quality Assurance Review, under appeal will be made available to the Independent Quality Assurance Appeals Reviewer. The Independent Quality Assurance Appeals Reviewer shall conduct the appeal and provide a report to the Director of Professional Standards or Quality Assurance Manager within 60 days of the papers being made available to him. The Independent Quality Assurance Appeals Reviewer may request whatever information considered necessary from the *Firm* and from the Institute to allow him to consider the appeal including access to all files and material reviewed.

The Independent Quality Assurance Appeals Reviewer may accept or reject the appeal.

If the Independent Quality Assurance Appeals Reviewer accepts the appeal he/she shall direct what action shall be taken. He/she shall direct that any or all of the following actions be taken:

(a) that the grade awarded in accordance with bye laws 7.16.1 or 7.17.1 be adjusted; and/or,
(b) that any actions imposed in accordance with bye law 7.16.3 be cancelled or varied; and/or,
(c) that any report issued in accordance with bye law 7.7 be amended.

If the Appeal is accepted, the *Firm* will be advised of the decision of the Independent Quality Assurance Appeals Reviewer and of the revised findings and outcome of the review.

If the Independent Quality Assurance Appeals Reviewer rejects the appeal, the Firm shall be notified and the costs of the review shall be borne in full by the applicant Firm.

The decision of the Independent Quality Assurance Appeals Reviewer shall be final. The Firm shall be advised of the outcome of the appeal and shall be provided with a copy of the report of the Independent Quality Assurance Appeals Reviewer outlining the reasons for the decision made.

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The Registration Committee, Registration Appeals Committee, *Investigation Committee* or Disciplinary Committee or any *Disciplinary Tribunal* may direct, at their absolute discretion, that a quality assurance review be carried out. The above committees have the right to specify the terms of the review.

7.12

SELECTION PROCESS

7.12.1
*Authorised Firm*s are normally selected for a Quality Assurance visit on both a risk and a random basis. In addition a *Firm* may be selected by order of the *Investigation Committee*, the *Disciplinary Committee* or *Tribunal, Appeal Panel, Registration Committee or Registration Appeals Committee.*

The criteria used for risk selection include but are not limited to:

1. Number, size and nature of audit assignments retained
2. Number and nature of clients with 3rd party reporting obligations
3. Number, size and nature of non-audit assignments retained
4. Investment business authorisation (as per Investment Business Regulations)
5. Previous quality assurance / practice review history
6. Previous disciplinary, licensing or other regulatory history
7. *Complaint*s made to the *Institute*
8. Failure to complete adequate continuing *Professiona*l development.
9. Information in the public domain
10. Information provided to the Institute by the firm or partners, *Affiliated Partner*s, *Responsible Individual*s, *Statutory Auditor*s of the firm in compliance with the Bye Laws,

7.12.2
The quality assurance reviews of *Statutory Audit Firm*s shall take place on the basis of an analysis of risk and at least once in every six years in accordance with the requirements of S.I. 312 of 2016.

In addition an Initial Review of all new Statutory Audit Firms will normally be conducted within the first eighteen months of registration.

The quality assurance review of a Non-*Audit Firm* shall take place at least every 10 years. In addition an Initial review of new non-audit firms may be conducted within the first eighteen months of registration.

When *a Statutory Audit Firm* is selected for review, the work of all *Statutory Auditor*s will be reviewed.

A quality assurance review in relation to a *Statutory Audit Firm* will be treated as a quality assurance review of all *Statutory Auditor*s carrying out audits on behalf of the *Firm*, if the *Firm* has a common quality assurance policy with which each *Statutory Auditor* is required to comply.

The quality assurance visit will be conducted through the Compliance Principal who shall be responsible for ensuring all information required is available.

7.12.3
The cost of this Quality Assurance review is charged to Firms on an annual basis as part of their annual subscriptions and at a rate determined by Council. Costs associated with any follow up required i.e. where a member does not achieve a Grade A on their first visit will be charged separately to Firms at an hourly rate determined by Council.

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7.13

SCOPE OF THE QUALITY ASSURANCE REVIEW

The scope of the quality assurance reviews of *authorised firms,* supported by adequate testing of selected audit files, shall include an assessment of:

i. Compliance with applicable accounting standards issued by the Financial Reporting Council (FRC) or the International Accounting Standards Board (IASB) as relevant, all auditing and ethical standards issued by the FRC or IAASA as relevant and all quality control standards issued by the FRC or IAASA as relevant and the applicable Code of Ethics. and relevant legislation
ii. The quantity and quality of resources spent
iii. The audit fees charged; and
iv. The internal quality control system of the *Statutory Audit Firm*
v. Compliance with the Institute's bye laws
vi. Confirmation of information provided on annual returns and pre-visit questionnaires
vii. Other regulatory matters such as complaints made to the Institute, claims made against the *Firm* etc.
viii. Compliance with obligations as a designated person under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 as amended.

Where a *Statutory Audit Firm* is engaged in non-audit assignments, review of their non-audit activities will be conducted, in accordance with the scope of a review of non-audit *Firms* – see below, with the exception of a firm registered by the Institute in accordance with S.38 of SI 312.

The scope of the quality assurance reviews in Non-*Audit Firm*s, supported by adequate testing of selected client files, shall include an assessment of:

i. Compliance with applicable accounting standards, ethical requirements and relevant legislation
ii. The internal quality control system of the *Firm*
iii. Compliance with the Institute's bye laws
iv. Confirmation of information provided on annual returns and pre-visit questionnaires
v. Other regulatory matters such as complaints made to the Institute, claims made against the *Firm* etc.
vi. Compliance with obligations as a designated person under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 as amended.

7.14

NOTICE OF QUALITY ASSURANCE VISIT

7.14.1
Upon selection for review, a notice will issue to the Compliance Principal of the *Firm* advising of the date and time of the review to be held at the *Firm*'s premises.

7.14.2
*Firm*s are obliged to inform the *Institute* of all places of business. Where a *Firm* has more than one place of business, the Quality Assurance Officer(s) will endeavour to visit all branches/offices in the course of the review.

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7.14.3
Under normal circumstances, at least one *Month*'s notice will be given of a review. However, this notice period can be abridged at the direction of Chairman of *Investigation Committee*, Chairman of the *Disciplinary Committee*, or any *Disciplinary Tribunal*, Chairman of the Registration Committee or Registration Appeals Committee or the Director of Professional Standards of the *Institute*.

7.14.4
All requests for postponement of a review must be *In Writing, setting out the reasons for the requested postponement* and supported by appropriate documentary evidence such as medical certificates etc. Postponements shall only be granted in exceptional circumstances and at the total discretion of the Quality Assurance Officer assigned to carry out the review.

7.14.5
A pre-visit questionnaire will issue with the notice of review. A detailed list of the items to be examined will be sent out to the *Firm*'s Compliance Principal one week in advance of the review. This questionnaire or list does not restrict the Quality Assurance Officer from requesting additional information or reviewing additional items during the course of the review.

7.15

MEETINGS DURING THE REVIEW

7.15.1
The Compliance Principal is obliged to personally attend both the opening and closing meeting of a Quality Assurance Review. Any other partners, *Affiliated Partner*s, *Responsible Individual*s, *Statutory Auditor*s or senior staff may attend the opening and closing meetings at the discretion of the Compliance Principal.

7.16

OUTCOME OF REVIEW

7.16.1
The Quality Assurance Officer(s) may award the following grades following a quality assurance review:

1. **'A'** - no follow up action necessary.

2. **'B'** - some follow-up action will be required by the *Firm* within a specified period to address particular areas of weakness identified, with a view to achieving a Grade A

3. **'C'** - where a significant number of areas of weakness or more serious problems are identified a full re-review (see below) may be carried out at an interval to be determined by the Quality Assurance Officer(s) (normally between 6 and 18 *Month*s). The Director of Professional Standards or the Quality Assurance Manager may deem an onsite visit unnecessary and may direct a more appropriate action in accordance with bye law 7.16.3.

4. **'D'** - where serious problems are identified, the matter is referred to the Director of Professional Standards who may take any action in accordance with bye law 7.16.3.

7.16.2

At any stage during a review, a quality assurance officer may refer a case to the Director of Professional Standards if any matter of concern is noted or any potential statutory reporting obligation of the Institute arises.

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7.16.3
The Director of Professional Standards and the Quality Assurance Manager are appointed by the *Council* and are employees of the *Institute*. The Director of Professional Standards and the Quality Assurance Manager have the following powers in relation to Quality Assurance reviews:

i. to direct the *Firm* to carry out any action which he/she deems appropriate in the circumstances;
ii. to ask the *Firm* to provide him/her with any information and/or documents which he deems appropriate in the circumstances.;
iii. to order an accelerated re-review be carried out;
iv. to order a *Firm* to have a hot file review conducted;
v. to order a *Firm* to have an externally conducted cold file review conducted by an appropriately qualified person or entity approved by the Institute;
vi. to place restrictions on a *Firm's* audit registration;
vii. to refer a case as a *complaint* to be processed in accordance with Bye-Law 6 (Discipline)
viii. to refer a case as a *complaint* if he/she believes that a statutory reporting obligation may exist
ix. to implement and monitor conditions imposed by any Regulatory Committee in accordance with Bye Law 6
x. Notify a regulatory committee of the Institute as provided for by 7.6
xi. Notify another Recognised Accountancy Body or the competent authority of an EEA audit firm registered by the Institute in accordance with S.38 of SI 312 of 2016.

A failure by a *Firm* to comply with any such direction of the Director of Professional Standards or the Quality Assurance Manager may result in disciplinary action in accordance with Bye law 6.

7.16.4
*Firm*s shall ensure that recommendations arising from quality assurance reviews are implemented within a reasonable period. If such recommendations are not implemented by a *Firm* this may result in disciplinary action in accordance with Bye Law 6.

7.17

QUALITY ASSURANCE RE-REVIEW

7.17.1
When a *Firm* is listed for re-review there are three possible outcomes:

1. **'A'** - no follow up action necessary.

2. **'B'** - some follow-up action will be required by the *Firm* within a specified period to address particular areas of weakness identified, with a view to achieving a Grade A

3. **Unsatisfactory (C/D) -** The matter will automatically be referred to The Director of *Professiona*l Standards who may take any action in accordance with bye law 7.16.3.

7.17.2
A quality assurance re-review report will issue within 42 days of the re-review. This 42 day period can be extended at the discretion of the Quality Assurance Officer(s) if he/she deems that the circumstances require it.

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7.17.3
The direct costs of a re-review and the costs of assessing any follow up action resulting from a Grade B result will be charged directly to the *Firm* on an hourly basis. The rate per hour will be determined by *Council* and may be amended from time to time by Council.

7.18
The *Institute* may from time to time produce a guidance document in relation to the format and process of Quality Assurance Reviews.

7.19
The Registration Committee shall have a supervisory role in relation to the operation of this Bye Law. The Registration Committee shall from time to time:

- Set targets number for quality assurance visits
- Monitor the targets it has set
- Approve the documentation used to fulfil the requirements of this Bye Law

7.20
On an annual basis the Director of *Professiona*l Standards shall provide the Registration Committee with a statistical analysis of the Quality Assurance Reviews carried out in the previous 12 *Month*s.

7.21
On an annual basis the Director of Professional Standards shall provide the overall results of quality assurance reviews carried out to the *Competent Authority* with supervisory functions.

7.22
On an annual basis, a summary of the Quality Assurance results, in statistical format will be published on the Institute's website.