

**The Institute of Chartered Accountants
In Ireland**
Incorporated by Royal Charter 14th May 1888

Operating as



AUDIT REGULATIONS AND GUIDANCE
REPUBLIC OF IRELAND

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Institute of Chartered Accountants in Ireland

Audit Regulations Ireland all changes 24062024
Abbreviations

The following abbreviations are used in this booklet:

The Institute	The Institute of Chartered Accountants in Ireland operating as Chartered Accountants Ireland
ICAEW	The Institute of Chartered Accountants in England and Wales
ICAS	The Institute of Chartered Accountants of Scotland
ACCA	Association of Chartered Certified Accountants
CPD	Continuing professional development
FRC	Financial Reporting Council, UK
IAASA	Irish Auditing and Accounting Supervisory Authority
ICPAI	Institute of Certified Public Accountants in Ireland
ISAs (Ireland)	International Standards on Auditing (Ireland)
PII	Professional indemnity insurance
RAB	Recognised Accountancy Body
RSB	Recognised Supervisory Body

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Introduction

1. The Institute of Chartered Accountants in Ireland operating as Chartered Accountants Ireland ('the Institute') is a Recognised Accountancy Body ('RAB') for the purposes of qualifying and regulating auditors in Ireland. The Institute must have rules setting out how auditors are regulated with guidance on how they should be followed. These Audit Regulations set out those rules and relevant guidance.
2. The legal framework for the regulation of audit in Ireland is set out in the Companies Act 2014 ('the Act/the 2014 Act') and the EU Audit Regulation¹. The 2014 Act transposes the provisions of the Statutory Audit Directive² (EU Directive) into Irish law. The EU Audit Regulation has direct effect in Ireland. The responsibility for all matters relating to audit regulation is ultimately reserved to the 'Competent Authority' which is the Irish Auditing and Accounting Supervisory Authority ('IAASA'). Some aspects of the EU Directive and the EU Audit Regulation are designated in Irish law as the responsibility of IAASA and others the responsibility of the RABs subject to the oversight of IAASA. As well as responsibility for oversight, IAASA is responsible for the monitoring, investigation or sanctioning of audit work where this relates to the audits of public interest entities. Such functions which are the direct responsibility of IAASA are dealt with under IAASA's procedures. Firms registered by the Institute not only agree to be bound by these regulations but by the rules and procedures of IAASA and place themselves within the jurisdiction of IAASA's enforcement procedure.
3. Public interest entities are defined in the Act and include:
 - entities whose transferable securities are admitted to trading on a regulated market in the EU;
 - credit institutions (a bank or building society but not a credit union); and
 - insurance undertakings.
4. Part 27 of the Act confers the following audit regulation functions on the RABs, including the Institute:
 - the approval of firms as registered auditors;
 - the approval of individuals as responsible individuals;
 - the award of the 'appropriate qualification' to individuals who have met the necessary audit educational attainment and practical audit experience;
 - setting procedures for maintaining the competence of responsible individuals;
 - in relation to audit work other than that of public interest entities:
 - monitoring the conduct of audit work;
 - investigating possible breaches of these regulations; and
 - disciplining and sanctioning breaches of these regulations.
 - the application, monitoring and enforcement of appropriate standards.

Any of these functions, on a case-by-case basis or in respect of categories of registered auditors or audits may also, in certain circumstances, revert to IAASA.
5. The objectives of the Institute in issuing these audit regulations are to make sure that:
 - registered auditors maintain high standards of audit work;
 - the reputation of registered auditors with the public is maintained;
 - the application of the regulations is fair but firm;

¹ Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

² Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

- the regulations are clear; and
 - the regulations apply to all sizes of firm.
6. Registered auditors must comply with the regulations, which require them to:
- carry out audit work with integrity;
 - be and be seen to be independent;
 - comply with auditing standards;
 - make sure that all principals and employees are fit and proper persons;
 - make sure that all principals and employees are competent and continue to be competent to carry out audit work; and
 - comply with the regulatory procedures and processes of the Competent Authority (IAASA).
7. Guidance is given to help firms apply the regulations. This is printed in light type and the regulations are in **bold** type. Where the guidance is too long to be included with the regulations, it has been put into part 2 of this booklet in separate guidance chapters.
8. As each firm is different, no guidance can be sufficiently comprehensive to cover all firms. Firms may develop other procedures to comply with these regulations but it is compliance with the regulations that is important.
9. The regulations incorporate and should be read in conjunction with all applicable laws, regulations, rules, requirements and guidelines in relation to statutory audit in Ireland which include:
- The Institute's Code of Ethics (including the fundamental principles);
 - International Standards on Auditing (Ireland);
 - Quality standards adopted in Ireland by IAASA;
 - IAASA's Ethical Standard for Auditors;
 - Relevant financial reporting standards: issued by the Financial Reporting Council ('FRC'): IFRS as endorsed/adopted by the EU;
 - Regulations and Guidelines issued by IAASA;
 - Applicable parts of company legislation; and
 - The Institute's regulations in relation to professional indemnity insurance.
10. Schedule 1 to chapter 1 contains definitions and interpretation of these regulations which apply both to the regulations and the related guidance. A word or phrase which is defined in schedule 1 is printed in *italics* when used in the regulations.

How to become and continue to be a Registered Auditor

To help firms, a brief step-by-step guide follows. This is a summary, and firms need to pay particular attention to the regulations and guidance provided in this booklet. Firms should also refer to material listed in paragraph 9.

Becoming a Registered Auditor

Obtain an application form from the Institute	See the list of telephone numbers and/or email addresses at the end of this introduction
Make sure that the firm meets the eligibility criteria	See regulations 2.02 and 2.03
Make sure that the firm, all principals and employees are fit and proper	See the guidance on fit and proper status (part 2, guidance chapter 1)
Check that the firm has adequate professional indemnity insurance (PII)	See regulation 2.02(b) and the separate PII regulations of the Institute
Make sure that all principals and employees who will deal with audit work are competent to do so	See regulation 3.17 and 3.17A
Are all the principals registered auditors or members of the Institute, or the ACCA?	Principals which are not registered auditors or members of the Institute or the ACCA need to become audit affiliates of the Institute (chapter 5)
Complete and return the application form and an application form for each Responsible Individual and pay the appropriate registration fees	See regulation 4.05

Remaining a Registered Auditor

At least once a year check that:

<ul style="list-style-type: none"> • principals and employees are fit and proper persons 	See regulation 3.06 and the guidance on fit and proper status (part 2, guidance chapter 1)
<ul style="list-style-type: none"> • principals and employees who carry out audit work are competent and complying with CPD guidelines 	See regulations 3.17 and 3.17A and the requirements from the Institute on continuing professional development
<ul style="list-style-type: none"> • the firm is competent in the conduct of audits 	See regulation 3.18
<ul style="list-style-type: none"> • principals and employees are independent 	See regulation 3.02 and 3.03
<ul style="list-style-type: none"> • PII is in place and adequate 	See regulation 2.02 (b)
<ul style="list-style-type: none"> • the firm's quality control procedures are up to date and being complied with 	See regulation 3.20 and the guidance on monitoring compliance with the audit regulations (part 2, guidance chapter 2)
<ul style="list-style-type: none"> • each audit reappointment has been properly considered 	See regulation 3.05
<ul style="list-style-type: none"> • the annual registration fee is paid promptly 	See regulation 2.13
<ul style="list-style-type: none"> • Ssubmit an Annual Return 	See regulation 2.10A

When necessary, make sure that:

- all changes are notified within ten business days See regulations 2.11 and 5.09
- details of a firm's network and members and affiliates of the network are kept up to date See regulation 2.12
- new principals and employees are independent, fit and proper, and competent See regulations 3.02, 3.05 and 3.20
- the firm properly considers each audit appointment to new clients See regulations 3.03 and 3.05
- if you cease to hold an audit appointment, then notification to IAASA may be needed See guidance under regulation 3.08
- first time appointment as statutory auditor to a public interest entity notified to IAASA within one month and notified to the Institute's Registration Committee within 28 business days See additional guidance to regulation 3.15
- all responsible individuals are properly designated See regulations 4.01, 4.02 and 4.05
- ~~W~~When a new responsible individual is designated, application is made to the Registration Committee See regulation 4.05

Help and advice

While registered auditors must comply with the regulations, help and advice is available. The Institute and other organisations (such as training consortia) can offer advice and give practical help.

Contact Details

Email:

The Institute's Professional Standards Department can be contacted by email at professionalstandards@charteredaccountants.ie. Queries and correspondence in relation to audit registration and applications for responsible individual status can be emailed to authorisations@charteredaccountants.ie.

Telephone:

The Institute's Professional Standard's Department can be contacted by telephone at offices in Dublin and in Belfast. The main office reception in Dublin can be contacted at +353 (0)1 637 7200 and the main office reception in Belfast can be contacted at +44 (0)28 9043 5840. The following numbers are relevant for specific queries:

- Queries related to:
 - application forms +44 (0)28 9043 5858
 - the Audit Regulations +44 (0)28 9043 5858
 - professional indemnity insurance +44 (0)28 9043 5858
- Audit related courses +353 (0)1 637 7200
- Audit related books and manuals +353 (0)1 637 7200
- Education and Training Department:
 - queries on appropriate qualifications +353 (0)1 637 7200

Application forms and other information, including the Audit Regulations can be found at www.charteredaccountants.ie. Information about PII is included in the Institute's Public Practice Regulations available, also available at www.charteredaccountants.ie.

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Part 1 - Audit Regulations

Chapter 1 - General

This chapter deals with the scope and interpretation of the regulations, transitional arrangements and how notifications should be made between the Institute and firms.

The audit regulatory functions for which the Institute is responsible may, on a case-by-case basis or in respect of categories of registered auditors or audits, in certain circumstances, revert to the Competent Authority, IAASA. If this occurs, IAASA will conduct the matter under its own procedures and processes. IAASA will directly monitor and take any necessary action against a registered auditor or responsible individual in respect of tasks not conferred on the RABs by the Act. It is then the procedures of IAASA that are applicable and the sanctions that it can apply, rather the procedures and actions set out in these regulations. Firms registered by the Institute not only agree to be bound by these regulations but the rules and procedures of IAASA and place themselves within the jurisdiction of its enforcement procedure.

Currently the tasks not undertaken by the RABs and retained by the Competent Authority, IAASA, are the monitoring, investigation or sanctioning of audit work where this relates to the audits of public interest entities.

Public interest entities are defined in the 2014 Act and include:

- entities whose transferable securities are admitted to trading on a regulated market in the EU;
- credit institutions (a bank or building society but not a credit union); and
- insurance undertakings

The regulations are printed in **bold** type and guidance in light type. Where defined terms (see schedule 1) are used in the regulations they are printed in *italics*. This does not apply to the guidance.

A copy of any changes or amendments to these regulations will be sent to the audit compliance principal.

Scope and status

1.01 These *regulations* apply to *firms* seeking registration in Ireland and to *firms* registered by the *Institute* as eligible for appointment as a *Registered Auditor* in Ireland under the *Act*. The *regulations* also apply to *principals* and *responsible individuals of the firm*. In certain instances the *regulations* continue to apply notwithstanding that registration has ceased.

The Institute is a RAB in Ireland. The Institute is also a Recognised Supervisory Body ('RSB') providing auditor registration and supervision in the UK. Since 1 January 2021 separate Audit Regulations apply to firms registered for audit in the UK.

1.02 These *regulations* are issued by authority of *Council*.

1.02A The responsibilities of the *Institute* set out in these *regulations* are conferred on it directly by legislation. The *Competent Authority* may perform such functions in whole or in part in certain circumstances. In the case of the *Institute's* investigative and administrative disciplinary systems the *Competent Authority* may perform such functions in whole or in part if it is of the opinion that it is in the public interest to do so in the circumstances concerned.

- 1.02B** *Firms registered by the Institute not only agree to be bound by these regulations but also by the rules and procedures of the Competent Authority and place themselves within the jurisdiction of its enforcement procedure.*

Tasks not conferred by law in Ireland, to the RABs (which include monitoring and enforcement of public interest entity audits) are dealt with by IAASA under its own procedures, compliance with which is required as part of these regulations.

Definitions and interpretation

- 1.03** The definitions of terms used in the *regulations* and the rules of interpretation are in schedule 1 to this chapter. Section headings are not part of the *regulations* and are for guidance only. Any references to legislation, regulations, bye-laws, rules, standards or other documents, will apply to any re-enactment, re-issue or amendment.

Transitional arrangements

- 1.04** These *regulations* come into force on 6 April 2022 in respect of the audits of Irish entities. From this date the Audit Regulations (January 2020 edition) are no longer in force, subject to *regulation* 1.06.

- 1.05** A *Registered Auditor* which is a *sole practice* should comply with the requirement at 2.02f from 6 April 2023.

- 1.06** ~~Subject to Disciplinary Bye-Law 14, the liability of a principal, ~~audit~~ affiliate or Registered Auditor to regulatory or disciplinary action by the Institute is to be determined in accordance with the regulations in force at the time that the matter now the subject of that action occurred, but the proceedings shall be conducted in accordance with these regulations (including any subsequent amendments). The liability of a principal, ~~audit~~ affiliate or Registered Auditor to regulatory action by the Competent Authority is to be determined in accordance with the Competent Authority's procedures, as applicable.~~

Where the principal, ~~audit~~ affiliate or registered auditor is liable to action by the Institute the above means that whether or not there has been an 'offence' under these regulations is determined by the audit regulations in force at the time the 'offence' took place, but the process of dealing with the matter will be as set out in these regulations.

Notifications

- 1.07** Any notice or document may be served on the *Institute* by sending it to the appropriate address as follows:

~~The Institute of Chartered Accountants in Ireland:~~

- ~~(a) submitted electronically to professionalstandards@charteredaccountants.ie; or
(b) sent by post to The Professional Standards Department, The Linenhall, 32-38 Linenhall Street, Belfast, BT1 2 8BG; or
(c) submitted to the *executive* by any other method of communication agreed by the *executive*.~~

~~or as otherwise notified to firms.~~

- 1.08 Any notice, decision, order or other document which needs to be served on a *firm* or other person under these *regulations* will be delivered by hand, or sent by post or email:**
- a if it is delivered by hand to the addressee service will take effect immediately;**
 - b if sent by post, it will be sent to the latest address given by the addressee and service will take effect two business days after posting; or**
 - c if sent by email it must be sent to the latest email address notified by the addressee and service will take effect immediately.**

Guidance

Guidance is provided to help with the application of the regulations. It is distinguished from the regulations by being in light type. In a few cases there is too much guidance to include it with the regulations and so it is included in a separate section after the regulations and cross-referenced.

The guidance is merely that. It is impractical to provide guidance for every situation that may arise and the regulations may be complied with in different but equally valid ways. However, registered auditors must always comply with the regulations, which take precedence over the guidance.

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Schedule 1 - Definitions and interpretation

Definitions

In the regulations the following words have the following meanings.

the Act or the 2014 Act	<p>The Companies Act 2014 of Ireland and every other enactment which is made under, or is to be read together with, or as one with, that Act (including the Companies (Statutory Audits) Act 2018)</p> <p>This definition includes the direct requirements of the EU Regulation 537/2014 of 16 April 2014</p>
<u>affiliate</u>	<u>A person granted status as an affiliate by the Institute as provided for under the Institute’s Principal Bye-Laws.</u>
alternate Registered Auditor	A <u>firm entered on the Registered Auditor</u> with whom a firm <u>Registered Auditor</u> which is a <u>sole practice</u> has made formal arrangements which take effect in the event of the incapacity or death of a sole practitioner and with whom the <i>Institute</i> can liaise in the respect of the <i>sole practice</i> in those circumstances.
<u>amalgamation</u>	<u>Has the same meaning as in the Principal Bye-Laws.</u>
<u>Amalgamation Time</u>	<u>Has the same meaning as in the Principal Bye-Laws</u>
Appeal Committee	<p>The committee of the <i>Institute</i> appointed under the <i>Institute’s Bye-laws, regulations or Rules</i> with responsibility for hearing appeals against a decision of the <i>Review Committee</i> under these <i>regulations</i>. When a committee discharges these functions its members are to be treated as officers of the <i>Institute</i> for the purpose of regulation 2.04f.</p> <p>The Institute’s Appeal Committee is the Quality Assurance Appeal Committee</p>
appropriate qualification	<p>In relation to the audit of Irish entities, a person holds an appropriate qualification if it is a qualification awarded by a <i>RAB</i> under section 1472 of the 2014 Act</p> <p><u>As of the date these regulations were approved by the Council, the Institute, the Association of Chartered Certified Accountants (‘ACCA’) and the Institute of Certified Public Accountants in Ireland (‘ICPAI’) are RABs and so they can award an appropriate qualification in Ireland to individuals who meet the educational and experience requirements of section 1472 of the 2014 Act. It is expected that the ICPAI will cease to be a RAB following the amalgamation.</u></p> <p>During 2021 the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants of Scotland (ICAS) ceased to be RABs in Ireland. A qualification awarded by ICAEW and ICAS under section 1472 of the 2014 Act whilst those Institutes were RABs remains an appropriate qualification for the purposes of these regulations. Therefore, the qualification awarded by ICAEW under section 1472 of the 2014 Act prior</p>

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	to 21 July 2021 and by ICAS prior to 22 December 2021 is an appropriate qualification.
aptitude test	<p>An examination pursuant to section 1476 of the Act which an EEA auditor must sit and pass to demonstrate knowledge of the enactments and practice that are relevant to the audit of Irish entities before seeking approval as a <i>responsible individual</i>.</p> <p>An examination pursuant to section 1476 of the Act which a <i>third country auditor</i> must sit and pass to demonstrate knowledge of the enactments and practice that are relevant to the audit of Irish entities before seeking approval as a <i>responsible individual</i> or seeking to be counted in the majority of owners or <i>management board</i> members in a <i>Registered Auditor</i>.</p> <p>The aptitude test is an examination of Irish company law and tax as pertains to the audit of Irish entities. An exemption from the aptitude test is available in limited circumstances as described in the 'Guidelines on Exemption from the Aptitude test' issued by IAASA.</p>
associate	In relation to an entity, another entity in which it holds an interest on a long-term basis for the purpose of securing a contribution to its own activities by the exercise of control or influence arising from or related to that interest, or which holds such an interest in it. A holding of 20% or more is presumed to create an associate relationship.
associated undertaking	<p>In relation to a <i>body corporate</i>:</p> <ul style="list-style-type: none"> • a parent undertaking or subsidiary undertaking of the <i>body corporate</i> referred to; or • a subsidiary undertaking of a parent undertaking of the <i>body corporate</i>.
Audit	<p>a) (i) any function in respect of a company incorporated in Ireland which is required to be performed by a <i>Registered Auditor</i> as auditor of that company;</p> <p>(ii) any function in respect of any of the following entities constituted in Ireland which is required to be performed by a <i>Registered Auditor</i> as auditor of that entity:</p> <ul style="list-style-type: none"> • a building society; • a credit union; • a charity; • an industrial and provident society; • a friendly society; • a pension scheme; • a qualifying partnership as defined in the European Union (Qualifying Partnerships: Accounting and Auditing) Regulations 2019; • an open ended investment company; • a unit trust; • a mutual life office;

	<ul style="list-style-type: none"> • an Irish Collective Asset-management Vehicle; • a person authorised under legislation in relation to the conduct of investment, insurance or mortgage business; and, • an entity within the scope of the definition of ‘statutory audit’ in section 1461 of <i>the 2014 Act</i>; <p>where such function is expressly required to be discharged either by or under legislation applicable in Ireland.</p> <p>(iii) any function in respect of a non-EEA company which is traded on an Irish or EEA regulated market which is required to be performed by an auditor and which is performed by a <i>Registered Auditor</i> as auditor of that company or entity.</p> <p>b) any function in respect of a company incorporated in Ireland which is included on the official list which is performed by a <i>Registered Auditor</i> following appointment as auditor of that company in relation to its financial statements or extracts of financial statements as required by a listing authority or a recognised company stock exchange in Ireland or the United Kingdom.</p> <p>The reference above to an ‘official list’ is to the regulated market of the Irish Stock Exchange trading as Euronext Dublin or to the official list as defined in the United Kingdom’s Financial Services and Markets Act 2000, Part 6-. It therefore does not include companies whose shares are publicly traded but that are not included in the official list. The reference above to a ‘listing authority’ is to the Financial Conduct Authority in the UK and the Central Bank of Ireland.</p> <p>The reference above to a regulated market is to those markets in financial instruments which are recognised by national competent authorities and function in accordance with provisions of the EU Markets in Financial Instruments Directive (MiFID).</p> <p>The reference to an Irish traded non-EEA company means a body corporate:</p> <ul style="list-style-type: none"> • which is incorporated or formed under the law of a third country that is not an EEA member state; and • whose transferable securities (equity or debt) are admitted to trading on a regulated market of the Irish Stock Exchange trading as Euronext Dublin; and • which has not been excluded (either as an individual company or class of companies or by country) by an order made under Irish law. <p>Should a registered auditor consider that there is a conflict between the requirements of these regulations (as applied to a particular Irish traded non-EEA company) and the non-EEA country law, then the firm should consider seeking a dispensation under audit regulation 2.17 from the Registration Committee.</p> <p>The definition does not extend to reports relating to entities other than those specified.</p>
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	<p>The definition only embraces those circumstances where a report is required to be provided by a <u>registered statutory</u> auditor in respect of any of the entities specified <u>and</u> the requirement is express and emanates from legislation (whether primary or secondary) or the rules of a recognised stock exchange (in connection with a company admitted to the official list). The definition does not encompass situations where a report by a <u>registered statutory</u> auditor is required but where the firm does not have to be appointed as statutory auditor to the entity.</p> <p>The report must be required by legislation that is applicable solely to one of the entities listed above. Reports commissioned, for example by a grant making organisation, where the grant could have been made to any person, to ensure that beneficiaries of funds have used them appropriately would not fall within the definition (even where the requirement for the body to commission such a report itself emanates from statute).</p> <p>Persons authorised under legislation relating to the conduct of investment, insurance or mortgage business are those who can undertake investment advice etc. These may include entities with permission under the Investment Intermediaries Act 1995 and the European Union (Insurance Distribution) Regulations 2018.</p> <p>This definition of ‘audit’ does not include an independent examination for charities. Nor does it include any report required as part of a public offer of securities (prospectus) required by investment business legislation or any report on a circular to shareholders, required by a stock exchange, to authorise a transaction.</p>
audit affiliate	A person granted status as an affiliate by the Institute in accordance with these regulations as provided for under the Institute’s Principal Bye Laws.
audit client	Any person whose accounts are being audited under these regulations by a Registered Auditor.
audit compliance principal	<p>A responsible individual who is either a principal of the Registered Auditor (or a sole practitioner where the Registered Auditor is a sole practice) or a member of its management board who is responsible for monitoring that the Registered Auditor has complied, and is likely to continue to comply, with these regulations and any relevant obligations of the Competent Authority, and whose identity is notified in writing to the Institute and who is the first point of contact with the Institute in connection with these regulations.</p> <p>The role of the audit compliance principal is to be responsible for ensuring that the firm complies with the audit regulations and any applicable obligation that is imposed by the Competent Authority. A major part of the responsibilities is to make sure the monitoring required by these regulations is carried out. The audit compliance principal need not carry out the reviews personally but should make sure that they are carried out satisfactorily and any appropriate action taken.</p>
audit report	A report by a Registered Auditor which relates to an audit.

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auditing standards	Auditing standards are the basic principles and essential procedures (shown in bold type) in the International Standards on Auditing which are to be construed and applied having regard to the explanatory text and other material in those standards. For audits of financial periods beginning on or after 17 June 2016, applicable auditing standards are those adopted from time to time by IAASA in accordance with <i>the 2014 Act</i>. These are the International Standards on Auditing (Ireland)³.
audit work	Any work done by or on behalf of the <i>Registered Auditor</i> in respect of an <i>audit</i>.
audit working papers	Material (whether in the form of data stored on paper, film, electronic media or other media or otherwise) prepared by or for, or obtained by the Registered Auditor in connection with the performance of the audit concerned and includes: <ul style="list-style-type: none"> (a) the record of audit procedures performed; (b) relevant audit evidence obtained; and (c) conclusions reached.
body corporate	An entity that has conferred on it by law a separate legal personality (including a limited liability partnership incorporated under the Limited Liability Partnership Act 2000 of the United Kingdom) and a similar body constituted under the laws of a country or territory outside of Ireland or the United Kingdom.
business day	A day excluding weekends and public holidays.
Bye-laws	The bye-laws of the Institute, <u>including the Principal Bye-Laws and the Disciplinary Bye-Laws.</u>
Charter Amendment Acts of 1966	The Institute of Chartered Accountants in Ireland (Charter Amendment) Act 1966 and The Institute of Chartered Accountants in Ireland (Charter Amendment) Act (Northern Ireland) 1966.

³ The Auditing Framework for Ireland was first adopted by IAASA on 31 January 2017.

Competent Authority	<p>The Irish Auditing and Accounting Supervisory Authority ('IAASA') which pursuant to the Act is responsible for the regulation and oversight of <u>registered statutory audit firms and statutory auditors</u> and <u>(as defined in Part 27 of the 2014 Act)</u> and is responsible for the regulation and supervision of <i>Recognised Accountancy Bodies</i> or any other body which takes over those functions.</p> <p>IAASA is responsible for the supervision of audits of public interest entities including the monitoring of audit work, investigating complaints or disciplining <u>registered statutory audit firms and statutory auditors</u> where this relates to the audit of a public interest entity.</p> <p>The RABs may, in certain circumstances, also perform investigations regarding audit work in relation to the audit of a public interest entity. The enforcement consequences of any such investigations remain the responsibility of IAASA.</p>
Controller	A person who, alone or with any <i>associate</i> or <i>associates</i>, is entitled to exercise or control 15% or more of the rights to vote on all or substantially all matters at general meetings of a <i>body corporate</i>, or of another <i>body corporate</i> of which it is a subsidiary undertaking.
corporate practice	A <i>body corporate</i>, excluding a limited liability partnership.
Council	The Council of the Institute under section 3 of the Charter Amendment Acts of 1966. Has the same meaning as in the <i>Principal Bye-Laws</i> .
CPA	Has the same meaning as in the <i>Principal Bye-Laws</i> .
CPA Rules	The constitution, Bye-Laws and other relevant regulations of <i>CPA</i> in force at the <i>Amalgamation Time</i> .
CPA Statutory Auditor	An individual (within the meaning of Part 27 of the 2014 Act) who stands approved by the <i>CPA</i> , at <i>Amalgamation Time</i> , to carry out statutory audits. Statutory audit has the meaning given in Part 27 of the 2014 Act.
CPA Statutory Audit Firm	<u>A statutory audit firm (within the meaning of Part 27 of the 2014 Act) regardless of its legal form that stands approved by the CPA, at Amalgamation Time, to carry out statutory audits. Statutory audit has the meaning given in Part 27 of the 2014 Act.</u>
CPA responsible individual	Means an employee in a <i>CPA Statutory Audit Firm</i> granted responsible individual status under the <i>CPA Rules</i> and holding such status at the <i>Amalgamation Time</i> .
director	Any person occupying the position of director (called by whatever name) in a <i>corporate practice</i> . Also, any person under whose directions or instructions the directors of the <i>corporate practice</i> are used to acting.
Disciplinary Body	<i>Disciplinary Body</i> has the same meaning as in the <i>Disciplinary Bye-Laws</i> . When a <i>Disciplinary Body</i> discharges its functions its members are to be treated as officers of the <i>Institute</i> for the purpose of <i>regulation 2.04f</i> .

employee	<p>Anyone who carries out audit work for a <i>Registered Auditor</i>, including a sub-contractor or a consultant.</p> <p>A sub-contractor or consultant cannot become a responsible individual.</p>
ethical standard	<p>The basic principles and essential procedures (shown in bold type) in the Ethical Standard adopted by IAASA in accordance with <i>the 2014 Act</i>, which are to be construed and applied having regard to the explanatory text and other material in that standard.</p>
EEA auditor	<p>An individual who holds a qualification to audit accounts under the law of an EEA member state other than Ireland and who is approved by the counterpart authority of an EEA member state other than Ireland to carry out audits in that EEA member state as required under EU law.</p> <p>While an EEA auditor can be counted towards those who control a registered auditor, an EEA auditor cannot be a responsible individual and so in charge of audit work unless a required aptitude test is successfully taken or an exemption therefrom received, see chapter 4.</p>
EEA audit firm	<p>A <i>firm</i> approved as an auditor under the law of an <i>EEA member state</i> by a counterpart authority of an EEA member state other than Ireland</p>
EEA member state	<p>Any country that is a signatory to the European Union and European Community Treaties (i.e.EU member states) and Iceland, Liechtenstein, Norway.</p>
eligibility criteria	<p>The criteria set down in legislation that a firm has to meet for it to be a <i>registered auditor</i> or for an individual to be a <i>responsible individual</i>.</p>
Firm	<ul style="list-style-type: none"> • an individual who engages in the profession of accountancy as a sole practitioner; • a partnership which engages in the profession of accountancy; • a limited liability partnership which engages in the profession of accountancy; or • a <i>corporate practice</i> which engages in the profession of accountancy.
Group	<p>A <i>corporate practice</i>, any parent or subsidiary undertakings and any parent or subsidiary undertakings of any of them.</p>
IES 7	<p>International Education Standard 7, ‘Continuing Professional Development (Redrafted)’, issued by the International Accounting Education Standards Board (‘IAESB’).</p> <p>IAESB is an independent standard-setting body established under the auspices of the International Federation of Accountants (‘IFAC’). IES 7 is addressed to IFAC member bodies. The Institute is an IFAC member body. Under IES 7, IFAC member bodies require professional accountants to develop and maintain their professional competence through the undertaking of appropriate continuing professional development.</p>
IES 8	<p>International Education Standard 8, ‘Professional Competence for Engagement Partners Responsible for Audits of Financial Statements</p>

	<p>(Revised)', issued by the International Accounting Education Standards Board ('IAESB').</p> <p>IAESB is an independent standard-setting body established under the auspices of the International Federation of Accountants ('IFAC'). IES 8 is addressed to IFAC member bodies. The Institute is an IFAC member body. Under IES 8, IFAC member bodies require professional accountants performing the role of an engagement partner responsible for audits of financial statements to develop and maintain the professional competence required for that role.</p>
Institute	The Institute of Chartered Accountants in Ireland operating as Chartered Accountants Ireland.
Management board	The committee, board or other body which administers or manages the firm.
monitoring unit	<p>The monitoring unit established by</p> <ul style="list-style-type: none"> • the <i>Institute</i> in accordance with section 1495 of the Act; or • a body established by the <i>Competent Authority</i>; for the purposes of monitoring the undertaking of <i>audits</i>.
PII regulations	The <i>Institute's</i> Public Practice Regulations as they pertain to Professional Indemnity Insurance
practising certificate	<p>A certificate issued by the <i>Institute</i>, the Institute of Chartered Accountants in England and Wales or the Institute of Chartered Accountants of Scotland, authorising the holder to engage in public practice.</p> <p>The Institute issues a practising certificate to an eligible member of the Institute in accordance with the Institute's Public Practice Regulations.</p>
practice notes	<p>Practice notes and bulletins issued by, or with the authority of, IAASA and those issued by the Financial Reporting Council prior to 17th June 2016.</p> <p>These give guidance on how auditing standards can be applied in particular circumstances and industries.</p>
principal	<p>An individual in <i>sole practice</i>, (where the <i>firm</i> is a <i>sole practice</i>), a person who is a partner (including both salaried and equity partners) (where the <i>firm</i> is a partnership), a member of a limited liability partnership (where the <i>firm</i> is a limited liability partnership) a <i>director</i> (where the <i>firm</i> is a company) or any individual who is held out as being a partner, a member or a company director.</p> <p>Corporate practices or limited liability partnerships may be principals, where these regulations allow.</p>
Public interest entity	<p>A public interest entity is as defined in the 2014 Act and includes:</p> <ul style="list-style-type: none"> • An entity whose transferable securities are admitted to trading on a regulated market in the EU; • A credit institution; and • An insurance undertaking.

	<p>The reference to regulated market above is to those markets in financial instruments which are recognised by national competent authorities in the EU and function in accordance with the provisions of the EU Markets in Financial Instruments Directive (MiFID).</p> <p>A credit institution is a bank or building society but not a credit union.</p>
<u>Public Practice Regulations</u>	<u>The Public Practice Regulations made by the Council in accordance with Principal Bye-Law 37.3.</u>
quality standards	The basic principles and essential procedures (shown in bold type) in the International Standards on Quality Control, or if appropriate International Standards on Quality Management, which are to be construed and applied having regard to the explanatory text and other material in those standards, as adopted by IAASA.
Recognised Accountancy Body ('RAB')	<p>A body recognised under section 930 of the Act and on whom certain functions in respect of the registration and supervision of Registered Auditors is conferred by the Act.</p> <p>The Institute is a RAB. The other two RABs are the Association of Chartered Certified Accountants ('ACCA') and the Institute of Certified Public Accountants in Ireland ('ICPAI').</p>
Register	The register of auditors compiled under section 1484 of the Act.
Registered Auditor	A firm which is approved entered on the Register, by the Institute, as eligible for appointment as a statutory auditor firm (within the meaning of Part 27 of the under section 1484 of the Act) and is entered on the Register as such by the Institute.
Registration Committee	<p>The committee of the Institute appointed under the Institute's Bye-laws or regulations with responsibility for discharging the functions set out in Chapter 6 or any sub-committee of that committee. When a committee discharges these functions its members are to be treated as officers of the Institute for the purpose of regulation 2.04f;</p> <p>The Institute's Registration Committee is the Quality Assurance Committee <u>appointed by the Board in accordance with Chapter 2 of the Public Practice Regulations.</u></p> <p>If any delegated matter reverts to the Competent Authority (on a case-by-case basis or in respect of categories of registered auditors or audits) then it conducts the matter under its own procedures or processes which shall bind the firm or the responsible individual as if it were a sanction which the Registration Committee had determined.</p>
Regulations	These regulations as modified or amended.
regulatory penalty	An amount imposed with the consent of a Registered Auditor or responsible individual as a penalty for breaches of these regulations which the Registered Auditor or responsible individual agrees have been committed.

Inserted Cells

Inserted Cells

responsible individual	<p>A principal or employee responsible for audit work and designated as such under regulation 4.01.</p> <p>The 2014 Act uses the term ‘key audit partner’ for the individual identified by a registered auditor in relation to a specific audit of an Irish company who signs the audit report in his own name on behalf of the registered auditor. The key audit partner must be a responsible individual.</p>
Review Committee	<p>Any committee appointed under the Institute’s Bye-laws or regulations with responsibility for reviewing decisions made by the Registration Committee as specified in these regulations. When a committee discharges these functions its members are to be treated as officers of the Institute for the purpose of regulation 2.04f.</p> <p>The Institute’s Review Committee is the Quality Assurance Review Committee.</p>
Sole practice	<ul style="list-style-type: none"> • An individual who engages in the profession of accountancy as a sole practitioner; or • A corporate practice which has a single director who engages in the profession of accountancy as a sole practitioner.
Third country auditor	<p>An individual who is approved as an auditor in a non-EEA country with which Ireland has in place reciprocal arrangements pursuant to section 1572 of the Act.</p> <p>To be eligible for approval as a responsible individual, or to be counted in the majority of owners or management board members of a Registered Auditor, a third country auditor must sit and pass an Irish aptitude test pursuant to section 1476 of the Act. In certain circumstances a third country auditor can obtain an exemption from the aptitude test.</p> <p>The UK is the only third country with whom Ireland has in place reciprocal arrangements pursuant to section 1572 of the Act.</p>
voting rights	<p>The rights to vote on all or substantially all matters at meetings of principals or shareholders of the body in question. In deciding what voting rights are to be taken into account, the provisions of chapter 6 of Part 4 of the 2014 Act and where appropriate, paragraphs 5 to 11 of schedule 7 to the UK Companies Act 2006, apply to corporate practices and limited liability partnerships, and paragraphs 5 to 7 and 11 of schedule 7 to the UK Companies Act 2006, or equivalent Irish legislation, apply to partnerships.</p>

Interpretation

Words and expressions have the meanings given by the Act and the Interpretation Act 2005 in Ireland unless defined in these regulations. The definitions in these regulations take precedence.

In these regulations words importing the singular number include the plural number and vice versa. Words importing one gender import all genders. Headings do not affect the interpretation of these regulations. These regulations will be governed by, and interpreted according to, the laws of Ireland.

Chapter 2 - Eligibility, application for registration, continuing obligations and cessation of registration

This chapter sets out the eligibility criteria for becoming a registered auditor and how to make an application. It then sets out the continuing obligations once registered and how registration can end. Chapter 4 has the regulations concerning responsible individuals and chapter 5 has the regulations covering audit affiliates.

While there is no requirement in the regulations for a firm's notepaper to carry a legend stating that it is a registered or statutory auditor, the EU's Services Directive, requires such a disclosure to clients and potential clients, together with the name of the member state that the registration is for. A firm is also required to give the name of the register that its details are contained on, with a reference so that the entry can be found. This information can be supplied on a firm's website, as a note on a firm's letterhead or in documents available to the client or potential client.

A suggested wording for disclosure of the registering Institute is:

'registered to carry on audit work in Ireland by the Institute of Chartered Accountants in Ireland.'

For the disclosure about the audit register, a suggested wording is:

'details about our audit registration can be viewed at www.cro.ie/auditors, under reference number [this is the firm number provided by the Institute]'

In addition, a firm may describe itself as a firm of registered auditors or statutory auditors.

2.01 No Institute member or firm may accept an audit appointment unless registered by a RAB or the Competent Authority.

Under the EU's statutory audit directive and company law, responsible individuals (see chapter 4) are statutory auditors in their own right. However, statutory auditors can only accept appointment as auditors in accordance with the rules of a RAB. The Institute, as a RAB, has responsibilities under the Act to monitor the work of responsible individuals and auditors it registers and to ensure that auditors are complying with legal requirements and the requirements of these regulations. Thus, an individual, even if a responsible individual in accordance with chapter 4, cannot accept audit appointments unless also a registered auditor under these regulations, or the regulations of another RAB.

In certain circumstances the Competent Authority may reclaim the task of registering a member or firm directly.

Eligibility

The eligibility criteria, which a RAB is required to follow, are set down in the Act. Regulations 2.02 to 2.03A incorporate the requirements of these eligibility criteria. If the eligibility criteria change these regulations will be amended accordingly.

A key purpose of the Act is to make sure that only those appropriately qualified are appointed as statutory auditors. Therefore, under the Act, the Institute, as a RAB, must have rules governing the control of registered auditors. For a firm which is a sole practice this is achieved by regulation 2.02 which only allows registration if the sole practitioner is eligible for approval as a responsible individual in accordance with section 1470 of the Act. Additional conditions for firms that are not sole practices are set out in regulation 2.03.

The Act distinguishes between those individuals who are responsible for the audit work on behalf of a firm and those who control the firm. Those who are responsible for the audit work, the responsible

individuals, must meet the eligibility requirements in accordance with section 1470 of the Act (as well as meeting other requirements, see chapter 4).

To be eligible for approval as a responsible individual in accordance with section 1470 of the Act an individual must:

- (a) be a member of a RAB and hold an appropriate qualification; or
- (b) be an EEA auditor and have sat and passed an aptitude test or have been granted an exemption from the aptitude test; or
- (c) be a third country auditor and have sat and passed an aptitude test or have been granted an exemption from the aptitude test.

Further detail on eligibility for approval as a responsible individual in accordance with section 1470 of the Act and on the appropriate qualification in particular is available in chapter 4.

Those who control the firm may be drawn from a wider group as described in regulation 2.03. Those who control the firm must be a combination of individuals eligible for approval as responsible individual in Ireland, firms approved as registered auditors in Ireland, EEA auditors and EEA audit firms.

To be eligible for registration a firm must:

- be fit and proper;
- comply with the PII regulations;
- properly designate, as described in chapter 4, as responsible individuals all those authorised to sign audit reports on behalf of the firm; and
- meet the requirement that it is controlled by individuals and/or firms as described in regulation 2.03.

2.02 The *Registration Committee* may approve and register a *firm* only if the committee is satisfied that:

- a the *firm* is fit and proper to be appointed as a *Registered Auditor*;
- b the *firm* has professional indemnity insurance or other appropriate arrangements as required by the *PII regulations*;
- c the *firm* has appointed an *audit compliance principal* whose name has been given to the *Institute*;
- d each *responsible individual* has been designated in accordance with *regulation 4.01*;
- e if the *firm* is a *sole practice*, the sole practitioner is a *responsible individual* and the *audit compliance principal* (and if not a member of the *Institute* or a member of the *ACCA* is an *audit affiliate* of the *Institute*);
- ~~f if the *firm* is a *sole practice*, the sole practitioner has put in place formal arrangements with another *Registered Auditor*, to take effect in the event of the incapacity or death of the sole practitioner. The sole practitioner must confirm to the *Registration Committee* that such arrangements have been put in place.~~
- gf the *firm* satisfies any other *eligibility criteria* set by a *Competent Authority* or in legislation.
- hg if the *firm* is not a *sole practice*, the *firm* meets the additional requirements of *regulation 2.03*.

Regulation 2.02 sets out the conditions which a firm must satisfy to become a registered auditor. The firm either meets the conditions of sub-paragraphs (a) to (g) or it does not. Although the concept of 'fit and proper' in section (a) is difficult to define, this is the most important condition. Guidance on fit and proper status is in chapter 1 of the guidance section.

If a firm knows about any matter which affects whether it is fit and proper, even if it is nothing to do with audit work, the firm must, in confidence, notify the Registration Committee. The committee will not automatically reject the application for registration but will consider the matter further.

Clearly, to be fit and proper, a firm should be complying with the fundamental ethical principles. These are contained in the Institute's Code of Ethics. The following is a summary.

- Behave with integrity (which implies honesty, fair dealing and truthfulness) in all professional and business relationships.
- Be objective in all professional and business judgements.
- Only accept or perform work which the member or firm is competent to do unless outside help is obtained.
- Maintain professional knowledge and skill at the level required to ensure that work is performed diligently and in accordance with applicable technical and professional standards.
- Respect the confidentiality of information acquired as a result of professional work and not disclose any such information unless there is a legal or professional right or duty to disclose nor use it for personal advantage.
- Behave professionally by complying with relevant laws and regulations, avoiding any action that may bring discredit to the profession and behave with courtesy and consideration towards all.

To assess the competence of the firm to do regulated audit work the committee may wish to review other work of the firm. This may be other audit work done in accordance with auditing standards or work to give reports to regulators. A firm which is not working to the expected technical and professional standards might not be regarded as fit and proper.

If the committee finds out about any matters which a firm did not disclose, this will be viewed more seriously than if the firm had disclosed the information voluntarily. Voluntary disclosure also gives the firm the opportunity to inform the committee about any action it has taken to correct the problem.

The PII regulations can be found in the Institute's Public Practice Regulations, which are available at www.charteredaccountants.ie.

2.02A Where a Registered Auditor is a sole practice, the sole practitioner shall put in place formal arrangements with an alternate, to take effect in the event of the incapacity or death of the sole practitioner. The sole practitioner must confirm to the Registration Committee that such arrangements have been put in place.

2.03 The additional requirements for a firm which is not a sole practice are:

- a each principal is either:
- 1) a member of the Institute;
 - 2) a member of the ACCA;
 - 3) an audit affiliate of the Institute; or
 - 4) a Registered Auditor;

- b** the majority of the *voting rights* of the firm are held by:
- 1) Individuals who are members of a *RAB* and hold an *appropriate qualification*;
 - 2) *EEA auditors*;
 - 3) *Third country auditors* who have passed or been granted exemption from an *aptitude test* under section 1476 of the Act;
 - 4) *firms entered on the Registered Auditors*;
 - 5) *EEA audit firms*; or
 - 6) A combination of 2.03b(1) to (5)
- c** the majority of the members of the *management board* are:
- 1) A member of a *RAB* and hold an *appropriate qualification*;
 - 2) *EEA auditors*;
 - 3) *third country auditors* and, have passed or been granted exemption from an *aptitude test* under section 1476 of the Act;
 - 4) *firms entered on the Registered Auditors*;
 - 5) *EEA audit firms*; or
 - 6) A combination of 2.03c(1) to (5)

Where the *management board* has no more than two members, then, at least one of those members satisfies this requirement.

- d** where the *firm* is a *corporate practice* the Articles of Association or, under the 2014 Act, the Articles of Association or constitution:
- 1) require its shareholders to notify it of any changes in the number of shares held in the *corporate practice*, whether the shares are held directly or indirectly;
 - 2) enable the board of *directors* to require shareholders to supply information about their shareholdings in the *corporate practice* over the previous three years;
 - 3) enable the board of *directors* to require any non-shareholder whom the *directors* know or have reasonable cause to believe has or had an interest in the shares of the *corporate practice* to supply information about their interests in the previous three years;
 - 4) enable the board of *directors* to deprive any shareholder of the right to vote if the information asked for in *regulation 2.03d.2* or *2.03d.3* is not given in the time specified in the request;
 - 5) enable the board of *directors* to deprive any shareholder of the right to vote if the *corporate practice's* application for registration is rejected under *regulation 2.05*, or registration has been withdrawn under *regulation 7.03*, and the *corporate practice* has been told that the refusal or withdrawal relates to the ownership of any shareholding; and
 - 6) require the board of *directors* to approve any transfer of shares which would result in a shareholder having an interest representing more than 3% of the aggregate nominal value of the issued share capital.

Any principal who is not a member of the Institute or ~~the ACCA~~ or a registered auditor must become an ~~audit~~ affiliate of the Institute. ~~This is~~The requirements for Institute affiliates are dealt with in chapter ~~57~~ of the Institute's Public Practice Regulations.

The individuals referred to at regulation 2.03b(1) and (3) and regulation 2.03c(1) and (3) are eligible for approval as responsible individuals in Ireland but do not have to be responsible individuals. More information in relation to eligibility for approval as responsible individual and, in particular, in relation to the holding of appropriate qualification is available to read in Chapter 4.

The appropriate qualification is awarded by the RABs. ~~The RABs are the Institute, ACCA and ICPAI. Institute's educational requirements for the Audit Qualification are set out in Chapter 7 of the Institute's Training Regulations.~~

~~As of the date these regulations were approved by the Council, the Institute, the ACCA and the ICPAI are RABs. It is expected that the ICPAI will cease to be a RAB following the amalgamation.~~

ICAEW and ICAS were RABs up until 21 July 2021 and ~~[insert revocation date]~~ 22 December 2021 respectively. A qualification awarded by ICAEW after 21 July 2021 or by ICAS after 22 December 2021 ~~[insert revocation date]~~ is not an appropriate qualification for Ireland.

Holders of the appropriate qualification in Ireland must also be a member of a RAB to be counted amongst those meeting the necessary conditions at regulation 2.03(b)(1) and 2.03(c)(1).

As a RQB in the UK as well as a RAB in Ireland, the Institute can award an appropriate qualification in both the UK and in Ireland and historically could do this simultaneously. Since the exit of the UK from the EU on 1 January 2021 the audit qualification awarded by the Institute may be restricted to a single jurisdiction in certain circumstances. In particular, the award of an appropriate qualification pursuant to section 1472 of the 2014 Act requires the completion of a minimum amount of statutory audit work experience which after 1 January 2021 does not include work on the audits of entities incorporated in the UK. Only RAB members who are holders of the appropriate qualification for Ireland can be counted in the majority control and management board members for the purposes of regulation 2.03b and 2.03c.

Even prior to 1 January 2021 there were some limitations to the simultaneous recognition of the appropriate qualification in both Ireland and the UK. In that regard it should be noted that the eligibility rules differed slightly between the UK and Ireland in respect of individuals qualified outside the regulating country and for historical reasons. Thus, for example:

- a person qualified to act as a responsible individual in the UK by reason of the Companies Act 1989 under grandfathering arrangements operated by the Department of Trade and Industry is not eligible under Irish law unless approved prior to 1990 within Ireland;
- special entrants approved by the FRC will not be approved for Irish statutory audit unless they meet the requirements of the 2014 Act.

Individuals who held an appropriate qualification under previous legislation are specifically 'grandfathered' and so hold an appropriate qualification. The main ways that members obtained the appropriate qualification under previous legislation were:

- by membership of a recognised professional body (which includes the Institute) on 31 December 1990, (under the Companies Act 1990 of Ireland);
- by gaining a recognised audit qualification awarded by a RAB (e.g. from the Institute) subsequent to 31 December 1990 under legislation pre-dating the 2014 Act.

Like all appropriate qualification holders, such individuals holding 'grandfathered' appropriate qualifications are not eligible to be counted for the purposes of regulation 2.03(b) or 2.03(c) unless they also hold membership of a RAB.

In assessing whether a partnership or limited liability partnership meets the condition in 2.03b, the following points should be considered:

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- Voting rights: if a partnership does not have a specific partnership agreement the Partnership Act 1890 will apply and all partners will have equal voting rights. If the firm is a limited liability partnership in the UK and the members do not have a specific agreement to deal with their mutual rights and duties the UK Limited Liability Partnership Act 2000 will apply and all members will have equal voting rights.
- Non-member principals: if any principals are not members of the Institute, ~~the ACCA~~ or a registered auditor, they must become ~~audit~~ affiliates.
- Small firms: a firm of two or three principals who are not all eligible for approval as statutory auditor in Ireland will meet the condition in 2.03b only if the partnership or limited liability partnership agreement specifically gives at least a majority of the voting rights to principals who are eligible for approval as statutory auditor in Ireland.

Regulation 2.03c requires that for a firm to be approved as a registered auditor in Ireland, a majority of members of the management board must be a combination of the individuals and firms listed. Where the firm does not have a separately identified management board, the tests applicable to the management board are applied to the body responsible for management and administration of the firm which, therefore, may be the firm's principals (to whom condition 2.03a also applies) or the firm's shareholders (the same group to whom the condition at 2.03b applies.)

~~You~~Firms are advised to consult the Institute if clarification is required in relation to the individuals and entities who can be counted for the purposes of majority ownership and management board membership.

~~For investment business purposes, different considerations apply for affiliates. Being an affiliate in one regulated area does not automatically give that status in another.~~

As part of the annual return, firms are asked to reconfirm continued eligibility. If a firm temporarily fails to meet the eligibility requirements, it will not lose its registration if it receives a dispensation under regulations 2.17 – 2.20.

Registered auditors seeking approval in Ireland and in the UK – compliance with eligibility criteria in both jurisdictions.

The Institute is a RSB in the UK as well as a RAB in Ireland and therefore provides audit registration to firms in the UK as well as in Ireland. Many Institute audit firms are registered in both Ireland and the UK. An audit firm registered in Ireland and in the UK must comply with these regulations as well as the Institute's Audit Regulations and Guidance for the UK.

There are some differences between the eligibility criteria for registration of an audit firm in the UK compared to Ireland. For example, in Ireland the majority of members of the management board, by headcount, must be a composition of qualified individuals and firms (regulation 2.03c) compared to the requirement in the UK for the majority of the voting rights on the management board to be held by qualified individuals and firms.

The eligibility criteria for a firm to be registered for audit in the UK also differ from Ireland in respect of the ability to count EEA auditors and EEA audit firms in their majority of qualified owners and managers. While in Ireland the conditions at 2.03b and 2.03c above allow for the inclusion of EEA auditors and EEA audit firms in the majority owners and managers, in the UK from 1 January 2021 the qualified majority of owners and managers cannot include EEA audit firms and can only include EEA auditors if the EEA auditors have applied for, or passed, a relevant aptitude test before 31 December 2020.

Registered auditors who hold audit registration in both Ireland and the UK must remain compliant with the eligibility requirements in both jurisdictions.

2.03A The requirements for registration for a firm which is an EEA audit firm are:

- a the firm can provide evidence of professional indemnity insurance that is similar to the requirements of the *PII regulations*;
- b the firm has appointed an *audit compliance principal* whose name has been given to the *Institute*;
- c each *responsible individual* is a member of a *RAB* and holds an *appropriate qualification* which has been awarded by a *RAB* under section 1472 of the *Act* and has been approved in accordance with *regulation 4.05*;
- d each *principal* is either:
 - 1) a member of the *Institute*;
 - 2) a member of the *ACCA*;
 - 3) an *audit-affiliate* of the *Institute*; or
 - 4) a *Registered Auditor*;
- e the firm provides proof of its eligibility as an *EEA audit firm* in the form of a certificate, dated not more than three months before it is provided to the *Institute*, from the *Competent Authority* or counterpart authority of the *EEA member state* concerned; and
- f a declaration made with the authority of the firm that it agrees to be bound by these *regulations* and will make sure that it complies with these *regulations* at all times.

Firms that are already registered in another EEA member state may apply for registration as a registered auditor. Where an eligible EEA audit firm meets the requirements of regulation 2.03A the registration committee can include the EEA audit firm on the Irish audit register. The registration committee does not approve the EEA audit firm as it is already approved in another EEA member state. If such a firm is registered then the Institute is required to inform the Competent Authority of the relevant EEA member state.

Application for registration

2.04 A firm that wishes to register must apply in the manner that the *Registration Committee* decides. The application must include the following:

- a any information that the *Registration Committee* may require to assess the ability of the firm to carry out *audit work*;
- b a declaration made with the authority of the firm that it agrees to be bound by these *regulations* and will make sure that it complies with these *regulations* at all times;
- c a declaration made with the authority of the firm that it will deal with the *Institute* in an open and cooperative manner and inform the *Institute* promptly about anything concerning the firm that these *regulations* require;

- d a declaration made with the authority of the *firm* that it agrees to be bound by the procedures, rules and guidance, as may be issued from time to time by the *Competent Authority* in the exercise of its statutory functions.
- e the name and address of the *audit compliance principal*; and
- f an acknowledgement by the *firm* that none of the *Institute*, its officers or staff, members of its *Council* or its committees or a *monitoring unit* or the *Competent Authority* or its staff, can be held liable in damages for anything done or not done in dealing with any of the functions connected with registration under the *Act* or under these *regulations* or enforcing the terms of either or the monitoring of compliance with these *regulations* in any respect, unless the act or omission is shown to have been in bad faith.

To enable the committee to assess a firm's ability to do audit work as a registered auditor, it may wish to review other work that the firm has already done. This would be work involving auditing standards or expressing an opinion.

Firms should request an application form from the Institute.

2.05 The Registration Committee may:

- a grant the application;
- b reject the application;
- c grant the application subject to restrictions or conditions; or
- d postpone consideration of the application.

Under regulation 2.05d, the Committee may decide that it can only properly consider a firm's application after it has more information about the firm. The Committee may decide this is best achieved by a monitoring visit to the firm.

A firm can apply for a review of a decision to reject registration or to grant it subject to restrictions or conditions. Details of the review process are in regulations 8.05 to 8.07.

Continuing obligations

2.06 A Registered Auditor must continue to meet the requirements of these regulations and to comply with any conditions or restrictions imposed on the Registered Auditor by the Registration Committee.

2.07 Subject to regulations 2.17 to 2.20, a Registered Auditor must not continue as an auditor if it ceases to meet one or more of the eligibility requirements of regulation 2.02, 2.03 or 2.03A.

The effect of regulation 2.07 is that a firm which for any reason has ceased to be eligible for registration must not continue with an audit appointment unless it obtains a dispensation in accordance with regulations 2.17-2.20.

2.08 A Registered Auditor must cooperate with the Institute, its staff, committees, a monitoring unit, and the Competent Authority and its staff.

2.09 A Registered Auditor or former Registered Auditor on whom the Institute serves a notice requesting information or notice of a visit under regulation 2.23 or 6.02k (or upon whom a notice is served requesting information by the Competent Authority or under the Act) must comply with such notice within such period as the Institute may allow (or in the case of a notice served by the Competent Authority or under the Act, as the notice provides).

When the Institute serves a notice under the above regulation, the notice will specify by when the firm must deal with the matters in the notice. The Institute will always try to give reasonable time for the firm to respond but in some cases it may be necessary to set a short time for the firm to respond. A notice requiring information may also be served under the Act and the firm must supply the information according to the terms of the notice.

2.09A A Registered Auditor must comply with the monitoring arrangements of the Institute and those of the Competent Authority and any other procedures, rules and guidance, as may be issued from time to time by the Competent Authority in the exercise of its statutory functions.

2.10 Where a Registered Auditor or an EEA audit firm is a principal or shareholder in another Registered Auditor, then its interests at meetings of principals, the management board or shareholders must be represented by an individual who is either the holder of an appropriate qualification or is an EEA auditor.

A principal or shareholder in a registered auditor may be another registered auditor or an EEA audit firm. The above regulation then requires that its interests are represented at meetings by an individual who has received audit training and is either the holder of an appropriate qualification or is an EEA auditor. It is important that decisions are taken at meetings by those who have audit experience.

2.10A A Registered Auditor must provide such returns, statements or other information as considered necessary and in a form decided by the Registration Committee

Changes in circumstances

2.11 A Registered Auditor must inform the Institute in writing as soon as practicable, but not later than ten business days after the event:

- a of any matter, whether relating to the firm or to any of its principals or employees, which could mean that the firm is no longer fit and proper to be appointed as a Registered Auditor;
- b if the firm is no longer complying with the requirements of regulations 2.02b or 2.03Aa;
- c of any other changes which might affect a firm's eligibility to be registered or its ability to conduct audit work;
- d of any change in:
 - 1) the name or trading names of the firm;
 - 2) the addresses of the firm's offices;
 - 3) the names or principal business address of any of the firm's principals or responsible individuals including new principals or responsible individuals;

- 4) the details of any other audit registration that any *responsible individual* has in another country, the name of the registering body and any registration number; or
 - 5) the name or address of the *audit compliance principal*;
- e if a *responsible individual* leaves the firm or ceases to be a *responsible individual*;
- f in the case of a *corporate practice*, of any change in:
- 1) the name or address of a shareholder or anyone with any interest in the shares; and
 - 2) any change in the number of shares held by a shareholder or in the number of shares in which anyone has an interest;
- g of any change in the website address of the *firm*;
- h of any change in the name or business address of any member of the *management board*; ~~or~~
- i of any change in details of any other audit registration that the *Registered Auditor* has in another country, the name of the registering body and any registration number; ~~or~~
- j in the case of a ~~firm~~ *Registered Auditor* which is a *sole practice*, a change of *alternate Registered Auditor* with whom the sole practitioner has in place arrangements to take effect in the event of incapacity or death of the sole practitioner; ~~or~~
- k where a *principal or responsible individual* at a *firm* has obtained membership of *the Institute* under reciprocal arrangements and the individual ceases to be a member of its original professional body thereby revoking the individual's reciprocal membership of the Institute.

The eligibility criteria are set out in regulations 2.02, 2.03 and 2.03A.

If a firm temporarily loses its eligibility, the firm may not necessarily lose its registration as the Registration Committee can provide a dispensation for a period of time from the eligibility requirements (see regulations 2.17 – 2.20). Therefore, firms should notify the Institute as soon as possible if they are planning any changes so that registration is not interrupted.

A firm should also, under regulation 2.11c, notify the Institute of any matter affecting its financial stability. This would include a principal entering into an individual voluntary arrangement, or a firm reaching a similar arrangement.

The Institute has a duty to keep the information on the public audit register up to date. To do this, firms must inform the Institute of changes. Also, a firm that is a member of a network or has affiliates must also keep up to date information about the names of these other firms.

Before a registered auditor appoints a new responsible individual, it must seek the approval of the Registration Committee, see chapter 4.

If a firm changes its legal status, for example from a partnership to a limited liability partnership, the new entity will need to register. The registration of the 'old' firm does not carry over. This also applies

to a firm which is a sole practice which becomes a partnership, the audit registration does not carry over and a new application is needed from the new firm.

An EEA audit firm that is registered by virtue of regulation 2.03A must inform the Institute immediately if it is no longer registered by the competent authority that supplied the certificate under regulation 2.03Ae.

2.12 A Registered Auditor which is a member of a network must:

- a maintain a list of the names and addresses of all:
 - 1) other *firms* in the network and their affiliates; and
 - 2) its own affiliates;
- b make that list available to members of the public;
- c update the list with any changes no later than ten *business days* after the change; and
- d inform the *Institute* of the location of the list and of any change to the location no later than ten *business days* after the change.

A network is a larger structure aimed at cooperation which a registered auditor belongs to and which is:

- controlled by the registered auditor;
- clearly aimed at profit or cost sharing;
- under common ownership, control or management; or
- affiliated or associated with the registered auditor through common quality control policies and procedures, a common business strategy, the use of a common brand-name or through the sharing of significant common professional resources.

For the purpose of this regulation an 'affiliate' means any entity, regardless of its legal form, which is connected to a firm by means of common ownership, control or management.

Making the list of firms and affiliates in a network available to the public would normally mean that the list is held on the firm's website or is on public display at the firm's office or is otherwise available on request.

The Institute has a duty to keep the information on the public audit register up to date. To do this, firms must inform the Institute of changes. Also, a firm that is a member of a network or has affiliates must also keep up to date information about the names of these other firms.

Fees

2.13 A Registered Auditor must pay such registration fees (to include any costs that the *Institute* is required or has agreed to pay to any other person or body exercising a regulatory or supervisory role in relation to it) as the *Institute* determines, at the times and at the rates set by it.

2.14 The first registration fee is due when a *firm* applies for registration. An application fee is also payable with this first fee.

If a firm's application is not accepted, the first registration fee will be refunded.

- 2.15** The *Institute* may charge a *Registered Auditor* to which its representatives have made a second or subsequent visit as a result of an earlier visit. The *Registration Committee* will decide how much the fee will be.

The Committee may decide that, following a monitoring visit to a firm, it wishes to return to check that the firm is making the necessary improvements in its audit work. A charge may be made for any such visits, although an estimate would normally be given.

- 2.16** If a *Registered Auditor* has not paid any fees under *regulation 2.13* or *regulation 2.15*, within 60 days of the invoice date, the *Institute* may withdraw its registration.

Dispensation

- 2.17** If a *Registered Auditor* ceases to meet one or more of the eligibility requirements of *regulation 2.02, 2.03* or *2.03A* (where appropriate), or if it considers that it is impossible or impractical to comply with any other *regulation*, it must notify the *Registration Committee* in writing. The notification must be within ten *business days* of the situation arising and must say what has happened and the action which the *Registered Auditor* proposes to take.
- 2.18** The *Registration Committee* will review the information provided under *regulation 2.17*. If the committee considers that the *Registered Auditor* is taking all practical steps and that these will remedy the position, it may grant the *Registered Auditor* a dispensation from the requirement to comply with any *regulation* under such terms as are permitted in legislation.
- 2.19** In the case of a matter relating to the additional eligibility requirements for a *Registered Auditor* (set out in *regulation 2.03*) the dispensation will not last for more than 90 days, starting from the date that the situation first arose. In any other case the period will be set by the *Registration Committee*.
- 2.20** The *Registration Committee* will not grant a dispensation under *regulation 2.18* unless the *Registered Auditor* can satisfy the committee that its continued registration during the dispensation period would not adversely affect an *audit client* or any other person.

The period of 90 days dispensation cannot be extended by the committee. If the situation that gave rise to the dispensation is not put right in the time allowed, the firm's registration will end.

Cessation of registration

- 2.21** A firm will cease to be a *Registered Auditor* if:
- a the *Registration Committee* accepts an application from the *firm* to cancel its registration;
 - b the *firm* ceases to exist;
 - c the *Registration Committee* withdraws registration under *regulation 7.03*;
 - d the *Competent Authority* issues a decision withdrawing registration;
 - e a firm registered under *regulation 2.03A* ceases to be an *EEA audit firm*; or

- f. **the registered key audit partner of an EEA member firm ceases to be approved by the Institute or ceases to be a *Responsible Individual* in the EEA firm.**

A firm may ask for a review if its registration is to be withdrawn under regulation 2.21c. Withdrawal at the firm's request, because the firm no longer exists or is no longer an EEA audit firm, cannot lead to a review. If a firm which is no longer registered wishes to register again it can apply in the normal manner. Any decision of a Competent Authority that registration is to be withdrawn is subject to the appeal procedures of that body, not any procedure under these regulations.

- 2.22 The *Registration Committee* may require a *firm* which has ceased to be registered to provide evidence that it has resigned from all *audit* appointments and provide details of any audit registrations it has in any other *EEA member state*.**

The committee may wish to satisfy itself that a firm, once de-registered, no longer has any audit clients. If the Registration Committee withdraws registration under regulation 7.03, and the firm is registered to undertake audits in another EEA member state, the Registration Committee will notify the registering body in that EEA member state.

- 2.23 If a *firm* is no longer a *Registered Auditor*:**

- a **it must still respond to enquiries (made in writing or by visiting a *firm's* office or offices) from the *Registration Committee* or the *Competent Authority* in connection with any circumstance that relates to these *regulations* during the time the *firm* was registered;**
- b **it must still respond to enquiries made by another *Registered Auditor* in accordance with *regulation* 3.09;**
- c **disciplinary action (including the imposition of a regulatory penalty) or action by a *Competent Authority* may still be taken for:**
 - 1) **any failure to comply with these *regulations* during the time it was registered;**
 - 2) **any failure to comply with any *regulation* continuing to have effect notwithstanding that registration has ceased;**
 - 3) **any failure to keep confidential any information received in the course of *audit work*.**

- 2.24 The *Institute's* right to recover any unpaid fees or other amounts due from a *firm* under these *regulations* does not end when a *firm* is no longer registered.**

The effect of regulation 2.23 is that a firm cannot escape disciplinary action by de-registering. If, in the process of de-registering, the committee places a condition on a firm and that condition is broken then disciplinary action can be taken. There is a continuing obligation to deal with requests for access to audit working papers under regulation 3.09. Finally, de-registering does not remove the firm's obligation to pay outstanding fees. A Competent Authority may also take action against a firm or individual after de-registration if the matter occurred before the de-registration.

Chapter 3 - Conduct of audit work

The Act states that the Institute, as a RAB, must have certain rules and practices to govern the conduct of firms registered to do audit work and the way they do that work. Registered auditors must:

- be independent;
- carry out their work with integrity;
- be fit and proper;
- keep to technical standards;
- be competent and continue to be competent; and
- be able to meet claims against them that may arise from audit work.

There are also other requirements, such as how firms should sign audit reports. Finally, there is a requirement that the Institute monitors registered auditors to ensure they are complying with these regulations. For some types of audit, this monitoring must be conducted independently of the Institute.

The 2014 Act requires that audit work is performed in accordance with standards adopted by IAASA. The auditing, quality and ethical standards adopted by IAASA are:

- the International Standards on Auditing ('ISAs') (Ireland), Such standards deal with the conduct of individual audits;
- the International Standards on Quality Control (Ireland) and when applicable, the International Standards on Quality Management (Ireland) which deal with the overall system of quality control established by the registered auditor; and
- the Ethical Standard for Auditors (Ireland), which sets out the ethical obligations of registered auditors and their personnel with respect to auditor independence and objectivity.

Competence, fit and proper status of principals and employees, and the ability to meet claims are matters that are usually dealt with when a firm first registers. These requirements are dealt with in chapter 2. Once registered, the Institute monitors firms to check that they continue to meet their obligations. Monitoring is by annual returns and visits to firms.

Firms must make sure that they continue to meet the requirements of the audit regulations. For most firms this means having procedures for doing audit work, and checks to make sure that the procedures are followed. The procedures and checks apply to individual audits (for example that audits are conducted according to auditing standards) and also to a firm's audit practice (for example that principals and employees maintain their competence to undertake audit work).

Firms of different sizes and with different types of client will adopt different procedures to comply with these regulations. However, all firms will be aiming to provide a high-quality and cost-effective service which complies with the regulations.

Firms have professional indemnity insurance to meet claims against them. However, another aspect of this is the use of appropriate procedures, including review procedures, to reduce the possibility of a matter occurring that could give rise to a claim.

The following regulations, and associated guidance, deal with matters that relate to firms' audit work.

Independence and Integrity

3.01 A Registered Auditor must not accept an appointment or continue as an auditor if the *firm* has any interest likely to conflict with the proper conduct of the *audit*.

- 3.02 A Registered Auditor must act in accordance with the fundamental principles set out in the Code of Ethics issued by Council and the ethical standard.**
- 3.03 A Registered Auditor must consider its independence and ability to perform the audit properly and record this before it accepts appointment or reappointment as auditor.**
- 3.04 A Registered Auditor must not accept or continue an audit appointment of an entity where there exists a relationship between the Registered Auditor and the entity which is prohibited by the Act or by ethical standard or quality standards.**

A registered auditor must ensure that the specific independence requirements of sections 1535 to 1537 of the 2014 Act as well as those in the ethical standard and quality standards are complied with.

A registered auditor is prevented from accepting or continuing an audit appointment of an entity where:

- a there exists between the registered auditor and the entity a relationship where the law prohibits the registered auditor auditing that entity;
- b the entity is a shareholder in the registered auditor;
- c the entity can be influenced by a shareholder in the registered auditor;
- d the entity is a principal in the registered auditor;
- e the entity, being neither a shareholder or principal in the registered auditor has the ability to influence the affairs of the registered auditor;
- f the registered auditor is a shareholder in the entity;
- g the registered auditor is a principal in the entity; or
- h the registered auditor is in a position to exercise influence over the entity.

The above regulation prevents a firm auditing any entity where that entity has some form of shareholder interest in the firm, is a principal in the firm, or can exert influence over the registered auditor. It also prevents a firm auditing an entity where the firm is either a principal or shareholder in the client or can exert influence over the entity. The extent of influence is not defined but firms should consider whether an informed third party would consider that influence could exist, even if not being exercised. The forms that such influence can take do not include any influence that arises as a result of the auditor's normal relationship with the entity.

Registered auditors are also reminded that the ethical standard and quality standards include material about situations where a firm should consider accepting or continuing an audit appointment.

~~Schedule 1 sets out the above regulation in the form of a diagram.~~

The main considerations which should be followed are contained in the Code of Ethics. This is included on the Institute website at www.charteredaccountants.ie. This in turn requires firms to follow IAASA's Ethical Standard for Auditors (Ireland). Firms should refer to these documents for a fuller discussion of the matters that can threaten a registered auditor's independence. (See also effective dates in Introduction above).

Contracts of employment (with employees, sub-contractors or consultants) may include the requirement to comply with regulation 3.02. If such contracts are not used, for example in the case of principals, a separate statement or appropriate clause in a partnership agreement is advisable.

3.05 A Registered Auditor must always conduct *audit work* properly and with integrity.

Integrity means more than just honesty. It includes fair dealing, truthfulness and the desire to follow and maintain high standards of professional practice.

3.06 A Registered Auditor must make arrangements so that each *principal* and anyone the ~~firm~~ *Registered Auditor* employs to do *audit work* or permits to be involved in its *audit work* is, and continues to be, a fit and proper person.

Guidance chapter 1 suggests how to assess the fit and proper status of principals and employees, as required by regulation 3.06. There are also sample checklists that firms may find useful in making their assessments. This regulation also applies to sub-contractors and consultants who may assist with audit work. They must satisfy the same requirements as anyone employed directly by the registered auditor.

It is recommended that every principal, employee, sub-contractor and consultant should confirm their fit and proper status every year. This only applies to those, including principals, who deal with audit work. But it may be easier for firms to apply these procedures to all employees, instead of making distinctions that may be a little artificial. In any case individuals must be encouraged to notify the audit compliance principal of any event that affects their fit and proper status as soon as it occurs.

When a registered auditor sub-contracts work to another firm or an individual, whether registered or not, there should be a formal engagement letter or contract. This should make clear who is responsible for the different parts of the accountancy and audit work. A sub-contractor should be treated as an employee for the purposes of the work. Where this involves firms or personnel in another country, fit and proper assessment needs to be exercised and adapted within the confines of the law of that other country and appropriately documented.

Some of the auditing standards deal with procedures for auditors who use the work of others in connection with the audit. These are:

- ISA (Ireland) 610 'Using the work of internal audit';
- ISA (Ireland) 600 'Special considerations – audits of group financial statements (including the work of component auditors); and
- ISA (Ireland) 620 'Using the work of an auditor's expert'.

3.07 A Registered Auditor must make arrangements to prevent anyone who is not a *responsible individual* in the *firm* from having any influence which would be likely to affect the independence or integrity of the *audit*.

Regulation 3.07 is particularly important for mixed practices or associated firms whose principals are not responsible individuals, whatever their qualification. The regulation does not prevent such people from taking part in audit work. However, responsibility for the overall direction of the audit, its supervision, performance and reaching a conclusion that sufficient and appropriate audit evidence has been obtained prior to signing the audit report must always be in the hands of responsible individuals.

Where a registered auditor uses, for the purposes of its own audit work (not being the audit of a foreign subsidiary), individuals resident in another country, it should undertake and document appropriate steps to establish, within the confines of the law of that other country, that the individuals are fit and proper, independent and competent to undertake audit work.

Technical standards

Each audit must be conducted in accordance with the auditing standards and the legislation under which the auditor is reporting.

3.08 A Registered Auditor must comply with the requirements of the Act and other relevant legislation.

The requirements include:

- appointment;
- ceasing to hold an appointment and making appropriate resignation statements; and
- the responsibilities of the auditor to provide an opinion on whether financial statements are in accordance with the legislation.

The legislation would normally be:

- Regulation (EU) 537/2014
- Companies Act 2014, as amended by the Companies (Statutory Audits) Act 2018;

This also includes statutory instruments, and other regulations etc made under an act and legal instruments by the relevant government minister, using powers delegated under an Act.

Other relevant legislation would, for example, include laws regulating banks, insurance companies, other financial service entities and so on.

Registered auditors are reminded that in certain circumstances company law requires them to notify the Institute or the Competent Authority if they cease to hold an audit appointment.

In accordance with section 403 of the 2014 Act, it is the duty of the auditor to notify IAASA if the audit appointment ceases before the normal time for the auditor's terms of office to end.

In certain circumstances the company also has to make a similar statement (to the Institute or the Competent Authority) and it would be useful if the registered auditor reminded the company of this.

The above notifications are in addition to any other notifications that are required to be made to the client and registering bodies such as the Companies Registration Office.

3.09 When a Registered Auditor (the 'predecessor') ceases to hold an audit appointment and another Registered Auditor (the 'successor') is appointed the predecessor must, if requested in writing by the successor, allow the successor access to all relevant information held by the predecessor in respect of its *audit work*. Any information obtained by the successor is for the purposes of its *audit* and must not be disclosed to a third party unless the successor is required to do so by a legal or professional obligation.

In Ireland, this regulation is set out in section 1521 of the 2014 Act.

3.10 A Registered Auditor must comply with the *auditing standards* and the *quality standards*.

Guidance included with auditing standards and practice notes gives assistance on how to apply the standards. Some of these also help to show how to apply the standards to the audits of smaller companies. Such audits are likely to be less complex than those of larger national and multinational

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organisations, so a simpler audit approach may be more suitable. But it must still be properly planned, controlled, documented and reviewed.

A registered auditor must comply with these regulations, the auditing standards and quality standards as applied in accordance with the explanatory and other material published therewith.

3.11 A Registered Auditor must keep all audit working papers which auditing standards require for an audit for a period of at least six years. The period starts with the date of the auditor's report for the audit to which the papers relate.

Both this regulation and regulation 3.12 are about the audit working papers entities that fall within the definition of 'audit' in these regulations.

ISA(Ireland) 230 (audit documentation) details the content of audit working papers. Other ISAs (Ireland) detail other documentation that needs to be created during the course of an audit. All these papers must be kept for a period of six years starting with the date of the auditor's report for the audit to which the papers relate.

The audit working papers and other records do not have to be on paper but could instead be stored digitally. Whatever method of storage is used, the auditor must also keep a mechanism for gaining access to those papers.

Firms should have a procedure to make a final decision, before any papers are destroyed, that the files are unlikely to be needed again. In cases of doubt they should be kept. The decision could be to destroy every file, or to make some exceptions. Firms should also bear in mind that some papers in the audit file may serve another purpose, for example tax. Care is needed that these are not destroyed when a longer retention period may apply. Firms should consider all legal obligations in relation to retention of working papers and in particular in Ireland those in section 1531 of the 2014 Act and the General Data Protection Regulation ('GDPR'). A firm should keep appropriate records of what files it has destroyed.

3.12 A Registered Auditor must make arrangements so that if any of its audit work is carried out by another firm, then:

- a all the *audit working papers* created by that *firm* are returned to the *Registered Auditor*; or
- b the other *firm* agrees to keep those papers as required by *regulation 3.11* and allows the *Registered Auditor* unrestricted access to the papers for whatever reason.

Registered auditors will sometimes 'sub-contract' some of their audit work to another firm. This could be because the audit client is in a remote location and it is more cost-effective to engage a local firm to do any necessary work and it is that relationship to which this regulation is directed.

If this happens, then, under regulation 3.12, all the audit working papers created by the other firm have to be returned to the registered auditor for retention in accordance with regulation 3.11. Alternatively, the other firm may keep the papers. In this case the registered auditor must make sure that the other firm will keep the papers for as long as the auditor would. Also, the registered auditor must have the right to have access to those papers at any time and retrieve them if necessary. As with papers held directly by the registered auditor, any decision to destroy the papers should be made by the registered auditor and not the other firm.

If a registered auditor considers that, despite any agreements with the other firm, gaining access to the papers may prove difficult, the registered auditor should consider changing the arrangements. If this is

not possible, the registered auditor should document the steps taken to obtain access to the audit working papers and the reasons why it cannot and any evidence of those steps or reasons. The registered auditor should also document how it has satisfied itself as to the matters dealt with in those papers and any implications for the audit opinion. The registered auditor should use the principles in ISA(Ireland) 230 (audit documentation) and ISA(Ireland) 500 (audit evidence) when considering such matters.

Whatever arrangements are made between two firms, they should be recorded in a suitable letter of engagement or contract. If the other firm is itself not subject to the audit regulations it may be appropriate to include within the letter the full text of the above regulations. The letter may also cover such matters as the scope of work to be undertaken by the other firm.

This regulation does not require the auditor of a holding company to seek and maintain access to the audit working papers of the auditor of a subsidiary company (but see regulation 3.13). The respective responsibilities of the holding company auditor and subsidiary company auditor are governed by the Act and auditing standards.

3.13 In the case of a group audit where part of the group is audited by a firm from a non-EEA member state, a Registered Auditor must make arrangements so that, if requested by a monitoring unit or the Competent Authority, it can obtain from that firm all the audit working papers necessary for a review of that firm's audit work.

The arrangements referred to above are that the registered auditor either retains copies of the other firm's audit working papers or arranges that it can have unrestricted access to them on request. If, after taking all reasonable steps, a registered auditor cannot make such arrangements, it should document the steps taken to put such arrangements in place and the reasons why it could not and any evidence of those steps or reasons. A registered auditor need not make such arrangements if the relevant audit supervisory authorities in the non-EEA member state have established reciprocal arrangements with the Competent Authority. To find out if there is such an agreement in place, a list is published by the Competent Authority.

3.14 If requested by an overseas competent authority of a country that is not an EEA member state, a Registered Auditor may transfer to that body its audit working papers and the investigation reports relating to the audit provided that IAASA has authorised the transfer where a request has been made of IAASA by that non-EEA member state competent authority and IAASA has determined that the following conditions have been complied with:

- a the papers and reports relate to the *audit* of a body that either:
 - 1) has issued securities in the country of the non-EEA member state competent authority; or
 - 2) forms part of a group issuing statutory consolidated accounts in the country of the non-EEA member state competent authority;

- b the non-EEA member state competent authority has requested the transfer of the *audit working papers* and investigation reports for the purposes of:
 - 1) carrying out its functions in respect of quality assurance or public oversight; or
 - 2) an investigation initiated by itself or another competent authority established in the same country;

- c **the overseas competent authority meets the requirements which have been declared adequate in accordance with article 47(3) of the EU Statutory Audit Directive⁴;**
- d **there is an agreement of working arrangements on the basis of reciprocity between that competent authority and IAASA; and**
- e **the transfer of personal data to the overseas competent authority is in accordance with the data protection legislation in force in Ireland.**

IAASA can prohibit a transfer if it considers the transfer would affect the sovereignty, security or public order of the EU or there are legal proceedings related to the transfer. So, if the firm is aware of any legal proceedings in the EU, even if now finished, regarding any of the persons or matters to which the request relates, the firm should inform IAASA.

This requirement is set out in sections 1568 to 1570 of the 2014 Act.

3.15 If a *Registered Auditor* is appointed to a *public interest entity* client (or a *Registered Auditor* becomes aware that an existing *audit client* is now a *public interest entity* client) it must inform the *Registration Committee* in writing as soon as practicable, but not later than 28 *business days* after the date of the appointment, if immediately before the time of such appointment the *Registered Auditor* held no such office with any *public interest entity*.

The Registration Committee must be informed if a registered auditor who holds no public interest entity audit appointments gains a public interest entity audit client, or an existing audit client becomes a public interest entity. Registered auditors may also find it useful to inform the Registration Committee if a client ceases to be a public interest entity client even though there is no cessation of office. It would also be useful if, when providing this information, the notification contained details of the financial year end of the first or last audit that the firm undertakes.

In addition, provisions contained in section 1514 of the 2014 Act require that where a registered auditor is first appointed by a public interest entity after 17th June 2016 or is appointed subsequently by a public interest entity at a time when the registered auditor holds no audit appointments with any public interest entity, such information shall be provided to IAASA by the registered auditor within one month of the appointment.

Audit Report

3.16 An *audit report* in respect of the audit of Irish entities must:

- a **state the name of the *firm/Registered Auditor* as it appears in the *Register*;**
- b **if required by law, state the name of the *responsible individual* who was in charge of the *audit*, be signed by this person in his own name and include the words ‘for and on behalf of’ before the name of the *Registered Auditor firm*.**

Regulation 3.16 applies to the audit of Irish entities in accordance with the Act. Section 337 of the Act requires the responsible individual in charge of the audit to sign the audit report, in his own name, for and on behalf of the audit firm. The inclusion of the responsible individual’s name may not be required for other audit reports so the firm should check with the specific requirements that apply to the audit.

⁴⁴ Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

If more than one firm has been appointed as auditor, then regulation 3.16 applies to each of them.

There is nothing to prevent a firm adding the description Chartered Accountants (if eligible to do so under the provisions of the Bye-Laws) with either Registered Auditors or Statutory Audit Firm.

Maintaining competence

3.17 A Registered Auditor must make arrangements so that all principals and employees doing audit work are, and continue to be, competent to carry out the audits for which they are responsible or employed. The Registered Auditor's arrangements in this regard facilitate compliance with regulation 3.17A by the responsible individuals. A Registered Auditor must make arrangements for the retention of the records of continuing professional development ('CPD') undertaken by principals and employees including the CPD undertaken by responsible individuals to comply with regulation 3.17A. A Registered Auditor must ensure that CPD records are made available to the Institute for inspection and review when requested.

All responsible individuals, and employees who are members of the Institute, should ensure they follow the guidance on CPD issued by the Institute. The Institute has issued 'Continuing Professional Development Regulations'.

All responsible individuals are required to comply with the requirements of regulation 3.17A whether they are members of the Institute, ~~audit affiliates~~ or ~~members of ACCA~~ [another RAB](#).

Registered auditors are reminded of the professional competence requirements for members of the Institute as set out in IES 7 and, for responsible individuals specifically, in IES 8.

3.17A A Responsible individual is required to:

- a take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values, in relation to auditing, at a sufficiently high level. A responsible individual must undertake CPD to:
 - achieve the learning outcomes in Table A of IES 8; and
 - maintain professional knowledge in (i) the Irish auditing framework, (ii) financial standards in use in Ireland and (iii) Irish and EU legislation relevant to the preparation of financial statements and to statutory audit;
- b ensure that appropriate records are retained to demonstrate compliance with the responsible individual's CPD obligations; and,
- c submit a declaration annually to the Institute in relation to the responsible individual's compliance with their CPD obligations.

IAASA's *Guidelines for the RABs on the regulation, monitoring and enforcement of continuing education for statutory auditors* describe how registered auditors and responsible individuals can comply with regulation 3.17A.

The Institute's 'Guidance on Continuing Professional Development' provides guidance in relation to choosing the appropriate approach to CPD, identifying learning and development needs, undertaking CPD and maintaining appropriate records and evidence. In particular, guidance regarding the operation of the output-based approach to CPD, through which individuals demonstrate by way of

learning outcomes that they develop and maintain professional competence, will be useful for responsible individuals complying with regulation 3.17A.

All responsible individuals are required to undertake appropriate CPD. In accordance with IAASA's *Guidelines for the RABs on the regulation, monitoring and enforcement of continuing education for statutory auditors*, no exemption is available where a responsible individual works part-time, has a small number of, or no current audit clients or is on a career break.

The Institute reviews the CPD records of each responsible individual at least once every six years. Registered auditors and responsible individuals ensure CPD records are complete and available for inspection when requested. CPD records should be retained for at least six years.

3.18 A Registered Auditor must maintain an appropriate level of competence in the conduct of audits.

Under regulation 3.18 a firm must be able to ensure its competence in the future. Although a firm's ability to audit rests with its principals and employees, these individuals change. It is only by using audit manuals, programmes, checklists, procedures and so on that a firm has a body of knowledge beyond that of the individual principals and employees. These provide the link between the people currently in the firm and those who will join in the future.

The amount of formal documents and procedures will vary according to the nature of the firm's clients. Their use is likely to vary even between different clients of the same firm. Even the smallest firm is likely to need some documentation such as audit programmes and checklists. As a firm grows in size, it will probably develop procedures to help employees and principals use the audit programmes and checklists in order to carry out audit work and comply with the audit regulations.

Any documentation used by a firm in its audit work must be kept up to date if a firm is to retain its audit competence. Smaller firms might join some form of updating service to help them with this.

3.19 A Registered Auditor must make sure all principals and employees involved in audit work are aware of and comply with these regulations, the Act, any relevant rules and regulations issued under the Act and any procedures established by the ~~firm~~ Registered Auditor.

It is important that those involved in auditing should understand the:

- requirements imposed on the firm by statute and regulation;
- legal and other requirements relating to financial statements;
- procedures the firm depends on to ensure it does audit work competently; and
- auditing standards and the ethical standard.

A firm needs to communicate its requirements and procedures effectively if everyone is to understand them. This is especially important since principals, employees, laws and regulations change. Training can achieve much of this. The review of delegated work required by ISA 220, 'Quality control for audits of historical financial information', and the checks performed as part of the annual compliance review, can then reveal successful communication - or the lack of it.

Monitoring

3.20 A Registered Auditor must monitor, at least once a year, how effectively it is complying with these regulations and take action to deal with any issues found and communicate any changes in procedures to principals and employees on a prompt basis.

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Since these regulations require registered auditors to comply with the auditing, ethical and quality standards, then the monitoring required by this regulation should also include how the firm is complying with those standards.

An annual review can focus simply on the important point of whether audit work is being carried out in accordance with these regulations and ISAs and that the firm's system of quality complies with these regulations and the quality standards. However, a thorough review of a firm's work can bring benefits and assurance far in excess of the above requirement.

A thorough review could identify areas in which changes could be made to enhance audit quality, situations where clients need extra services, or where excessive audit work can be reduced. Both benefit the firm and provide assurance that the firm is not needlessly exposed to risk through poor work, whatever its cause.

The annual compliance review in its simplest form is in two parts. The first part covers a firm's obligations under the audit regulations such as:

- independence and integrity;
- fit and proper status;
- competence;
- appointment and re-appointment;
- professional indemnity insurance; and
- continuing eligibility.

and under quality standards such as:

- leadership responsibilities;
- consultation arrangements;
- human resources; and
- complaints.

The second deals with 'cold' reviews of completed audit work to ensure that auditing standards and the firm's audit procedures were followed. It is relatively easy to decide each year what is needed for the first part. The second part is more difficult and involves judgements on the number and frequency of reviews.

How many and which client files should be cold reviewed? Firms will consider factors such as employee turnover, high risk clients, changes to auditing standards and new statutory and accounting standard requirements in deciding which files to review. Some firms will select audits for these reasons and then a sample of other files. However, monitoring experience has shown that if a single file is representative of a responsible individual's work, little may be gained from doing more. A representative sample of two or three audits for each responsible individual should be enough.

One approach to the question of frequency is simply to decide that the work of each responsible individual should be reviewed each year. Completed audit files would be selected and reviewed to make sure that the auditing standards and the firm's procedures had been followed. For many firms this may be the easiest procedure to adopt. In deciding how often to review someone's work, firms will consider factors similar to those used when deciding which files to review. Indeed, there may be particular reasons where the work of a particular responsible individual is reviewed more frequently.

Firms which are sole practices, firms with only one responsible individual and other small firms may have few audit clients. However, sole practitioners and smaller firms do face the same problems of change as described above and their responsible individuals also tend to retain their own portfolios of clients for lengthy periods. This familiarity may cause problems and to guard against this a sample of files should be reviewed each year.

In addition, such firms should note that quality standards do not permit the responsible individual or the engagement quality control reviewer for a particular audit to undertake a cold file review on that audit. It may be that there is another individual in the firm who, although not a responsible individual, is very experienced in current auditing requirements. Assuming that this individual did not take part in the audit, the firm may decide this individual would be a suitable person to undertake the review. If this is not possible, then the firm should use an external reviewer at least once every three years.

Some well-organised firms have well-defined procedures to control the quality of audit work and the resulting audit opinions. This would be another factor in deciding how often the work of responsible individuals is reviewed. However, if the work of all responsible individuals is not reviewed each year, then it should be covered over no more than a three-year period, if this is appropriate to the circumstances of the firm.

Whatever approach a firm adopts for cold file reviews, it should be ready to justify that approach when requested by the Registration Committee.

The compliance review, and cold file reviews carried out as part of that review, are likely to vary in formality according to the size of the firm. However, every firm should be able to provide evidence of its review and, where appropriate, any action taken.

All responsible individuals should be given the results of the monitoring exercise at the earliest opportunity. If improvements are needed, any necessary changes should be made as soon as possible.

There is no need for the firm to conduct the review itself. While some firms may find it more practical and cost-effective to use the services provided by the Institute, third parties may also be used such as another [registered statutory auditor](#) or some other organisation. In choosing a reviewer, it is important that the firm is satisfied that the reviewer has sufficient experience to undertake the review.

Sole practitioners may also benefit from this exercise if it is carried out by another [registered statutory auditor](#). This could highlight practical ways for a firm to improve procedures and to deliver a better service to clients. Practitioners may also benefit from reviewing another practice.

Using an external reviewer does not reduce the firm's own responsibility for the review or for ensuring that any necessary action is taken.

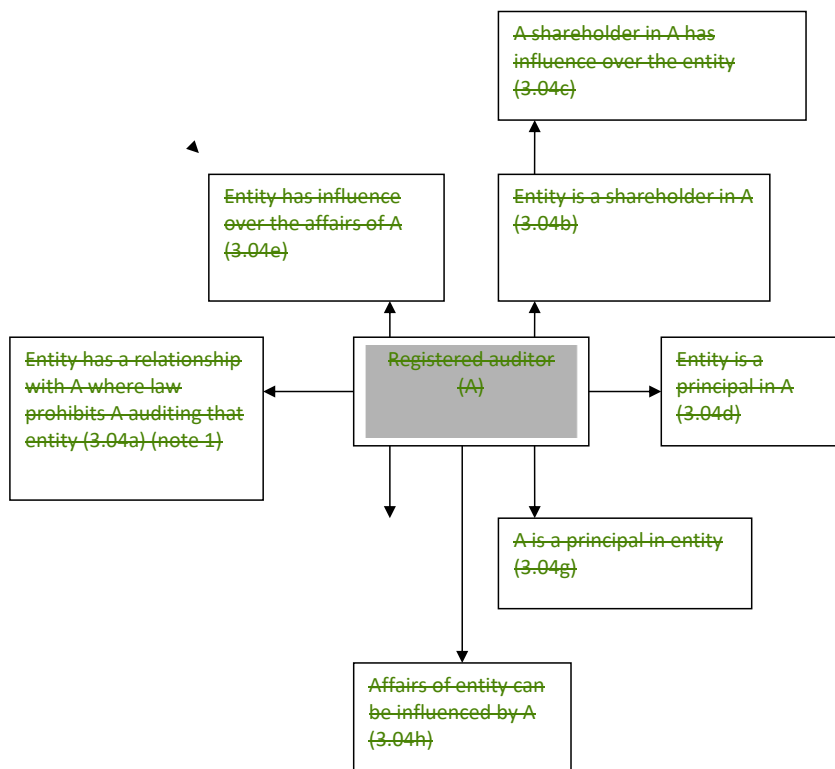
A firm should conduct a compliance review each year, even when the firm has had a quality review visit from the Institute during the year.

There is further guidance in part 2, chapter 2 on how registered auditors can monitor their own compliance with the audit regulations.

3.21 Each Registered Auditor (other than a sole practice) must appoint an audit compliance principal. A sole practitioner will be the audit compliance principal.

Schedule 1 – Independence

This diagram shows the situations which would prevent a registered auditor acting for a particular entity. The diagram deals with the situations set out in regulation 3.04.



→ Shows the relationship that prevents the registered auditor auditing an entity.

Note 1: The law in Ireland prevents a registered auditor acting as auditor to a company as described in sections 1535 to 1537 of the 2014 Act.

Chapter 4 - Responsible individuals

Responsible individuals are those individuals who are responsible for the audit work in a registered auditor.

Under company law, responsible individuals are statutory auditors in their own right. Statutory auditors can only accept appointment as auditors in accordance with the rules of a RAB, such as the Institute. An individual, even if a responsible individual in accordance with this chapter, cannot accept audit appointments unless the firm (which may be a sole practice) in which the individual works is also a registered auditor in accordance with chapter 2.

Where a registered auditor is a firm which is a sole practice, the sole practitioner must be a responsible individual. In all firms (including sole practices) the audit compliance principal can designate appropriately qualified principals or employees to seek approval as responsible individuals as set out in the following regulations. A responsible individual does not have to be a principal.

An individual must meet the requirements in the 2014 Act to be eligible for approval as responsible individual and meet other requirements as set out in regulations 4.01 and 4.02. In addition, regulation 3.06 requires a registered auditor to ensure that all principals and employees involved in audit work, including responsible individuals, are fit and proper persons.

Eligibility for approval as a responsible individual

To be eligible for approval as a responsible individual in accordance with the Act, an individual must be considered to be a fit and proper person and be eligible in accordance with section 1470 of the Act. Section 1470 of the Act requires that an individual must either:

- (a) be a member of a RAB and hold an appropriate qualification; or
- (b) be an EEA auditor and have sat and passed an aptitude test or have been granted an exemption from the aptitude test; or
- (c) be a third country auditor and have sat and passed an aptitude test or have been granted an exemption from the aptitude test.

The appropriate qualification is awarded by a RAB in accordance with section 1472 of the Act to individuals who have met the requisite audit experience and educational requirements. Individuals who have been awarded the appropriate qualification by a RAB must also hold, and retain, membership of a RAB to be eligible for approval as a responsible individual in Ireland.

An individual can also be eligible for approval as a responsible individual in Ireland in certain circumstances where the individual has been approved as an auditor in another EEA member state or in certain non-EEA countries (third countries with whom there are reciprocal arrangements in place pursuant to section 1572 of the Act – currently only the UK). In these latter cases it is usual that an aptitude test has to be passed.

The following sections provide further detail on these matters and guidance in the form of a table is given in Schedule 1 at the end of this chapter.

The 'appropriate qualification' and membership of a RAB

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The appropriate qualification is commonly known as the audit qualification. [The Institute's educational requirements for the Audit Qualification are set out in Chapter 7 of the Institute's Training Regulations.](#)

However, just because an individual has the appropriate qualification does not mean that they can undertake audit work. A holder of the appropriate qualification also needs to be a member of a RAB to be eligible to be a responsible individual. If a responsible individual ceases to be a member of RAB then the responsible individual status will cease.

The appropriate qualification can be awarded by the Institute or another RAB. [The RABs are the As of the date these Regulations were approved by the Council, the Institute, the ACCA and the ICPAI— are RABs and so they can award an appropriate qualification in Ireland to individuals who meet the educational and experience requirements of section 1472 of the 2014 Act. It is expected that the ICPAI will cease to be a RAB following the amalgamation.](#)

ICAEW was a RAB until 21 July 2021 and ICAS was a RAB until 22 December 2021. The appropriate qualification awarded by ICAEW and ICAS pursuant to section 1472 of the Act while they held RAB status continues to be an appropriate qualification in Ireland. A qualification awarded by ICAEW on or after 21 July 2021 or by ICAS on or after 22 December 2021 is not an appropriate qualification pursuant to section 1472 of the Act. A member of ICAEW or ICAS is no longer a member of a RAB after 21 July 2021 or 22 December 2021 for ICAS respectively unless that individual is also a member of the Institute, ACCA or ICPAI. The Institute has in place reciprocal membership arrangements with both ICAEW and ICAS which facilitate members of ICAEW or ICAS becoming members of the Institute.

A reciprocal member of the Institute who is also a member of ICAEW or ICAS and was awarded the appropriate qualification by ICAEW or ICAS before 21 July 2021 or 22 December 2021 respectively is considered to be a member of a RAB and to hold an appropriate qualification and therefore can apply for approval as a responsible individual.

A member of ICAEW or ICAS who has not been awarded an appropriate qualification for Ireland prior to 21 July 2021 or 22 December 2021 but holds a UK audit qualification and is approved as a responsible individual in the UK can consider undertaking the aptitude test required of third country auditors if seeking responsible individual status in Ireland.

The Institute has in place reciprocal membership arrangements with professional bodies other than ICAEW and ICAS. Those other professional bodies have never held RAB status in Ireland. In general, a person obtaining membership of the Institute under reciprocal arrangements can be considered for award of the audit qualification by the Institute only where he/she meets the requirements of section 1472 of the Act (including undertaking the minimum required audit experience and examinations subject to certain exemptions - further information on these requirements is available from the Institute).

As noted in the Introduction chapter, as well as being a RAB in Ireland, the Institute is also a RSB providing auditor registration and supervision in the UK and a RQB for the purposes of qualifying auditors in the UK. This has meant historically that the audit qualification awarded by the Institute has usually met the criteria for an appropriate qualification in both Ireland and the UK simultaneously. Since the exit of the UK from the EU on 1 January 2021 the audit qualification awarded by the Institute may be restricted to a single jurisdiction depending on the nature of the audit experience gained as part of the qualification process. In particular, the award of an appropriate qualification pursuant to section 1472 of the Act requires the completion of a minimum amount of statutory audit work experience which after 1 January 2021 does not include work on the audits of entities incorporated in the UK. Audit experience gained on the audit of Irish entities continues to be relevant for the award of the appropriate qualification necessary for a UK registered

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auditor after 1 January 2021. Further information in relation to eligibility for the appropriate qualification in Ireland is available from the Institute's Education and Training Department.

Like the Institute, the ACCA is both a RAB and a RQB. Members of ACCA should clarify with ACCA whether their qualification is an appropriate qualification for Ireland.

Even prior to 1 January 2021 there were some limitations to the simultaneous recognition of the appropriate qualification in both Ireland and the UK. In that regard it should be noted that the eligibility rules differed slightly between the UK and Ireland in respect of individuals qualified outside the regulating country and for historical reasons. Thus, for example:

- a person qualified to act as a responsible individual in the UK by reason of the Companies Act 1989 under grandfathering arrangements operated by the Department of Trade and Industry is not eligible under Irish law unless approved prior to 1990 within Ireland;
- special entrants approved by the Financial Reporting Council in the UK will not be approved for Irish statutory audit unless they meet the requirements of the 2014 Act.

People who held an appropriate qualification under previous legislation are 'grandfathered' and so hold an appropriate qualification. The main ways that members obtained the appropriate qualification under previous legislation were:

- by membership of a recognised professional body (which includes the Institute) on 31 December 1990, (under the Companies Act 1990 of Ireland);
- by gaining a recognised audit qualification awarded by a RAB (e.g. from the Institute) subsequent to 31 December 1990 under legislation pre-dating the 2014 Act.

If an individual is not sure about an appropriate qualification, they can obtain advice from the Institute (contact details are in the introduction to the regulations).

EEA auditors

An EEA auditor is eligible for approval as a responsible individual in Ireland where the EEA auditor has either successfully undertaken an aptitude test, or has been granted an exemption therefrom, and has been designated as a responsible individual in accordance with regulation 4.01 and approved in accordance with regulation 4.05. If an EEA auditor approved as a responsible individual ceases to be approved as an auditor in another EEA member state the responsible individual status in Ireland will also cease.

Third country auditors

Third country auditors can only be considered for approval as responsible individual in Ireland where reciprocal arrangements, as described in section 1572 of the Act, have been agreed between the Competent Authority in Ireland and the relevant counterpart authority in that third country. The UK is the only third country in relation to which section 1572 reciprocal arrangements have been agreed to date. An auditor approved in the UK is therefore a third country auditor for the purposes of these regulations. A third country auditor cannot undertake audit work in Ireland unless the individual has successfully completed, or been granted an exemption from, an aptitude test and been designated as a responsible individual in accordance with regulation 4.01 and approved in accordance with regulation 4.05. If a third country auditor approved as a responsible individual ceases to be approved as an auditor in the relevant third country (i.e. the UK) the responsible individual status in Ireland will also cease.

Aptitude test

For EEA auditors or third country auditors, the aptitude test pursuant to section 1476 of the Act consists of examinations in Irish company law and taxation as they pertain to statutory audit in Ireland. Exemption from the aptitude test may be available in very limited circumstances in accordance with the *Guidelines for exemption from the aptitude test* issued by IAASA.

The Institute requires individuals applying to sit the aptitude test to provide evidence that they are either approved as auditor in another EEA member state or in a third country with which section 1572 reciprocal arrangements have been agreed.

4.01 Subject to *regulation 4.02* and *regulation 4.05* the *audit compliance principal* may designate as a *responsible individual* any of the *Registered Auditor's principals* or *employees* who:

- a is eligible for approval as responsible individual in accordance with section 1470 of *the Act*. Therefore, the individual must either:
 - 1. be a member of a *RAB* and hold an *appropriate qualification*; or
 - 2. be an *EEA auditor* and have sat and passed an *aptitude test* or have been granted an exemption from the aptitude test; or
 - 3. be a *third country auditor* and have sat and passed an *aptitude test* or have been granted an exemption from the *aptitude test*;
- b is competent to conduct *audit work*;
- c is a fit and proper person; and
- d is allowed to sign *audit reports* in their name on behalf of the *firm*.

4.02 Before a *principal* or *employee* can be designated as a *responsible individual*, the individual must:

- a be a member of the *Institute* and hold a *practising certificate*; or
- ~~b~~ be a member of the *ACCA* and hold its equivalent of a *practising certificate*; or
- ~~eb~~ be a member of ~~the ICPAI~~ another *RAB*, have been granted *audit-affiliate* status under chapter ~~57~~ of these *Public Practice #Regulations* and hold the ~~ICPAI~~ equivalent of a *practising certificate* ~~from that RAB~~; or
- ~~ec~~ be an *EEA auditor* who has successfully passed an *aptitude test* or been granted an exemption therefrom and have been granted *audit-affiliate* status under chapter ~~57~~ of these *Public Practice #Regulations*; or
- ~~ed~~ be a *third country auditor* who has successfully passed an *aptitude test* or been granted an exemption therefrom and have been granted *audit-affiliate* status under chapter ~~57~~ of these *Public Practice #Regulations*.

The Act sets out the eligibility criteria for statutory auditors (responsible individuals) which the RABs are required to follow. Regulations 4.01 and 4.02 incorporate the requirements of these eligibility criteria. If the eligibility criteria change these regulations will be amended accordingly.

Following approval as a responsible individual under Regulation 4.05, that principal or employee must continue to meet the requirements of Regulation 4.02.

[Affiliates comply with the provisions of chapter 7 of the Institute's Public Practice Regulations.](#)

4.03 Consultants and sub-contractors cannot be designated as *responsible individuals*.

4.04 Only *responsible individuals* can be responsible for an *audit* and sign an *audit report*.

Firms which designate employees as responsible individuals must have procedures on how the employees exercise the firm's authority. If the employee is not an Institute member ~~or member of the ACCA~~, he or she must become an ~~audit~~ affiliate of the Institute.

4.05 Any designation in accordance with *regulation 4.01* shall not be effective until application has been made to the *Registration Committee* in a form specified by it and the application has been approved and the *Registration Committee* may approve the application with conditions or restrictions. Such application will require a declaration made by the individual that the individual:

- a agrees to be bound by these *regulations*; and
- b agrees to be bound by the procedures, rules and guidance, as may be issued from time to time by the *Competent Authority* in the exercise of its statutory functions.
- C agrees to take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values, including in particular in relation to auditing, with content that is relevant to their role and responsibilities

The Institute has an application form for responsible individual status which firms should request and complete. The Registration Committee will need to be satisfied that the individual has had recent and sufficient experience of audit work before approving the application and that the individual is a fit and proper person.

4.06 A *responsible individual* may not accept appointment in a key management position in a *public interest entity* or be concerned in the management of the entity if, at any time during the two years preceding the date of the proposed appointment, the *responsible individual* acted in the capacity of *responsible individual* for that public interest entity, or for a material subsidiary if the public interest entity is a group. In the case of an entity which is not a public interest entity, a period of one year must have elapsed.

For the purposes of this regulation a key management position is a director (including a shadow director) or other officer.

The above regulation is to prevent a responsible individual joining such an audit client until a two year period has elapsed since the individual last undertook any audit work in relation to the client. This obligation does not end if the individual ceases his relationship with the Institute. If an individual is in doubt about the application of this regulation to his specific circumstance, he should contact the Institute. A firm may find it useful to remind any responsible individual that leaves the firm of this regulation.

4.07 The disciplinary arrangements of the *Institute* and the procedures of the *Competent Authority* will apply to breaches of these *regulations* by a *responsible individual* in the same way as they apply to breaches by a member and references to 'member' in such bye-laws and regulations (howsoever called) of the *registering institute* shall be deemed to include a *responsible individual*.

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Cessation of responsible individual status

The status of responsible individual is linked to the registered auditor and cannot be transferred to another firm. It can cease as the following regulation sets out.

4.08 *Responsible individual status will cease if:*

- a the *firm* in which the individual is a *responsible individual* ceases to be a *Registered Auditor*;
- b the individual ceases to be a *principal or employee* in the *Registered Auditor* to which the grant of *responsible individual* status related;
- c an event occurs which under the *Royal Charters*, the *Bye-laws* or other regulations of the appropriate *Institute* the individual would cease to be a member or an ~~audit~~ *affiliate*;
- d the individual is a member of the *Institute* and ceases to hold a *practising certificate* or is a member of ~~the ACCA and ceases to hold its equivalent of a practising certificate or is a member of the ICPA~~ *another RAB* and ceases to hold its equivalent of a practising certificate;
- e the individual is an *EEA auditor* and ceases to be approved as an auditor in its home EEA country;
- f the individual is a *third country auditor* and ceases to be approved as an auditor in the third country;
- g the individual is a *third country auditor* and there is a termination of the reciprocal arrangements under section 1572 of *the Act* with the relevant third country in which the individual is first approved as auditor;
- h the *audit compliance principal* notifies the *Institute* that the individual is no longer a *responsible individual*;
- i the *Registration Committee* withdraws *responsible individual status*; or
- j ~~T~~the *Competent Authority* issues a decision withdrawing *responsible individual status*.

Firms are reminded of the requirement to inform the Institute of any changes to the responsible individuals of the firm.

Under company law, responsible individuals are statutory auditors in their own right. However, statutory auditors can only accept an audit appointment in accordance with the rules of a RAB such as the Institute. Thus, if a responsible individual leaves a registered auditor with the intention of undertaking audit work as a sole practitioner, the individual must apply for registration as set out in Chapter 2 of these regulations. Until such an application is approved, the individual cannot accept audit appointments as the individual will not be a registered auditor under these regulations. If a responsible individual leaves a registered auditor to join another registered auditor, then the individual needs to be designated as a responsible individual in the new firm before being responsible for audit work.

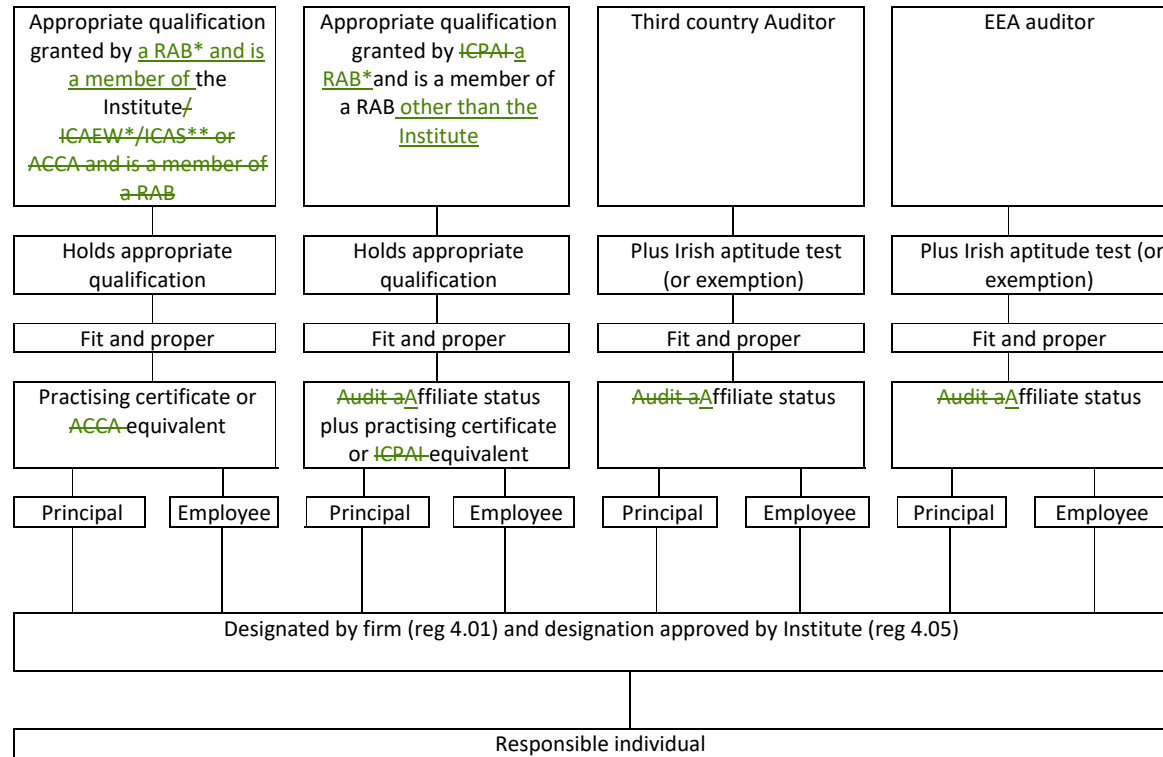
Examples of circumstances which might cause the registration committee to withdraw responsible individual status include where a responsible individual has:

- failed to comply with regulatory measures imposed or where there is consistent non-co-operation with the Institute's regulatory processes;
- displayed significant or repeated or prolonged non-compliance with these regulations, including the CPD obligations of responsible individuals; or
- filed a false return.

Where the Registration Committee determines that the circumstances are such that the conditions in section 1479 of the Act exist, then the Committee follows the procedures set out in that section in relation to mandatory withdrawal of responsible individual status.

4.09 If an individual is no longer a *responsible individual* disciplinary action (including the imposition of a regulatory penalty) or action by the *Competent Authority* may still be taken for any failure to keep confidential any information received in the course of *audit work* and for any failure to comply with *regulation 4.06*

Schedule 1 Summary of requirements for responsible individual status



- * appropriate qualification awarded by;
- any RAB recognised as such for the time being; or

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- ICAEW while ICAEW was a RAB i.e prior to 21 July 2021
 - ~~; or ****** appropriate qualification awarded by~~ ICAS while ICAS was a RAB i.e. prior to 22 December 2021

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Chapter 5 - ~~Audit a~~ffiliates

The Institute is able to register firms in which one or more principals are not members of the Institute ~~or the ACCA~~ if these ~~people~~ individuals or corporate bodies are granted ~~audit~~ affiliate status by the Institute. ~~That A principal or employee who is to be a responsible individual must either be a member of the Institute or be granted affiliate status by the Institute.~~

The regulations relating to affiliates are set out in the Public Practice Regulations. Affiliates and applicants for affiliate status should refer to chapter 7 of the Public Practice Regulations for further details.

Affiliate status does not confer membership of the Institute or entitle the individual or corporate body to use the title ‘chartered accountant’. However, it does mean that an ~~audit~~ affiliate is bound by the same rules and regulations as govern a full member of the Institute.

~~An individual who is to be a responsible individual must also either be a member of the Institute or the ACCA. If this is not the case, then audit affiliate status is needed under this chapter.~~

~~Different requirements apply for affiliates for investment business purposes. Affiliate status in one regulated area does not automatically give such status in another.~~

General

5.01 Applicants for affiliate status must apply in the manner set out in the *Public Practice Regulations*.

An application form for affiliate status is available from the Institute’s Professional Standards department.

5.02 Affiliate status does not give the affiliate any rights other than those contained in these regulations. An affiliate must not make any public statement that they have any such rights.

5.015.03 An audit affiliate can only be responsible for an audit and sign an audit report if designated as a responsible individual under regulation 4.01.

An ~~audit~~ affiliate can only be responsible for audit work if they are also a responsible individual, which means holding an appropriate qualification. Chapter 4 gives details.

Granting of audit affiliate status

~~5.02 Audit affiliate status does not give the audit affiliate any rights other than those contained in these regulations. An audit affiliate must not make any public statement that they have any such rights.~~

5.03 Persons applying for audit affiliate status must do so in the manner that the *Registration Committee* decides.

An application form for audit affiliate status is available from the Institute’s Professional Standards department.

5.04 The *Registration Committee* may grant audit affiliate status if the committee is satisfied that the applicant:

- a — is a fit and proper person to be granted *audit affiliate* status;
- b — has agreed to comply with these regulations;
- c — has agreed to observe and uphold the Code of Ethics of the *Institute*; and

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d — has agreed to provide the *Institute* with all the information it requires.

Regulation 5.04 sets out the matters the Committee will consider when it receives an application for audit affiliate status.

Regulation 5.04d means that the Registration Committee has the same rights, for example to call for information about an audit affiliate, as it does over a firm. In turn, an audit affiliate has the same rights of review and appeal against the decisions of the Registration Committee as firms have.

5.05 — The *Registration Committee* may:

- a — grant the application;
- b — reject the application;
- c — grant the application subject to restrictions or conditions; or
- d — postpone consideration of the application.

If audit affiliate status is refused under regulation 5.05 (or granted subject to restrictions or conditions) a person can apply for a review of the decision using the same process as for a firm (see chapter 8).

Under regulation 5.05d, the *Registration Committee* may decide that it can only properly consider an application after it has more information about the applicant which it may ask the applicant to supply.

Withdrawal of audit affiliate status

5.06 — The *Registration Committee* may withdraw a person's *audit affiliate* status if, in the opinion of the committee, the *audit affiliate*:

- a — is no longer a fit and proper person;
- b — has failed to pay on time any fines or costs ordered by the *Registration Committee*, *Review Committee*, a *Disciplinary Body*, *Appeal Committee* or by the *Competent Authority*;
- c — becomes subject to a decision by a *Disciplinary Body* that they should no longer be an *audit affiliate*;
- d — fails to pay the annual fee within 30 days of the date of a notice to renew *audit affiliate* status; or
- e — fails or ceases to comply with any of these *regulations* and, in the circumstances, withdrawal is justified.

If audit affiliate status is withdrawn under regulation 5.06, a person may apply for a review of the decision using the same process as for a firm (see chapter 8).

Cessation of audit affiliate status

5.07 — *Audit affiliate* status will end if:

- a — the firm in which the *audit affiliate* is a *principal* ceases to be a *Registered Auditor*, except where *regulation 5.08* applies;
- b — the *audit affiliate* ceases to be a *principal* in the *Registered Auditor* to which the grant of *audit affiliate* status related, except where *regulation 5.08* applies;
- c — the *audit affiliate* is an individual and an event occurs which under the *Royal Charters*, the *Bye-laws* or other *regulations* of the appropriate *Institute* would cause the membership of a member to cease; or
- d — the *audit affiliate* is a *body corporate* which:
 - 1) — has been the subject of an effective resolution passed by the shareholders (or in the case of a limited liability partnership, by its members) for it to be wound up or has had a winding up order made against it on grounds of insolvency; or
 - 2) — has had an administration order made against it on grounds of insolvency; or
 - 3) — has had a receiver appointed by a creditor or by a court on the application of a creditor.
- e — The *Competent Authority* issues a decision withdrawing *audit affiliate* status.

Regulation 5.07 describes a number of situations where audit affiliate status is automatically lost.

If an affiliate enters into a voluntary insolvency arrangement, the affiliate must notify the *Registration Committee* in accordance with regulation 5.09.

5.08 — *Audit affiliate* status will not end under *regulation 5.07a* or *5.07b* if:

- a — the firm in which the *audit affiliate* is a *principal* merges with or is acquired by another *Registered Auditor* registered by the *Institute*; or
- b — the *audit affiliate* leaves the *Registered Auditor* in which he is a *principal* and immediately becomes a *principal* in another *Registered Auditor* registered by the *Institute*.

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~~This regulation will only apply if the Institute is notified in writing within ten business days of the change occurring.~~

If an audit affiliate is a principal in a registered auditor and if that relationship ceases, so does the audit affiliate status. In the circumstances given in regulation 5.08, audit affiliates may keep their audit affiliate status. However, this is only if the new firm is registered with the same Institute that granted the original audit affiliate status, and the Institute has been notified of the changes. If the audit affiliate will not be joining the new firm within ten business days, they need to get advice from the Institute as soon as, or before, they leave the old firm.

Firms must also make sure that the control by individuals who hold an appropriate qualification or as set out in regulation 2.03 is maintained.

Changes in circumstances

5.09 — ~~An audit affiliate or the audit compliance principal must notify the Institute in writing within ten business days of any changes that are relevant to the matters considered by the Registration Committee under regulation 5.04, including details of any voluntary insolvency arrangement that the audit affiliate has entered into.~~

Review of regulatory decisions

5.10 — An *audit affiliate* may apply for a review of a decision made under *regulation 5.05* or *5.06* using the same procedures as a *firm* in chapter 8.

Implementation of decisions

5.11 — A decision made under *regulation 5.05* will come into effect as soon as notice of it is served on the *audit affiliate*. A decision made under *regulation 5.06* will come into effect ten business days after notice of it is served on the *audit affiliate*, except that:

- a — if the *audit affiliate* has applied for a review under *regulation 8.05*, or a hearing under *regulation 8.15*, the decision will not take effect until a decision under *regulation 8.06* or *8.16* has been put into effect; or
- b — if the *audit affiliate* appealed under *regulation 8.08* or *8.19*, the decision will not take effect until an *Appeal Committee* decision under *regulation 8.09* or *8.20* has been put into effect.

If an *audit affiliate* applies for a review, then a decision under *regulation 5.06* is stayed pending the outcome of the review. A decision under *regulation 5.05* is not stayed.

Fees

5.12 — An *audit affiliate* must pay an annual fee at the time and at the rate set by the Institute.

5.13 — The first annual fee is due when an application is made for *audit affiliate* status. An application fee is also due with this first annual fee.

If an *audit affiliate*'s application is unsuccessful, the first annual fee will be refunded.

Disciplinary arrangements

5.14 — The disciplinary arrangements of the *Institute* will apply to breaches of these *regulations* by an *audit affiliate* in the same way as they apply to breaches by a member.

5.15 — An *audit affiliate* will be liable to disciplinary action under these *regulations* for any failure to observe and uphold the fundamental principles set out in the Code of Ethics issued by Council.

5.16 — An *audit affiliate* will remain liable to disciplinary action under these *regulations* for any acts or omissions during the period in which *audit affiliate* status was held, even if no longer an *audit affiliate*.

Chapter 6 - The Committees

This chapter describes the various committees involved in the regulatory process and their powers. Some, but not all, of the powers may be delegated by the Registration Committee to either sub-committees or the staff. But any decision by the Institute not to allow registration, or to restrict, impose a suspension on, or withdraw registration must be made by the committee, as outlined in regulation 6.04.

The Registration Committee is responsible for carrying out regulatory tasks conferred on the Institute by the Act. IAASA has direct responsibility for carrying out the tasks assigned to IAASA by law, using its own powers and procedures.

A firm generally has the right to seek a review of a decision. Details are in chapter 8. This does not apply to a decision made by IAASA related to matters under its remit. Any appeal against such a decision must be made using the procedures of IAASA.

Registration Committee

~~6.01 The Registration Committee must:~~

~~6.01 The Registration Committee is the Quality Assurance Committee appointed by the Board in accordance with Chapter 2 of the Public Practice Regulations.~~

- ~~a comprise at least eight people;~~
- ~~b include at least two members who are not accountants; and~~
- ~~c have a quorum of three members.~~

6.02 In accordance with these Regulations, the Registration Committee is responsible for:

- a granting approval and registration;
- b granting approval and registration subject to restrictions or conditions;
- c rejecting applications for registration;
- d withdrawing registration;
- e impose a suspension on registration under regulation 7.04 and 7.05;
- f imposing restrictions or conditions it considers appropriate on how a *Registered Auditor* carries out *audit work*;
- g proposing a *regulatory penalty* it considers appropriate to a *Registered Auditor* or a *responsible individual*;
- h granting or refusing dispensation from the requirements of *regulation 2.02* or *regulation 2.03*;
- i reviewing the returns and reports made under these *regulations*, and investigating failure to make returns or reports;
- j making appropriate enquiries into the eligibility of applicants for: registration; *responsible individual status*; or *audit affiliate status* (by writing, visiting the office or offices of a *firm*, or in any other way);

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- k making appropriate enquiries to confirm that a *Registered Auditor, responsible individual* or an ~~audit~~ *affiliate* is complying with these *regulations* (by writing, visiting a firm's office or offices, using a periodic return, or in any other way);
- l publishing its orders or decisions as required by *the Act* if it considers this appropriate;
- m compiling and maintaining the *Register* and supplying information to the Registrar of Companies in Ireland;
- n granting applications for responsible individual status, with or without restrictions or conditions or rejecting such applications;
- o withdrawing *responsible individual* status; and
- p making a declaration that an *audit report* does not satisfy the reporting requirements of the *Act*.

Regulation 6.02 sets out the powers and functions of the Committee, which include the powers under regulations 6.02j and 6.02k to make monitoring visits to firms.

The Institute's procedures regarding regulatory penalties are described in chapter 7.

If the Committee's decision is to withdraw registration, impose a suspension on registration, that a person should cease a particular action, that an audit report does not satisfy the reporting requirements of the Act or proposes a regulatory penalty that the firm accepts then the Committee will publish details of the matter. The details to be published will include the identity of the person unless:

- the person is an individual and the Committee considers that publication of personal data would be disproportionate;
- publication would jeopardise:
 - the stability of financial markets;
 - an ongoing criminal investigation; or
- publication would cause disproportion damage to any institution or individual involved.

IAASA, retains responsibility for the quality assurance reviews of the audits of public interest entities dealing with any action, including investigations, adjudications and disciplinary measures, that may be needed arising from those reviews. Where the Competent Authority is performing the aforementioned duties, it is the procedures of the Competent Authority that are applicable and the sanctions that it can apply, rather the procedures and actions set out in this chapter. The Institute may, in certain circumstances, also perform investigations regarding audit work in relation to the audit of a public interest entity. The enforcement consequences of any such investigations remain the responsibility of IAASA.

6.03 Except where *regulation 6.04* applies, the *Registration Committee* may delegate its duties to sub-committees, the *Institute's* staff, a *monitoring unit*, or another duly appointed agent.

The committee may delegate many of its powers except in the situations set out in regulation 6.04. The committee may not delegate to an agent without the prior approval of IAASA.

6.04 If the matters to be considered by the *Registration Committee* include:

- rejecting applications for approval and registration under *regulation 2.05b*;
- granting applications for approval and registration subject to restrictions under *regulation 2.05c*;

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- rejecting applications for *responsible individual* status under *regulation 4.05*;
- granting applications for *responsible individual* status subject to restrictions under *regulation 4.05*;
- withdrawing *responsible individual* status under *regulation 4.08h*;
- ~~rejecting applications for *audit affiliate* status under *regulation 5.05b*;~~
- ~~granting applications for *audit affiliate* status subject to restrictions under *regulation 5.05e*;~~
- ~~withdrawing *audit affiliate* status under *regulation 5.06a* or *5.06e*;~~
- imposing restrictions on registration under *regulation 7.01*;
- withdrawing registration under *regulations 7.03a, 7.03g, 7.03h, 7.03i* or *7.03j*;
- imposing a suspension on a *firm's* registration under *regulation 7.04* and *7.05*; or
- proposing a *regulatory penalty* under *regulation 7.11A* or *9.02*;

then:

- a the committee cannot delegate the decision;
- b at least one half of the committee members present must be accountants; and
- c at least one member of the committee present must not be an accountant.

Regulation 6.03 allows the committee to delegate some of its duties to the Institute's staff. Duties that may be delegated include withdrawing registration under regulations:

- 7.03b, non-compliance with the PII regulations;
- 7.03c, failure to submit an annual return;
- 7.03d, failure to pay fees;
- 7.03e, failure to pay review costs; and,
- 7.03f, failure to pay costs.

However, regulation 6.04 reserves certain specified decisions to the committee. These include withdrawing registration for other reasons and placing restrictions on a Registered Auditor or responsible individual.

~~The power to withdraw *audit affiliate* status under *regulations 5.06b* to *5.06d* may also be delegated.~~

6.05 When the *Registration Committee* has to decide if a *Registered Auditor* has complied with a *regulation, auditing standard, ethical standard* or a *quality standard* it must consider any relevant guidance in the regulations, standards, *practice notes* and any guidance issued by *Council* or by IAASA.

6.06 In carrying out its responsibilities under *regulation 6.02*, the *Registration Committee*, any sub-committee, the *Institute's* staff, or a *monitoring unit* may, to the extent necessary for the review of a ~~*firm's*~~ *Registered Auditor's* audit work or how it is complying or intends to comply with these *regulations*, require a *Registered Auditor* or an applicant for registration to provide any information, held in whatever form (including electronic), about the ~~*firm's*~~ *Registered Auditor* or its clients and to allow access to the ~~*firm's*~~ *Registered Auditor's* systems and personnel.

Regulation 6.06 gives the committee (or its delegated agents) power to call for information from a firm to help the committee carry out its functions. Requests may be to all firms on a routine basis through annual returns, or specific to individual firms.

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6.07 The *Registration Committee* may, for the purposes of these *regulations*, treat as *audit work* any work carried out by a *Registered Auditor* if such status is a requirement for that work.

This regulation allows the committee to look at other work where the firm has signed a report as a statutory or registered auditor. This is particularly so where a firm has little or no regulated audit work but is signing other reports as a statutory or registered auditor. The committee may wish to review this work to assess the firm's ability to carry out audit work. Also, if a complaint is received about other work signed as a registered auditor the committee may wish to review this or similar work for the same reason.

6.08 All information obtained under *regulation 6.06* will be confidential but may be disclosed by the *Institute*, the *Competent Authority* or a *monitoring unit* (directly or indirectly) to any person or body undertaking regulatory, disciplinary or law enforcement responsibilities for the purpose of assisting that person or body to undertake those responsibilities or as otherwise required or allowed by law.

All information that the Institute or a monitoring unit receives will remain confidential except in the above circumstances.

6.09 A firm which is no longer a *Registered Auditor* will continue to be subject to *regulations 6.02j*, *6.02k* and *6.06* if the enquiries or information relate to any period in which the firm was registered.

6.10 In carrying out its responsibilities under *regulation 6.02*, the *Registration Committee* may consider any disciplinary findings, orders, ongoing investigations, any order of the *Competent Authority*, or any other information concerning or affecting the fit and proper status of any responsible individual, *audit-affiliate* or applicant for *audit-affiliate* status, the firm or its principals. In particular the *Registration Committee* may take into account the following:

- a any matter relating to any individual who is or will be employed by or associated with the firm in connection with *audit work*;
- b in the case of a firm that is a partnership, any matter relating to any:
 - 1) partner;
 - 2) director or controller of any of the partners;
 - 3) body corporate in the same group as of any of the partners; or
 - 4) any controller of any such body;
- c if a principal in the firm is a body corporate, any matter relating to any:
 - 1) principal or controller of that body corporate;
 - 2) body corporate in the same group as the body corporate; or
 - 3) principal or controller of any body corporate in that group;
- d in the case of a firm that is a body corporate, any matter relating to any:
 - 1) principal or controller of that firm;
 - 2) person having any interest in shares of the firm;
 - 3) body corporate in the same group as the firm; or
 - 4) directors or controllers of any body corporate in that group.

Regulation 6.10 allows the Registration Committee to consider any disciplinary or other matter that affects the fit and proper status of the firm. The scope is very wide and not limited to the principals in the firm.

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Subparagraph (a) includes employees and associates of the firm. For partnerships, subparagraph (b) includes the partners, any director or controller of a partner that is a company, any other company that is in the same group as that company and any controller of any other group company. Subparagraph (c) deals with situations where a principal (i.e. a partner, member or director) is a body corporate (i.e. a company or a limited liability partnership).

So included are any director, member or controller of that body corporate, any other body corporate that is in the same group as that body corporate and any controller of any of those other bodies. Finally, subparagraph (d) deals with a firm that is a body corporate (i.e. a company or a limited liability partnership). Thus included are directors/members/shareholders of the firm, and any other body corporate that is in the same group as the firm and any controller of any of those other bodies.

Notifications

- 6.11 The *Registration Committee* must notify the relevant *Disciplinary Body* about any fact or matter which:**
- a suggests that a *Registered Auditor*, member or ~~audit~~ *affiliate* may be liable to disciplinary action under these *regulations*, the *Bye-laws* or any other *regulations* or bye-laws of the *Institute*; and
 - b in the opinion of the *Registration Committee* needs to be investigated.
- 6.12 A *Disciplinary Body* must inform the *Registration Committee* about any fact or matter which appears to it to be relevant to the powers and duties of the *Registration Committee* under these *regulations*.**
- 6.12A The *Registration Committee* and a *Disciplinary Body* must notify the *Competent Authority* of any material fact or matter which appears relevant to the responsibilities of the *Competent Authority*.**

Under regulations 6.11 and 6.12, information may be exchanged between the Institute's departments responsible for regulation and discipline. Also, the *Competent Authority* has to be informed of any material fact or matter which appears relevant to its responsibilities.

Review Committee

- 6.13 Certain matters decided by the *Registration Committee* may be considered afresh by the *Review Committee* (as described in *regulation 8.06*). It may then carry out any of the responsibilities of the *Registration Committee* under *regulation 6.02* and may make any order that the *Registration Committee* may make. In carrying out these duties, *regulation 6.06* applies to the *Review Committee* as it applies to the *Registration Committee*.**

Registered auditors may ask the *Review Committee* to reconsider a *Registration Committee* decision. This request must be made within a specified time period. *Regulations 8.05 to 8.07* give further details of how the review process works.

Appeal Committee

- 6.14 Appeals against decisions of the *Review Committee* will be decided by the *Appeal Committee*.**

If a firm is dissatisfied with a decision of the Review Committee, it may apply for the case to be heard before the Appeal Committee. This request must be made within ten days of the decision being given to the firm.

Unlike applications for a review, the Appeal Committee will only hear an appeal on one of a number of specified grounds. It will not reopen the case from the beginning. The specific grounds are given in chapter 8.

Detailed procedures regarding appeals are described in regulations 8.08 to 8.10.

Procedures of the committees

- 6.15** When considering any matter before it, the *Registration Committee*, the *Review Committee* or the *Appeal Committee* shall, for the purposes of these *regulations*, accept any previous disciplinary finding, any decision by the *Competent Authority*, conviction, decision, sentence or judgement (including criminal and civil court decisions) as conclusive evidence of that prior matter.
- 6.16** Subject to the *Act*, the *Bye-Laws*, any notice issued by the *Competent Authority*, and these *regulations*, the *Registration Committee*, the *Review Committee* and the *Appeal Committee* may, in carrying out their duties under these *regulations*, decide on their own procedures.

This regulation allows the committees to decide on their own internal procedures.

The Competent Authority may attend, as an observer, the committee meetings convened in relation to any regulatory proceedings under these regulations.

Chapter 7 - Regulatory action

This chapter explains how the Registration Committee or the Competent Authority may take regulatory action against a registered auditor, including withdrawal of registration if necessary.

Regulatory decisions come into effect as set out in regulations 7.09 to 7.10.

Not all regulatory responsibilities have been delegated to the Institute and other RABs. IAASA, retains responsibility for the quality assurance reviews of the audits of public interest entities dealing with any action, including investigations, adjudications and disciplinary measures, that may be needed arising from those reviews. Where IAASA is performing the aforementioned duties, it is the procedures of IAASA that are applicable and the sanctions that it can apply, rather the procedures and actions set out in this chapter.

The Institute may, in certain circumstances, also perform investigations regarding audit work in relation to the audit of a public interest entity. The enforcement consequences of any such investigations remain the responsibility of IAASA.

A firm may ask for a review of a decision made by the Registration Committee and this is dealt with in chapter 8. A firm must apply for a review within ten days of the decision being given to the firm.

Restrictions and conditions

7.01 The Registration Committee may impose restrictions or conditions on a Registered Auditor if it considers that:

- a any of the circumstances mentioned in *regulation 7.03a to 7.03f or 7.03j* exist, or may exist, and the restrictions or conditions are justified;
- b the *firmRegistered Auditor* has not or may not have complied with these *regulations* in the past, and the restrictions or conditions are justified;
- c the *firmRegistered Auditor* may not comply with these *regulations* and the restrictions or conditions are justified;
- d being registered or continuing *audit work* without restrictions or conditions could adversely affect an *audit client* or any other person; or
- e it is appropriate to do so to ensure that *audit work* is undertaken, supervised and managed effectively.

The committee may place conditions on how a registered auditor carries out or manages its audit work. These could be that a firm should undertake specified training, change its procedures or have 'cold reviews' of audit files by another registered auditor, or that a firm ensures that a responsible individual's CPD is brought into compliance where deficiencies have been identified.

The committee may place restrictions on a registered auditor. Restrictions may include:

- against the *firmRegistered Auditor*, for example that it cannot accept any new audits or particular types of audits;
- that an employee may no longer be involved in audit work;
- that a principal or employee at the *firmRegistered Auditor*, is temporarily prohibited, for a defined period of time, from exercising functions in the audit firm - for example where a particular principal may no longer be the firm's audit compliance principal;

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- that the [firmRegistered Auditor](#), or a responsible individual at the firm, is temporarily prohibited, for a defined period of time, from carrying out audits or signing auditor's reports.

Where conditions or restrictions are imposed by the committee, a firm will have to undertake to comply with the terms of the restriction or condition. Any failure to deal with these matters is likely to be viewed extremely seriously by the committee.

7.01A The *Registration Committee* may make a declaration that an *audit report* does not satisfy the reporting requirements of the Act.

7.02 The *Registration Committee* may at any time vary or end a restriction or condition made under *regulation 7.01*.

Where the registering body imposes a restriction or a condition, and the firm subsequently falls under the jurisdiction of the Competent Authority as a result of undertaking an audit that is the direct responsibility of the Competent Authority, then the Competent Authority may seek to vary the restrictions in consultation with the registering body.

Withdrawal of registration

7.03 The *Registration Committee* may withdraw a [firm'sRegistered Auditor's](#) registration if:

- a it considers that the [firmRegistered Auditor](#) no longer meets one or more of the eligibility requirements of *regulations 2.02* or *2.03* (additional criteria for firms that are not *sole practices*);
- b it considers that the [firmRegistered Auditor](#) is not complying with the *PII regulations*;
- c the [firmRegistered Auditor](#) is over 30 days late submitting the required returns or reports;
- d the [firmRegistered Auditor](#) has not paid the registration fees due under *regulation 2.13* or a charge due under *regulation 2.15* (charge for a monitoring visit) within 60 days of the date of an invoice under *regulation 2.16*;
- e the [firmRegistered Auditor](#) has not paid the costs in the time set by the *Review Committee* or *Panel* under *regulation 8.07* or *8.18*;
- f the [firmRegistered Auditor](#) has not paid in the time set any fines or costs ordered by a *Disciplinary Body*, the *Appeal Committee*, or the *Competent Authority*;
- g it considers that the [firmRegistered Auditor](#) has not complied with any restriction or condition under *regulation 7.01* or any written undertaking that the [firmRegistered Auditor](#) has given to the *Institute* or the *Competent Authority*;
- h it considers that the [firmRegistered Auditor](#) has not complied with any other *regulation* and, in the circumstances, withdrawal is justified;
- i it considers that the continued registration of the [firmRegistered Auditor](#) may adversely affect an *audit client* or any other person; or
- j it considers that the [firmRegistered Auditor](#) has not complied with any notice issued by the *Competent Authority* and, in the circumstances, withdrawal is justified.

The Registration Committee can, under regulation 6.03, delegate its power to withdraw registration in the cases that come under paragraphs (b) to (f) of regulation 7.03. However, under regulation 6.04, only the committee can withdraw a firm's registration on the grounds of paragraphs (a), (g), (h), (i) and (j) of regulation 7.03.

Where the Registration Committee determines that the circumstances are such that the conditions in section 1480 of the 2014 Act exist, then the Committee follows the procedures set out in that section in relation to mandatory withdrawal of a firm's registration.

7.03A The *Registration Committee* must withdraw a [firm's Registered Auditor's](#) registration if the *Competent Authority* has issued a notice to that effect.

Suspension

7.04 The *Registration Committee* may impose a suspension on a *Registered Auditor's* registration for a period if it considers that:

- a any of the circumstances mentioned in *regulation 7.03a to 7.03g or 7.03j* exists or may exist;
- b the [firm's Registered Auditor](#) is, or may, no longer be complying with these *regulations*;
- c the continuation of the [firm's Registered Auditor's](#) *audit* activities could adversely affect an *audit client* or any other person.

or

The imposition of a suspension by the Registration Committee means that the restrictions at regulation 7.05 are imposed on a firm's registration. A firm's registration is not withdrawn during a period of suspension.

7.04A The *Registration Committee* must impose a suspension on a *Registered Auditor's* registration for a period if the *Competent Authority* has issued a decision to that effect; and must apply such restrictions during the period of suspension as are set out in the notice.

7.05 Save as otherwise provided in a notice issued by the *Competent Authority* during a period of suspension a *Registered Auditor*:

- a need not resign from any appointment as auditor under the *Act*;
- b may accept re-appointment as auditor;
- c must not accept any new appointments; and
- d may only sign *audit reports* with the permission of the *Registration Committee*.

7.06 The *Registration Committee* may vary or end a suspension made under *regulation 7.04*.

The committee can order that a suspension is imposed on a firm's registration rather than withdrawing registration. This allows the committee to consider further evidence while protecting the public interest. It also means that a firm cannot accept new audit appointments or sign audit reports without the committee's agreement.

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Where the registering body makes a suspension and the firm subsequently falls under the jurisdiction of the Competent Authority (as a result of undertaking an audit for which the Competent Authority is responsible) then the Competent Authority may seek to vary the restrictions in consultation with the registering body.

Urgent orders

- 7.07** The *Registration Committee* may impose restrictions or conditions or impose a suspension on a ~~firm's~~*Registered Auditor's* registration in the terms permitted by *regulation 7.01* or *7.04* by means of an urgent order if it considers that there is a need to do so.
- 7.08** *Regulation 7.07* is subject to the *Registration Committee* allowing the ~~firm~~*Registered Auditor* an opportunity to make representations within ten *business days* of the urgent order being made. Having considered any representations the committee may:
- a end the order; or
 - b continue the order.

Regulation 7.07 allows the committee to take immediate regulatory action if the need arises. The committee would probably do this if there were serious allegations of fraud or other criminal activity or if there was a potential or actual loss of client money. As well as making immediate representations on the fact that an urgent order has been made, a firm can ask for a review or hearing of the underlying order under regulation 8.05 or 8.15. The order comes into force when it is served on the firm (see regulation 7.09) and is not lifted if a review is requested.

Implementation of committee decisions and orders

- 7.09** A decision made under *regulations 2.05, 2.18, 4.05, 7.04, 7.07, 8.09* or *8.20* will come into effect as soon as notice of it is served on the ~~firm~~*Registered Auditor*.

The regulations quoted in regulation 7.09 relate to the following:

- regulation 2.05 deals with the grant or refusal of an application;
- dispensations given under regulation 2.18;
- regulation 4.05 deals with the grant or refusal of responsible individual status;
- regulation 7.04 deals with the suspension of a firm's registration;
- regulation 7.07 concerns orders in respect of restrictions, conditions or suspension of registration that are made on a urgent basis; and
- regulations 8.09 and 8.20 deal with Appeal Committee decisions.

- 7.10** A decision made under *regulations 7.01, 7.01A, 7.03* or *4.08h* will come into effect ten *business days* after notice of it is served on the ~~firm~~*Registered Auditor* or *responsible individual* or any later time that the committee specifies, except:

- a if a ~~firm~~*Registered Auditor* or *responsible individual* has applied for a review or hearing under *regulation 8.05* or *8.15b*, the order will be postponed until an order under *regulation 8.06* or *8.15d* has been put into effect; or
- b if a ~~firm~~*Registered Auditor* or *responsible individual* has appealed under *regulation 8.08* or *8.19*, the order will be postponed until an *Appeal Committee* order under *regulation 8.09* or *8.20* has been put into effect.

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Except for decisions made under regulation 7.09, decisions come into effect ten business days after the [firm Registered Auditor](#) has been given the decision. However, the decisions listed in regulation 7.10 are postponed if an application for review or appeal is made. The decision of the Review or Appeal Committee is the one that will come into effect.

The regulations quoted in regulation 7.10 relate to the following:

- withdrawal of responsible individual status under regulation 4.08h;
- conditions or restrictions imposed under regulation 7.01;
- a declaration that an audit report does not satisfy the reporting requirements of the Act under regulation 7.01A; and
- withdrawal of a firm's registration under regulation 7.03.

Regulation 1.08 details how decisions and orders are served on firms.

7.11 [Firms Registered Auditors](#) and *Responsible Individuals* are subject to any regulatory action that the *Competent Authority* may take in accordance with its processes and procedures.

Regulatory penalties

The Registration Committee may decide that a referral to the Disciplinary Bodies to investigate an apparent failure to comply with these regulations is not appropriate. Instead, with the agreement of the firm, the Registration Committee may propose a regulatory penalty. The following regulations explain this process.

7.11A The *Registration Committee* may propose a *regulatory penalty* to a *Registered Auditor* or a *responsible individual* subject to the following:

- a the *Registered Auditor* or *responsible individual* must have agreed that the breach of these *regulations* has been committed;
- b the *Registration Committee* will decide the amount of the penalty and when it is to be paid. The *Institute* will set this out in the letter to the *Registered Auditor* or *responsible individual* proposing the penalty; and
- c if the *Registered Auditor* or *responsible individual* wishes to accept the terms on which the penalty is proposed, then the *Registered Auditor* or *responsible individual* must notify the *Institute* within ten *business days* of the date of service of the letter from the *Institute* containing the proposal.

7.12 There are no rights of review or appeal under *regulations* 8.05 to 8.10 against a *regulatory penalty*.

7.13 The *Registration Committee* will take account of any comments a *Registered Auditor* or *responsible individual* makes about the terms of the *regulatory penalty*. It may then reduce the amount of the penalty.

7.14 If the *Registered Auditor* or *responsible individual* accepts the penalty under *regulation* 7.11A c, the *Registration Committee*, as soon as is practical:

- a will make an order; and
- b may publish the order in any way it decides.

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- 7.15** Details of any penalty accepted, and the order made, will be kept by the *Institute* and the committee may, if it wishes, use that information in the future.
- 7.16** Where the *Registration Committee* has proposed a regulatory penalty in accordance with 7.11A, but the *Registered Auditor or responsible individual* does not agree that the breach has been committed, or does not agree to the terms of the penalty proposed or fails to comply with the terms of the penalty, the matter may be dealt with as set out in Chapter 9.

Regulatory penalties are likely to be used, for example, where a registered auditor or responsible individual has consistently been late in replying to letters from the committee or staff, has failed to submit annual returns or CPD returns of responsible individuals, given incorrect information on a return, has not honoured undertakings given to the committee, has failed to co-operate with CPD monitoring or to ensure that responsible individuals at the firm co-operate with CPD monitoring or to retain adequate CPD records to permit Institute review.

There is no right of appeal as a regulatory penalty can only be made with the agreement of the registered auditor or responsible individual. Once a matter has been settled by a regulatory penalty, there will be no further regulatory or disciplinary action against the firm or responsible individual on the matter. However, the details of the regulatory penalty will be put on the firm's or responsible individual's record and may be taken into account in the future.

Chapter 8 - Representation before committees, review and appeal

This chapter explains how a firm can apply for a review and appeal against a regulatory decision or proposed order of the Registration Committee. It also explains when a firm can be represented before a committee. ~~Where appropriate, these regulations also apply to audit affiliates.~~

The regulations in this chapter are not applicable in respect of any sanction determined by the Competent Authority. The applicable procedures and any appeal process for those sanctions are set out by the Competent Authority which should be consulted if necessary.

8.01 In regulations 8.02 to 8.10, “affected party” means a firm, an applicant for responsible individual status, a responsible individual, ~~an applicant for audit affiliate status or an audit affiliate.~~

Representation before committees

8.02 Only the following may attend a meeting of the *Registration Committee*:

- a members of the *Registration Committee*;
- b the secretary to the committee;
- c any member of the *Institute’s* staff whose role is to advise or inform the committee on its responsibilities, duties, powers or procedures, including the *Bye-Laws, regulations* or the law; and
- d anyone else the committee permits.

The Competent Authority may attend, as an observer, the committee meetings convened in relation to any regulatory proceedings under these regulations.

8.03 At meetings of the *Review Committee* and the *Appeal Committee*, the affected party, a representative or agent of the *Institute*, or a *monitoring unit* may attend and be represented. Witnesses may be present at the *Review Committee* and the *Appeal Committee* in accordance with the committees' procedures or *regulations*.

8.04 The *Registration Committee*, the *Review Committee* and the *Appeal Committee* may ask the affected party, the *Institute*, a *monitoring unit*, any employee or agent of the *Institute* to clarify relevant points. The affected party must be given the opportunity to comment on any clarification made by others.

Review of regulatory decisions

An affected party that is dissatisfied with a decision listed in regulation 8.05 can apply for a review. A decision under regulation 2.18, 5.06, 7.01, 7.03 is postponed until the Review Committee's decision has been put into effect.

8.05 Within ten *business days* of the *Registration Committee* serving a decision or order on the affected party, it can apply to the *Review Committee* for a review of that decision or order. The affected party must apply in writing to the *Institute*. This applies to the following *regulations*:

- *regulation 2.05b* - refusing to grant registration;
- *regulation 2.05c* - granting of registration subject to conditions or restrictions;
- *regulation 2.18* - granting or refusing to grant a dispensation from the *regulations*;
- *regulation 4.05* - refusing to grant *responsible individual* status or granting such status subject to conditions or restrictions;
- *regulation 4.08i* - withdrawing *responsible individual* status;
- ~~*regulation 5.05b* - refusing to grant *audit affiliate* status;~~
- ~~*regulation 5.05c* - granting *audit affiliate* status subject to conditions or restrictions;~~
- ~~*regulation 5.06* - withdrawing *audit affiliate* status;~~
- *regulation 7.01* - imposing restrictions or conditions;
- *regulation 7.01A* - a declaration concerning an *audit report*;
- *regulation 7.03* - withdrawing registration;
- *regulation 7.04* - imposing a suspension on registration; or
- *regulation 7.07* - an urgent order.

Regulations 7.09 to 7.10 explain when orders come into effect.

Note that reviews of Registration Committee decisions in 7.03 include withdrawals of registration for failing to comply with a sanction imposed by the Competent Authority. This is a review of the Registration Committee decision, and not the original decision of the Competent Authority. An appeal process is available against the Competent Authority's decision and its procedures should be consulted if necessary.

8.06 A meeting of the *Review Committee* will be arranged as soon as is practical after an affected party has applied under *regulation 8.05*. The *Review Committee* will consider the matter afresh and will hear new material put forward by the affected party. The *Review Committee* may make any decision which the *Registration Committee* could have made.

8.07 The *Review Committee* may order an affected party to contribute to the costs of the review.

The Review Committee has the same powers as the Registration Committee when making orders [and decisions](#) against firms [or](#) responsible individuals, ~~applicants for audit affiliate status or audit affiliates~~. It can impose the same, more severe or less severe orders. It can also award costs. Costs are likely to be awarded if, for example, the affected party fails to attend the review when it said it would, does not send in further material it has promised, or the application is frivolous.

Appeal

If an affected party is dissatisfied with the Review Committee's decision it can apply to the Appeal Committee. The Appeal Committee can only consider an appeal on any of the grounds in regulation 8.08. On appeal, the decision of the Review Committee is postponed until the Appeal Committee confirms or varies the decision (see regulation 7.10).

The Appeal Committee has the power to accept or reject the appeal, or reduce the severity of the order. It cannot change the Review Committee's order in any other way, but it can ask the Review Committee to reconsider the order.

The Appeal Committee can also award costs against an applicant for an appeal.

Section 1481 of the Act provides for an auditor or audit firm to appeal to the High Court decisions of a RAB to withdraw approval of audit registration.

8.08 Within ten *business days* of the *Review Committee* serving its decision on an affected party under *regulation 8.06* the affected party can appeal to the *Appeal Committee* by writing to the *Institute*. An appeal can only be made on one or more of the following grounds:

- a **that the *Review Committee*:**
 - 1) **was wrong in law;**
 - 2) **wrongly interpreted any relevant *regulation, Bye-law, auditing standard, ethical standard, quality standard* or associated guidance; or**
 - 3) **did not comply with these *regulations*, or procedures decided by the *Review Committee* under *regulation 6.16*;**

- b **that the *Review Committee* made an order which no tribunal, correctly applying the law to the facts before it and acting reasonably, would have made; or**

- c **that there was evidence which the *Review Committee* had not considered and which:**
 - 1) **could reasonably have led the *Review Committee* to make a different order; and**
 - 2) **could not have been put before the *Review Committee* even if those concerned had done their best to produce it.**

An appeal cannot be made if this is only against the costs awarded by the Review Committee. Regulations 7.09 and 7.10 explain when orders come into effect.

8.09 As soon as is practical after notice of appeal has been received under *regulation 8.08*, the *Appeal Committee* will consider the appeal and may:

- a **allow the appeal;**
- b **make a different decision;**
- c **send the matter back to the *Review Committee* to be considered again; or**
- d **dismiss the appeal.**

8.10 If the *Appeal Committee* sends a matter back to the *Review Committee* under *regulation 8.09* then *regulation 8.06* will apply when the *Review Committee* reconsiders. The meeting of the *Review Committee* to reconsider the matter will be arranged as soon as is practical.

Chapter 9 - Disciplinary arrangements

The purpose of this chapter is to apply the enforcement and disciplinary arrangements of the Competent Authority and the Institute as applicable to firms and responsible individuals registered to carry out statutory audit.

The disciplinary arrangements of the Institute do not usually apply in relation to matters arising from the audits of public interest entities. In such cases IAASA has jurisdiction and it will investigate the matter, come to a conclusion and, if it considers appropriate, determine a sanction, which will be binding on the firm or responsible individual in question. It will do this in accordance with IAASA's own procedures, not those set out in the disciplinary arrangements of the Institute.

The Institute may, in certain circumstances, perform investigations regarding audit work in relation to the audit of a public interest entity. The enforcement consequences of any such investigations remain the responsibility of IAASA.

The Registration Committee does not have the power to apply the disciplinary arrangements of the Institute to the firms that it registers. Only the Disciplinary Bodies can do this. The bye-laws already provide a framework for disciplinary action to be taken against members, firms or [audit](#) affiliates and the purpose of this chapter is to apply the disciplinary arrangements of the Institute to the firms and responsible individuals that it registers.

Decisions and Sanctions made by a Competent Authority

9.00 A decision or sanction determined by IAASA in accordance with *the Act* binds a *Registered Auditor* or *responsible individual* as if it were a sanction which the *Institute / Registration Committee* had determined under arrangements for enforcement within Chapters 7 and 8 of Part 27 of the *Act* and *EU Regulation 537/2014*.

9.00A Where the *Competent Authority* requires the *Institute* to pay to the *Competent Authority* and / or defray any costs incurred by the *Competent Authority* arising out of or as a result of any investigation conducted by the *Competent Authority* into that *Registered Auditor*, the *Registered Auditor* shall pay such costs, or a portion of those costs, to the *Institute*.

Further, and / or in the alternative, the *Institute* shall be entitled to recover from the *Registered Auditor* any monies paid by the *Institute* to the *Competent Authority* arising out of or as a result of any investigation conducted by the *Competent Authority* into that *Registered Auditor*. Such sums may be recovered by the *Institute* as a simple contract debt."

Notwithstanding the two paragraphs above, the statutory rights of the *Competent Authority* to recover costs incurred arising out of or as a result of any investigation, from the *Institute* pursuant to the *2014 Act* remains unaffected.

Application of disciplinary arrangements

9.01 The disciplinary arrangements of the *Institute* apply to complaints of breaches of these regulations by a *Registered Auditor* or a *responsible individual*.

The Institute's disciplinary arrangements are set out in the Disciplinary Bye-laws and the Disciplinary Regulations issued thereunder.

To the extent that it may be necessary in connection with the audit of an Irish entity conducted by a *Registered Auditor* which is an *EEA audit firm*, the disciplinary arrangements of the *Institute* may apply.

Chapter 10 – Transitional regulations concerning the Amalgamation

10.1 The provisions of this Chapter 10 apply notwithstanding anything to the contrary in the rest of these regulations. If there is a conflict between the rest of these regulations and this Chapter 10, the provisions of this Chapter 10 prevail.

10.2 Subject to Regulation 10.4, each CPA Statutory Audit Firm will be deemed to apply to the Institute for ~~registration and approval~~ and registration as a Registered Auditor in accordance with Regulations 2.02, 2.03 and 2.04 and will automatically, without any further action, be ~~registered and approved~~ and registered as such with effect from the Amalgamation Time and any updates to the Register to reflect such ~~approvals and registrations~~ will take effect from that time. Any restrictions or conditions that apply to the CPA Statutory Audit Firm's ~~approval and registration~~ as such at the Amalgamation Time will be deemed to apply to their ~~approval and registration~~ with the Institute.

10.3 Subject to Regulation 10.4, each CPA Statutory Auditor and CPA responsible individual will be deemed to apply to the Institute for designation, ~~and approval and registration~~ as a responsible individual in accordance with Regulations 4.01, 4.02 and 4.05 and will automatically, without any further action, be designated, ~~and approved and registered~~ as such with effect from the Amalgamation Time. Any restrictions or conditions that apply to the CPA Statutory Auditor or CPA responsible individual's ~~approval and registration~~ as such at the Amalgamation Time will be deemed to apply in respect of their designation, ~~approval and registration~~ with the Institute.

As a RAB, the CPA has approved firms and individuals for statutory audit purposes under the Act. Following the Amalgamation, it is expected that the CPA's authorisation as a RAB will be revoked by IAASA and all audit approvals granted by the CPA will cease to have effect. To facilitate the Amalgamation, the Institute will approve (a) each CPA Statutory Audit Firm as a Registered Auditor and (b) each CPA Statutory Auditor and CPA responsible individual as a responsible individual with effect from the Amalgamation Time, unless the relevant CPA Statutory Audit Firm, CPA Statutory Auditor or CPA responsible individual opts out of becoming approved by the Institute and complies with the CPA's requirements to cease to be approved by the CPA in advance. If any CPA Statutory Audit Firm, CPA Statutory Auditor or CPA responsible individual opts out of being approved by the Institute, they will not become approved for audit purposes by the Institute and their approval by the CPA will cease, i.e. they will no longer be approved to perform statutory audits under the Act.

10.5 Subject to Regulation 10.6, each CPA Statutory Audit Firm, CPA Statutory Auditor and CPA responsible individual irrevocably authorises and instructs the Director of Professional Standards of the Institute (or such person as he may designate as his delegate or substitute) as its agent to execute, deliver, perfect and amend all agreements, deeds, certificates, notices and other documents, and to do or cause to be done all acts and things in each case which may be necessary or which the Director of Professional Standards considers in his absolute discretion desirable in connection with the provisions of this Chapter 10 in the name and as the act and deed of the relevant CPA Statutory Audit Firm, CPA Statutory Auditor and CPA responsible individual, including the authority to make the notification required by section 1485 of the Act to the Institute and to sign the information so notified in accordance with section 1488 of the Act.

10.6 Regulation 10.5 will not apply to any CPA Statutory Audit Firm, CPA Statutory Auditor and CPA responsible individual that notifies the CPA in writing in advance of the Amalgamation Time that they opt-out of that Regulation in accordance with the instructions provided by the CPA. If any CPA Statutory Audit Firm, CPA Statutory Auditor and CPA responsible individual notifies the CPA that they opt out in accordance with this Regulation 10.6, neither Regulation 10.2 or 10.3 will apply to the CPA Statutory Audit Firm, CPA Statutory Auditor and CPA responsible individual and they will not become approved by the Institute for audit purposes under the Act.

See the guidance in respect of Regulation 10.4. To grant audit approvals to CPA Statutory Audit Firms, CPA Statutory Auditors and CPA responsible individuals, each must appoint the Director of Professional Standards (or such person as he may designate as his delegate or substitute) to do certain things on behalf of the relevant CPA Statutory Audit Firm, CPA Statutory Auditor or CPA responsible individual. CPA Statutory Audit Firms, CPA Statutory Auditors and CPA responsible individuals may opt out of so authorising the Director of Professional Standards, but if they do so, they will not become approved by the Institute and their approval by the CPA will cease, i.e. they will no longer be approved to perform statutory audits under the Act.

10.7 If an application for registration as a CPA Statutory Audit Firm, CPA Statutory Auditor or CPA responsible individual was received by CPA prior to the Amalgamation Time but the applicant was not registered as such at the Amalgamation Time:

10.7.1 the application will be processed and considered in accordance with the CPA Rules; provided that

10.7.2 if the application is approved:

(a) where the application was for registration as a CPA Statutory Audit Firm, the Institute will register the applicant as a Registered Auditor; or

(b) where the application was for registration as a CPA Statutory Auditor or CPA responsible individual, the Institute will grant the applicant the status of responsible individual; and

10.7.3 the applicant will be required to pay a fee as determined by the Committee in accordance with Regulations.

10.8 Where a CPA Statutory Audit Firm, registered as a Registered Auditor in accordance with this Chapter 10, wishes to cease to be a Registered Auditor, these Regulations will apply.

10.9 Where a CPA Statutory Auditor or CPA responsible individual, designated as a responsible individual in accordance with this Chapter 10, wishes to cease to be a responsible individual, these Regulations will apply.

10.10 Any person designated as a compliance principal under the CPA Rules at Amalgamation Time will automatically be deemed to be the Audit Compliance Principal appointed in accordance with Regulation 3.21 at Amalgamation Time.

10.11 Notwithstanding Public Practice Regulation 7.18, any principal in a CPA Statutory Audit Firm, CPA Statutory Auditor or CPA responsible individual who will not be or become a member

Audit Regulations Ireland of the Institute at Amalgamation Time must request and agree to become an affiliate in accordance with Public Practice Regulation 7.18 before the Amalgamation Time.

10.12 Each CPA Statutory Audit Firm registered in accordance with Regulation 10.1 will be required to pay an annual fee in accordance with Regulation 2.13. There will be no fee due for 2024.

10.13 The Registration Committee will be responsible for ensuring that each CPA Statutory Audit Firm, CPA Statutory Auditor, CPA responsible individual complies with these Regulations. The committee will have all the responsibilities and powers set out in Chapter 6 and may take such regulatory action as set out in Chapter 7 of these Regulations.

Part 2 - Guidance

Guidance: Chapter 1 - Guidance on fit and proper status

Background

1. Regulation 2.02 expressly requires a firm to be 'fit and proper'. Regulation 3.06 puts the responsibility on the firm to make sure that the principals and employees are and continue to be fit and proper. This chapter gives guidance to firms on this requirement.
2. The Act requires the Institute, as a RAB, to have adequate rules and practices to make sure that registered auditors are fit and proper to be appointed as registered auditor. This chapter helps firms to assess the fit and proper status of the firm and its principals and employees.
3. As part of the criteria for registration, the Institute requires a firm to be fit and proper. The application for registration looks into a firm's financial integrity, disciplinary record and professional standing (see appendix A). An applicant will be asked, for example, whether it has failed to satisfy creditors in full or been refused the right to carry on any trade, business or profession for which a specific licence, registration or other authority is required.
4. Guidance in chapter 2 of the regulations has already discussed the fundamental ethical principles. Firms should be complying with these to be fit and proper.
5. If a firm admits that it does not meet all the fit and proper standards, the firm may still be eligible for registration. However, the Registration Committee will weigh up the implications of all the circumstances. A firm which knowingly withheld information from the Registration Committee would not be fit and proper to act as an auditor.

Principals and employees

6. For a firm to be fit and proper, the principals and employees involved in audit work must also be fit and proper. Under the audit regulations a registered auditor must make sure that anyone who is or will be employed by, or associated with, the firm in connection with audit work is fit and proper.
7. A firm's procedures must cover:
 - the sole practitioner or the principals;
 - employees involved in audit work (including students);

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- consultants involved in audit work on the firm's behalf;
- sub-contractors doing audit work on the firm's behalf; and
- anyone else whose work a principal relies on when carrying out audit work.

Some of the auditing standards cover some common situations. These are:

- ISA (Ireland) 610 'Considering the work of internal audit'
- ISA (Ireland) 600 'Using the work of another auditor'
- ISA (Ireland) 620 'Using the work of an expert'.

These should be followed where appropriate.

8. The Registration Committee may take account of any matters affecting the fit and proper status of those people listed in paragraph 7.

Partnerships and corporate practices

9. The Act recognises that partnerships may include one or more partners which are bodies corporate. In such a firm, the fit and proper procedures should extend beyond the corporate partner to any:
 - director or controller of the corporate partner;
 - body corporate in the same group as the corporate partner; and
 - director or controller of any body corporate above.
10. The Act also notes that the fit and proper procedures should include those associated with a practice which is a body corporate. They are any:
 - director or controller of the body corporate;
 - other body corporate in the same group; and
 - director or controller of any body corporate above.

Procedures

11. The procedures which a firm should introduce to assess the fit and proper status of principals, employees and others detailed above will vary depending on the size and structure of the firm.
12. An example of a 'fit and proper' form for individuals is at appendix B. All new recruits, employees newly involved in audit work and people who fall into the categories described in paragraphs 7 to 10 for the first time should be required to fill in such a form. Firms may find it easier to apply these procedures to all employees rather than make artificial distinctions.
13. At regular intervals a firm should have all principals and employees revise and update their last return or complete a new one. Firms might find it easier to update this information annually as part of their independence confirmation procedure or appraisal system. Principals and employees must be encouraged to immediately notify the audit compliance principal of anything that has a bearing on their fit and proper status. Firms are reminded that, in accordance with quality standards, they should annually obtain written confirmation of compliance with its policies and procedures on independence from all firm personnel required to be independent.
14. If the firm is required to consider its own fit and proper status, a form similar to appendix A (which is similar to that used in the application form) would be appropriate. This could be used when a firm reviews its fit and proper status as part of its annual review of compliance with the audit regulations.

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15. The procedures in paragraphs 11 to 13 above may seem excessive for a firm which is a sole practice with no employees. But a sole practitioner must be aware of the situations described in this guidance. The checklists provided in appendices A and B also apply to the sole practitioner. Regulation 2.11 requires a firm to notify the Registration Committee of any matter that may bring the fit and proper status of the firm into doubt. Formal consideration of any matter raised by the firm could be recorded when the annual compliance review is completed.

Cause for concern or notification to the Institute

16. If a firm receives information, from any source, that indicates a principal or employee may not be a fit and proper person to be involved with audit work, the firm must evaluate its own fit and proper status. Matters a firm should consider include the:
 - seriousness of the matter;
 - timing of the event;
 - level of the individual's or body's involvement in audit work; and
 - likely risk to clients.
17. For example, a recent disciplinary finding against an audit principal would weigh more heavily than a ten-year-old finding of misconduct (and a reprimand by a professional body) against a tax principal who does not hold an appropriate qualification and so does not count towards control requirements and is not involved in audit work.
18. In the same way that a firm's failure to disclose information about its fit and proper status would jeopardise its continued registration, a failure by a principal, employee or other person to answer related questions truthfully would cast serious doubt on the suitability of the person to be involved in audit work.
19. If in doubt, the firm should notify the Institute of the circumstances and the Registration Committee will advise on the firm's fit and proper status. The following are matters which should be reported:
 - offences involving dishonesty, fraud or cheating;
 - imprisonable offences under the companies acts, financial services legislation, the law relating to insolvency, insider dealing, or similar laws in the areas of corporate or financial services;
 - conviction for any offence which involves a prison sentence;
 - serious breaches of the investment business, audit, insolvency or clients' monies regulations;
 - carrying out professional work in a grossly incompetent manner; and
 - carrying out professional work in a manner which does not comply with IAASA's Ethical standard for Auditors.

Appendix A: Fit and proper form for a Registered Auditor

Set out below are the questions that a firm should ask itself to assess its own fit and proper status. Similar questions are on the application form when a firm first applies for registration. A sole practitioner should answer these questions in a personal capacity as well as for the firm. The answers will be 'yes' or 'no', but a 'yes' will need further explanation.

	Yes	No
Financial integrity and reliability		
1 In the last ten years has the firm made any compromise or arrangement with its creditors, or otherwise failed to satisfy creditors in full?	<input type="checkbox"/>	<input type="checkbox"/>
2 In the last ten years has the firm been the subject of any insolvency proceedings?	<input type="checkbox"/>	<input type="checkbox"/>
Civil liabilities		
3 In the last five years has the firm been the subject of any civil action relating to its professional or business activities which resulted in a judgement or finding against it by a court, or a settlement (other than a settlement consisting only of the dismissal by consent of a claim against it and the payment of its costs) being agreed?	<input type="checkbox"/>	<input type="checkbox"/>
Good reputation and character		
Note: There is no need to mention offences which are spent for the purposes of the Criminal Justice (Spent Convictions and Certain Disclosures) Act 2016 in Ireland or Rehabilitation of Offenders Act 1974 in the UK, or (in the case of a firm which is a sole practice) offences committed by any individual before the age of 17 (unless committed within the last ten years) or road traffic offences that did not lead to a prison sentence.		
4 In the last ten years has the firm been:		
• convicted by a court of any criminal offence?	<input type="checkbox"/>	<input type="checkbox"/>
• refused or restricted in the right to carry on any trade, business or profession for which a specific licence, registration or other authority is required?	<input type="checkbox"/>	<input type="checkbox"/>
• refused entry to any professional body or trade association, or decided not to continue with an application?	<input type="checkbox"/>	<input type="checkbox"/>
• reprimanded, warned about future conduct, disciplined or publicly criticised by any professional or regulatory body?	<input type="checkbox"/>	<input type="checkbox"/>
• made the subject of a court order at the instigation of any professional or regulatory body?	<input type="checkbox"/>	<input type="checkbox"/>
• investigated on allegations of misconduct or malpractice in connection with its professional or business activities which resulted in a formal complaint being proved but no disciplinary order being made?	<input type="checkbox"/>	<input type="checkbox"/>
5 Is the firm (or in the case of a sole practice, the principal) currently undergoing any investigation or disciplinary procedures as described in 4 above?	<input type="checkbox"/>	<input type="checkbox"/>

Appendix B - Example of a 'fit and proper' form for individuals

Set out below are the questions that a firm should ask each principal, employee or other individual involved in or connected with audit work to allow the firm to assess the individual's fit and proper status. The answers will be 'yes' or 'no' but a 'yes' will need further explanation.

	Yes	No
Financial integrity and reliability		
1 In the last ten years have you made any compromise arrangement with your creditors or otherwise failed to satisfy creditors in full?	<input type="checkbox"/>	<input type="checkbox"/>
2 Have you ever been declared bankrupt or been the subject of a bankruptcy court order in the United Kingdom, Ireland or elsewhere, or has a bankruptcy petition ever been served on you?	<input type="checkbox"/>	<input type="checkbox"/>
3 Have you ever signed a trust deed for a creditor, made an assignment for the benefit of creditors, or made any arrangements for the payment of a composition to creditors?	<input type="checkbox"/>	<input type="checkbox"/>
Civil liabilities		
4 In the last five years have you been the subject of any civil action relating to your professional or business activities which has resulted in a judgement or finding against you by a court, or a settlement (other than a settlement consisting only of the dismissal by consent of a claim against it and the payment of its costs) being agreed?	<input type="checkbox"/>	<input type="checkbox"/>
Good reputation and character		
Note: There is no need to mention offences which are spent for the purposes of the Criminal Justice (Spent Convictions and Certain Disclosures) Act 2016 in Ireland or the Rehabilitation of Offenders Act 1974 in the UK, offences committed before the age of 17 (unless committed within the last ten years) or road traffic offences that did not lead to a prison sentence.		
5 Have you at any time pleaded guilty to or been found guilty of any offence?	<input type="checkbox"/>	<input type="checkbox"/>
If so, give details of the court which convicted you, the offence, the penalty imposed and date of conviction.	<input type="checkbox"/>	<input type="checkbox"/>
6 Have you ever been disqualified by a court from being a director, or from acting in the management or conduct of the affairs of any company?	<input type="checkbox"/>	<input type="checkbox"/>
7 In the last ten years have you been:		
• refused the right or been restricted in the right to carry on any trade, business or profession for which a specific licence, registration or other authority is required?	<input type="checkbox"/>	<input type="checkbox"/>
• investigated about allegations of misconduct or malpractice in connection with your professional activities which resulted in a formal complaint being proved but no disciplinary order being made?	<input type="checkbox"/>	<input type="checkbox"/>
• the subject of disciplinary procedures by a professional body or employer resulting in a finding against you?	<input type="checkbox"/>	<input type="checkbox"/>
• reprimanded, excluded, disciplined or publicly criticised by any professional body which you belong to or have belonged to?	<input type="checkbox"/>	<input type="checkbox"/>

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- refused entry to or excluded from membership of any profession or vocation?
 - dismissed from any office (other than as auditor) or employment or requested to resign from any office, employment or firm?
 - reprimanded, warned about future conduct, disciplined, or publicly criticised by any regulatory body, or any officially appointed enquiry concerned with the regulation of a financial, professional or other business activity?
 - the subject of a court order at the instigation of any regulatory body, or any officially appointed enquiry concerned with the regulation of a financial, professional or other business activity?
- 8 Are you currently undergoing any investigation or disciplinary procedures as described in 7 above?

Chapter 2 - Guidance on monitoring compliance with the audit regulations

Introduction

1. Audit regulation 3.20 requires a registered auditor to monitor its compliance with the audit regulations. This is a key part of the overall system of audit regulation.
2. Many firms will already be carrying out internal monitoring, quality assurance or practice reviews. The term 'audit compliance review' (ACR) is used in this guidance and also on the annual return.
3. This guidance will help firms, whether sole practitioners or larger firms, to monitor their compliance with the audit regulations effectively and efficiently.

Why is an audit compliance review required?

4. All kinds of enterprises conduct periodic reviews to assure management that proper safeguards are in place to lessen the likelihood of sub-standard goods and services being produced or supplied. Auditing is a complicated process involving a series of professional judgements culminating in the audit opinion. Whether this is a product or service, testing that it is of a satisfactory standard is just as important for a registered auditor as it is for any other organisation. This may be increasingly relevant where there is a public interest in the firm's clients.
5. The firm's principals are effectively collectively responsible for the work of the firm, and they will want to satisfy themselves that the audit work is being done according to the regulations.
6. Many firms, of all sizes, use reviews to assess the effectiveness of the way that they conduct their work - not only audit. A review can be a powerful tool to improve working practices. The questions in this type of review go far beyond testing the firm's compliance with the audit regulations and could include such fundamental questions as:
 - Is the firm providing the service to its clients that they need and want?
 - Is the firm sufficiently paid for those services?
7. The nature of the questions asked depends on the objectives of the review. This guidance is intended to help firms meet the requirements of audit regulation 3.20.

What is an audit compliance review?

8. An ACR is to assure the firm that it has complied with the audit regulations and the audit regulations require a registered auditor to carry out audits according to ethical standard and comply with auditing and quality standards. These in turn require the firm to have certain procedures and arrangements in place for its audit work.

Appropriate documentation should exist which sets out the monitoring procedures, records the evaluation, and identifies the deficiencies and any further action.

What is involved in an audit compliance review?

9. In many ways an ACR is an internal audit of the way a firm conducts its auditing work. Because each firm is unique, through its principals, employees and clients, there is no single approach that will suit all firms.
10. An ACR is usually in two parts. The first part, the 'whole firm' is about how the audit practice works. The second part is about 'cold file reviews' and asks how a sample of audit assignments has been completed. The expression 'cold file review' has been used in the profession for many years - the review is 'cold' because it takes place after the whole audit process has been completed and the audit opinion given. It provides assurance to the firm that the quality control procedures which are built into the audit process have worked satisfactorily.
11. As part of their quality control procedures some firms also carry out 'hot' reviews (that is before the audit report is approved). The ACR programme would check that, if necessary, the required hot reviews have taken place.
12. There are many commercial ACR programmes and checklists available for firms to use. Compliance principals or sole practitioners should consider their own practices and amend these programmes as necessary so that the ACR is appropriate to their firm.
13. Cold file reviews are an important part of the ACR but how many client files should be cold reviewed? Some firms will select audits for a particular reason (for example because it is a high risk audit or perhaps a new client) and then a sample of other files. However, monitoring experience has shown that there is a law of diminishing returns. If a single file is representative of a principal's work then that can reveal virtually all that is needed and little may be gained from doing more. A representative sample of two or three audits for each principal should be enough.

Who might carry out the audit compliance review?

14. Although the main purpose of an ACR is to assure a firm that it is complying with the audit regulations, there is a further important aim. This is to add value to the audit practice, either by identifying potential areas for improvement or by giving assurance that everything is satisfactory. For both reasons the review must be done effectively. A half-hearted attempt which fails to identify significant risks or inefficiencies would be a waste of time and give a false sense of security.
15. The first step is to identify the person best placed to conduct the review. The monitoring process should be entrusted to a principal, principals or other persons with sufficient and appropriate experience. The choices are someone from:
 - within the firm;
 - another [registered statutory auditor](#) ~~of firm~~;
 - the Institute; or
 - a specialist organisation, such as a training consortium which provides a review service.
16. Sole practitioners, firms with only one responsible individual and other small firms should note that quality standards do not permit the responsible individual or the engagement quality control reviewer for a particular audit to undertake a cold file review of that audit. It may be that there is another individual in the firm who, although not a responsible individual, is very experienced in current auditing requirements. Assuming that this individual did not take part in the audit, the firm may decide this individual would be a suitable person to undertake the

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review. If this is not possible, then the firm should use an external reviewer at least once every three years.

17. The whole firm aspects of the review could be dealt with completing the annual return. However, an individual practitioner might find it difficult to remain objective in cold reviewing his own completed assignments. The tendency will be to fill gaps in the audit process from memory and not to see that the audit evidence or process is deficient. Therefore, it is better to use someone independent of the assignment for the cold file review. As mentioned above, this may be necessary for small firms on a periodic basis.
18. Qualified employees within the firm can do the detailed cold file reviews. Some firms feel that, as a principal approved the issue of the audit opinion, only principals should do cold file reviews. There is an obvious anxiety for an employee in criticising the work of the person who decides future salaries. The most common approach is to have a combined team of principals and staff. However, it may be more helpful to the person being reviewed if the feedback is given by someone of equal standing and authority. A person who has had experience of being a responsible individual can add those touches of practicality which come from dealing with clients and add further benefits to the process. Also, the individual should not have had any previous involvement in the particular audit.
19. If an ACR is to add value, those doing the review must be technically up to date and have experience of assignments similar to those being reviewed. It can also save time if that person knows how the firm carries out its audits. For a sole practitioner, a suitable person may be the alternate or consultant for technical matters, provided they had not been consulted on the particular audit.
20. Any outsider doing the ACR should complete a confidentiality declaration. An outsider who is a chartered accountant would, of course, also be bound by the Institute's Code of Ethics and would have to seek the consent of the firm before acting for any of its clients.
21. Both the reviewer and the reviewed can learn from the experience. Much benefit can be obtained from two sole practitioners, who have no employees, meeting for an afternoon and reviewing one of the other's completed audit files. That would leave each sole practitioner to complete the whole firm part of the ACR.

When should the audit compliance review be carried out?

22. Audit regulation 3.20 requires a registered auditor to monitor compliance with the regulations at least once a year. The following paragraphs explain how this can be done.
23. The ACR is based on verifying that effective action is taken to mitigate the risk to the firm of not complying with the audit regulations and of producing poor audit work. Problems can arise because the people making decisions are stressed; there are changes in a client's business; there are changes to the law or to accounting or auditing standards. It may therefore be appropriate for the scope of the ACR to focus on any changes that may have amended the previous risk assessment. So, for example, cold reviews may concentrate on how the firm has adapted its procedures to implement a new auditing standard. The timing and frequency of the ACR should take all these factors into account. This calls for flexibility in the timing and the programme of work.
24. If the ACR identifies matters that have gone wrong, the firm will want to deal with that risk as soon as possible. This suggests that the ACR should be done early enough so that any changes

can be made to the firm's procedures before the reviewed audits (and others) are started for the next year.

What should be the scope of the audit compliance review?

25. The ACR would normally be in two parts. The first part would cover a firm's obligations under the audit regulations such as:
- independence and integrity;
 - fit and proper status;
 - competence;
 - appointment and reappointment;
 - professional indemnity insurance; and
 - continuing eligibility.

and under quality standards such as:

- leadership responsibilities;
- human resources; and
- complaints.

It is relatively easy to determine the scope of the work needed each year for this part.

26. The second part would deal with reviews of completed audit work to ensure that the firm's audit process had been followed and the audit reports issued are appropriate. Deciding how much work to do for this is more difficult and involves judgements on the number and frequency of reviews.
27. For many firms the easiest way is simply to decide that the work of each principal and senior employee should be reviewed each year. Completed audit files would be then selected and reviewed to make sure that the work was in accordance with the auditing standards and the firm's procedures.
28. Firms may have well-defined procedures to control the quality of the work produced and to make sure appropriate audit opinions are given. This will be a factor in deciding how frequently each principal's work is reviewed. Other factors might be the rate of employee turnover and the number of clients that the firm has identified as high risk. So while some files will be reviewed every year, the work of each principal and senior employee will not. However, even the most well-organised firm should review the work of each principal at least every three years. In other circumstances the timing may need to be more frequent.
29. For a firm with only one responsible individual, much of the quality control of the work produced depends on that individual's final review. Additional factors to those above may be relevant in deciding the frequency of cold file reviews. For example, the size of the audit portfolio and factors affecting the audit work such as new auditing standards or new disclosure requirements. In a period of change, it would be sensible if, at least once a year, a sample of audit files were cold reviewed.

What should happen after the audit compliance review?

30. All the ACR work needs to be documented so that the detailed findings can be discussed with the responsible individual in charge of the audit. This discussion should start with the positive points and then with any points that show change may be needed. If action is needed the timing should

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be agreed. The effect of the deficiencies should be evaluated and the firm should determine if the audit reports issued are appropriate or if they require prompt corrective action. Where there are a number of people with whom there are post-ACR discussions, the findings need to be consolidated to give an overall view.

31. The summary must be kept to plan future ACRs and to confirm that follow-up action has been taken as agreed. This summary, without identifying which clients' affairs were reviewed, could be the means of disseminating the results of the ACR within the firm. At least annually, the firm should communicate the result of the ACR within the firm. Information communicated should include a description of the monitoring procedures performed, the conclusions drawn, a description of the deficiencies, and action taken. Once the summary has been prepared and the results communicated, unless a monitoring visit has been arranged, the detailed ACR papers can be shredded.
32. The annual return asks questions about the firm's ACR. The first question asks when the most recent ACR was completed. If a firm uses the annual return for considering the whole firm aspects of ACR, then the time of completion is the date when the annual return was completed.
33. When the ACR is finished there must be feedback to those involved. That feedback should answer two questions:
 - What should we do exactly the same way next time because it was successful?
 - What should we do differently next time in order to be more successful?

Conclusion

34. An ACR takes time and other resources. To justify that expenditure the exercise needs to be planned and carried out effectively. And it is essential that the reporting is honest. Otherwise those involved in audit work may be falsely reassured.
35. Being 'in practice' implies learning through experience. The ACR is a powerful way of making sure this happens, regardless of any requirement set out in the audit regulations. It can have real impact on the quality of work, its efficiency, and the motivation of everyone involved. Firms want to do their work properly and gain satisfaction from it, but improvements cannot be made unless the areas needing adjustment are identified. The ACR is not an imposition, but a way to help firms do work they can be justly proud of.

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