

## **Chartered Accountants Ireland or CCAB-I material**

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### **Technical Releases**

#### **TR 01/2017 - Guidance for Auditors Reporting in Accordance with Investor Money Regulations for Fund Service Providers June 2017**

#### **Representation and Technical Policy**

**June 2017**

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## **Introduction**

### **Purpose of the Technical Release**

1. The purpose of this Technical Release<sup>1</sup> is to provide guidance to an auditor performing an assurance engagement pursuant to S.I. 105 of 2015 "Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers ("the IMR").

2. The term "FSP" is used in this Technical Release to mean a fund service provider as defined in the IMR (see [paragraph 13](#) below).

3. This Technical Release does not provide guidance to an auditor performing an assurance engagement pursuant to S.I. 104 of 2015 "Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Client Asset Regulations 2015 for Investment Firms" which is subject to separate guidance for auditors in relation to such engagements as set out in Technical Release 07/2016.

4. Assurance engagements required under the IMR are performed in accordance with "*International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" ("ISAE 3000") published by the International Auditing and Assurance Standards Board ("IAASB"). ISAE 3000 provides an internationally recognised framework for the performance of assurance engagements. This Technical Release provides guidance in applying ISAE 3000 to the specific circumstances of the IMR. It is important for the auditor to be familiar with the full provisions of ISAE 3000 as well as this Technical Release. The guidance in this document has been laid out in the same sequence as the requirements of ISAE 3000 to facilitate ease of use of this Technical Release with regard to the performance of an engagement in accordance with ISAE 3000.

5. The Central Bank of Ireland's ("the Central Bank") "*Guidance on Investor Money Regulations for Fund Service Providers, March 2016*" ("the Central Bank's Guidance") refers to the "*auditor's technical standard*" which is described as "*guidance for auditors in relation to investor money examinations issued by the auditor's professional body*". The auditor refers to this Technical Release in that regard although it is not a standard.

6. This Technical Release has been prepared in consultation with the Central Bank of Ireland.

7. The auditor performing an investor money examination needs to have the necessary knowledge of the IMR and of the Central Bank's Guidance. The IMR and the Central Bank's Guidance are available to read on the Central Bank's website. This Technical Release refers to the IMR and Central Bank's Guidance current at the time of the publication of the Technical Release (June 2017). The auditor ensures that they remain up to date with any changes to the regulatory environment which is applicable to an investor money examination.

8. Investor money examinations pursuant to the IMR are assurance engagements; however, the term "auditor" is used throughout this Technical Release in reference to the assurance practitioner because the IMR require that the assurance practitioner is an external auditor<sup>2</sup>. There is no requirement for that external auditor to be the FSP's statutory auditor.

9. Investor money examinations are highly specialised engagements requiring skills in the performance of controls assurance engagements, an understanding of the principles of investor money protection, a knowledge of the industry in which an FSP holding investor money operates and of course the requisite knowledge of the IMR and the Central Bank's Guidance. Since the protection of investor money at all times is the objective of the regime it is important for the auditor to also have the necessary understanding of relevant insolvency law.

## Legislative framework

10. The Central Bank is responsible for the regulation of financial services activities in Ireland. Section 48 of Central Bank (Supervision and Enforcement) Act 2013 gives the Central Bank the power to make regulations for the proper and effective regulation of regulated financial services providers. The protection of investor money is a key priority of the Central Bank. The purpose of the investor money regime is to safeguard investor money by ensuring FSPs adhere to general principles and prescriptive requirements in this regard. The objectives of the investor money regime are:

- maintaining public confidence in the investor money regime;
- minimising the risk of loss or misuse of investor money by an FSP; and
- in the event of the insolvency of an FSP, enabling the efficient and cost effective return of that money to investors.

11. Following a review of the regulatory regime for the safeguarding of client assets in Ireland, the Central Bank published the IMR in March 2015. The IMR came into operation on 1 July 2016<sup>3</sup>.

12. In conjunction with the signing into law of the IMR in March 2015, the Central Bank first published "*Guidance on Investor Money Regulations for Fund Service Providers, March 2015*"<sup>4</sup> to assist FSPs in implementing the IMR. This guidance was updated in March 2016 ("the Central Bank's Guidance").

13. An FSP is an entity which meets the definition set out in Regulation 2 of the IMR. "A fund service provider means a person who is:

(a) authorised pursuant to section 10 of the Investment Intermediaries Act 1995 to carry out:

- i. the administration of collective investment schemes or fund accounting services or acting as a transfer agent or registration agent for such schemes; or
- ii. custodial operations involving the safekeeping and administration of investment instruments, (b)

(b) authorised pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) as a management company,

(c) authorised pursuant to the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No. 257 of 2013) as an alternative investment fund manager,

(d) referred to in the Unit Trusts Act 1990 as a management company,

(e) referred to in Part 24 of the Companies Act 2014 as a management company,

(f) referred to in the Investment Limited Partnerships Act 1994 as a General Partner,

(g) referred to in the Investment Funds Companies and Miscellaneous Provisions Act 2005 as a management company,

(h) a credit institution who acts as a depositary for investment funds or who provides fund administration services to such funds."

14. Investor money for the purposes of the IMR is defined as:

*"any money, to which an investor is beneficially entitled, received from or on behalf of an investor or held by the fund service provider on behalf of an investor and includes (without limitation):*

- (a) investor money held by or with a nominee of the fund service provider,
- (b) in the case of money that is comprised partly of investor money and partly of money of any other type, that part of the money that is investor money."<sup>5</sup>

15. In accordance with Regulation 3(1) of the IMR, an FSP is deemed to hold investor money where:

(a) "it has been lodged into a collection account in any of the credit institutions listed in Regulation 3(9)<sup>6</sup>;

(b) is held in the name of the fund service provider or any nominee of the fund service provider; and

(c) the fund service provider has the capacity to effect transactions on that collection account."

16. The IMR defines a collection account as:

*"an account opened with a third party by a fund service provider to hold money to deliver from an investor to an investment fund or from an investment fund to an investor and has the following features:*

- (a) is in the name of the fund service provider or its nominee;
- (b) includes in its title the description "collection account", to distinguish assets in the account from the fund service provider's own firm assets held elsewhere; and

may include an account where the assets of multiple investors are held in one account."<sup>2</sup>

17. The Central Bank's Guidance at G2(3) states that "If the collection account is an asset of the Investment Fund, the Regulations do not apply". Where money is an asset of the investment fund, it cannot be held by the FSP and must be entrusted to the depositary in accordance with investment fund legislation<sup>8</sup>. As set out in the Central Bank's UCITS Guidance "Umbrella Funds – Cash Accounts Holding Subscription, Redemption and Dividend Monies"<sup>9</sup> and as provided for in the in the European Union (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 ("the UCITS Regulations")<sup>10</sup> and European Communities (Alternative Investment Fund Managers) Regulations 2013 ("the AIFM Regulations")<sup>11</sup>, cash accounts can be opened:

- in the name of the investment fund;
- in the name of the fund management company acting on behalf of the investment fund; or,
- in the name of the depositary on behalf of the investment fund.

Accounts opened in this manner are not subject to the IMR and are instead subject to the relevant UCITS and AIFM requirements at EU and domestic level.

18. The IMR contain key principles for the safeguarding of investor money as follows:

- segregation;
- designation;
- reconciliation;
- daily calculation;
- risk management; and
- investor money examination.

19. The IMR introduces a requirement for an FSP to establish and implement an Investor Money Management Plan<sup>12</sup> ("IMMP") which is a plan designed to bring together the FSP's overall approach to risks associated with safeguarding investor money. The IMMP records:

- details of an FSP's business model, operational structures and governance arrangements;
- the range and type of investor money held by an FSP;
- risks to the safeguarding of investor money;
- processes and controls to mitigate those risks; and
- information to facilitate the distribution of investor money, particularly in the event of an FSP's insolvency<sup>13</sup>.

20. The requirement to maintain the IMMP is a significant and onerous one. The IMMP is an essential element of the FSP's risk management that underpins all aspects of compliance with the IMR. It is therefore essential that adequate processes and controls are in place at the FSP to develop the IMMP in the initial period and to maintain it thereafter. These will include processes and controls to identify and consider the implications that any anticipated changes to business models or systems will have on compliance with the IMR. A key element of the IMMP is the FSP defining materiality in the context of investor money. The IMMP should capture qualitative and quantitative threshold measures as the FSP's judgement of materiality<sup>14</sup>. Another important objective of the IMMP is to document where relevant information can be found if an insolvency event were to occur at the FSP. Whilst the tendency can be to focus on the business from a going concern perspective, it is important that worst case scenarios are considered by the FSP in the context of investor money. Further guidance in relation to the role of the IMMP is set out in the Central Bank's Guidance<sup>15</sup>.

21. The IMR also introduces the requirement for an FSP to appoint a dedicated Head of Investor Money Oversight ("HIMO") who has responsibility for overseeing the safeguarding of investor money. The HIMO is an important governance and risk management role in the FSP. The responsibilities of this individual are set out in Regulation 7 of the IMR. Further guidance in relation to the role of the HIMO is set out in the Central Bank's Guidance<sup>16</sup>. The HIMO is a key contact person at the FSP for the auditor performing an investor money examination.

22. Regulation 8 of the IMR includes a requirement for an FSP to engage an auditor to perform an investor money examination of the FSP's compliance with the IMR. There

are two types of examination set out in Regulation 8 of the IMR depending on whether or not the FSP holds investor money or claims not to hold investor money during the period of examination. These examinations and the scenarios in which they are required are described further below under the heading of "Scope".

## Scope

23. This Technical Release sets out the principles underlying the work to be performed by an auditor in providing an investor money assurance report as required by Regulation 8 of the IMR. The Technical Release does not provide a checklist of specified procedures to be undertaken by the auditor. The auditor determines the appropriate procedures to be undertaken in the circumstances of the particular investor money examination based on the requirements of ISAE 3000 and with the assistance of this Technical Release.

24. Regulation 8 of the IMR requires an FSP to engage an auditor to perform an annual examination of the FSP's compliance with the IMR. Regulation 8 of the IMR applies to all entities meeting the definition of an FSP in Regulation 2 of the IMR. However the Central Bank's Guidance<sup>17</sup> states that the IMR "apply to FSPs as defined in the Regulations when holding investor money".

25. Prior to the coming into effect of the IMR the Central Bank contacted FSPs directly and asked the directors of each FSP to attest to the Central Bank as to whether the FSP intended to hold investor money on or after the implementation date of the IMR<sup>18</sup>. Where the directors of the FSP responded to the Central Bank attesting that the FSP did not intend to hold investor money the Central Bank imposed a condition on the authorisation of the FSP stating that the FSP shall not hold investor money as defined in the IMR, thus prohibiting the FSP from holding investor money.

26. An investor money examination, pursuant to Regulation 8 of the IMR, is required where the FSP is permitted under its authorisation to hold investor money, regardless of whether or not the FSP holds investor money. An investor money examination is not expected by the Central Bank in circumstances where the FSP has a condition on its authorisation prohibiting it from holding investor money.

27. In this context there are three scenarios which can arise for an FSP. These are set out here:

**Scenario 1: FSP is not permitted to hold investor money and has a condition on its authorisation to formalise this position:** In this scenario the FSP is not obliged to engage an auditor to carry out an investor money examination.

**Scenario 2: FSP is permitted under its authorisation to hold investor money under the IMR and currently holds investor money and intends to continue to do so for the foreseeable future:** In this scenario, Regulation 8(3) requires an investor money examination which is described in this Technical Release as 'Examination Type A'.

**Examination Type A:** The FSP is required to engage the auditor to carry out an investor money examination whereby the auditor provides an assurance report as to whether:

- (a) the FSP has maintained processes and systems adequate to meet the requirements of the IMR throughout the period of the examination;
- (b) the FSP was compliant with the IMR as at the period end date;
- (c) any matter has come to the attention of the auditor to suggest that the FSP has acted in a manner which is not consistent with that documented in the IMMP which has been in operation throughout the period to which the examination relates; and
- (d) changes made to the IMMP since the date of the last report<sup>19</sup> have been drafted in sufficient detail to meet the requirements of the IMR, capturing the risks faced by the entity in holding investor money given the nature and complexity of the business of the entity under examination, up to the date of the current report.

The Central Bank's Guidance<sup>20</sup> specifies that the assurance report should provide a reasonable assurance opinion in respect of (a) and (b) above and a limited assurance opinion in respect of items (c) and (d) above. However, the performance of the assurance work required for the provision of the reasonable assurance opinion in respect of items (a) and (b) will enable the auditor to report on items (c) and (d) without the performance of additional procedures, as (c) and (d) relate to certain aspects of compliance with the specific IMR requirements regarding the IMMP. In

effect, because the IMMP is fundamental to the IMR, the auditor is able to report on items (c) and (d) above as a by-product of the work performed to provide reasonable assurance in relation to (a) and (b). Items (c) and (d) are therefore reported on as "other matters" in the reasonable assurance report.

**Scenario 3: FSP is permitted under its authorisation to hold investor money under the IMR but claims not to hold investor money for the period:** In this scenario Regulation 8(7) requires an examination which is described in this Technical Release as 'Examination Type B'.

**Examination Type B:** Where an FSP does not have a condition on its authorisation preventing it from holding investor money but claims not to hold investor money, the FSP engages the auditor to carry out an investor money examination whereby the auditor provides a limited assurance opinion as to whether anything has come to the attention of the auditor which causes the auditor to believe that the FSP held investor money during the period.

28. The IMR are clear that the FSP is responsible for arranging for an auditor to carry out an investor money examination and therefore the decision as to whether an investor money examination is required must be made by the FSP and never by the auditor. Where an FSP is unclear whether to engage an auditor to perform an assurance engagement in accordance with the IMR the FSP refers to the Central Bank for direction in this regard.

29. As noted in [paragraph 17](#) above, cash accounts opened:

- in the name of the investment fund;
- in the name of the fund management company acting on behalf of the investment fund; or,
- in the name of the depositary on behalf of the investment fund;

are not subject to the IMR and are instead subject to the relevant UCITS and AIFM requirements at EU and domestic level.

30. As noted in the introduction section of this Technical Release, investor money examinations are assurance engagements; however, the term "auditor" is used throughout this Technical Release in reference to the assurance practitioner because the IMR require that the assurance practitioner is an external auditor<sup>21</sup>. The investor money examination is separate from the statutory audit of the financial statements of the FSP and does not in any way form part of the statutory audit.

31. As insolvency law applies at a legal entity level and not to groups of companies, the IMR applies in full to each relevant legal entity. Therefore, where there are multiple FSPs subject to the IMR within a group, each FSP is subject to the IMR, as appropriate to the authorisation of each FSP.

## Timing

32. The IMR require the FSP to arrange for the auditor to prepare an investor money report on an annual basis. The Central Bank's Guidance<sup>22</sup> states that the period to be covered by the investor money report cannot exceed more than 53 weeks after the end of the period of the previous report. The FSP is required by the IMR to provide the investor money report to the Central Bank not later than four months after each period end. The auditor provides the investor money report to the FSP on a timely basis in advance of that reporting deadline to facilitate the FSP meeting its obligation to furnish the report to the Central Bank and to address any findings that arise as per Central Bank's Guidance<sup>23</sup>.

## Effective Date

33. This Technical Release is effective for reports to the Central Bank in respect of the IMR for FSPs for periods commencing on or after 1 July 2016.

## Definitions

34. The auditor refers to the definitions set out in [paragraph 12](#) of ISAE 3000. In the context of an investor money examination some of the key definitions in ISAE 3000 can be applied as set out below:

An assurance engagement is defined in ISAE 3000 as:

*"an engagement in which a **practitioner** aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the **intended users** other than the **responsible party** about*

the **subject matter information** (that is, the outcome of the measurement or evaluation of an **underlying subject matter** against **criteria**)".

An assurance engagement can be either an attestation engagement or a direct engagement. The investor money examination required under the IMR is a direct assurance engagement. A direct assurance engagement is defined in ISAE 3000 as:

*"As assurance engagement in which the practitioner measures or evaluates the underlying subject matter against the applicable criteria and the practitioner presents the resulting subject matter information as part of, or accompanying, the assurance report. In a direct engagement, the practitioner's conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria."*

35. In the context of an examination under the IMR the constituents of the assurance engagement can be identified as follows:

<b>Responsible party</b>	The responsible party is the FSP;
<b>Practitioner</b>	The practitioner is the external auditor appointed by the FSP to perform the investor money examination and is referred to throughout this Technical Release as "the auditor";
<b>Engaging party</b>	The engaging party is the FSP;
<b>Intended user</b>	The intended user is the Central Bank;
<b>Subject matter information</b>	<u>Examination Type A</u> : The subject matter information is the outcome of the auditor's evaluation of the underlying subject matter against the applicable criteria (ie the information that results from applying the criteria to the underlying subject matter). As this is a direct assurance engagement, the subject matter information is the opinion at which the auditor arrives;  <u>Examination Type B</u> : The subject matter information is the statement, by the management of the FSP, that the FSP did not hold investor money during the period of the examination;
<b>Underlying subject matter</b>	The underlying subject matter is the phenomenon that is measured or evaluated by the auditor by applying the criteria;
	<u>Examination Type A</u> : the underlying subject matter is the compliance, or non-compliance, by the FSP with the IMR and the adequacy of the systems and processes which the FSP has maintained in order to meet the requirements of the IMR in terms of design, implementation and operation of those systems;  <u>Examination Type B</u> : the underlying subject matter is the FSP's holding or non-holding of investor money to which the IMR apply as appropriate;
<b>Criteria</b>	The IMR and the Central Bank's Guidance.

### **Ethical requirements**

36. In the course of the investor money examination the auditor complies with the "Code of Ethics for Members" of the Institute of Chartered Accountants in Ireland, or equivalent code.

### **Acceptance and continuance**

37. The auditor performs the investor money examination and continuance procedures required by ISAE 3000. In the context of an investor money examination the auditor only accepts such an engagement when satisfied that the necessary industry specific knowledge and skills are present in the engagement team. As already noted at [paragraph 8](#) above, investor money examinations are highly specialised assurance engagements requiring a specific skillset, knowledge and experience.



### **Agreeing the terms of the engagement**

38. The investor money examination under the IMR is entirely separate from the statutory audit of the financial statements of the FSP and is subject to separate terms of engagement. The parties to the engagement letter relating to the investor money examination are the auditor and the FSP.

39. The engagement letter may include:

- reference to the legal context in which the engagement arises (the IMR);
- the scope of the investor money examination;
- the respective responsibilities of the FSP and the auditor;
- the timetable for the work;
- the auditor's standard engagement terms and conditions as appropriate for engagements of this nature.

### **Assurance report format**

40. The format of the assurance report provided by the auditor as a result of the investor money examination is not prescribed by law or regulation. The format of the auditor's assurance report, which complies with the requirements of ISAE 3000, has been prepared in consultation with the Central Bank and illustrative reports are set out in Appendices 1 and 2.

### **Quality Control**

41. Audit firms performing investor money examinations apply *International Standard on Quality Control (Ireland) 1: Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* ("ISQC (Ireland) 1").

42. As already outlined above, investor money examinations are highly specialised assurance engagements. Consequently ongoing quality control needs to be exercised by the auditor to ensure that the engagement team maintains the competence, in terms of experience and training, to perform such engagements. Depending on the complexity of an individual IMR engagement it is likely that audit firms undertaking these engagements will need to provide specialist training for assurance staff which would contribute to the development and maintenance of:

- controls assurance skills;
- knowledge of the regulatory environment in which the FSP holding investor money operates including the IMR and the Central Bank's Guidance;
- knowledge of services offered by FSPs in the industry, cognisant of the dynamic nature of the industry;
- insolvency law.

### **Engagement quality control review**

43. The auditor considers the need for an engagement quality control review in respect of an investor money examination in accordance with the audit firm's quality control policy. It is expected that engagement quality control reviews would be applied to more complex investor money examinations. In considering whether an engagement quality control review is appropriate to the engagement circumstances the auditor considers factors such as:

- the size of the FSP and the nature and level of complexity of its business model;
- whether the FSP offers a significant range of different services to clients;
- whether the FSP has a history of errors in relation to the management of investor money; and
- the identification of unusual circumstances or risks in relation to the investor money examination.

### **Professional scepticism, Professional judgement, and assurance skills and techniques**

44. In performing an investor money examination the auditor remains alert to the overall objective of the IMR which is the protection of investor money in all circumstances, including in the event of insolvency. The auditor considers objectively the results of procedures performed against all other information obtained in relation to investor money at the FSP. The auditor considers the impact of any findings on the protection of investor money.

## **Examination Type A: A reasonable assurance opinion where the FSP holds investor money**

### **Planning and performing the engagement – Examination Type A**

#### **Materiality**

45. In planning and performing the investor money examination the auditor considers which matters would be material to the users of the investor money report. The users of the investor money report are the FSP and the Central Bank. For further guidance on materiality the auditor refers to the IAASB's *"International Framework for Assurance Engagements"* paragraphs 67–70.

#### **Understanding the underlying subject matter and other engagement circumstances**

46. In accordance with ISAE 3000, the auditor obtains an understanding of the underlying subject matter and the other circumstances of the engagement sufficient to identify risks of non-compliance by the FSP with the IMR and of the FSP having inadequate systems and processes to enable compliance with the IMR. This understanding of risk is the foundation for designing and performing procedures to respond to the assessed risks and to obtain evidence to support the auditor's conclusion in the investor money report.

47. The IAASB's *"International Framework for Assurance Engagements"*, paragraph 72, describes assurance engagement risk as *"the risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated"*. In the context of an investor money examination the engagement risk is the risk that the auditor expresses an inappropriate opinion in relation to the compliance of the FSP with the IMR and the adequacy of the systems and processes which the FSP has maintained in order to meet the requirements of the IMR in terms of design, implementation and operation of those systems.

48. There are a number of constituents of engagement risk which are important for the auditor to understand. The *"International Framework for Assurance Engagements"*, paragraph 74, sets out those constituents. In the context of an investor money examination the elements of engagement risk can be described as follows:

- Inherent risk: this is the risk that instances of non-compliance with the IMR may arise at the FSP due to the nature of investor money held and behaviour within the FSP before the consideration of any related controls;
- Control risk: this is the risk that the FSP's internal control systems and processes will not prevent, detect or correct on a timely basis, instances of non-compliance with the IMR;
- Detection risk: this is the risk that procedures performed by the auditor will fail to detect instances of non-compliance with the IMR or inadequacies in the systems and processes which have been put in place by the FSP to achieve compliance with IMR;
- Evaluation risk: since the investor money examination is a direct assurance engagement, evaluation risk is the risk that the auditor fails to evaluate properly the subject matter (the status of compliance with the IMR and the adequacy of systems and processes to enable compliance with the IMR) against the engagement criteria (the IMR and the Central Bank's Guidance) and therefore arrives at an inappropriate assurance opinion.

49. The auditor develops an understanding of the FSP's internal and external environment sufficient to assess the engagement risk. The auditor performing the investor money examination will find it useful to refer to ISA (Ireland) 315 *"Identifying and assessing the risks of material misstatements through understanding the entity and its environment"* ("ISA (Ireland) 315"). Although that standard applies directly to the audit of financial statements, the principles set out therein, in relation to gaining an understanding of a business and the environment in which it operates, are very relevant to an investor money examination.

50. The auditor makes enquiries to establish an understanding of the FSP and its environment. Such enquiries relate, among other things, to:

- (a) the business model of the FSP including the nature and complexity of the services offered by the FSP;
- (b) the underlying transactions and cash flows which support the services offered by the FSP and an understanding of the nature of bank accounts operated by the FSP; This could include enquiries in relation to the manner by which cash flows in respect of subscription and redemption

proceeds are processed for funds which are managed or administered by the FSP;

(c) the role of depositaries in relation to accounts operated by the FSP;

(d) the nature of contracts entered into by the FSP;

(e) whether there have been any changes to the business model during the reporting period;

(f) whether there have been any additions to the FSP's product and service offering during the reporting period;

(g) the FSP's governance structures;

(h) the FSP's control environment, including the level of automated versus manual processes, and any changes to the systems of internal control during the reporting period;

(i) the IMMP and changes in the IMMP during the period;

(j) the FSP's control environment in relation to the development and maintenance of the IMMP and the level of integration of the governance processes around the IMMP with the FSP's overall risk management environment;

(k) whether there have been any changes made to the reporting systems, including IT systems, during the period;

(l) the implications of any new laws or regulations affecting the FSP since the previous period;

(m) whether there are any arrangements to outsource activities of the FSP and the effect of any such arrangements on the business and control environment of the FSP.

51. The engagement team, led by the engagement partner, discusses the factors which may contribute to engagement risk. The engagement team discusses any factors which may impede the FSP's compliance with the IMR. Those discussions will include consideration of the effect on engagement risk of the items listed above.

52. As noted earlier, the IMR require the FSP to establish the role of HIMO<sup>24</sup>. The responsibilities of the HIMO include, but are not limited to:

(a) ensuring that the IMMP is produced, maintained, reviewed and updated as the information upon which the IMMP is based, changes;

(b) ensuring that any potential or actual breaches of the IMR are reported in writing to the board of the FSP in the case of a company or to each of the partners in the case of a partnership;

(c) ensuring that the Central Bank is notified of any breaches of the IMR without delay;

(d) approving any returns that are required by the IMR to be submitted to the Central Bank in relation to investor money;

(e) report in writing to the board of the FSP in the case of a company, or to each of the partners in the case of a partnership, in respect of any issues raised by the internal and external auditors in relation to investor money;

(f) ensuring that the persons performing the daily calculations and reconciliations, as required under the IMR, are adequately trained and have sufficient skill and expertise to perform those functions;

(g) undertaking an assessment of risks to investor money arising from the FSP's business model;

(h) ensuring that the investor money examination is completed and the assurance report is submitted to the Central Bank within the agreed time;

(i) ensuring that every investor money facilities letter is obtained and maintained;

(j) reviewing at least on an annual basis the provisions of every funds facilities letter to ensure its compliance with the IMR; and

(k) performing the duties specified in the IMR and the Central Bank's Guidance.

53. The auditor obtains an understanding of the role of HIMO, and considers any reports prepared by that person in pursuance of his/her duties.

54. The auditor makes enquiries of appropriate personnel at the FSP to establish whether they have knowledge of any actual or suspected instances of non-compliance with the IMR or of any deficiencies in the systems of control for the protection of investor money. These procedures include:

• enquiry of management, the HIMO, compliance manager, risk manager (if applicable) and Head of Internal Audit (if applicable);

- inspection of reports from those areas and any others considered relevant.

55.The auditor inspects the IMMP which details the FSP's business model, operational and governance structures, processes and key risks to the safeguarding of investor money as identified by the FSP and the controls put in place to mitigate these risks. The auditor discusses the IMMP with senior management and seeks to understand what the FSP has done to mitigate risk. The auditor remains alert to the possible existence of risks to the protection of investor money not identified by the FSP itself. The auditor considers whether the IMMP is consistent with the auditor's understanding of the FSP's business and control environment, including the FSP's wider risk management framework. The auditor also carries out an inspection of operations manuals and the FSP's documentation of systems and controls to enhance his/her understanding of relevant aspects of the FSP and its environment.

56.The auditor also considers other sources of information, both internal and external to the FSP, to support his/her understanding of the FSP's control environment and risk management. These include sources such as:

- correspondence with the Central Bank on matters related to the protection of investor money including, where applicable, the results of any regulatory inspections carried out by the Central Bank;
- relevant regulatory returns;
- client complaints' register;
- the FSP's risk registers;
- incidence reports;
- breach reports.

57.The auditor obtains an understanding of the internal controls the FSP has put in place to ensure compliance with the IMR. This includes evaluating the design of those controls relevant to compliance with the IMR and determining whether they have been implemented. In this regard the auditor identifies the control objectives relevant to each applicable regulation and assesses whether the FSP's internal control system includes appropriate controls, including monitoring controls and control activities, which meet those control objectives. Where there have been changes to the control environment during the period the auditor evaluates whether the control objectives were met both before and after the implementation of those changes. The auditor may find it useful to refer to International Standard on Auditing ("ISA") (Ireland) 315 paragraphs 13 and A73 – A75 and also to ISAE 3402 "Assurance reports on controls at a service organisation" ("ISAE 3402"), paragraphs 23 and A25-A26, with regard to the evaluation of the effectiveness of design of controls.

58.As part of the planning process, the auditor performs procedures to assess whether the controls designed by the FSP have been implemented in practice.

## **Obtaining evidence – Examination Type A**

### ***Risk consideration and responses to risks***

59.Based on the auditor's understanding of the FSP and its operating, control, governance and regulatory environment the auditor uses professional judgement to assess engagement risk and to design assurance procedures to mitigate those risks and obtain sufficient evidence to form the assurance opinion in relation to the compliance of the FSP with the IMR and the adequacy of the systems and processes for enabling compliance with the IMR. The auditor considers risk in the context of each of the individual regulations of the IMR which is relevant to the FSP.

60.The auditor's assessment of risk includes consideration of the significance of individual risks identified. The auditor considers how likely it is for an identified risk to give rise to an instance of non-compliance with the IMR and the impact of such a potential instance of non-compliance on the assurance opinion. The assurance procedures focus most heavily on addressing significant engagement risks.

61.The auditor determines the assurance procedures necessary to provide sufficient, appropriate evidence of the operating effectiveness of the control activities designed to meet the control objectives for each of the relevant regulations. The nature, timing and extent of procedures to test operating effectiveness will depend on the auditor's assessment of risk and his/her conclusions in relation to the effectiveness of the design of controls. The auditor performing the investor money examination may find it useful to refer to ISAE 3402 paragraphs 24-29 and A28-A36 and to ISA (Ireland) 330 "The auditor's responses to assessed risks" ("ISA (Ireland) 330"), paragraphs 16,17, A40 and A41 with regard to testing for operating effectiveness of controls. The auditor referring to ISAE 3402 and ISA (Ireland) 330 in this regard is cognisant that

those standards are not written with investor money examinations in mind but nonetheless provide useful principles which may be applicable to such engagements. 62. Where there have been changes to the control environment during the reporting period the auditor performs procedures to assess the operating effectiveness of the old and the revised controls. The investor money report refers to whether the systems and processes in operation throughout the period were adequate.

### ***Procedures specifically expected by the Central Bank***

63. In addition to all other procedures which the auditor deems necessary for the completion of the investor money examination, the Central Bank expects<sup>25</sup> the auditor to seek third party confirmations (external confirmations) for a representative sample of account balances held in respect of investor money both at the period end and also on one other randomly scheduled date during the period.

64. When conducting procedures to send confirmations to brokers/agents and to clients to address these respective steps the auditor should consider relevant guidance in ISA (Ireland) 505, "External Confirmations".

### ***Outsourcing arrangements***

65. An FSP may outsource certain functions of the FSP. Where an outsourcing arrangement is in place the FSP remains fully responsible in relation to its regulatory responsibility under the IMR.

66. Where an outsourcing arrangement is in place the auditor gains an understanding of that arrangement to enable the auditor to plan the engagement appropriately and perform the necessary assurance procedures to obtain sufficient and appropriate evidence to support the auditor's assurance opinion. The auditor ensures that assurance procedures planned and performed enable the auditor to obtain appropriate assurance evidence in relation to outsourced functions. Where an outsourcing arrangement exists the auditor's planning includes consideration of the information the auditor is likely to need to request from the outsourced activity provider and level of work which may need to be performed at the provider's premises. Where the auditor expects it will be necessary to obtain access to books and records maintained by the outsourced activity providers or visit that provider's premises the auditor includes this condition in the engagement letter.

67. Where an FSP retains regulatory responsibility under the IMR for activities which it has outsourced the FSP must have in place arrangements which enable the FSP to supervise and monitor the outsourced service provider's performance of those activities and to manage the risks associated with those activities. The IMR<sup>26</sup> require the FSP to take reasonable steps to ensure that the third party has appropriate processes, systems and controls in place to ensure continuity in the effective performance of the outsourced activity. The auditor gains an understanding of the FSP's systems and controls in this regard and considers the extent of assurance procedures to be performed in relation to them.

68. The auditor considers whether it is appropriate to obtain and evaluate available service organisation controls assurance reports in relation to the outsourced activity provider such as a report prepared under ISAE 3402 or similar. Where such a report is available the auditor evaluates whether it is appropriate for use as evidence for the investor money examination. The auditor's evaluation includes consideration of the objectivity, independence and competence of those persons performing the controls assurance work, the scope of the work performed and whether the period the report covers aligns with the period to be covered by the investor money report.

69. The auditor is aware of the challenges for the FSP exercising regulatory responsibility with regard to controls over outsourced activities and the related assurance engagement risk for the auditor. The auditor's procedures involve evaluation and testing of the controls put in place by the FSP to ensure it fulfils its responsibilities under the IMR. The control activities put in place by the FSP are likely to include:

- (a) frequent assessment of the appropriateness of Service Level Agreements ("SLAs") between the FSP and the outsourced activity provider and regular updating on the basis of that assessment;
- (b) controls to ensure that an update of SLAs takes place without delay when any of the underlying procedures or processes are amended;
- (c) controls to ensure that the SLAs include express terms providing for the auditor to obtain access to information held by the outsourced activity provider where considered necessary for the purposes of the investor money examination;

- (d) creating and using clearly defined communication channels between the FSP and the appropriate personnel at the outsourced activity provider;
- (e) assessment by the FSP of whether the outsourced activity provider's systems and controls meet the requirements of the IMR through onsite visits to the outsourced activity provider's premises and inspection of the outsourced activity provider's books and records;
- (f) receipt of regular reports from the outsourced activity provider in relation to compliance with the IMR and any errors or instances of non-compliance arising;
- (g) performance of spot checks regarding evidence that the outsourced activity provider is operating controls appropriate for compliance with the IMR.

#### **Written representations - Examination Type A**

70. In accordance with paragraph 56 of ISAE 3000, the auditor seeks written representations from the appropriate personnel of the FSP which are an important source of evidence. These include representations on the following;

- acknowledgement that the Board of Directors is responsible for ensuring that the FSP has internal controls and arrangements in place to comply with the IMR and for maintaining systems and processes, including the IMMP, which are adequate to enable the FSP to comply with the IMR and safeguard investor money;
- that the FSP has provided the auditor with all the information relevant to the investor money examination of which they are aware;
- that the auditor has been provided with access to all documentation and individuals at the FSP relevant to the investor money examination including relevant correspondence with the Central Bank;
- that the FSP was compliant with the IMR at the period end, with the exception of any instances of non-compliance known to directors of the FSP;
- that the FSP had in place, throughout the period, adequate systems and processes to enable compliance with the IMR except with regard to any known inadequacies which should be stated;
- any other relevant representations the auditor determines necessary to obtain to support other evidence relevant to the engagement.

#### **Forming the assurance conclusion – Examination Type A**

71. The auditor evaluates the sufficiency and appropriateness of the evidence obtained from the planned assurance procedures performed and, if necessary, determines additional procedures to obtain further evidence. The auditor maintains the appropriate professional scepticism in considering all evidence obtained in the course of the examination. Based on the evidence obtained the auditor evaluates whether the FSP:

- has maintained systems adequate to enable it to comply with the IMR throughout the period; and
- was in compliance with the IMR at the end of the period.

72. The auditor also considers specifically whether any evidence has come to his/her attention in the course of performing the procedures necessary to provide that reasonable assurance opinion which suggest to the auditor that either:

- the FSP has acted in a manner which is not consistent with that documented within the IMMP which has been in operation throughout the period; or
- changes made to the IMMP since the date of the last report have not been drafted in sufficient detail to meet the requirements of the IMR capturing the risks faced by the business of the FSP up to the date of the current report.

The Central Bank has clarified that the "date of the last report" means the period-end date of the last report and the "date of the current report" means the period-end date of the current report.

#### **Preparing the assurance report – Examination Type A**

73. An investor money assurance report shall include all the elements required in a reasonable assurance report under ISAE 3000. The format of the assurance report

has been developed in consultation with the Central Bank. An illustrative investor money report pursuant to Regulation 8(3) of the IMR is provided in [Appendix 1](#).

### **Unmodified and modified conclusions – Examination Type A**

74. In accordance with paragraph 72 of ISAE 3000 the auditor expresses an unmodified opinion where he/she concludes, based on the evidence obtained, that the FSP:

- has maintained systems adequate to enable it to comply with the IMR throughout the period; and
- was in compliance with the IMR at the end of the period.

75. The auditor reports on the matters specifically required under Regulation 8(3)(c) and (d) of the IMR in a paragraph entitled "Other Matters". In this regard where the auditor expresses an unmodified opinion in relation to the adequacy of systems and compliance with the IMR the auditor states that:

- no matter has come to the attention of the auditor to suggest that the FSP has acted in a manner which is not consistent with that documented within the IMMP which has been in operation throughout the period to which the examination relates; and
- changes made to the IMMP since the date of the last report have been drafted in sufficient detail to meet the requirements of the IMR capturing the risk faced by the FSP in holding investor money given the nature and complexity of the business of the FSP under the examination up to the date of the current report.

76. Where any instance of non-compliance has come to the attention of the auditor in the course of the assurance work the auditor considers the possible impact of this matter on his/her opinion in terms of both the adequacy of systems maintained throughout the period and period-end compliance with the IMR. The auditor assesses the significance of any identified instances of non-compliance in the context of the engagement before deciding whether a modification is appropriate. The auditor is aware that the monetary amount of an identified instance of non-compliance is not the only factor to be considered in determining the significance of that matter. For example, in performing testing of reconciliations the auditor may identify a minor amount of money not properly segregated. Although the monetary amount may, of itself, be of no significance, the auditor considers the reasons why such a failure arose and whether its existence is indicative of an inadequacy in the FSP's systems which could potentially give rise to a failure involving much more significant monetary amounts at another time.

77. Where the auditor has identified an instance of non-compliance during the period the auditor may conclude that it is appropriate to modify the auditor's opinion with regard to adequacy of the FSP's systems throughout the period as outlined above. The auditor may nonetheless be able to conclude that the FSP was in compliance with the IMR at the period end if the circumstances of the identified non-compliance during the period have been resolved by the period-end.

78. The assurance procedures performed may lead the auditor to conclude that the FSP did not have adequate procedures throughout the period even where the auditor has not identified any specific instances of non-compliance during the period. The FSP may have avoided any events of non-compliance with the IMR despite not having systems adequate to ensure compliance. Where the auditor has reached a conclusion that this is the case he/she modifies the auditor's opinion appropriately.

79. Where the auditor concludes that it is appropriate to modify the auditor's opinion with regard to the adequacy of systems during the period and/or compliance with the IMR at the period end, the auditor determines the appropriate type of modification in accordance with ISAE 3000. The modification is an "except for" or an "adverse" opinion as appropriately determined in the auditor's professional judgement. Examples of illustrative modified opinions are set out in [Appendix 1](#).

80. Where the auditor expressed a modified opinion in respect of the adequacy of the FSP's systems during the period or in respect of the FSP's compliance with the IMR at the period-end, the auditor considers the impact on the statements required to be made under "Other Matters". Where the auditor expresses an opinion that systems were not adequate during the period, or the FSP was not in compliance with the IMR at the period end, then it is highly likely that there will be at least one matter which has come to the attention of the auditor to suggest that the FSP has acted in a manner which is not consistent with that documented within the IMMP which has been in operation throughout the period. Similarly a modified opinion may result in the

auditor reaching a conclusion that changes to the IMMP since the date of the last report have not been drafted in sufficient detail to meet the requirements of the IMR, capturing the risk faced by the FSP in holding investor money given the nature and complexity of the business of the FSP under examination, up to the date of the current report.

### **The FSPs' response to the auditor's findings – Examination Type A**

81. The IMR require<sup>27</sup> the FSP to ensure that any remedial actions necessary arising from the investor money report are set out in writing and that such remedial actions are carried out without delay. The Central Bank's Guidance requires that the FSP's responses to the auditor's recommendations for remedial action, if any, are submitted to the Central Bank<sup>28</sup>.

82. It has been agreed with the Central Bank that the FSP will make a submission to the Central Bank, separate from the auditor's report, setting out its response to any findings of the investor money examination, as per G8(6) of the Central Bank's Guidance.

### **Examination Type B: A limited assurance opinion where the FSP claims not to hold investor money**

83. Where an FSP, which has no condition on its authorisation prohibiting it from holding investor money, claims not to hold investor money, the FSP engages an auditor to perform a limited assurance engagement which is referred to in this Technical Release as 'Examination Type B'. The purpose of an Examination Type B is to perform such procedures as the auditor deems appropriate to enable him/her to conclude as to whether anything has come to the auditor's attention that causes him/her to believe that the FSP held investor money during the period covered by the report.

### **Planning and performing the engagement – Examination Type B**

84. Much of the initial planning of an Examination Type B is similar in nature to that performed in respect of an Examination Type A already discussed above. In accordance with ISAE 3000 the auditor obtains an understanding of the circumstances of the engagement sufficient to identify the risk of the FSP holding investor money when the FSP has claimed not to have held any investor money during the period.

85. The auditor makes enquiries to establish an understanding of the FSP and its environment and the likelihood of the FSP holding investor money. Such enquiries relate, among other things, to:

- (a) the business model of the FSP, including the nature of the services offered by the FSP, and how the FSP is remunerated for those services;
- (b) the underlying transactions and cash flows which support the services offered including an understanding of the reasoning for the FSP not holding investor money with respect to those services. For example, this could include enquiries in relation to the manner by which cash flows in respect of subscription and redemption proceeds are processed for funds which are managed or administered by the FSP;
- (c) the nature of cashflows going through the accounts of the FSP, whether held on the FSP's own behalf or on behalf of others;
- (d) whether there are circumstances in which the FSP might be in a position requiring the FSP to hold investor money to support its product or service offering;
- (e) whether there have been any changes to the business model during the reporting period, including whether there have been any additions to the FSP's product and service offering during the reporting period;
- (f) the FSP's control environment and any changes to any system of internal control which is in place to ensure that investor money are not held during the reporting period;
- (g) the IMMP and changes in the IMMP during the period;
- (h) whether there have been any changes made to the reporting systems, including IT systems, during the period;
- (i) the implications of any new laws or regulations affecting the FSP since the previous period to the extent that they might affect the FSP's business model in a manner which may change the likelihood of the FSP holding investor money;



(j)the relationships between the FSP and any other companies within a group of which it is a member, or any other related parties;

(k)the relationship between the FSP and any outsourced activity provider to whom the FSP has outsourced any of its functions. The auditor seeks to understand the respective roles of the FSP and the outsourced activity provider in relation to the cashflows and transactions underlying the FSP's services offered to clients.

86.Where the auditor performing the investor money examination also acts as the statutory auditor of the financial statements of the FSP, the auditor considers the results of audit work done for the latter engagement. The auditor considers whether any indication of the existence of investor money was identified as a consequence of audit procedures performed by the statutory audit engagement team.

87.The auditor discusses with the HIMO the controls the FSP has put in place to avoid the holding of investor money in the first instance and, in the second instance, to ensure the identification of investor money should they arise. The auditor seeks to understand what the FSP has done to ensure investor money was not held by the FSP. The auditor remains alert to the possibility that investor money was held by the FSP but not correctly identified as such by the FSP itself.

88.The auditor also considers external sources of information to support his/her understanding of the FSP's control environment in relation to the holding of investor money. These external sources may include;

- relevant correspondence with the Central Bank;
- relevant regulatory returns;
- the FSP's risk register; and
- the FSP's client complaints' register.

#### **Obtaining evidence – Examination Type B**

89.In accordance with paragraph 48L of ISAE 3000, based on the auditor's understanding of the FSP and its control environment, the auditor identifies the areas where the existence of investor money might be most likely to arise at the FSP and to have been undetected as such by the FSP in arriving at the conclusion that it has not held investor money during the period. The auditor then designs and performs procedures to address those areas where a material misstatement is likely to arise in relation to the claim by the FSP's management that investor money has not been held during the period.

90.The procedures the auditor performs may include, but are not limited to:

(a)enquiry of appropriate personnel at the FSP, including management, the HIMO, compliance manager, risk manager (if applicable) and Head of Internal Audit (if applicable) to establish whether they have knowledge of any actual or suspected instances of investor money being held by the FSP for any time during the period;

(b)inspection of reports from those areas and any others considered relevant to identify any recorded instances of holding of investor money or any recorded weaknesses in the internal control system designed to ensure that the FSP does not hold investor money;

(c)inspection of any correspondence between the FSP and the Central Bank in relation to investor money;

(d)review of any internal or external legal advice relied upon by the FSP in claiming not to hold investor money;

(e)inspection of contracts with outsourced activity providers for any indication that the holding of investor money might be performed by the FSP rather than by a third party;

(f)selection of a sample of transactions on the FSP's operational bank accounts and inspect to ascertain whether they may be cashflows indicative of investor money;

(g)selection of a sample of contracts with funds to inspect for any indication that investor money has been held in respect of transactions for investors;

(h)review of agreements with funds for statements in respect of how transactions are executed and settled for the investor;

(i)review of agreements with funds for statements in respect of how any interest, dividends, rights issues etc. are dealt with on behalf of investors;

(j)consider obtaining confirmations from depositaries in relation to a sample of accounts identified by the FSP as being "Fund Asset" accounts

as to whether these accounts are subject to oversight of the depositary and accounted for as fund assets.

91. In accordance with paragraph 49L of ISAE 3000, if the auditor, as a result of having performed the planned procedures, becomes aware of a matter that causes him/her to believe that the FSP may have held investor money, the auditor designs and performs additional procedures to obtain further evidence until the auditor can conclude that either, the matter is not likely to have resulted in the FSP holding investor money, or, that the FSP did indeed hold investor money.

#### **Written representations - Examination Type B**

92. In accordance with paragraph 56 of ISAE 3000, the auditor seeks written representations from the appropriate personnel of the FSP. These include representations on the following:

- acknowledgement that the Board of Directors is responsible for ensuring that the FSP has internal controls and arrangements to comply with the IMR and safeguarding investor money if such was held and for ensuring that the FSP has systems adequate to identify investor money;
- that the FSP has provided the auditor with all the information relevant to the limited assurance investor money examination of which they are aware;
- that the auditor has been provided with access to all documentation and individuals at the FSP relevant to the investor money examination including relevant correspondence with the Central Bank;
- that the FSP did not hold investor money during the period;
- any other relevant representations the auditor determines necessary to support other evidence relevant to the engagement.

#### **Forming the limited assurance conclusion – Examination Type B**

93. The auditor evaluates the sufficiency and appropriateness of the evidence obtained from all the procedures performed. The auditor maintains the appropriate professional scepticism in considering all evidence obtained in the course of the examination. Based on the evidence obtained, the auditor evaluates whether any matter has come to the attention of the auditor that causes the auditor to believe that the FSP held investor money during the period.

#### **Preparing the limited assurance report – Examination Type B**

94. A limited assurance investor money report shall include all the elements required in a limited assurance report under ISAE 3000. An illustrative example is included at [Appendix 2](#).

#### **Duty and right to report to the Central Bank**

95. Audit firms engaged to perform the examination under the IMR and also to report on the relevant FSP's statutory financial statements will take into account the requirements and guidance set out in ISA 250 (Ireland): Section B *"The auditors right and duty to report to regulators in the financial sector"* (including guidance set out in appendix 2 to that ISA on the auditor's obligations in relation to information obtained in capacities other than that of the auditor) if matters falling within the auditor's statutory duty or right to report come to their attention during the course of their work relating to the IMR.

96. The auditor, whether appointed to report on both the statutory financial statements and under the IMR or solely under the IMR, takes account of section 58 of the Central Bank (Supervision and Enforcement) Act 2013, which provides a mechanism for auditors, and other parties including actuaries, to bring matters to the attention of the Central Bank without contravening confidentiality obligations, regardless of whether a statutory duty to do so arises. In considering when to report an auditor may wish to take legal advice. The auditor may wish to ensure, for example, that only relevant information is disclosed and that the form and content of the report is appropriate in the circumstances.

97. Audit firms are also reminded of their duties to report in certain circumstances in accordance with anti- money laundering and terrorist financing legislation. In that regard audit firms refer to the Consultative Committee of Accountancy Bodies – Ireland (CCAB-I) *"Anti-money laundering guidance – Republic of Ireland"*, issued in 2010.

#### **Appendix 1 – Illustrative opinion(s) - Examination Type A**

## **Illustrative Unqualified Reasonable Assurance Report on Investor Money Examination where the Fund Service Provider has held investor money for the period**

### **Independent Auditor Reasonable Assurance Report to the Directors of XYZ Limited, pursuant to Regulation 8(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 (“the Regulations”) for Fund Service Providers**

This report has been prepared as required by Regulation 8(1) in respect of [Fund service provider Name] (“the Fund Service Provider”) on the matters set out in Regulation 8(3) of the Regulations for the year ended [date] / period started [date] and ended [date].

#### ***Respective Responsibilities of the Directors and the Independent Auditor***

The Board of Directors is responsible for ensuring the Fund Service Provider has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out core principles of an investor money regime and related requirements prescribed to protect investor money and safeguard against the risk of loss. Those requirements cover the principles of segregation, designation, reconciliation, daily calculation, investor money examination and risk management including the appointment of a Head of Investor Money Oversight and implementing an Investor Money Management Plan.

Our responsibility is to carry out an examination and report on the matters set out in Regulation 8(3) of the Regulations, being as to whether:

- The Fund Service Provider has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination;
- The Fund Service Provider was compliant with the Regulations as at the period end date;
- Any matter has come to our attention to suggest that the Fund Service Provider has acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and
- Changes made to the Investor Money Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

#### ***Applicable professional standards***

We have applied the principles in the International Standards on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (ISAE 3000) and the guidance in Technical Release issued by Chartered Accountants Ireland [insert name].

#### ***Independence and Quality Control***

We comply with the independence and other ethical requirements of the Code of Ethics for Members issued by the Institute of Chartered Accountants in Ireland, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We also comply with the International Standard on Quality Control (Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### ***Criteria***

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers and Guidance on Investor Money Regulations for Fund Service Providers issued March 2015 by the Central Bank of Ireland.

#### ***Scope of Work Performed***

Our work involved gaining an understanding of the processes and systems and those internal controls the Fund Service Provider has put in place in order to comply with the Regulations. We assessed the risk of material noncompliance with the Regulations, designed and performed procedures to respond to those assessed risks and tested and evaluated the design and operating effectiveness of those controls, based on the assessed risk. Our procedures included obtaining evidence through external confirmations and performing any other procedures we considered

necessary in the circumstances and based on our judgment. We evaluated the sufficiency and appropriateness of the evidence and information we obtained as a basis of forming our opinion.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Inherent Limitations***

There are inherent limitations in assurance engagements on controls as because of their nature they may not detect all errors or omissions in processing or reporting of transactions. The conclusions expressed herein only relate to the period examination [insert period end and start date], and as at the date specified [insert date] and do not provide assurance in relation to any future period or date as changes to systems or controls subsequent to the [period]/[year] covered by this report may alter the validity of our opinions.

[Further limitations can be included based on specific engagement circumstances]

### ***Opinion***

Based on the procedures we performed and the evidence obtained, in our opinion, in all material respects:

- The Fund Service Provider has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination [insert period end and start date]; and
- The Fund Service Provider was compliant with the Regulations as at the period end [insert date].

### ***Other Matters on which we are required to report***

Based on the procedures we performed and the evidence obtained in arriving at our opinion set out above, we also report the following

- no matter has come to our attention to suggest that the Fund Service Provider has acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and
- changes made to the Investor Money Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

### ***Restriction on Use of Our Report***

This report has been prepared solely for the Directors of the Fund Service Provider who are required to and may therefore provide a copy to the Central Bank of Ireland (Central Bank). It is released on the basis that our report shall not be copied, referred to or disclosed to any other party, in whole or in part, without our prior written consent. Our report should not otherwise be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Fund Service Provider or the Central Bank for any purpose or in any context. Any party other than the Fund Service Provider and the Central Bank who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our report to any other party.

Audit firm

Address

Date

### ***Illustrative Qualified Opinion in a Reasonable Assurance Report on Investor Money Examination where the Fund Service Provider has held investor money for the period – non-compliance matters identified during year/ period only.***

- The auditor has determined that non-compliance matters identified are not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion and that therefore its opinion on the maintenance of processes and systems during the period should be qualified in "except for" terms; and,
- The non-compliance matter was corrected before the period / year end and so the auditor can provide an unmodified opinion in respect of compliance at year end.

## **Independent Auditor Reasonable Assurance Report to the Directors of XYZ Limited, pursuant to Regulation 8(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 (“the Regulations”) for Fund Service Providers**

This report has been prepared as required by Regulation 8(1) in respect of [Fund Service Provider Name] (“the Fund Service Provider”) on the matters set out in Regulation 8(3) of the Regulations for the year ended [date] / period started [date] and ended [date].

### ***Respective Responsibilities of the Directors and the Independent Auditor***

The Board of Directors is responsible for ensuring the Fund Service Provider has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out core principles of an investor money regime and related requirements prescribed to protect investor money and safeguard against the risk of loss. Those requirements cover the principles of segregation, designation, reconciliation, daily calculation, investor money examination and risk management including the appointment of a Head of Investor Money Oversight and implementing an Investor Money Management Plan.

Our responsibility is to carry out an examination and report on the matters set out in Regulation 8(3) of the Regulations, being as to whether:

- The Fund Service Provider has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination;
- The Fund Service Provider was compliant with the Regulations as at the period end date;
- Any matter has come to our attention to suggest that the Fund Service Provider has acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and
- Changes made to the Investor Money Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

### ***Applicable professional standards***

We have applied the principles in the International Standards on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (ISAE 3000) and the guidance in Technical Release issued by Chartered Accountants Ireland [insert name].

### ***Independence and Quality Control***

We comply with the independence and other ethical requirements of the Code of Ethics for Members issued by the Institute of Chartered Accountants in Ireland, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We also comply with the International Standard on Quality Control (Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### ***Criteria***

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund service providers and Guidance on Investor Money Regulations for Fund Service Providers issued March 2015 by the Central Bank of Ireland.

### ***Scope of Work Performed***

Our work involved gaining an understanding of the processes and systems and those internal controls the Fund Service Provider has put in place in order to comply with the Regulations. We assessed the risk of material noncompliance with the Regulations, designed and performed procedures to respond to those assessed risks and tested and evaluated the design and operating effectiveness of those controls, based on the assessed risk. Our procedures included obtaining evidence through external confirmations and performing any other procedures we considered necessary in the circumstances and based on our judgment. We evaluated the sufficiency and appropriateness of the evidence and information we obtained as a basis of forming our opinion.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the adequacy of processes and systems during the period and our opinion on compliance with the regulations at the year-end/period end date.

### ***Inherent Limitations***

There are inherent limitations in assurance engagements on controls as because of their nature they may not detect all errors or omissions in processing or reporting of transactions. The conclusions expressed herein only relate to the period [insert period start and end dates], and as at the date specified [insert date] and do not provide assurance in relation to any future period or date as changes to systems or controls subsequent to the [period]/[year] covered by this report may alter the validity of our opinions.

[Further limitations can be included based on specific engagement circumstances]

### ***Basis for Qualified Opinion on adequacy of processes and systems during the period***

[Note specific non-compliance matters identified during the course of the engagement]

### ***Qualified opinion on adequacy of systems during the period***

Based on the procedures we performed and the evidence obtained, except for the matters described above in the Basis for Qualified Opinion on adequacy of processes and systems during the period, in our opinion, in all material respects:

- The Fund Service Provider has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination [insert period start and end dates].

### ***Unqualified opinion on compliance at the year end/ period end date***

Based on the procedures we performed and the evidence obtained in our opinion, in all material respects:

- The Fund Service Provider was compliant with the Regulations as at the period end [insert date].

### ***Other Matters on which we are required to report***

Based on the procedures we performed and the evidence obtained in arriving at our opinion set out above, [insert if non-compliance matters relevant to this conclusion [except for the matters reported in the Basis for Qualified Opinion on adequacy of systems during the period,]] we also report the following:

- no matter has come to our attention to suggest that the Fund Service Provider has acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and
- changes made to the Investor Money Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

### ***Restriction on Use of Our Report***

This report has been prepared solely for the Directors of the Fund Service Provider who are required to and may therefore provide a copy to the Central Bank of Ireland (Central Bank). It is released on the basis that our report shall not be copied, referred to or disclosed to any other party, in whole or in part, without our prior written consent. Our report should not otherwise be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Fund Service Provider or the Central Bank for any purpose or in any context. Any party other than the Fund Service Provider and the Central Bank who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our report to any other party.

Audit firm

Address

Date

**Illustrative Qualified Opinion in a Reasonable Assurance Report on Investor Money Examination where the Fund Service Provider has held investor money for the period – non-compliance matters during the period and at period end**

- The auditor has determined that non-compliance matters identified are not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion and that therefore its opinion on the maintenance of systems during the period should be qualified in "except for" terms.
- The non-compliance matters were NOT corrected before the period / year end

**Independent Auditor Reasonable Assurance Report to the Directors of XYZ Limited, pursuant to Regulation 8(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 (“the Regulations”) for Fund Service Providers**

This report has been prepared as required by Regulation 8(1) in respect of [Fund Service Provider Name] (“the Fund Service Provider”) on the matters set out in Regulation 8(3) of the Regulations for the year ended [date] / period started [date] and ended [date].

***Respective Responsibilities of the Directors and the Independent Auditor***

The Board of Directors is responsible for ensuring the Fund Service Provider has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out core principles of an investor money regime and related requirements prescribed to protect investor money and safeguard against the risk of loss. Those requirements cover the principles of segregation, designation, reconciliation, daily calculation, investor money examination and risk management including the appointment of a Head of Investor Money Oversight and implementing an Investor Money Management Plan.

Our responsibility is to carry out an examination and report on the matters set out in Regulation 8(3) of the Regulations, being as to whether:

- The Fund Service Provider has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination;
- The Fund Service Provider was compliant with the Regulations as at the period end date;
- Any matter has come to our attention to suggest that the Fund Service Provider has acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and
- Changes made to the Investor Money Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

***Applicable professional standards***

We have applied the principles in the International Standards on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (ISAE 3000) and the guidance in Technical Release issued by Chartered Accountants Ireland [insert name].

***Independence and Quality Control***

We comply with the independence and other ethical requirements of the Code of Ethics for Members issued by the Institute of Chartered Accountants in Ireland, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We also comply with the International Standard on Quality Control (Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Criteria***

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund service providers and Guidance on Investor money Regulations for Fund Service Providers issued March 2015 by the Central Bank of Ireland.

### ***Scope of Work Performed***

Our work involved gaining an understanding of the processes and systems and those internal controls the Fund Service Provider has put in place in order to comply with the Regulations. We assessed the risk of material noncompliance with the Regulations, designed and performed procedures to respond to those assessed risks and tested and evaluated the design and operating effectiveness of those controls, based on the assessed risk. Our procedures included obtaining evidence through external confirmations and performing any other procedures we considered necessary in the circumstances and based on our judgment. We evaluated the sufficiency and appropriateness of the evidence and information we obtained as a basis of forming our opinion.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion as set out below.

### ***Inherent Limitations***

There are inherent limitations in assurance engagements on controls as because of their nature they may not detect all errors or omissions in processing or reporting of transactions. The conclusions expressed herein only relate to the period [insert period start and end dates], and as at the date specified [insert date] and do not provide assurance in relation to any future period or date as changes to systems or controls subsequent to the period/year covered by this report may alter the validity of our opinions.

[Further limitations can be included based on specific engagement circumstances]

### ***Basis for Qualified Opinion***

[Noted specific matters of non-compliance matters identified during the course of the engagement]

### ***Qualified opinion***

Based on the procedures we performed and the evidence obtained, except for the matters described above in the Basis for Qualified Opinion, in our opinion, in all material respects:

- the Fund Service Provider has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination [insert period start and end date]; and
- the Fund Service Provider was compliant with the Regulations as at the period end [insert date].

### ***Other Matters on which we are required to report***

Based on the procedures we performed and the evidence obtained in arriving at our opinion set out above, [insert if non-compliance matters relevant to this conclusion [except for the matters reported in the Basis for Qualified Opinion on adequacy of systems during the period,]] we also report the following:

- no matter has come to our attention to suggest that the Fund Service Provider has acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and
- changes made to the Investor Money Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

### ***Restriction on Use of Our Report***

This report has been prepared solely for the Directors of the Fund Service Provider who are required to and may therefore provide a copy to the Central Bank of Ireland (Central Bank). It is released on the basis that our report shall not be copied, referred to or disclosed to any other party, in whole or in part, without our prior written consent. Our report should not otherwise be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Fund Service Provider or the Central Bank for any purpose or in any context. Any party other than the Fund Service Provider and the Central Bank who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our report to any other party.



Audit Firm

Address

Date

**Illustrative Adverse Opinion in a Reasonable Assurance Report on Investor Money Examination where the Fund Service Provider has held investor money for the period.**

- The auditor has determined that non-compliance matters identified taken together are so material and pervasive that an adverse opinion is required.
- Options for opinion parts (c) on whether any matter has come to our attention to suggest that the Fund Service Provider has acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and (d) Changes made to the Investor Money Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of these Regulations will depend on the circumstances and the nature and type of the significant matters reported in the adverse opinion. Eg. the Investor Money Management Plan may have been insufficiently documented in a very material context and the Fund Service Provider may however have acted in a manner consistent with the insufficiently documented Investor Money Management Plan.

**Independent Auditor Reasonable Assurance Report to the Directors of XYZ Limited, pursuant to Regulation 8(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor money Regulations 2015 (“the Regulations”) for Fund Service Providers**

This report has been prepared as required by Regulation 8(1) in respect of [Fund Service Provider Name] (“the Fund Service Provider”) on the matters set out in Regulation 8(3) of the Regulations for the year ended [date] / period started [date] and ended [date].

***Respective Responsibilities of the Directors and the Independent Auditor***

The Board of Directors is responsible for ensuring the Fund Service Provider has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out core principles of an investor money regime and related requirements prescribed to protect investor money and safeguard against the risk of loss. Those requirements cover the principles of segregation, designation, reconciliation, daily calculation, investor money examination and risk management including the appointment of a Head of Investor Money Oversight and implementing an Investor Money Management Plan.

Our responsibility is to carry out an examination and report on the matters set out in Regulation 8(3) of the Regulations, being as to whether:

- The Fund Service Provider has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination;
- The Fund Service Provider was compliant with the Regulations as at the period end date;
- Any matter has come to our attention to suggest that the Fund Service Provider has acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and
- Changes made to the Investor Money Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

***Applicable professional standards***

We have applied the principles in the International Standards on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (ISAE 3000) and the guidance in Technical Release issued by Chartered Accountants Ireland [insert name].

***Independence and Quality Control***

We comply with the independence and other ethical requirements of the Code of Ethics for Members issued by the Institute of Chartered Accountants in Ireland, which is founded on

fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We also comply with the International Standard on Quality Control (Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Criteria**

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers and Guidance on Investor Money Regulations for Fund Service Providers issued March 2015 by the Central Bank of Ireland.

### **Scope of Work Performed**

Our work involved gaining an understanding of the processes and systems and those internal controls the Fund Service Provider has put in place in order to comply with the Regulations. We assessed the risk of material noncompliance with the Regulations, designed and performed procedures to respond to those assessed risks and tested and evaluated the design and operating effectiveness of those controls, based on the assessed risk. Our procedures included obtaining evidence through external confirmations and performing any other procedures we considered necessary in the circumstances and based on our judgment. We evaluated the sufficiency and appropriateness of the evidence and information we obtained as a basis of forming our opinion.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

### **Inherent Limitations**

There are inherent limitations in assurance engagements on controls as because of their nature they may not detect all errors or omissions in processing or reporting of transactions. The conclusions expressed herein only relate to the period [insert period start and end dates], and as at the date specified [insert date] and do not provide assurance in relation to any future period or date as changes to systems or controls subsequent to the [period]/[year] covered by this report may alter the validity of our opinions.

[Further limitations can be included based on specific engagement circumstances]

### **Basis for Adverse Opinion**

[Note specific non-compliance matters identified during the course of the engagement]

### **Adverse Opinion**

Based on the procedures we performed and the evidence obtained, because of the significance of the matters described in the Basis for Adverse Opinion, in our opinion, in all material respects:

- the Fund Service Provider has not maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination [insert period start and end date]; and
- the Fund Service Provider was not compliant with the Regulations as at the period end [insert date].

### **Other Matters on which we are required to report**

On the basis of the significance of the matters reported above in our Basis for Adverse Opinion, and based on the procedures we performed and the evidence obtained in arriving at our adverse opinion set out above, we also report the following.

- the Fund Service Provider has not acted in a manner which is consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates; and
- changes made to the Investor Money Management Plan since the date of the last report have not been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

### **[Or/ or amended as appropriate]**

On the basis of the significance of the matters reported above in our Basis for Adverse Opinion, and based on the procedures we performed and the evidence obtained in arriving at our adverse opinion set out above, we also report the following:

- changes made to the Investor Money Management Plan since the date of the last report have not been drafted in sufficient detail to meet the requirements of the Regulations capturing the risks faced by the Fund Service Provider in holding investor money given the nature and complexity of the business of the Fund Service Provider under examination up to the date of the current report.

Notwithstanding our adverse opinion above, based on the procedures performed based on the procedures we performed and the evidence obtained in arriving at our adverse opinion set out above, we also report the following:

- no matter has come to our attention to suggest that the Fund Service Provider has not acted in a manner which is not consistent with that documented within the Investor Money Management Plan which has been in operation throughout the period to which the examination relates.

### ***Restriction on Use of Our Report***

This report has been prepared solely for the Directors of the Fund Service Provider who are required to and may therefore provide a copy to the Central Bank of Ireland (Central Bank). It is released on the basis that our report shall not be copied, referred to or disclosed to any other party, in whole or in part, without our prior written consent. Our report should not otherwise be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Fund Service Provider or the Central Bank for any purpose or in any context. Any party other than the Fund Service Provider and the Central Bank who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our report to any other party.

Audit Firm

Address

Date

### **Appendix 2 – Illustrative opinion(s) – Examination Type B**

**Illustrative Unqualified Limited Assurance Report on Investor Money Examination where Fund Service Provider claims not to have held investor money for the period**

**Independent Auditor Limited Assurance Report to the Directors of [Fund Service Provider Name], pursuant to Regulation 8(7) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 (“the Regulations”) for Fund Service Providers**

This report has been prepared as required by Regulation 8(7) in respect of [Fund Service Provider Name] (“the Fund Service Provider”) on the matters set out below for the year ended [date] / period started [date] and ended [date].

#### ***Respective Responsibilities***

The Board of Directors is responsible for ensuring the Fund Service Provider has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out the core principles of an investor money regime and the requirements which have been prescribed to protect investor money and safeguard against the risk of loss. The Regulations cover the principles of segregation, designation, reconciliation, daily calculation, investor money examination and risk management and includes the appointment of a Head of Investor Money Oversight and implementing an Investor Money Management Plan.

Our responsibility is to perform appropriate procedures to enable us to report whether anything has come to our attention that causes us to believe that the Fund service provider held investor money during the year ended [date] / period started [date] and ended [date].

#### ***Applicable Professional Standards***

We have applied the principles in the International Standards on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (ISAE 3000) and the guidance in Technical Release issued by Chartered Accountants Ireland [insert name].

#### ***Our independence and Quality Control***

We comply with the independence and other ethical requirements of the Code of Ethics for Members issued by the Institute of Chartered Accountants in Ireland, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We also comply with the International Standard on Quality Control (Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Criteria**

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers and Guidance on Investor Money Regulations for Fund Service Providers issued March 2015 by the Central Bank of Ireland.

### **Scope of Work Performed**

We undertook procedures designed to obtain sufficient appropriate evidence to support our limited assurance conclusion. These procedures included the following:

- considering the Fund Service Provider's business model including the nature of services provided and the transactions it undertakes;
- enquiry of appropriate personnel at the Fund Service Provider on relevant matters to establish their knowledge of any actual or suspected instances of investor money being held by the Fund Service Provider for any time during the period;
- consideration of the controls the Fund Service Provider has in place to identify the existence of investor money including arrangements to ensure that staff understand these;
- inspection of reports, correspondence between the Fund Service Provider and the Central Bank in relation to investor money and inspection of contracts with outsourced activity providers;
- sample testing of contracts with funds to inspect for any indication that investor money has been held in respect of transactions for investors;
- review of agreements with funds for statements in respect of how transactions are executed and settled for the investor;
- sample testing transactions on the Fund Service Provider's operational bank accounts;
- [considering the results of audit procedures we performed with respect to our separate engagement to audit the Fund Service Provider's financial statements;] and
- obtaining representations from management.

The procedures performed in a limited assurance engagement are more limited in nature, timing and extent than those undertaken in the course of an audit and therefore provides assurance that is lower in scope than an audit conducted in accordance with International Standards on Auditing (Ireland). Consequently, our conclusion is not expressed as a reasonable assurance opinion.

### **Opinion**

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Fund Service Provider held investor money during the year ended [insert]/ the period started [insert date] to [insert period end date].

### **Restriction on Use of Our Report**

This report has been prepared solely for the Directors of the Fund Service Provider who are required to and may therefore provide a copy to the Central Bank of Ireland (Central Bank). It is released on the basis that our report shall not be copied, referred to or disclosed to any other party, in whole or in part, without our prior written consent. Our report should not otherwise be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Fund Service Provider or the Central Bank for any purpose or in any context. Any party other than the Fund Service Provider and the Central Bank who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our report to any other party.

Audit Firm

Address

Date

## **Illustrative Qualified Limited Assurance Report on Investor Money Examination where the Fund Service Provider claims not to have held investor money for the period**

- The Fund Service Provider claims not to have held investor money; however the findings of the limited assurance engagement appear to provide evidence in respect of the holding of investor money.

## **Independent Auditor Limited Assurance Report to the Directors of [Fund Service Provider Name], pursuant to Regulation 8(7) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 (“the Regulations”) for Fund Service Providers**

This report has been prepared as required by Regulation 8(7) in respect of [Fund Service Provider Name] (“the Fund Service Provider”) on the matters set out below for the year ended [date] / period started [date] and ended [date].

### ***Respective Responsibilities***

The Board of Directors is responsible for ensuring the Fund Service Provider has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out the core principles of an investor money regime and the requirements which have been prescribed to protect investor money and safeguard against the risk of loss. The Regulations cover the principles of segregation, designation, reconciliation, daily calculation, investor money examination and risk management and includes the appointment of a Head of Investor Money Oversight and implementing an Investor Money Management Plan.

Our responsibility is to perform appropriate procedures to enable us to report whether anything has come to our attention that causes us to believe that the Fund Service Provider held investor money during the year ended [date] / period started [date] and ended [date].

### ***Applicable Professional Standards***

We have applied the principles in the International Standards on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (ISAE 3000) and the guidance in Technical Release issued by Chartered Accountants Ireland [insert name].

### ***Our independence and Quality Control***

We comply with the independence and other ethical requirements of the Code of Ethics for Members issued by the Institute of Chartered Accountants in Ireland, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We also comply with the International Standard on Quality Control (Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### ***Criteria***

The Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Investor Money Regulations 2015 for Fund Service Providers and Guidance on Investor Money Regulations for Fund Service Providers issued by the Central Bank of Ireland.

### ***Scope of Work Performed***

We undertook procedures designed to obtain sufficient appropriate evidence to support our limited assurance conclusion. These procedures included the following:

- considering the Fund Service Provider's business model including the nature of services provided and the transactions it undertakes;
- enquiry of appropriate personnel at the Fund Service Provider on relevant matters to establish their knowledge of any actual or suspected instances of investor money being held by the Fund Service Provider for any time during the period;
- consideration of the controls the Fund Service Provider has in place to identify the existence of investor money including arrangements to ensure that staff understand these;
- inspection of reports, correspondence between the Fund Service Provider and the Central Bank in relation to investor money and inspection of contracts with outsourced activity providers;
- sample testing of contracts with funds to inspect for any indication that investor money has been held in respect of transactions for investors;

- review of agreements with funds for statements in respect of how transactions are executed and settled for the investor;
- sample testing transactions on the Fund Service Provider's operational bank accounts;
- [considering the results of audit procedures we performed with respect to our separate engagement to audit the Fund Service Provider's financial statements;] and
- obtaining representations from management.

The procedures performed in a limited assurance engagement are more limited in nature, timing and extent than those undertaken in the course of an audit and therefore provides assurance that is lower in scope than an audit conducted in accordance with International Standards on Auditing (Ireland). Consequently, our conclusion is not expressed as a reasonable assurance opinion.

### **Qualified Opinion**

Based on the procedures performed and evidence obtained it has come to our attention that contrary to the claims that no investor money were held during the year ended [date] / period started [date] and ended [date] [Reasons for material reservations on the claim by fund service provider].

### **Restriction on Use of Our Report**

This report has been prepared solely for the Directors of the Fund Service Provider who are required to and may therefore provide a copy to the Central Bank of Ireland (Central Bank). It is released on the basis that our report shall not be copied, referred to or disclosed to any other party, in whole or in part, without our prior written consent. Our report should not otherwise be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Fund Service Provider or the Central Bank for any purpose or in any context. Any party other than the Fund Service Provider and the Central Bank who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our report to any other party.

Audit Firm

Address

Date

1 A Technical Release addresses technical issues of ongoing relevance and importance to members of Chartered Accountants Ireland. A Technical Release is a source of guidance on technical and practice issues relevant to the work of chartered accountants.

2 Regulation 8(1) of the IMR

3 Statutory Instrument 87 of 2016

4 At the time of publication of this Technical Release, "Guidance on Investor Money Regulations for Fund Service Providers, March 2016" is available on the Central Bank's website at <https://www.centralbank.ie/docs/default-source/news-and-media/press-releases/2015/march/30-march/150330-guidance-on-investor-money-regulations-for-fund-service-providers.pdf?sfvrsn=2>

5 Regulation 2 of the IMR

6 Regulation 3(9) of the IMR:

*"Investor money may only be held by a fund service provider in a collection account maintained by the fund service provider at any of the following:*

- (a) a credit institution authorised in the EEA;*
- (b) a credit institution authorised within a signatory state, other than a Member State of the EEA, to the Basle Capital Convergence Agreement of July 1988;*
- (c) a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand."*

7 Regulation 2 of the IMR

8 In accordance with Regulations 33 and 46 of the UCITS Regulations (S.I. No 352 of 2011), and Regulation 22(8) of AIFM Regulations (S.I. No 257 of 2013), all assets of an Investment Fund must be entrusted to a trustee/depositary for safekeeping. – footnote no.2 in G3(1) of "Guidance for Investor Money Regulations for Fund Service Providers, March 2016"

9 Issued 22 December 2015, revised 24 March 2016 <https://www.centralbank.ie/regulation/industry-market-sectors/funds/ucits/guidance/umbrella-funds---cash-accounts-holding-subscription-redemption-and-dividend-monies>

10 Regulation 34(3) of the UCITS Regulations 2011

11 Regulation 22(7)(a) of the AIFM Regulations 2013

12 Regulation 7(3) of the IMR

13 Regulation 7(6) of the IMR

14 G7(13) and G7(14) of the "Guidance on Investor Money Regulations for Fund Service Providers, March 2016"

15 G7(18) to G7(23) of the "Guidance on Investor Money Regulations for Fund Service Providers, March 2016"

16 G7(4) to G7(9) of the "Guidance on Investor Money Regulations for Fund Service Providers, March 2016"

17 G1(1) of the "Guidance on Investor Money Regulations for Fund Service Providers, March 2016"

18 The implementation date of the IMR is 1 July 2016

19 The "date of the last report" means the period-end date of the last report and "date of the current report" means the period- end date of the current report.

20 G8(2) of "Guidance on Investor Money Regulations for Fund Service Providers, March 2016"

21 Regulation 8(1) of the IMR

22 G8(5) of "Guidance on Investor Money Regulations for Fund Service Providers, March 2016"

23 G8(6) of "Guidance on Investor Money Regulations for Fund Service Providers, March 2016" **Effective Date**

24 Regulation 7(1) of the IMR. The responsibilities of the function are outlined in Regulation 7 of the IMR.

25 As set out in G8(4) of the "Guidance on Investor Money Regulations for Fund Service Providers, March 2016"

26 Regulations 5(5) and 6(10) of the IMR.

27 Regulation 8(6) of the IMR

28 G8(6) of the "Guidance on Investor Money Regulations for Fund Service Providers, March 2016"