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Technical Release

TR 07/2016 - Guidance for Auditors Reporting in Accordance with Client Asset Regulations for Investment Firms

Representation and Technical Policy

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Introduction

Purpose of the Technical Release

1. The purpose of this Technical Release¹ is to provide guidance to auditors 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 (“the CAR”).
2. This Technical Release does not provide guidance to auditors 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” which is subject to separate guidance for auditors in relation to such engagements.
3. Assurance engagements required under the CAR 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 to auditors in applying ISAE 3000 to the specific circumstances of the CAR. It is important for auditors 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.
4. The Central Bank’s “Guidance on Client Asset Regulations for Investment Firms” refers to the “auditor’s technical standard” which is described as “guidance for auditors in relation to client asset engagements issued by the auditor’s professional body”. The auditor refers to this Technical Release in that regard although it is not a standard.
5. This Technical Release has been prepared in consultation with the Central Bank of Ireland.
6. Auditors performing assurance engagements under the CAR need to have the necessary knowledge of the CAR and related Central Bank guidance. The CAR and related guidance are available to read on the Central Bank’s website. This Technical Release refers to the CAR and related guidance current at the time of the publication of the Technical Release. Auditors ensure that they remain up to date with any changes to the regulatory environment which is applicable to a client asset examination.
7. Client asset examinations pursuant to the CAR are assurance engagements; however, the term “auditor” is used throughout this Technical Release in reference to the assurance practitioner because the CAR require that the assurance practitioner is an external auditor². There is no requirement for the external auditor to be the firm’s statutory auditor.
8. Client asset examinations are highly specialised engagements requiring skills in the performance of controls assurance engagements, an understanding of the principles of client assets protection, a knowledge of the industry in which firms holding client assets operate and of course the requisite knowledge of the CAR and related guidance. Since the protection of client assets 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.
9. The term “firm” is used in this Technical Release to mean an investment firm as defined in the CAR (see paragraph 13 below)
10. This Technical Release supersedes Miscellaneous Technical Statement 47 “Guidance for reporting in accordance with the Client Asset Requirements issued by the Irish Financial Services Regulatory Authority (“Financial Regulator”) in November 2007”³.

Legislative framework

11. 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 client assets is a key priority of the Central Bank. The purpose of the client asset regime is to safeguard client assets by ensuring firms adhere to general principles and prescriptive requirements in this regard. The objectives of the client asset regime are:

- (a) maintaining public confidence in the client assets regime;
- (b) minimising the risk of loss or misuse of client assets by authorised entities; and
- (c) in the event of the insolvency of an entity, enabling the efficient and cost effective return of those assets to clients.

12. Following a review of the regulatory regime for safeguarding client assets in Ireland⁴, the Central Bank published the CAR in March 2015.

13. In conjunction with the signing into law of the CAR in March 2015, the Central Bank published “Guidance on Client Asset Regulations for Investment Firms”⁵ to assist investment firms in implementing the CAR.

14. An investment firm refers to any entity regulated by the Central Bank of Ireland as an:
- (a) Investment firm under the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. 60 of 2007) (“MIFID”); or
 - (b) Investment business firm under the Investment Intermediaries Act 1995 (“the IIA”); or,
 - (c) A UCITS management company under the European Communities (Collective Investment for Transferable Securities) Regulations 2011 (S.I. No. 352 of 2011) (“UCITS”) which is authorised to conduct services pursuant to Regulation 16(2) of UCITS and in respect of those services only; or
 - (d) Alternative investment fund manager under the European Union (Alternative Investment Fund Managers) Regulations 2013 (S.I. No. 257 of 2013) (“AIFMD”) which is authorised to conduct services pursuant to Regulation 7(4) of AIFMD and in respect of those services only.

The investment firm definition does not include:

- (a) certified persons within the meaning of section 55 of the IIA; or,
- (b) a person authorised pursuant to section 10 of the IIA to solely 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.

15. Client assets for the purposes of CAR are *client funds* and *client financial instruments*.

“*Client funds means any money, to which the client is beneficially entitled, received from or on behalf of a client or held by the investment firm on behalf of a client and includes (without limitation):*

- (a) *client funds held by or with a nominee;*
- (b) *in the case of money that is comprised partly of client funds and partly of funds of any other type, that part of the money that is client funds,*

but does not include money that an investment firm:

- i. receives from or on behalf of the client, or*
- ii. owes to or retains on behalf of the client*

and which related exclusively to an activity of the investment firm which is not a regulated financial service.

Client financial instrument means a financial instrument as defined in Regulation 3(1) of MIFID and an investment instrument as defined in section 2(1) of the IIA, which is held by an investment firm on behalf of a client and includes, without limitation, any:

- (a) *client financial instrument that is held with a nominee; and*
- (b) *claim relating to, or a right in or in respect of a financial instrument.”*

In accordance with Regulation 3(9) of the CAR, an investment firm is deemed to hold client funds where:

- (a) *“the money has been lodged on behalf of a client of the investment firm to a client asset account with any one of the entities listed in Regulation 3(10)⁶ in the name of the investment firm or of any nominee of the investment firm; and*
- (b) *the investment firm has the capacity to effect transactions on that client asset account.”*

Also in accordance with Regulation 3(16) of the CAR, an investment firm is deemed to hold client financial instruments where the investment firm:

- (a) *“has been entrusted by or on account of a client with those instruments, and*
- (b) *either*
 - i. holds those instruments, including by way of holding documents of title to them, or*
 - ii. entrusts those instruments to any nominee,*

And the investment firm has the capacity to effect transactions in respect of those instruments.”

16. The CAR contain key principles for the safeguarding of client assets as follows:

- Segregation;
- Designation and Registration;
- Reconciliation;
- Daily Calculation;
- Client Disclosure and Consent;
- Risk Management; and
- Examination.

17. The CAR⁷ introduces a requirement for firms to establish and implement a Client Assets Management Plan (“CAMP”) which is a plan designed to bring together the firm’s overall approach to risks associated with safeguarding client assets. The CAMP records:

- (a) Details of a firm’s business model, operational structures and governance arrangements;
- (b) The range and type of client assets held by an investment firm;
- (c) The range of investment services carried out;
- (d) Risks to the safeguarding of client assets;
- (e) Processes and controls to mitigate those risks; and
- (f) Information to facilitate the distribution of client assets, particularly in the event of an investment firm’s insolvency.

18. The requirement to maintain a CAMP is a significant and onerous one. The CAMP is an essential element of the firm’s risk management that underpins all aspects of compliance with the regulations. It is therefore essential that adequate processes and controls are in place at the firm to develop the CAMP 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 CAR. The CAMP also includes how the firm determines if a service or product is regulated or unregulated, including any client asset impact⁸. A key element of the CAMP is the firm defining materiality in the context of client assets, including in relation to reconciliation breaks and surplus/deficit funding obligations. The CAMP should capture qualitative and quantitative threshold measures as the firm’s judgement of materiality⁹. Another important objective of the CAMP is to document where relevant information can be found if an insolvency event were to occur. 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 firms in the context of client assets. Further guidance in relation to the role of the CAMP is set out in G8(11) to G8(25) of the Central Bank’s “Guidance on Client Asset Regulations for Investment Firms”.

19. The CAR also introduces the requirement for a firm to appoint a dedicated Head of Client Asset Oversight who has responsibility for overseeing the safeguarding of client assets. The Head of Client Asset Oversight is an important governance and risk management role in the firm. The responsibilities of this individual are set out in Regulation 8 of the CAR. Further guidance in relation to the role of the Head of Client Asset Oversight is set out in G8(4) to G8(10) of the Central Bank’s “Guidance on Client Asset Regulations for Investment Firms”. The Head of Client Asset Oversight is a key contact person at the firm for the auditor performing a client asset engagement.

20. The CAR include a requirement for an external auditor to perform an annual examination of the firm’s compliance with the relevant regulations. There are two types of examination set out in Regulation 9 of the CAR depending on whether or not the firm holds client assets or claims not to hold client assets during the period of examination:

Examination Type A: Regulation 9(3) of the CAR requires a firm subject to the CAR, other than a firm permitted to hold client assets which claims not to hold client assets during the period, to engage an external auditor to carry out an examination whereby the auditor provides an assurance report as to whether:

- (a) the firm has maintained processes and systems adequate to meet the requirements of the CAR throughout the period of the examination;
- (b) the firm was compliant with the Regulations as at the period end date;
- (c) any matter has come to the attention of the auditor to suggest that the firm has acted in a manner which is not consistent with that documented in the CAMP which has been in operation throughout the period to which the examination relates; and
- (d) changes made to the CAMP since the date of the last report¹⁰ have been drafted in sufficient detail to meet the requirements of the CAR capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity under examination up to the date of the current report.¹⁰

The related Central Bank guidance¹¹ 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 CAR requirements regarding the CAMP. In effect, because the CAMP is fundamental to the CAR, 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.

Examination Type B: Where a firm does not have a condition on its licence preventing it from holding client assets (i.e., the firm is permitted to hold client assets under the terms of its authorisation) but claims not to hold client assets Regulation 9(7) of the CAR requires the firm to engage an external auditor to carry out an 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 investment firm held client assets during the period.

Timing

21. The CAR require the firm to arrange for the auditor to prepare a client assets report on an annual basis. The guidance¹² issued by the Central Bank supporting the CAR states that the period to be covered by the client asset report cannot exceed more than 53 weeks after the end of the period of the previous report. The firm is required by the CAR to provide the client asset report to the Central Bank not later than 4 months after each year end. The auditor provides the client asset report to the firm on a timely basis in advance of that reporting deadline to facilitate the firm meeting its obligation to furnish the report to the Central Bank.

22. The Central Bank has written to relevant firms in relation to the timing of the first client asset report under the CAR. That circular is included at [Appendix 3](#).

Scope

23. This Technical Release sets out the principles underlying the work to be performed by an auditor in providing a client assets report as required by Regulation 9 of the CAR. 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 client asset engagement based on the requirements of ISAE 3000 and with the assistance of this Technical Release.

24. Regulation 9 of the CAR applies to all investment firms meeting the definition of an investment firm in Regulation 2 of the CAR. However the related guidance appears to limit the application of the requirements of the CAR to those defined firms “holding client assets”¹³. The Central Bank has clarified to Chartered Accountants Ireland that a client asset examination is not expected in circumstances where a firm has a condition on its licence preventing it from the holding of client assets. The CAR are clear that the firm is responsible for arranging for an auditor to carry out a client asset examination and therefore the decision as to whether a client asset examination is required must be made by the firm and never by the auditor. Where a firm is unclear whether to engage an auditor to perform an assurance engagement in accordance with the CAR the firm refers to the Central Bank for direction in this regard.

25. As noted in the Introduction above client asset examinations are assurance engagements; however, the term “auditor” is used throughout this Technical Release in reference to the assurance practitioner because the CAR require that the assurance practitioner is an external auditor¹⁴. The client asset examination is separate from the statutory audit of the financial statements of the firm and does not in any way form part of the statutory audit.

26. As insolvency law applies at a legal entity level and not to groups of companies, the CAR applies in full to each legal entity that holds client assets. Therefore where a group of companies are providing investment services, each entity within the group that holds client assets will be subject to the full regulations and therefore to the requirement to have a client asset examination.

27. Where a firm outsources to a third party administrator and/or client assets are transferred to the third party administrator it will be important for the auditor to consider when the client assets are within scope of the client asset examination which he/she has been engaged to perform for the firm.

Effective Date

28. This Technical Release is effective for reports to the Central Bank in respect of the CAR for investment firms for periods commencing on or after 1 October 2015.

Definitions

29. Auditors refer to the definitions set out in paragraph 12 of ISAE 3000. In the context of a client asset assurance engagement some of the key definitions can be applied as follows:

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 examination required under the CAR 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.”

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

Responsible party	The responsible party is the firm
Practitioner	The practitioner is the external auditor appointed by the firm to perform the client asset examination and is referred to throughout this Technical Release as “the auditor”
Engaging party	The engaging party is the firm
Intended user	The intended user is the Central Bank
Subject matter information	<p><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.</p> <p><u>Examination Type B</u>: The subject matter information is the statement, by the management of the firm, that the firm did not hold client assets during the period of the examination.</p>
Underlying subject matter	<p>The underlying subject matter is the phenomenon that is measured or evaluated by the auditor by applying the criteria.</p> <p><u>Examination Type A</u>: the underlying subject matter is the compliance, or non-compliance, by the firm with the CAR and the adequacy of the systems and processes which the firm has maintained in order to meet the requirements of the CAR in terms of design, implementation and operation of those systems.</p> <p><u>Examination Type B</u>: the underlying subject matter is the firm’s holding or non-holding of client assets to which the CAR apply as appropriate.</p>
Criteria	The CAR and related guidance issued by the Central Bank.

Ethical requirements

31. In the course of the engagement the auditor complies with the “Code of Ethics for Members” of the Institute of Chartered Accountants in Ireland, or equivalent code.

Acceptance and continuance

32. The auditor performs the engagement and continuance procedures required by ISAE 3000. In the context of a client assets assurance engagement 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, client asset examinations are highly specialised assurance engagements requiring a specific and skillset, knowledge and experience.

Agreeing the terms of the engagement

33. The assurance examination under the CAR is entirely separate from the statutory audit of the financial statements of the firm and is subject to separate terms of engagement. The parties to the engagement letter relating to the examination are the auditor and the firm.

34. The engagement letter may include:

- Reference to the legal context in which the engagement arises (the CAR);
- The scope of the examination;
- The respective responsibilities of the firm 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 prescribed by law or regulation

35. The format of the assurance report is not prescribed by law or regulation. The format of the 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

36. Audit firms performing client asset examinations apply “*International Standard on Quality Control (UK and Ireland) 1: Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements*” (ISQC (UK and Ireland) 1).

37. As already outlined above, client asset 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 CAR 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 firms holding client assets operate including the CAR and related guidance;
- Knowledge of products offered by firms in the industry, cognisant of the dynamic nature of the industry;
- Insolvency law.

Engagement quality control review

38. Auditors consider the need for an engagement quality control review in respect of a client asset 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 client asset 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 firm and the nature of its business model;
- Whether the firm offers a significant range of different products to clients;
- Whether the firm offers any unusual or complex products to clients;
- Whether the firm has a history of errors in relation to the management of client assets; and
- The identification of unusual circumstances or risks in relation to the client asset examination.

Professional scepticism, Professional judgement, and assurance skills and techniques

39. In performing a client asset examination the auditor remains alert to the overall objective of the CAR which is the protection of client assets in all circumstances including in the event of insolvency. The auditor considers the results of audit procedures objectively against all other

information obtained in relation to client assets at the firm. The auditor considers the impact of any findings on the protection of client assets.

Planning and performing the engagement – Examination Type A

Materiality

40. In planning and performing the client asset engagement the auditor considers which matters would be material to the users of the auditor's report. The users of the report are the firm and the Central Bank. For further guidance on materiality auditors refer to the IAASB's "International Framework For Assurance Engagements" paragraphs 67–70.

Understanding the underlying subject matter and other engagement circumstances

41. 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 firm with the CAR and of the firm having inadequate systems and processes to enable compliance with the CAR. 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.

42. 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 a client asset examination the engagement risk is the risk that the auditor expresses an inappropriate opinion in relation to the compliance of the firm with the CAR and the adequacy of the systems and processes which the firm has maintained in order to meet the requirements of the CAR in terms of design, implementation and operation of those systems.

43. 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 a client asset assurance engagement the elements of engagement risk can be described as follows:

- Inherent risk: this is the risk that instances of non-compliance with the CAR may arise at the firm due to the nature of client assets held and behaviour within the firm before the consideration of any related controls.
- Control risk: this is the risk that the firm's internal control systems and processes will not prevent, detect or correct on a timely basis, instances of non-compliance with the CAR;
- Detection risk: this is the risk that procedures performed by the auditor will fail to detect instances of non-compliance with the CAR or inadequacies in the systems and processes which have been put in place by the firm to achieve compliance with CAR;
- Evaluation risk: since the client asset 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 CAR and the adequacy of systems and processes to enable compliance with the CAR) against the engagement criteria (the CAR and related guidance) and therefore arrives at an inappropriate opinion.

44. The auditor develops an understanding of the firm's internal and external environment sufficient to assess the engagement risk. Auditors performing client asset assurance engagements will find it useful to refer to ISA (UK and Ireland) 315 "Identifying and assessing the risks of material misstatements through understanding the entity and its environment". 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 a client asset examination.

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

- (a) the business model of the firm including the nature of the products and services offered by the firm and the underlying transactions and cash flows which support those products and services;
- (b) whether there have been any changes to the business model during the reporting period;
- (c) whether there have been any additions to the firm's product and service offering during the reporting period;
- (d) the firm's governance structures;
- (e) the firm's control environment, including the level of automated versus manual processes, and any changes to the systems of internal control during the reporting period;
- (f) the CAMP and changes in the CAMP during the period;

- (g) the firm's control environment in relation to the development and maintenance of the CAMP and the level of integration of the governance processes around the CAMP with the firm's overall risk management environment;
- (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 firm since the previous period;
- (j) whether there are any arrangements with third party administrators of client assets, including outsourced arrangements, and the effect of any such arrangements on the business and control environment of the firm.

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

47. As noted earlier, the CAR require the firm to establish the role of Head of Client Asset Oversight¹⁵. The responsibilities of the Head of Client Asset Oversight include, but are not limited to:

- ensuring that the CAMP is produced, maintained, reviewed and updated as the information upon which the CAMP is based, changes;
- ensuring that any potential or actual breaches of the CAR are reported in writing to the board of the firm in the case of a company or to each of the partners in the case of a partnership;
- ensuring that the Central Bank is notified of any breaches of the CAR without delay;
- approving any returns that are required by the CAR to be submitted to the Central Bank in relation to client assets;
- report in writing to the board of the firm 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 client assets;
- ensuring that the persons performing the daily calculations and reconciliations, as required under the CAR, are adequately trained and have sufficient skill and expertise to perform those functions;
- undertaking an assessment of risks to client assets arising from the firm's business model;
- ensuring that the client asset examination is completed and the assurance report is submitted to the Central Bank within the agreed time;
- ensuring that every funds facilities letter and financial instruments facilities letter is obtained and maintained;
- reviewing at least on an annual basis the provisions of every funds facilities letter and financial instruments letter to ensure its compliance with the CAR; and
- performing the duties specified in the CAR and related guidance.

48. The auditor obtains an understanding of the role of Head of Client Assets Oversight, and considers any reports prepared by that person in pursuance of his/her duties.

49. The auditor makes enquiries of appropriate personnel at the firm to establish whether they have knowledge of any actual or suspected instances of non-compliance with the CAR or of any deficiencies in the systems of control for the protection of client assets. These procedures include:

- enquiry of management, the Head of Client Assets Oversight, compliance manager, risk manager (if applicable) and Head of Internal Audit (if applicable);
- inspection of reports from those areas and any others considered relevant.

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

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

- correspondence with the Central Bank on matters related to the protection of client assets including, where applicable, the results of any regulatory inspections carried out by the Central Bank;

- relevant monthly regulatory returns;
- client complaints' register;
- the firm's risk registers;
- incidence reports;
- breach reports.

52.The auditor obtains an understanding of the internal controls the firm has put in place to ensure compliance with the CAR. This includes evaluating the design of those controls relevant to compliance with the CAR 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 firm'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 will find it useful to refer to ISA (UK and Ireland) 315 paragraphs 13 and A73 – A75 and also to ISAE 3402 "Assurance reports on controls at a service organisation", paragraphs 23 and A25-A26, with regard to the evaluation of the effectiveness of design of controls.

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

Obtaining evidence – Examination Type A

Risk consideration and responses to risks

54.Based on the auditor's understanding of the firm 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 firm with the CAR and the adequacy of the systems and processes for enabling compliance with the CAR. The auditor considers risk in the context of each of the individual regulations of the CAR which is relevant to the firm.

55.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 CAR 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.

56.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. Auditors performing client asset engagements may find it useful to refer to ISAE 3402 paragraphs 24-29 and A28-A36 and to ISA (UK and Ireland) 330 "The auditor's responses to assessed risks", paragraphs 16,17, A40 and A41 with regard to testing for operating effectiveness of controls. Auditors referring to ISAE 3402 and ISA (UK and Ireland) 330 in this regard are cognisant that those standards are not written with client asset examinations in mind but nonetheless provide useful principles which are applicable to such engagements.

57.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 auditor's opinion refers to whether the systems and processes in operation throughout the period were adequate.

Procedures specifically expected by the Central Bank

58.In addition to all other procedures which the auditor deems necessary for the completion of the client asset examination, the Central Bank expects¹⁶ the auditor to seek third party confirmations (external confirmations) from brokers/agents for a representative sample of balances held in respect of client assets both at the year end and also on one other randomly scheduled date during the year.

59.The Central Bank also expects the auditor to seek positive confirmation from a representative sample of clients, as determined by the auditor, of client asset balances at a randomly selected date during the year, other than the period end date.

60.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 505 (UK and Ireland) "External Confirmations".

Use of Third Party Administrators

61.Investment firms may outsource certain functions of the firm to a Third Party Administrator ("TPA"). TPA arrangements are likely to fall into one of the categories below:

- A Model A arrangement: This is an outsourcing arrangement where the firm remains fully responsible for meeting its obligations under the CAR. All client assets involved are held by the firm and the TPA is engaged to provide administrative and back office support to the firm's operations (including clearing and settlement).
- A Model B arrangement: Under this type of arrangement a TPA is engaged by the firm to provide clearing, settlement and custody services. The firm retains the direct client relationship but does not retain custody of the client assets. As the TPA has custody of client assets, a tri-partite terms of business is utilised to clearly outline the responsibilities to the client of the firm and of the TPA respectively. The on-going responsibility for compliance with the CAR generally rests with the TPA; however the firm also has obligations under the CAR. The firm often retains some obligations in relation to handling client assets, for example, the firm may receive and process share certificates and/or cheques which are passed on to the TPA. The firm also owns the client relationship so may be responsible for many of the client facing obligations applicable under the CAR, for example, provision of disclosures and statements to clients. The firm is often also responsible for processing client instructions to effect transactions in relation to assets held. A Model B investment firm is required to comply with the CAR to the extent to which they apply to the firm. It will be important to clearly establish the allocation of responsibilities.
- Investment Advisory Firm Model: There is a third model where smaller investment advisory firms engage a TPA to provide clearing, settlement and custody services. Under this model, the provision of custody services is retained exclusively by the TPA and it is fully responsible for compliance with the CAR. The investment firm's role is limited to provision of investment advisory services and a tri-partite terms of business is again used to clearly outline the responsibilities to the client of the investment firm and of the TPA respectively. Investment firms employing this model are generally not permitted to hold client assets.

62. Where a TPA arrangement is in place the auditor gains an understanding of that arrangement to enable the auditor to determine the scope of the client asset examination, to plan the engagement appropriately and perform the necessary assurance procedures to obtain sufficient and appropriate evidence to support the auditor's opinion.

63. The auditor performs procedures to confirm the regulatory responsibilities of the firm and the TPA respectively through enquiry of management, review of the CAMP, inspection of contracts between the firm and the TPA and, where applicable, tri-partite agreements including clients, the firm and the TPA. The auditor confirms the extent to which the CAR applies to the firm and establishes the scope of the client asset examination.

64. The auditor ensures that assurance procedures planned and performed enable the auditor to obtain assurance evidence in relation to all outsourced functions in relation to which the firm retains regulatory responsibility under the CAR. Where a TPA arrangement exists the auditor's planning includes consideration of the information the auditor is likely to need to request from the TPA and level of work which may need to be performed at the TPA's premises. Where the auditor expects it will be necessary to obtain access to books and records maintained by the TPA or visit the TPA's premises the auditor includes this condition in the engagement letter.

65. Where a firm retains regulatory responsibility under the CAR for activities which it has outsourced to a TPA the firm must have in place arrangements which enable the firm to supervise and monitor the TPA's performance of those activities and to manage the risks associated with those activities. Regulations 5(8) and 6(9) of the CAR require the firm 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 firm's systems and controls in this regard and considers the extent of assurance procedures to be performed in relation to them.

66. The auditor considers whether it is appropriate to obtain and evaluate available service organisation controls assurance reports in relation to the TPA such as a report prepared under ISAE 3402 "Assurance reports on controls at a service organization" or similar. Where such a report is available the auditor evaluates whether it is appropriate for use as evidence for the client asset 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 auditor's report under the CAR.

67. The auditor is aware of the challenges for a firm 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 firm to ensure it fulfils its responsibilities under the CAR. The control activities put in place by the firm are likely to include:

- Frequent assessment of the appropriateness of Service Level Agreements (SLAs) between the firm and the TPA and regular updating on the basis of that assessment;
- Controls to ensure that an update of SLAs takes place without delay when any of the underlying procedures or processes are amended;
- Creating and using clearly defined communication channels between the firm and the appropriate personnel at the TPA;
- Assessment by the firm of whether the TPA's systems and controls meet the requirements of the CAR through onsite visits to the TPA's premises and inspection of the TPA's books and records;
- Receipt of regular reports from the TPA in relation to compliance with the CAR and any errors or instances of non-compliance arising;
- Performance of spot checks regarding evidence that the TPA is operating controls appropriate for compliance with the CAR.

Written representations Examination Type A

68. In accordance with paragraph 56 of ISAE 3000, the auditor seeks written representations from the appropriate personnel of the firm and 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 firm has internal controls and arrangements in place to comply with the CAR and for maintaining systems and processes, including the CAMP, which are adequate to enable the firm to comply with the CAR and safeguard client assets;
- That the firm has provided the auditor with all the information relevant to the client asset examination of which they are aware;
- That the auditor has been provided with access to all documentation and individuals at the firm relevant to the client asset examination including relevant correspondence with the Central Bank;
- That the firm was compliant with the CAR at the period end, with the exception of any instances of non-compliance known to directors of the firm;
- That the firm had in place, throughout the period, adequate systems and processes to enable compliance with the CAR 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

69. 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 firm:

- (a) has maintained systems adequate to enable it to comply with the CAR throughout the period; and
- (b) was in compliance with the CAR at the end of the period.

70. 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;

- (a) the firm has acted in a manner which is not consistent with that documented within the CAMP which has been in operation throughout the period; or
- (b) changes made to the CAMP since the date of the last report have not been drafted in sufficient detail to meet the requirements of the CAR capturing the risks faced by the business of the firm 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

71. A client assets assurance report shall include all the elements required in a reasonable assurance report under ISAE 3000. The format of the assurance report required under Regulation 9(3) of the CAR has been agreed with the Central Bank. An illustrative auditor's report is provided in [Appendix 1](#).

Unmodified and modified conclusions – Examination Type A

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

- (a) has maintained systems adequate to enable it to comply with the CAR throughout the period; and
- (b) was in compliance with the CAR at the end of the period.

73. The auditor reports on the matters specifically required under Regulation 9 (3)(c) and (d) of the CAR 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 CAR the auditor states that:

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

74. 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 CAR. 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 firm’s systems which could potentially give rise to a failure involving much more significant monetary amounts at another time.

75. 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 firm’s systems throughout the period as outlined above. The auditor may nonetheless be able to conclude that the firm was in compliance with the CAR at the period end if the circumstances of the identified non-compliance during the period have been resolved by the period-end.

76. The assurance procedures performed may lead the auditor to conclude that the firm 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 firm may have been fortunate to avoid any events of non-compliance with the CAR 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.

77. 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 CAR 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](#).

78. Where the auditor expressed a modified opinion in respect of the adequacy of the firm’s systems during the period or in respect of the firm’s compliance with the CAR 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 firm was not in compliance with the CAR 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 firm has acted in a manner which is not consistent with that documented within the CAMP which has been in operation throughout the period. Similarly a modified opinion may result in the auditor reaching a conclusion that changes to the CAMP since the date of the last report have not been drafted in sufficient detail to meet the requirements of the CAR capturing the risk faced by the firm in holding client assets given the nature and complexity of the business of the firm under examinations up to the date of the current report.

Firms’ response to auditors’ findings – Examination Type A

79. The CAR require¹⁷ the firm to ensure that any remedial actions necessary arising from the report of the auditor (the assurance opinions) are set out in writing and that such remedial actions are carried out without delay. The related Central Bank guidance requires that the firm’s response to the auditor’s recommendations for remedial action, if any, are submitted to the Central Bank:

“the report from the auditor should make provision for the ... firm to comment and to set out actions it has taken, or will take, where the report has identified recommendations for remediation.”

80. It has been agreed with the Central Bank that the firm will make a separate submission to the Central Bank setting out its response to any findings of the client asset examination.

Examination Type B: A limited assurance opinion where a firm claims not to hold client assets

81. Where a firm which has no condition on its authorisation preventing it from holding client assets (i.e., the firm is permitted to hold client assets under the terms of its authorisation) claims not to hold client assets the firm 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 firm held client assets during the period covered by the report.

Planning and performing the engagement – Examination Type B

82. 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 firm holding client assets when the firm has claimed not to have held any client assets during the period.

83. The auditor makes enquiries to establish an understanding of the firm and its environment and the likelihood of the firm holding client assets. Such enquiries relate, among other things, to:

- (a) the business model of the firm including the nature of the products and services offered by the firm and how the firm is remunerated for those products and services;
- (b) the underlying transactions and cash flows which support the products and services offered including an understanding of the reasoning for the firm not holding client assets with respect to those products and services;
- (c) the nature of cashflows and other asset movements going through the accounts of the firm whether held on the firm's own behalf or on behalf of others;
- (d) whether there are circumstances in which the firm might be in a position requiring the firm to hold client assets 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 firm's product and service offering during the reporting period;
- (f) the firm's control environment and any changes to any system of internal control which is in place to ensure that client assets are not held during the reporting period;
- (g) the CAMP and changes in the CAMP 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 firm since the previous period to the extent that they might affect the firm's business model in a manner which may change the likelihood of the firm holding client assets;
- (j) the relationships between the firm and any other companies within a group of which it is a member or any other related parties;
- (k) the relationship between the firm and any third party administrators. The auditor seeks to understand the respective roles of firm and the third party administrator in relation to the cashflows and transactions underlying the firm's products and services offered to clients.

84. Where the auditor performing the client asset examination also acts as the statutory auditor of the financial statements of the firm the auditor considers the results of audit work done for the latter engagement. The auditor considers whether any indication of the existence of client assets was identified as a consequence of audit procedures performed by the statutory audit engagement team.

85. The auditor discusses with the Head of Client Asset Oversight the controls the firm has put in place to avoid the holding of client assets in the first instance and, in the second instance, to ensure the identification of client assets should they arise. The auditor seeks to understand what the firm has done to ensure client assets were not held by the firm. The auditor remains alert to the possibility that client assets were held by the firm but not correctly identified as such by the firm itself.

86. The auditor also considers external sources of information to support his/her understanding of the firm's control environment in relation to the holding of client assets. These external sources may include;

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

Obtaining evidence – Examination Type B

87. In accordance with paragraph 48L of ISAE 3000, based on the auditor's understanding of the firm and its control environment, the auditor identifies the areas where the existence of client assets might be most likely to arise at the firm and to have been undetected as such by the firm in arriving at the conclusion that it has not held client assets 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 firm's management that client assets have not been held during the period.

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

- (a) enquiry of appropriate personnel at the firm, including management, the Head of Client Assets Oversight, 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 client assets being held by the firm 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 client assets or any recorded weaknesses in the internal control system designed to ensure that the firm does not hold client assets;
- (c) inspection of any correspondence between the firm and the Central Bank in relation to client assets;
- (d) review of any internal or external legal advice relied upon by a firm in claiming not to hold client assets;
- (e) inspection of contracts with third party administrators and asset custodians for any indication that the holding of client assets might be performed by the firm rather than by a third party;
- (f) selection of a sample of transactions on the firm's operational bank accounts and inspect to ascertain whether they may be cashflows indicative of client assets.
- (g) selection of a sample of client files, including client contracts and other documentation, to inspect for any indication that client assets have been held in respect of transactions for clients;
- (h) review of client agreements for statements in respect of how transactions are executed and settled for the client;
- (i) review of client agreements for statements in respect of how any interest, dividends, rights issues etc. are dealt with on behalf of clients;
- (j) inspection of a sample of client statements for any evidence of cashflows which indicate that client assets may have been held by the firm;

89. In accordance with ISAE 3000 paragraph 49L 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 firm may have held client assets, 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 firm holding client assets, or, that the firm did indeed hold client assets.

Written representations Examination Type B

90. In accordance with paragraph 56 of ISAE 3000, the auditor seeks written representations from the appropriate personnel of the firm. These include representations on the following;

- Acknowledgement that the Board of Directors is responsible for ensuring that the firm has internal controls and arrangements to comply with the CAR and safeguarding client assets if these are held and for ensuring that the firm has systems adequate to identify client assets;
- That the firm has provided the auditor with all the information relevant to the limited assurance client asset examination of which they are aware;
- That the auditor has been provided with access to all documentation and individuals at the firm relevant to the client asset examination including relevant correspondence with the Central Bank;
- That the firm did not hold client assets 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

91. 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 firm held client money during the period.

Preparing the limited assurance report – Examination Type B

92. A limited assurance client assets 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

93. Audit firms engaged to perform the examination under the CAR and also to report on the relevant firm's statutory financial statements will take into account the requirements and guidance set out in ISA 250 (UK and Ireland) B *"The auditors right and duty to report to regulators in the financial sector"* 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 CAR, including guidance set out in [Appendix 2](#) to the ISA relating to the auditor's obligations in relation to information obtained in capacities other than that of the auditor.

94. Auditors, whether appointed to report on both the statutory financial statements and under the CAR or solely under the CAR, take 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. An 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.

95. 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 Client Asset Examination where the Investment Firm has held client assets for the period

Independent Auditor Reasonable Assurance Report to the Directors of XYZ Limited, pursuant to Regulation 9(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Client Asset Regulations 2015 for Investment Firms

This report has been prepared as required by Regulation 9(1) in respect of [Investment Firm Name] ("the Investment Firm") on the matters set out in Regulation 9(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 Investment Firm has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out core principles of a client asset regime and related requirements prescribed to protect client assets and safeguard against the risk of loss. Those requirements cover the principles of segregation, designation and registration, reconciliation, daily calculation, client disclosure and consent, client asset examination and risk management including the appointment of a Head of Client Asset Oversight and implementing a Client Asset Management Plan.

Our responsibility is to carry out an examination and report on the matters set out in Regulation 9(3) of the Regulations, being as to whether:

- The Investment Firm has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination;
- The Investment Firm was compliant with the Regulations as at the period end date;
- Any matter has come to our attention to suggest that the Investment Firm has acted in a manner which is not consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and
- Changes made to the Client Asset Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 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)) Client Asset Regulations 2015 for Investment Firms and Guidance on Client Asset Regulations for Investment Firms 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 Investment Firm 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, and as at the date specified 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 Investment Firm 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 Investment Firm 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 Investment Firm has acted in a manner which is not consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and
- changes made to the Client Asset Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 Investment Firm 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 Investment Firm or the Central Bank for any purpose or in any context. Any party other than the Investment Firm 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.

Firm

Address

Date

Illustrative Qualified Opinion in a Reasonable Assurance Report on Client Assets Examination where the Investment Firm has held client assets 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 9(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Client Asset Regulations 2015 for Investment Firms

This report has been prepared as required by Regulation 9(1) in respect of [Investment Firm Name] (“the Investment Firm”) on the matters set out in Regulation 9(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 Investment Firm has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out core principles of a client asset regime and related requirements prescribed to protect client assets and safeguard against the risk of loss. Those requirements cover the principles of segregation, designation and registration, reconciliation, daily calculation, client disclosure and consent, client asset examination and risk management including the appointment of a Head of Client Asset Oversight and implementing a Client Asset Management Plan.

Our responsibility is to carry out an examination and report on the matters set out in Regulation 9(3) of the Regulations, being as to whether:

- The Investment Firm has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination;
- The Investment Firm was compliant with the Regulations as at the period end date;
- Any matter has come to our attention to suggest that the Investment Firm has acted in a manner which is not consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and
- Changes made to the Client Asset Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 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)) Client Asset Regulations 2015 for Investment Firms and Guidance on Client Asset Regulations for Investment Firms 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 Investment Firm 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, and as at the date specified 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 Investment Firm 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 Investment Firm 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 Investment Firm has acted in a manner which is not consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and
- changes made to the Client Asset Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 Investment Firm 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 Investment Firm or the Central Bank for any purpose or in any context. Any party other than the Investment Firm 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.

Firm

Address

Date

Illustrative Qualified Opinion in a Reasonable Assurance Report on Client Assets Examination where the Investment Firm has held client assets 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 9(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Client Asset Regulations 2015 for Investment Firms

This report has been prepared as required by Regulation 9(1) in respect of [Investment Firm Name] (“the Investment Firm”) on the matters set out in Regulation 9(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 Investment Firm has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out core principles of a client asset regime and related requirements prescribed to protect client assets and safeguard against the risk of loss. Those requirements cover the principles of segregation, designation and registration, reconciliation, daily calculation, client disclosure and consent, client asset examination and risk management including the appointment of a Head of Client Asset Oversight and implementing a Client Asset Management Plan.

Our responsibility is to carry out an examination and report on the matters set out in Regulation 9(3) of the Regulations, being as to whether:

- The Investment Firm has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination;
- The Investment Firm was compliant with the Regulations as at the period end date;
- Any matter has come to our attention to suggest that the Investment Firm has acted in a manner which is not consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and
- Changes made to the Client Asset Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 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)) Client Asset Regulations 2015 for Investment Firms and Guidance on Client Asset Regulations for Investment Firms 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 Investment Firm 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, and as at the date specified 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 Investment Firm 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 Investment Firm 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 Investment Firm has acted in a manner which is not consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and
- changes made to the Client Asset Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 Investment Firm 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 Investment Firm or the Central Bank for any purpose or in any context. Any party other than the Investment Firm 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.

Firm

Address

Date

Illustrative Adverse Opinion in a Reasonable Assurance Report on Client Assets Examination where the Investment Firm has held client assets 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 Investment Firm has acted in a manner which is not consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and (d) Changes made to the Client Asset 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 CAMP may have been insufficiently documented in a very material context and the Investment Firm may however have acted in a manner consistent with the insufficiently documented CAMP.

Independent Auditor Reasonable Assurance Report to the Directors of XYZ Limited, pursuant to Regulation 9(1) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Client Asset Regulations 2015 for Investment

This report has been prepared as required by Regulation 9(1) in respect of [Investment Firm Name] (“the Investment Firm”) on the matters set out in Regulation 9(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 Investment Firm has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out core principles of a client asset regime and related requirements prescribed to protect client assets and safeguard against the risk of loss. Those requirements cover the principles of segregation, designation and registration, reconciliation, daily calculation, client disclosure and consent, client asset examination and risk management including the appointment of a Head of Client Asset Oversight and implementing a Client Asset Management Plan.

Our responsibility is to carry out an examination and report on the matters set out in Regulation 9(3) of the Regulations, being as to whether:

- The Investment Firm has maintained processes and systems adequate to meet the requirements of the Regulations throughout the period of examination;
- The Investment Firm was compliant with the Regulations as at the period end date;
- Any matter has come to our attention to suggest that the Investment Firm has acted in a manner which is not consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and
- Changes made to the Client Asset Management Plan since the date of the last report have been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 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)) Client Asset Regulations 2015 for Investment Firms and Guidance on Client Asset Regulations for Investment Firms 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 Investment Firm 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, and as at the date specified 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 Investment Firm 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 Investment Firm 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 Investment Firm has not acted in a manner which is consistent with that documented within the Client Asset Management Plan which has been in operation throughout the period to which the examination relates; and
- changes made to the Client Asset Management Plan since the date of the last report have not been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 Client Asset Management Plan since the date of the last report have not been drafted in sufficient detail to meet the requirements of these Regulations capturing the risks faced by the entity in holding client assets given the nature and complexity of the business of the entity 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 Investment Firm has not acted in a manner which is not consistent with that documented within the Client Asset 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 Investment Firm 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 Investment Firm or the Central Bank for any purpose or in any context. Any party other than the Investment Firm 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.

Firm

Address

Date

Appendix 2 – Illustrative opinion – Examination Type B

Illustrative Unqualified Limited Assurance Report on Client Asset Examination where Investment Firm claims not to have held Client Assets for the period

Independent Auditor Limited Assurance Report to the Directors of [Investment Business Firm Name], pursuant to Regulation 9(7) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Client Asset Regulations 2015 for Investment Firms

This report has been prepared as required by Regulation 9(7) in respect of [Investment Firm Name] (“the Investment Firm”) 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 Investment Firm has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out the core principles of a client asset regime and the requirements which have been prescribed to protect client assets and safeguard against the risk of loss. The Regulations cover the principles of segregation, designation, reconciliation, daily calculation, client disclosure and consent, client asset examination and risk management and includes the appointment of a Head of Client Asset Oversight and implementing a Client Asset 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 Investment Firm held client assets 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 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)) Client Asset Regulations 2015 for Investment Firms and Guidance on Client Asset Regulations for Investment Firms 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 Investment Firm’s business model including the nature of services provided and the transactions it undertakes;
- enquiry of appropriate personnel at the Investment Firm on relevant matters to establish their knowledge of any actual or suspected instances of client assets being held by the Investment Firm for any time during the period;
- consideration of the controls the Investment Firm has in place to identify the existence of client assets including arrangements to ensure that staff understand these;
- inspection of reports, correspondence between the Investment Firm and the Central Bank in relation to client assets and inspection of contracts with third party administrators and asset custodians;
- sample testing of client files including contracts and arrangements with clients and related client statements;
- sample testing transactions on the Investment Firm’s operational bank accounts;
- considering the results of audit procedures we performed with respect to our separate engagement to audit the Investment Firm’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 (UK and 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 Investment Firm held client assets 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 Investment Firm 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 Investment Firm or the Central Bank for any purpose or in any context. Any party other than the Investment Firm 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.

Firm

Address

Date

Illustrative Qualified Limited Assurance Report on Client Asset Examination where Investment Business Firm claims not to have held Client Assets for the period

- The Investment firm claims not to have held client assets; however the findings of the limited assurance engagement appear to provide evidence in respect of the holding of client assets.

Independent Auditor Limited Assurance Report to the Directors of [Investment Firm Name], pursuant to Regulation 9(7) of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) Client Asset Regulations 2015 for Investment Firms

This report has been prepared as required by Regulation 9(7) in respect of [Investment Firm Name] (“the Investment Firm”) 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 Investment Firm has internal controls and arrangements put in place to comply with the Regulations. The Regulations set out the core principles of a client asset regime and the requirements which have been prescribed to protect client assets and safeguard against the risk of loss. The Regulations cover the principles of segregation, designation, reconciliation, daily calculation, client disclosure and consent, client asset examination and risk management and includes the appointment of a Head of Client Asset Oversight and implementing a Client Asset 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 Investment Firm held client assets 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 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)) Client Asset Regulations 2015 for Investment Firms and Guidance on Client Asset Regulations for Investment Firms 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 Investment Firm's business model including the nature of services provided and the transactions it undertakes;
- enquiry of appropriate personnel at the Investment Firm on relevant matters to establish their knowledge of any actual or suspected instances of client assets being held by the Investment Firm for any time during the period;
- consideration of the controls the Investment Firm has in place to identify the existence of client assets including arrangements to ensure that staff understand these;
- inspection of reports, correspondence between the Investment Firm and the Central Bank in relation to client assets and inspection of contracts with third party administrators and asset custodians;
- sample testing of client files including contracts and arrangements with clients and related client statements;
- sample testing transactions on the Investment Firm's operational bank accounts;
- considering the results of audit procedures we performed with respect to our separate engagement to audit the Investment Firm'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 (UK and 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 client assets were held during the year ended [date] / period started [date] and ended [date] [Reasons for material reservations on claim by investment Firm].

Restriction on Use of Our Report

This report has been prepared solely for the Directors of the Investment Firm [Company?] 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 Investment Firm or the Central Bank for any purpose or in any context. Any party other than the Investment Firm 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.

Firm

Address

Date

Appendix 3 – Central Bank circular to investment firms regarding transitional arrangements

The letter below was sent to relevant investment firms in May 2015:

29 May 2015

Re: Client Asset Regulations for Investment Firms – Transitional Arrangements

Dear Sir/Madam

I refer to the Central Bank of Ireland's Press Release dated 30 March 2015 regarding the publication of Client Asset Regulations (the "new Regulations") and related Guidance for Investment Firms¹⁸. The current Client Asset Requirements 2007 ("CAR") will be revoked on the coming into operation of these new Regulations on 1 October 2015. Investment firms subject to CAR are currently required to have a bi-annual CAR audit and, in future, the new Regulations will require an annual Client Asset Examination ("CAE") (for a period not exceeding 53 weeks after the period of the previous report).

The purpose of this communication is to advise you of arrangements that are acceptable to the Central Bank in relation to the transition from the bi-annual CAR audit report requirement to the newly required annual CAE, so that investment firms can close off their audit obligations under the current CAR requirements before

arranging completion of the first CAE under the new Regulations. The Central Bank is currently engaging with Chartered Accountants Ireland (“CAI”), in the context of their development of guidance for auditors, in relation to a number of matters relating to the implementation of the new Regulations, including transitional arrangements.

Bi-Annual CAR Audit

The Central Bank recognises that the transition from the existing CAR Requirements to the new Regulations on 1 October 2015 may give rise to investment firms requiring their auditors to report under both CAR and the new Regulations, particularly in the instance of a 31 December or 30 June year end.

Accordingly, the Central Bank is informing investment firms subject to CAR which have a financial year ending on 31 December or 30 June, that the bi-annual audit report due for the period ending 30 June 2015 can be extended to a 9 month reporting period to 30 September 2015. In these specific circumstances, the Central Bank is permitting an alteration from the existing bi-annual requirement imposed on investment firms. This is to facilitate closing out the period covered by the existing CAR Requirements. It is not anticipated that firms with March or September financial reporting year-ends will experience this difficulty as the reporting period for their bi-annual CAR audit report ends on 30 September 2015 which coincides with the revocation of CAR.

CAE

Firms will then have up to 53 weeks from the introduction of the new Regulations on 1 October 2015 to provide the first CAE. Regulation 8(3) of the Regulations requires that the Client Asset Management Plan (“CAMP”) must be in place within 3 months of the commencement of the new Regulations (i.e., by 1 January 2016); however, it is advisable that the first CAE under the Regulations covers a period of at least three months in which the CAMP has been approved and in operation. Should the firm’s preferred annual CAE date not fall within the 53-week period, such a firm can complete an interim CAE within the 53-week period and then complete the annual CAE on the preferred date within 53 weeks after the date of completion of the interim CAE.

Firms should liaise with their auditors to establish a schedule to target the period end date which is most practicable to them with regard to completion of the annual CAE.

Should you have any specific questions on transitional arrangements please contact cast@centralbank.ie.

Yours sincerely,

John Canny

Securities & Markets Supervision Division

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 9(1) of the CAR

3 M47 was relevant guidance for client assets engagements for periods ending before 1 October 2015 in accordance with the previous client assets regime.

4 The previous client assets regime was set out in two separate pieces of legislation; Investment firms were regulated for client assets’ purposes under Regulation 79 of the European Communities (Markets in Financial Instruments) Regulations 2007 (S.I. 60 of 2007) (“MIFID”) and investment business firms holding client assets were regulated under Section 52 of the Investment Intermediaries Act 1995 (“IIA”) (together “the 2007 Client Assets Requirements”).

5 “Guidance on Client Asset Regulations for Investment Firms” is available on the Central Bank’s website

at <http://www.centralbank.ie/regulation/Documents/Guidance%20on%20Client%20Asset%20Regulations%20for%20Investment%20Firms%20March%202015.pdf>

6 Regulation 3(10):

“Client funds may not be held by an investment firm other than in a client asset account maintained by the investment firm at any one of the following:

(a) a central bank;

(b) a credit institution authorised pursuant to any law implementing the requirements of Directive 2013/36/EU;

(c) a bank authorised in a non-EEA country;

(d) a qualifying money market fund.”

[7](#) Regulation 8(3) of the CAR

[8](#) G8(17) of the “Guidance on Client Asset Regulations for Investment Firms”

[9](#) G8(15) of the “Guidance on Client Asset Regulations for Investment Firms”

[10](#) The Central Bank has clarified that the “date of the last report” means the period-end date of the last report and that “date of the current report” means the period-end date of the current report.

[11](#) G9(2) of “Guidance on Client Asset Regulations for Investment Firms”

[12](#) G9(5) of “Guidance on Client Asset Regulations for Investment Firms”

[13](#) G1(1) of “Guidance on Client Asset Regulations for Investment Firms”

[14](#) Regulation 9(1) of the CAR

[15](#) Regulation 8(1) of the CAR. The responsibilities of the function are outlined in those regulations.

[16](#) As set out in G9(4) of the “Guidance on Client Asset Regulations for Investment Firms”

[17](#) Regulation 9(6) of the CAR

[18](#) <http://www.centralbank.ie/press-area/press-releases/Pages/CentralBankpublishesClientAssetandInvestorMoneyRegulations.aspx>.