

Chartered Accountants Ireland or CCAB-I material

Technical Alerts

TA 03/2018 - Guidance on ISQC (Ireland)

May 2018

Members are alerted to the updates to the Quality Management Standards. TA 03/2022 provides guidance on the standards issued in 2021 and effective in 2022.

Representation and Technical Policy

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1 Introduction

Legislative Background

EU Audit Regulation and Directive

On 16 April 2014 the European Union issued its Audit Reform package comprising a Regulation and a Directive (together referred to as the Audit Regulation and Directive – 'ARD'). The Audit Directive, as amended, applies to all statutory audits. Directives must be transposed into the national law of Member States.

Regulation (EU) No 537 of 2014 ('the Audit Regulation') applies solely to the statutory audits of Public Interest Entities ('PIEs'). EU Regulations have direct legislative effect in Member States, though national legislation is required to transpose Member State options/derogations.

The Audit Regulation took effect from 17 June 2016 and EU Member States were required to adopt the appropriate legislative provisions to ensure that the Audit Directive and the relevant provisions of the Audit Regulation were in place and effective from 17 June 2016.

Transposition in Ireland

Statutory Instrument No 312 of 2016 - European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016 - ('SI 312') - was signed into law on 15 June 2016 and gives effect in Ireland to the ARD.

SI 312 transposes both the Audit Directive as amended and the relevant Member State options and derogations contained in the Audit Regulation, as adopted by the Irish Government. It includes requirements in relation to the auditing and ethical standards applicable to auditors, additional independence requirements in relation to PIE auditors as well as provisions relating to the new regulatory regime and other regulatory aspects.

In accordance with SI 312, the Irish Auditing and Accounting Supervisory Authority ('IAASA') is now responsible for the audit framework in Ireland.

The Companies (Statutory Audits) Bill 2017 ('the Bill') was published by the Government on 6 November 2017. The Bill proposes to further transpose EU Audit Directive 2014/56/EU and Regulation (EU) No. 537/2014 and contains some ancillary amendments. The Bill avails of options in the EU audit measures, not available in a statutory instrument and it also elevates SI 312 into primary legislation.

ISQC (Ireland) 1

IAASA issued the Irish audit framework on 31 January 2017, which includes International Standard on Quality Control (Ireland) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements* ('ISQC (Ireland) 1').

Systems of quality control in compliance with ISQC (Ireland) 1 were required to be established by firms in Ireland by 1 February 2017. The new Standard is available on the IAASA website at the following link:

[https://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/International-Standards-on-Auditing-\(Ireland\)](https://www.iaasa.ie/Publications/Auditing-standards/International-Standards-on-Auditing-for-use-in-Ire/International-Standards-on-Auditing-(Ireland))

The purpose of this Technical Alert is to highlight changes made to ISQC (Ireland)¹, from ISQC (UK and Ireland) 1 ('ISQC (UK & I) 1'). The source of these changes is primarily the relevant requirements of the ARD. Many of the new paragraphs include the designations "D" or "R" in the paragraph reference, which indicates that these have been included in the standard to comply with the Audit Directive or the Audit Regulation respectively.

Firms should review their systems of quality control and, where appropriate, their individual audit procedures (where requirements need also to be considered and concluded on at an individual audit engagement level), and update where necessary to ensure that their policies and procedures comply with the revised requirements of ISQC (Ireland) 1. The nature and extent of the policies and procedures developed by an individual firm to comply with ISQC (Ireland) 1 will depend on various factors such as the size and operating characteristics of the firm, and whether it is part of a network (ISQC (Ireland) 1 paragraph 4).

Members will note that while some of the new paragraphs in ISQC (Ireland) 1 may include provisions that are similarly worded or have similar practical implications to the previous requirements of ISQC (UK & I) 1, they may now be more prescriptive in their application, for example the use of the word 'ensure' compared to 'reasonable assurance' (refer to the table below where some examples of this are evident). Some of the new requirements that are now required by law and are an explicit requirement of ISQC (Ireland) 1, may already have been adopted by a firm in the past as best practice. Indications are provided in the table below, where applicable, of "D" and "R" provisions which relate to pre-existing requirements of ISQC (UK & I) 1.

In June 2017, Chartered Accountants Ireland published Technical Alert TA 02/2017 'Guidance on the new ISAs (Ireland) Auditing Standards issued by the Irish Auditing and Accounting Supervisory Authority' (TA 02/2017). TA 02/2017 highlights the key new requirements of the new ISAs (Ireland), and members will note some references to that TA 02/2017 in this document. TA 02/2017 is available on the Chartered Accountants Ireland website www.charteredaccountants.ie.

2Table of changes from ISQC (UK & I) 1

The approach taken in the table below is to highlight the key new paragraphs *added to ISQC (Ireland) 1* ('New'), along with some instances where the wording of an existing paragraph or definition has changed from that in ISQC (UK & I) 1 ('Change').

The table includes the text of the new and changed paragraphs and, in some cases, commentary (in italics). Members are advised to read ISQC (Ireland) 1 in full as the new and changed paragraphs need to be read in context, particularly of those paragraphs preceding them. Similarly, the commentary below needs to be read in the context of the full standard, and is not intended to be comprehensive.

Paragraphs that relate to auditors of Public Interest Entities² (PIEs) only are marked as such ('PIE only').

Para	Subject matter	New/change	New text in ISQC (Ireland) 1, and commentary	PIE only
1-1	Scope of Standard	Change (Full text reproduced here)	<p>In Ireland, ISQC (Ireland) 1 applies to firms that perform audits of financial statements and other public interest assurance engagements*.</p> <p>* Public interest assurance engagements are audits of financial statements and other assurance engagements undertaken in accordance with performance standards issued by IAASA.</p> <p><i>Commentary: There was a change to the text of this paragraph in ISQC (Ireland) 1, from that used in ISQC (UK & I) 1. The paragraph was amended to make reference to assurance engagements undertaken in accordance with performance standards issued by IAASA. Also, the current standard no longer refers to reports 'in connection with investment circulars'. IAASA noted in their feedback paper to their consultation 'Supplementary Standards and Guidance', that they will commence the process necessary, to adapt the Standards for Investment Reporting</i></p>	

			<i>(SIRs) issued by the FRC for use in Ireland.</i>	
Definitions				
12(b)	Definition of "Engagement documentation"	Change – additional wording added	<p>In Ireland, engagement documentation shall include all documents, information, records and other data required by this ISQC (Ireland), ISAs (Ireland) and applicable legal and regulatory requirements.</p> <p><i>Commentary: This text is added to the definition of 'Engagement Documentation' that was in ISQC (UK & I) 1, namely that it is 'the record of work performed, results obtained, and conclusions the practitioner reached (terms such as "working papers" or "workpapers" are sometimes used).'</i></p>	
12(h)-1	Definition of "Key audit partner"	New	<p>Is defined in Irish legislation³ as:</p> <p>(i) one or more statutory auditors designated by a statutory audit firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the audit firm;</p> <p>(ii) In the case of a group audit, at least one or more statutory auditors designated by a statutory audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the one or more statutory auditors designated as being primarily responsible at the level of material subsidiaries;</p> <p>(iii) The one or more statutory auditors who sign the audit report.</p> <p><i>Commentary: Please note that a footnote to paragraph A14 in the Application and Other Explanatory Material states that "The IESBA definition of "key audit partner" is not the same definition as applied in IAASA's ethical and auditing standards as IAASA's definition is derived from the Audit Directive".</i></p>	
12(i)	Definition of "Listed entity"	Change – additional wording added	In Ireland, this includes any company in which the public can trade shares on the open market, such as the Irish Stock Exchange (including those admitted to trade on the Irish Enterprise Securities	

			<p>Market). It does not include entities whose quoted or listed shares, stock or debt are in substance not freely transferable or cannot be traded freely by the public or the entity.</p> <p><i>Commentary: This text is added to the definition of 'Listed Entity' that was in ISQC (UK & I) 1, namely that a listed entity is 'An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.'</i></p>	
12(o)-1	Definition of "Public Interest Entity"	New (Text not re-produced here)	<i>Commentary: Refer to Appendix 1 of this Technical Alert for the definition of a "Public Interest Entity" and commentary thereon.</i>	
12(q)	Definition of "Relevant ethical requirements"	Change (Full text re-produced here)	<p>Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with national requirements that are more restrictive.</p> <p>In Ireland, the firm and its personnel are subject to ethical requirements from two sources: IAASA's Ethical Standard concerning the integrity, objectivity and independence of the firm and its personnel, and the ethical pronouncements established by the auditor or assurance practitioner's relevant professional body.</p> <p><i>Commentary: There has been a change in reference to the requirements of the ethical standard regarding the 'integrity, objectivity and independence of the auditor' to that of 'the firm and its personnel'.</i></p> <p><i>There are other minor changes to the definition.</i></p>	
Requirements				
15D-1	Applying, and Complying with, Relevant Requirements	New	<p>An auditor and audit firm shall:</p> <p>(a) Take into consideration the scale and complexity of the firm's activities when complying with the requirements set out</p>	

			<p>in paragraphs 16D-1, 16D-2, 20D-1, 21D-1, 29D-1, 29D-2, 32D-1 and 48D-1 of this ISQC (Ireland); and</p> <p>(b) Be able to demonstrate to the competent authority* that the firm's policies and procedures designed to achieve compliance with the applicable requirements of this ISQC (Ireland) are appropriate given the scale and complexity of the firm's activities.</p> <p>* The competent authority designated by law is IAASA.</p> <p><i>Commentary: Paragraph 4 of ISQC (Ireland) 1, (which is unchanged from ISQC (UK & I) 1), states that "The nature and extent of the policies and procedures developed by an individual firm to comply with this ISQC (Ireland) will depend on various factors such as the size and operating characteristics of the firm, and whether it is part of a network". While sub-paragraph (a) above provides a similar message regarding the consideration of the scale and complexity of the firm's activities in complying with requirements, it does so while making specific reference to complying with some of the newly introduced paragraphs to ISQC (Ireland) 1 which derive from the Audit Directive.</i></p> <p><i>In terms of scope and complexity, firms with multiple offices or complex or unusual reporting structures, for example, consider the implications of this for their ISQC (Ireland) 1 procedures.</i></p> <p><i>The requirement in sub-paragraph (b) for the firm to be able to demonstrate to IAASA the appropriateness of the firm's policies and procedures is a new specific requirement.</i></p>	
16D-1	Elements of a System of Quality Control	New	An auditor and audit firm shall establish appropriate policies and procedures to ensure that no partner, director, member or shareholder of the statutory auditor and audit firm, or partner, director, member or shareholder of a network firm, intervenes in the carrying-out of	

			<p>an engagement in any way which jeopardizes the statutory auditor and audit firm's independence and objectivity in carrying out such work.</p> <p><i>Commentary: This is a new requirement for ISQC (Ireland) 1, although members will be aware of a similar existing requirement in Audit Regulation 3.07 which states "A Registered Auditor must make arrangements to prevent anyone who is not a responsible individual in the firm from having any influence which would be likely to affect the independence or integrity of the audit."</i></p> <p><i>Note that 16D-1 makes specific reference to a network firm, not specifically mentioned in Audit Regulation 3.07.</i></p>	
16D-2	Elements of a System of Quality Control	New	<p>An auditor and audit firm shall have:</p> <p>(a) Sound administrative and accounting procedures;</p> <p>(b) Internal quality control mechanisms which are designed to secure compliance with decisions and procedures at all levels of the auditors and audit firm's working structure;</p> <p>(c) Effective procedures for risk assessment; and</p> <p>(d) Effective control and safeguard arrangements for information processing systems.</p> <p><i>Commentary: This paragraph places specific requirements on firms regarding their systems. Firms should consider their policies and procedures in this regard.</i></p>	
20D-1	Relevant Ethical Requirements	New	<p>An auditor and audit firm shall establish appropriate and effective organizational and administrative arrangements for dealing with and recording incidents which have, or may have, serious consequences for the integrity of the auditor and audit firm's audit.</p>	
21D-1	Relevant Ethical Requirements - Independence	New	<p>An auditor and audit firm shall establish appropriate and effective organizational and administrative arrangements to prevent, identify, eliminate or manage</p>	

			<p>and disclose any threats to the auditors and audit firm's independence as required by IAASA's Ethical Standard.</p> <p><i>Commentary: Members will also note the other paragraphs that have been carried forward from ISQC (UK & I) 1, where the focus was on:</i></p> <ul style="list-style-type: none"> • <i>compliance with relevant ethical requirements;</i> • <i>maintaining independence; and</i> • <i>notification of breaches.</i> 	
27D-1	Acceptance and Continuance of Client Relationships and Specific Engagements	New	<p>Before accepting or continuing an audit engagement, the auditor and audit firm shall assess the following:</p> <p>(a) Whether the auditor and audit firm complies with relevant independence and objectivity requirements in IAASA's Ethical Standard;</p> <p>(b) Whether there are threats to the auditor and audit firm's independence, and the safeguards applied to mitigate those threats;</p> <p>(c) Whether the auditor and audit firm has the competent personnel, time and resources needed in order to carry out the audit in an appropriate manner; and</p> <p>(d) Whether the key audit partner is eligible for appointment as a statutory auditor⁴.</p> <p><i>Commentary: While retaining paragraphs 26 (to establish acceptance and continuance policies and procedures to provide reasonable assurance that the firm is competent to perform the engagement, can comply with ethical requirements and has considered integrity of client) and 27 (that such policies and procedures will require the firm to obtain all necessary information before accepting or continuing an engagement, to consider any potential conflict of interest and to document how any issues identified were resolved) from ISQC (UK & I) 1 in ISQC (Ireland) 1, this new paragraph provides similar but more detailed</i></p>	

			<p><i>requirements.</i></p> <p><i>In considering any amendments needed to its policies and procedures a firm is mindful in particular that its audit procedures and documentation reflect the consideration of and conclusion on these specific matters at the acceptance and continuance stage of each audit engagement.</i></p>	
57D-2	Documentation of the System of Quality Control	New	<p>For audits of financial statements, the audit firm shall also document:</p> <p>(a) Whether the firm complies with the independence and objectivity requirements in IAASA's Ethical Standard;</p> <p>(b) Whether there are any threats to the firm's independence, and the safeguards applied to mitigate those threats;</p> <p>(c) Whether the firm has the competent personnel, time and resources needed in order to carry out the audit in an appropriate manner; and</p> <p>(d) Whether the key audit partner(s) is eligible to be appointed as a statutory auditor⁴.</p> <p><i>Commentary: As noted above, paragraph 27D-1 of ISQC (Ireland) 1 requires that the auditor and audit firm assess the above before accepting or continuing an audit engagement. This paragraph 57D-2 requires that the assessment be documented.</i></p>	
27R-2	Acceptance and Continuance of Client Relationships and Specific Engagements	New	<p>Before accepting or continuing an engagement for an audit engagement of a public interest entity, the firm shall also assess the following:</p> <p>(a) Whether the auditor and audit firm complies with the audit fees and the prohibition of the provision of non-audit services requirements in the IAASA's Ethical Standard;</p> <p>(b) Whether the conditions for the duration of the audit engagement in accordance with the Audit Regulation* are complied with; and</p> <p>(c) Without prejudice to Irish anti-money laundering requirements**, the integrity of the members of the</p>	PIE Only

			<p>supervisory, administrative and management bodies of the public interest entity.</p> <p>*Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014.</p> <p>**Implemented pursuant to Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005.</p> <p><i>Commentary: A firm considers and concludes on these matters at the acceptance and continuance stage of each PIE audit engagement.</i></p>	
28D-1	Acceptance and Continuance of Client Relationships and Specific Engagements	New	<p>For audits of financial statements, where the auditor and audit firm ceases to hold office as a statutory auditor, or ceases to be eligible for appointment as a statutory auditor/public auditor⁴, the statutory auditor and audit firm shall provide the successor statutory auditor and audit firm with access to all relevant information concerning the entity, including information concerning the most recent audit*.</p> <p>*The relevant ethical guidance on proposed communications with a predecessor auditor is provided by the ethical pronouncements relating to the work of auditors issued by the auditor's relevant professional body and Regulation 71 of the European Union (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/53/EU, and Regulation (EU) No 537/2014) Regulations 2016 (Statutory Instrument 312 of 2016 refers).</p> <p><i>Commentary: There was a similar provision in SI 220 of 2010 regarding the provision of information where the statutory auditor or audit firm was replaced. The requirement above has been included in ISQC (Ireland) 1 with amended wording to reflect the ARD, and extends the requirement to provide information to successor statutory auditors to situations where the statutory auditor or audit firm ceases to be eligible for appointment.</i></p> <p><i>Paragraph 28D-1 references a new 'Application and Other Explanatory Material' paragraph in ISQC (Ireland) 1, A22-1 which is noted below:</i></p>	
A22-1	Acceptance and Continuance of	New	<p>Auditors of Irish Companies, generally, are obliged to notify IAASA within one</p>	

	Client Relationships and Specific Engagements – Statement by Auditor on Ceasing to Hold Office		<p>month of ceasing to hold office on the appropriate form which includes stating the reason for resignation notwithstanding that the auditor may have nothing to report to the members or creditors regarding their ceasing to hold office.*</p> <p>*See section 403 of the Companies Act 2014.</p> <p><i>Commentary: This requirement comes from section 403 of Companies Act 2014 and auditors refer to same to understand their requirements in this regard.</i></p> <p><i>See also details of the changes in this regard to ISA (Ireland) 210 ('Agreeing the terms of audit engagements') noted in Technical Alert TA 02/2017.</i></p>	
29D-1	Human Resources	New	<p>For audits of financial statements, the auditor and audit firm shall:</p> <p>(a) Establish appropriate policies and procedures to ensure that the auditors and audit firm's personnel and any other individuals whose services are placed at the statutory auditors and audit firm's disposal or under the auditors and audit firm's control, and who are directly involved in the audit activities, have appropriate knowledge and experience for the duties assigned; and</p> <p>(b) Have in place adequate remuneration policies, including profit-sharing policies, providing sufficient performance incentives to secure audit quality, including provision that the amount of revenue that the firm derives from providing non-audit services to the audited entity shall not form part of the performance evaluation and remuneration of any person involved in, or able to influence the carrying out of, the audit.</p> <p><i>Commentary: Paragraph 29D-1 above provides more detailed requirements than those of paragraph 29, retained from ISQC (UK & I) 1 in ISQC (Ireland) 1.</i></p> <p><i>(b) Paragraph 29 requires firms to establish policies and procedures to provide reasonable assurance that the</i></p>	

			<p><i>firm⁵ has sufficient personnel with the competence, capabilities and commitment to ethical principles to perform engagements⁶ in accordance with professional standards and applicable legal and regulatory requirements, and to enable the issuance of reports that are appropriate in the circumstances.</i></p>	
29D-2	Human Resources – Outsourcing	New	<p>For audits of financial statements, the auditor and audit firm shall establish appropriate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the auditors and audit firm's internal quality control and the ability of the competent authority* to supervise the firm's compliance with professional standards and applicable legal and regulatory requirements.</p> <p>* The competent authority designated by law is IAASA</p> <p><i>Commentary: This matter was not previously addressed in ISQC (UK & I) 1, although again members will be aware, as noted at 16D-1 above, of the requirement in Audit Regulation 3.07 which states that "A Registered Auditor must make arrangements to prevent anyone who is not a responsible individual in the firm from having any influence which would be likely to affect the independence or integrity of the audit".</i></p>	
30D-1	Human Resources – Assignment of Engagement Teams	New	<p>For each audit of financial statements, the firm shall:</p> <p>(a) Designate at least one key audit partner*;</p> <p>(b) Apply as its main criteria in selecting such a key audit partner the need to secure:</p> <p>(i) The quality of the audit; and</p> <p>(ii) The firm's independence and competence in carrying out the audit.</p> <p>* Key audit partner includes engagement partner.</p> <p><i>Commentary: Please see definition of "key audit partner" at para 12 (h)-1 above.</i></p> <p><i>This new paragraph 30D-1 adds to the existing requirements of paragraph 30, which has been retained from ISQC</i></p>	

			<p><i>(UK & I) 1 in ISQC (Ireland) 1. The requirements of paragraph 30 are to assign responsibility for an audit engagement to an engagement partner, and to establish policies and procedures requiring that the identity and role of that partner is communicated to the client, that the partner has appropriate competence, capabilities, and authority to perform the role, and that the responsibilities of the engagement partner are clearly defined and communicated to that partner.</i></p>	
31D-1	Human Resources – Assignment of Engagement Teams	New	<p>For audits of financial statements, the firm shall provide the key audit partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out the firm's duties appropriately.</p> <p><i>Commentary: The requirements of this paragraph are specific in nature to the role of the key audit partner and add to the personnel requirements of paragraph 31, retained from ISQC (UK & I) 1 in ISQC (Ireland) 1. Paragraph 31 requires firms to establish policies and procedures to assign appropriate personnel with the necessary competence, and capabilities to perform engagements in accordance with professional standards and applicable legal and regulatory requirements, and to enable the issuance of reports that are appropriate in the circumstances.</i></p>	
32D-1	Engagement Performance	New	<p>For audits of financial statements, the audit firm shall:</p> <p>(a) Establish an internal quality control system to ensure the quality of the audit which covers at least the policies and procedures required by paragraph 32D-1(c);</p> <p>(b) Ensure that responsibility for the internal quality control system lies with a person who is eligible for appointment as a statutory auditor⁴;</p> <p>(c) Establish appropriate policies and procedures for carrying out audits, coaching, supervising and reviewing the activities of the firm's personnel and organizing the structure of the audit file*; and</p> <p>(d) Use appropriate systems, resources and procedures to ensure continuity and</p>	

			<p>regularity in the carrying out of the firm's audit activities.</p> <p>*ISA (Ireland) 230, paragraph 14 sets out the requirement to assemble the audit documentation in an audit file.</p> <p>Paragraph 57D-1 of this ISQC (Ireland), paragraphs 24D-1(b) and 25R-2 of ISA (Ireland) 220 (Updated July 2017), paragraphs 8D-1 and 14D-1 of ISA (Ireland) 230 and paragraph 23D-1 of ISA (Ireland) 260 (Updated July 2017) set out requirements in respect of documentation for audits.</p> <p><i>Commentary: While there might be some element of overlap between the requirements of paragraph 32D-1 and paragraph 32 (retained from ISQC (UK & I) 1 in ISQC (Ireland) 1), firms should consider their policies and procedures to ensure they are adequate to ensure compliance with the new paragraph 32D-1.</i></p> <p><i>1. Paragraph 32 requires firms to establish policies and procedures to provide the firm with reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements, and that reports are issued that are appropriate in the circumstances, such policies and procedures to include matters relevant to promoting consistency in the quality of engagement performance, supervision responsibilities and review responsibilities.</i></p>	
36R-1	Engagement Performance – Engagement Quality Control Review (EQCR)	New	<p>For audits of financial statements of public interest entities, before the auditor's report and the additional report to the audit committee are issued*, the firm shall require that an engagement quality control review shall be performed to assess whether the key audit partner(s) could reasonably have come to the opinion and conclusions expressed in the draft of those reports.</p> <p>* ISA (Ireland) 260 (Updated July 2017), Communication with Those Charged with Governance, paragraph 16R-2 deals with the auditor's responsibilities to prepare an additional report to the audit committee.</p>	PIE Only

			<i>Commentary: Members should also refer to details of the changes to ISA (Ireland) 220 regarding the role of the Engagement Quality Control Reviewer in Technical Alert TA 02/2017.</i>	
37-1	Engagement Performance – Engagement Quality Control Review (EQCR)	New	<p>The audit firm shall establish policies and procedures to require the engagement quality control reviewer to:</p> <p>(a) Consider the firm's compliance with IAASA's Ethical Standard in relation to the engagement;</p> <p>(b) Form an independent opinion as to the appropriateness and adequacy of the safeguards applied; and</p> <p>(c) Consider the adequacy of the documentation of the engagement partner's consideration of the objectivity and independence of the firm and its personnel.</p> <p><i>Commentary: This paragraph introduces new requirements for an EQCR to address the above ethical matters in addition to those of paragraph 37. Paragraph 37 has been retained from ISQC (UK & I) 1 in ISQC (Ireland) 1. Firms' procedures should reflect these new requirements.</i></p>	
39R-1	Engagement Performance – Engagement Quality Control Review	New	<p>For audits of financial statements of public interest entities, the engagement quality control review shall be performed by an engagement quality control reviewer who shall:</p> <p>(a) Be eligible for appointment as a statutory auditor⁴; and</p> <p>(b) Not be involved in the performance of the audit to which the engagement quality control review relates.</p> <p>Where the audit is carried out by a firm and all the statutory auditors of that firm were involved in the carrying-out of the audit, the firm shall arrange for another firm to perform an engagement quality control review. Documents or information disclosed to the engagement quality control reviewer for this purpose shall be subject to professional secrecy.</p>	PIE Only

			<p><i>Commentary: This paragraph provides new requirements regarding the eligibility of Engagement Quality Control Reviewers to undertake an EQCR on PIE audits, in addition to the eligibility requirements of paragraph 39, which are generally applicable. Paragraph 39 has been retained from ISQC (UK & I) 1 in ISQC (Ireland) 1.</i></p> <p><i>Members should also refer to details of the changes to ISA (Ireland) 220 regarding the role of the Engagement Quality Control Reviewer in Technical Alert TA 02/2017.</i></p>	
43R-1	Engagement Performance – Differences of Opinion	New	<p>For statutory audits of financial statements of public interest entities, the audit firm shall also establish procedures for determining the manner in which any disagreement between the key audit partner(s) and the engagement quality control reviewer are to be resolved.</p> <p><i>Commentary: This requirement for PIE audits is similar to the requirements of paragraph 43, which are generally applicable, and which has been retained from ISQC (UK & I) 1 in ISQC (Ireland) 1. Paragraph 43 requires firms to establish policies and procedures for dealing with and resolving differences of opinion within the engagement team, with those consulted and, where applicable, between the engagement partner and the engagement quality control reviewer.</i></p> <p><i>Members should also refer to details of the changes to ISA (Ireland) 220 regarding the role of the Engagement Quality Control Reviewer in Technical Alert TA 02/2017.</i></p>	PIE Only
46D-1	Engagement Performance – Engagement Documentation	New	<p>An audit firm shall establish policies and procedures designed to:</p> <p>(a) Apply adequate provision on confidentiality and professional secrecy in relation to all information and documents to which the firm has access when carrying out an engagement; and</p>	

			<p>(b) Ensure that the auditor and audit firm complies with applicable legal and regulatory requirements relating to the confidentiality of information received in the course of the engagement.</p> <p><i>Commentary: This paragraph specifies that requirements regarding confidentiality include documents and information to which the audit firm has access in the course of an engagement.</i></p> <p><i>Firms' procedures should reflect the requirements of paragraph 46D-1, along with the existing requirements of paragraph 46.</i></p>	
48D-1	Monitoring – Monitoring the Firm's Quality Control Policies and Procedures	New	<p>For audits of financial statements, the audit firm shall:</p> <p>(a) Monitor and evaluate the adequacy and effectiveness of the firm's systems, internal quality control mechanisms and arrangements established in accordance with this ISQC (Ireland) and take appropriate measures to address any deficiencies;</p> <p>(b) Carry out an annual evaluation of the internal quality control system, referred to in paragraph 32D-1(a); and</p> <p>(c) Keep records of the findings of the evaluation required by paragraph 48D-1(a) and any proposed measure to modify the internal quality control system.</p> <p><i>Commentary: In applying this requirement, firms may find some overlap with the requirements of paragraphs 48 to 54 of ISQC (UK & I) 1, which have also been retained from ISQC (UK & I) 1 in ISQC (Ireland) 1.</i></p>	
48D-2	Monitoring - External Monitoring of Group Audits	New	<p>Where the auditor and audit firm is subject to a quality assurance review or an investigation concerning a group audit, the auditor and audit firm shall be responsible for complying with, and shall establish policies and procedures which require the group engagement team to comply with, any request by the competent authority*:</p> <p>(a) For relevant audit documentation retained by the group engagement team concerning the work performed by any component auditor for the purposes of the group audit (including any relevant</p>	

			<p>component auditor's working papers relevant to the group audit);</p> <p>(b) To deliver any additional documentation of the work performed by any component auditor from a non-EEA member state for the purposes of the group audit, including that component auditor's working papers relevant to the group audit, where the competent authority is unable to obtain audit documentation of the work carried out by that component auditor.</p> <p>* The competent authority designated by law is IAASA.</p> <p><i>Commentary: This paragraph provides new requirements in respect of external monitoring of group audits.</i></p> <p><i>Members should also refer to details of the changes to ISA (Ireland) 600 ('Special considerations – Audits of Group Financial Statements (including the Work of Component Auditors)') in Technical Alert TA 02/2017.</i></p>	
48D-3	Monitoring - External Monitoring of Group Audits	New	<p>An audit firm shall establish policies and procedures, which require that, in order to comply with any request under paragraph 48D-2(b), the group engagement team shall either:</p> <p>(a) Retain copies of the documentation of the work carried out by the relevant component auditor for the purpose of the group audit (including the component auditor's working papers relevant to the group audit); or</p> <p>(b) Obtain the agreement of the relevant component auditor that the group engagement team shall have unrestricted access to such documentation on request; or</p> <p>(c) Retain documentation to show that the group engagement team has undertaken the appropriate procedures in order to gain access to the audit documentation, together with evidence supporting the existence of any impediments to such access; or</p> <p>(d) Take any other appropriate action.</p> <p><i>Commentary: This paragraph also provides new requirements in respect of external monitoring of group audits.</i></p> <p><i>Again, members should also refer to details of the changes to ISA (Ireland) 600 ('Special considerations – Audits of Group Financial Statements (including</i></p>	

			<i>the Work of Component Auditors)') in Technical Alert TA 02/2017.</i>	
55D-1	Monitoring – Complaints and Allegations	New	<p>For audits of financial statements, the audit firm shall keep records of any complaints made in writing about the performance of the audit engagements carried out.</p> <p><i>Commentary: This paragraph provides an additional requirement to the existing requirements of paragraph 55 (which has been retained from ISQC (UK & I) 1 in ISQC (Ireland) 1)), albeit that firms in complying with paragraph 55 may have been keeping such records that are now required. Paragraph 55 requires firms to establish policies and procedures to provide the firm with reasonable assurance that it deals appropriately with complaints and allegations and with allegations of non-compliance with the firm's system of quality control.</i></p>	
57D-1	Documentation of the System of Quality Control	New	<p>For audits of financial statements, the audit firm shall retain engagement documentation that is important for monitoring compliance with this ISQC (Ireland) and other applicable legal requirements.</p> <p><i>Commentary: The new requirement has an explicit requirement to retain engagement documentation for monitoring compliance with this ISQC (Ireland) 1 and other applicable legal requirements.</i></p>	
57D-2	Documentation of the System of Quality Control	New	<p><i>Commentary: Details of this new paragraph 57D-2 in ISQC (Ireland) 1, and commentary thereon, is included earlier in this Technical Alert, after paragraph 27D-1 above.</i></p>	
58R-1	Documentation of the System of Quality Control	New	<p>For audits of financial statements, the firm shall establish policies and procedures that require retention of audit documentation for a period that is not less than any period necessary to satisfy the requirements of any applicable laws or regulation relating to data protection and to meet the requirements for any applicable administrative and judicial proceedings, and that is in any case not less than six years from the date of the auditor's report.</p>	

			<p><i>Commentary: This paragraph adds to the requirements of paragraph 58 which has been retained from ISQC (UK & I) 1 in ISQC (Ireland) 1. Paragraph 58 requires firms to establish policies and procedures that require retention of documentation for a period of time sufficient to permit those performing monitoring procedures to evaluate the firm's compliance with its system of quality control, or for a longer period if required by law or regulation.</i></p>	
59D-1	Documentation of the System of Quality Control	New	<p>For audits of financial statements, the audit firm shall:</p> <p>(a) Keep records of any breaches (other than breaches which the firm reasonably considers to be minor breaches) of professional standards and applicable legal and regulatory requirements;</p> <p>(b) Keep records of any consequences of any breach recorded in accordance with paragraph 59D-1(a), the measures taken to address such a breach and to modify the firm's internal quality control system; and</p> <p>(c) Prepare an annual report containing an overview of any measures taken under paragraph 59D-1(b) and communicate that report internally.</p> <p><i>Commentary: This paragraph is a new requirement in ISQC (Ireland) 1. The firm considers any instances of non-compliance and whether these represent non-minor breaches of legislation and standards. The consequences of these breaches of standards and legislation are documented and communicated. Follow up action is also documented.</i></p>	
59D-2	Documentation of the System of Quality Control	New	<p>For audits of financial statements, the audit firm shall maintain a client account record for each audit client which includes in respect of every audit:</p> <p>(a) The audited entity's name, address and place of business;</p> <p>(b) The name of the key audit partner or, where there is more than one key audit partner, the names of all the key audit partners; and</p>	

			<p>(c) The fees charged for carrying out the audit and for other services in any financial year.</p> <p><i>Commentary: This is a new requirement of ISQC (Ireland) 1. Members will note that the above information is required for each audit client in respect of every audit.</i></p>	
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Application and Other Explanatory Material				
Para	Subject matter	New/change	New text in ISQC (Ireland) 1, and commentary	PIE only
A44-1	Engagement Performance – Engagement Quality Control Review	New	The audit firm's policies and procedures set out whether there are circumstances in which an engagement quality control review is performed for other audit as described in paragraph 35(b).	
A44-2	Engagement Performance – Engagement Documentation	New	Where the involvement of an engagement quality control reviewer provides a safeguard to reduce to an acceptable level those threats to independence that have been identified as potentially arising from the provision of non-audit or additional services, the engagement quality control review specifically addresses the related threat by ensuring that the work that was performed in the course of the non-audit or additional service engagement has been properly and effectively assessed in the context of the audit of the financial statements.	
A56	Engagement Performance – Engagement Documentation	Change (Full text re-produced here)	<p>Relevant ethical requirements establish an obligation for the firm's personnel to observe at all times the confidentiality of information contained in engagement documentation, unless specific client authority has been given to disclose information, or there are responsibilities under law, regulation or relevant ethical requirements to do so*. Specific laws or regulations may impose additional obligations on the firm's personnel to maintain client confidentiality, particularly where data of a personal nature are concerned.</p> <p>*See, for example, Section 140.7 and 225.35 of the IESBA Code. In Ireland, the auditor has regards to paragraph 46D-</p>	

			<p>1 of this ISQC (Ireland) and any specific requirements of the auditor's Recognised Accountancy Body.</p> <p><i>Commentary: The text of this paragraph was amended as follows in the July 2017 edition of ISQC (Ireland) 1: the text "or there are responsibilities under law, regulation or relevant ethical requirements to do so." in the paragraph above, replaced the previous text which was "or there is a legal or professional duty to do so.", and the footnote above was added. As noted in footnote 1 to ISQC (Ireland) 1, this change is effective for audits of financial statements for periods commencing on or after 15 December 2017.</i></p>
A61	Engagement Performance – Engagement Documentation	Change – additional wording added	<p>In Ireland, for statutory audits of financial statements, engagement documentation is retained in accordance with paragraph 58R-1. For other audit engagements, this requirement is applied having regard to specific requirements of the auditor's relevant professional body.</p> <p><i>Commentary: This text is added to the existing text of A61 retained in ISQC (Ireland) 1 from ISQC (UK & I) 1, which says "In the specific case of audit engagements, the retention period would ordinarily be no shorter than five years from the date of the auditor's report, or, if later, the date of the group auditor's report."</i></p>

Appendix 1: Definition of a Public Interest Entity (PIE) in ISQC (Ireland)

1

"Public interest entity – Is defined in Irish legislation² as:

- (i) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EC;⁸
- (ii) credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions⁹ and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (but excluding credit institutions referred to in Article 2 of Directive 2013/36/EU), and
- (iii) insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings."

Commentary:

The EU Audit Directive contains an option for member states to designate other "public-interest entities, for instance undertakings that are of significant public relevance because of the nature

of their business, their size or the number of their employees" as PIE's but Ireland has not taken this option to extend the PIE definition to date.

Category (i) - above

"Entities Governed by law of a Member State"

Generally this is understood to mean entities incorporated in the EU and therefore entities incorporated outside the EU are excluded.

"Admitted to trading on a regulated market of any Member State"

Regulated markets are defined in MiFID and it is important to establish whether the entity's listing is on a market that is defined as a "Regulated Market" within the EU. Not all markets in Ireland or in the EU fall within the definition of a "Regulated Market". For example, the Global Exchange Market (GEM) on the Irish Stock Exchange and the London AIM market do not meet the definition of a "Regulated Market" within the EU. The only market on the Irish Stock Exchange that is defined as a "Regulated Market" within the EU is the Main Securities Market (MSM) of the Irish Stock Exchange. The other 3 markets of the Irish Stock Exchange do not meet the definition of a "Regulated Market" in the EU. The European Securities and Markets Authority (ESMA) maintain a list of EU regulated markets.

The entity does not need to be actively traded on an EU regulated market to qualify as a PIE; its listing (even if the listing is only a technical listing and not actively traded) on an EU Regulated Market scopes the entity into the definition of a PIE providing it satisfies all of the other conditions.

Category (ii) - Credit Institutions

A "credit institution" is an undertaking, the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account.

There are exemptions for certain types of credit institutions such as the Central Bank, credit unions, etc. The Central Bank of Ireland website contains a register of all credit institutions authorised under Irish Legislation to carry on banking business in Ireland.

Category (iii) - Insurance Undertakings

An 'insurance undertaking' is any undertaking that carries out a regulated insurance activity which:

- Includes direct insurers, life assurance, general insurance, reinsurance and permanent health insurance; and
- Excludes mutual insurers.

A group 'captive' insurer established in the EU is also a PIE.

Insurance broking does not fall within the definition.

The Central Bank of Ireland website contains a register of all Life and Non-Life insurance undertakings and reinsurance undertakings regulated by it to carry on insurance business in Ireland.

[1](#) This Technical Alert is based on the March 2018 edition of ISQC (Ireland) 1, which is the most recent version available as of going to print.

[2](#) See more regarding the definition of a "Public Interest Entity" in Appendix 1 of this Technical Alert.

[3](#) The footnote that appears in ISQC (Ireland) 1 in relation to this is as follows: 'Regulation 4(1) of the European Union (Statutory Audits) (Directive 2006/43/EC as amended by Directive 2014/56/EU, And Regulation (EU) No 537/2014) Regulations 2016 (Statutory Instrument 312 of 2016) refers.'

[4](#) The footnote that appears in ISQC (Ireland) 1 in relation to this is as follows: 'The eligibility for appointment as a statutory auditor is dealt with in Part 4, of the European Unions (Statutory Audits) (Directive 2006/43/EC, as amended by Directive 2014/56/EU, and Regulation (EU) No 537/2014) Regulations 2016 (Statutory Instrument 312 of 2016).'

[5](#) Note that the new requirements in 29D-1 refer to the auditors and audit firm's personnel and any other individuals whose services are placed at the statutory auditors and audit firm's disposal or under the auditors and audit firm's control and who are directly involved in the audit activities.

[6](#) The new paragraph 29D-1 focuses specifically on audits.

[7](#) The footnote that appears in ISQC (Ireland) 1 in relation to this is as follows: 'Regulation 4(1) of the European Union (Statutory Audits) (Directive 2006/43/EC as amended by Directive 2014/56/EU, And Regulation (EU) No 537/2014) Regulations 2016 (Statutory Instrument 312 of 2016) refers.'

[8](#) The footnote that appears in ISQC (Ireland) 1 in relation to this is as follows: "'issuer" and "regulated market" have the same meaning as in Regulation 2 of Transparency (Directive 2004/109/EC) Regulations 2007 (Statutory Instrument 277 of 2007).'

[9](#) The definition produced here has been amended slightly from that shown in ISQC (Ireland) 1, to reflect the definition as it appears in SI 312. The change, in italics, is to amend the title of Directive 2013/36/EU itself.