

2021

# **Annual Audit Programme and Activity Report**



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## Mission

To contribute to Ireland having a strong regulatory environment in which to do business by supervising and promoting high quality financial reporting, auditing and effective regulation of the accounting profession in the public interest.

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## Disclaimer

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Every effort has been made to ensure the accuracy of the information contained in this document. However, the Irish Auditing and Accounting Supervisory Authority accepts no responsibility or liability howsoever arising from any errors, inaccuracies, or omissions occurring in this document.

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## Chief Executive's introduction

In accordance with section 930B of the Companies Act 2014, I am pleased to present IAASA's 2021 Annual Audit Programme and Activity Report. This report summarises the activities performed by the Authority during 2021 in its oversight of the audit profession in Ireland.

The Irish Auditing and Accounting Supervisory Authority (IAASA) is the competent authority responsible for the public oversight of statutory auditors in Ireland. IAASA's statutory functions include the quality assurance review of auditors of public-interest entities (PIEs) and the oversight of the recognised accountancy bodies (RABs) who supervise auditors of all other entities.

Outcomes from IAASA's work on the public oversight of statutory auditors in 2021 included:

- Inspection of seven PIE firms by reviewing 30 audits and five internal control areas
- First time inspection of the internal control in one PIE firm that was newly notified to IAASA and inspection of an audit conduction by that firm
- Conclusion of two statutory investigations into poor quality audit work
- Publication of reports on the quality assurance reviews of the seven PIE firms inspected in 2020
- Completion of seven joint inspections between IAASA's Audit Quality Unit and IAASA's Financial Reporting Supervision Unit
- Hosting a briefing for audit committees
- Issuance of thematic papers on transparency reporting and on data analytics in Ireland's statutory audit market
- Published an insights series on auditing cash and cash equivalents
- Revocation of recognition of two recognised accountancy bodies
- A supervisory visit to one of Ireland's recognised accountancy bodies
- Issuance of draft guidelines for the RABs on
  - The regulation, monitoring and enforcement of continuing education for statutory auditors
  - Performing investigations and disciplinary functions

This report provides useful insights into IAASA's work in overseeing the audit profession, explaining the oversight activities relating to audit quality. For further information about the full range of IAASA's regulatory and supervisory activities, please refer to IAASA's website.

Kevin Prendergast

Chief Executive Officer

10 May 2022

# Chapter 1

## Quality assurance review of PIE firms

# Chapter 1: Quality assurance review of PIE firms

## Introduction

This chapter outlines the Authority's work in the quality assurance review of statutory auditors and audit firms that perform statutory audits of public-interest entities (PIEs) in Ireland. It also summarises the Authority's international cooperation related to audit as well as its oversight of third country auditors in Ireland. Work programme priorities for 2022 are also outlined.

## Resources

In 2021, there were nine audit inspectors and one administrative executive in IAASA's Audit Quality Unit. The Audit Quality Unit was overseen by IAASA's Head of Operations.

## Funding

IAASA's Audit Quality Unit is funded through a statutory levy on firms that perform statutory audits of PIEs (PIE firms). There are two parts to the levy. The first part is a standing charge for all PIE firms to reflect the base level of work involved in inspecting a PIE firm. The standing charge does not vary across PIE firms. The remainder of the levy is allocated across the PIE firms based on their market share of the statutory audit fees for all audits of PIEs.

Further details about the 2021 levy and its allocation across the PIE firms are provided in IAASA's financial statements, which are available on IAASA's [website](#).

## Overview of Ireland's public-interest entity audit market

### Statutory audit

A statutory audit is an audit of financial statements required by law. An auditor expresses an opinion on whether the financial statements are prepared in accordance with the relevant reporting framework. The purpose of statutory audit is to enhance users' confidence in the financial statements.

A statutory auditor or audit firm carrying out statutory audits must be approved by a recognised accountancy body. The Companies Registration Office (CRO) maintains the register of statutory auditors and audit firms in Ireland on its website ([www.cro.ie](http://www.cro.ie)). At 31 December 2021, there were 1,343 audit firms approved to carry out statutory audits in Ireland (2020: 1,491). Further details on the approval of statutory auditors and audit firms is set out in chapter 3.

### Public-interest entities and their auditors

The term public-interest entity (PIE) is defined in the Companies Act 2014. PIEs are:

- entities with securities listed on an EU regulated stock exchange
- credit institutions
- insurance undertakings

Further guidance on the definition of a PIE is available in IAASA's [website](#).

## Chapter 1: Quality assurance review of PIE firms

Any statutory auditor or audit firm on the CRO register may be appointed as an auditor to a PIE. Under law, auditors are required to inform IAASA the first time they are appointed as an auditor to a PIE. At 31 December 2021, IAASA was notified of seven PIE firms (2020: eight), auditing 626 PIEs (2020: 677).

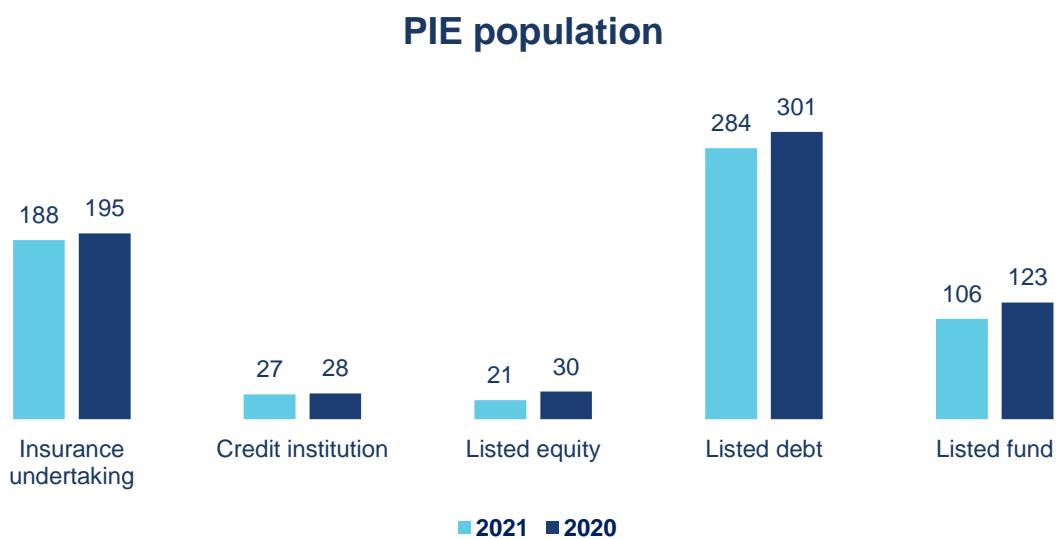
These PIE firms were:

- BDO
- Deloitte
- EY
- Grant Thornton
- KPMG
- Mazars
- PricewaterhouseCoopers Ireland

There was one further PIE firm that the Authority was newly notified of during 2021. In 2021, this Firm resigned from its role as auditor to PIEs and no longer conducted any PIE audits at 31 December 2021.

Each PIE firm must provide an annual return to the Authority setting out details of the PIEs audited by the firm in the year. The annual return is used by the Authority to track changes in the population of audits of PIEs and to select audits of PIEs for inspection by the Authority.

The charts below show the number of audits of PIEs based on the above PIE firms' most recent annual returns and the market share of each PIE firm.

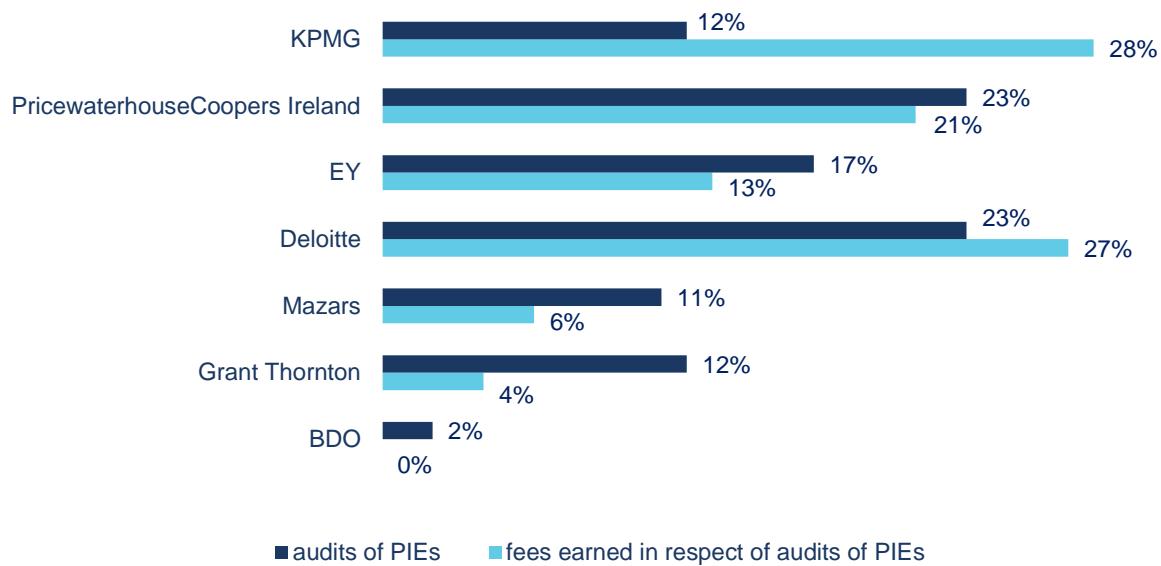


In 2021, four audit firms (Deloitte, EY, KPMG and PricewaterhouseCoopers Ireland) audited approximately 75% of PIEs (2020: 76%) and earned approximately 89% of the related fees (2020: 90%).

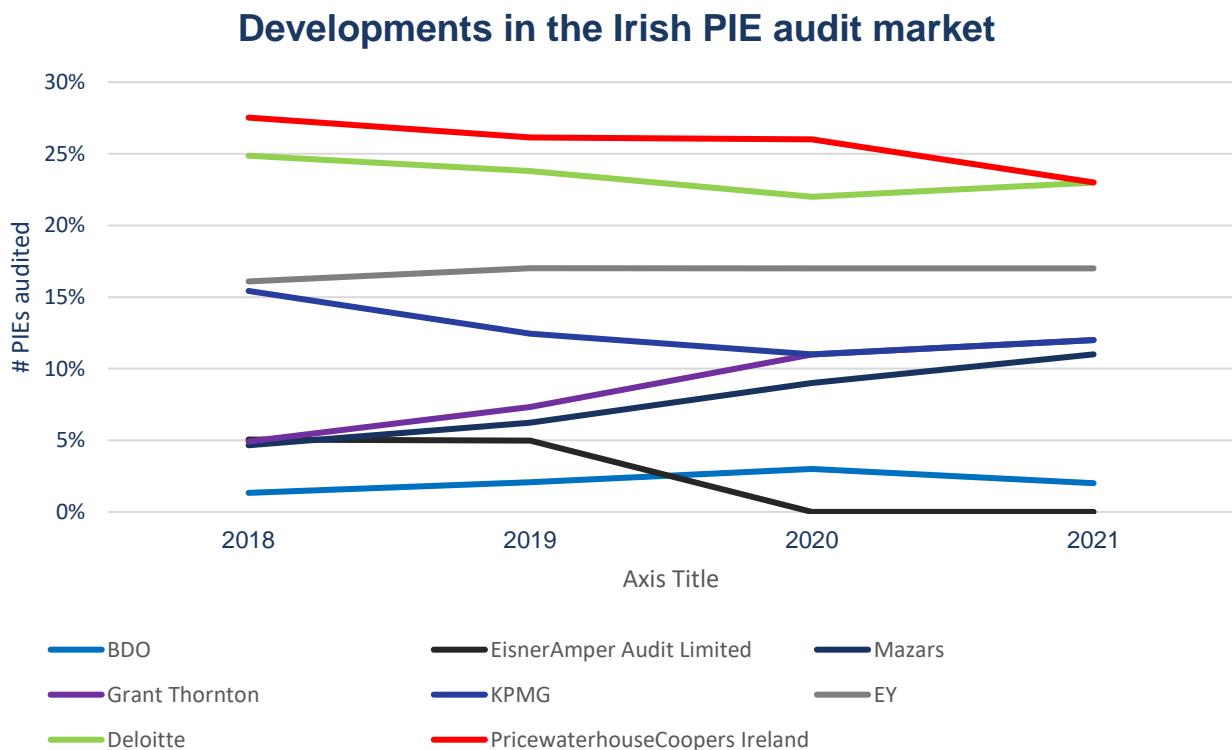
The chart on the next page illustrates the market share of each of the seven PIE firms in Ireland, showing the number of PIEs audited by each PIE firm in 2021 and the fees earned by each Firm in respect of these audits of PIEs.

## Chapter 1: Quality assurance review of PIE firms

### Market share



The chart below illustrates the developments in the Irish market in relation to number of audits of PIEs performed by each PIE firm since 2018. The chart shows that each of the 'Big 4' PIE firms has consistently audited more than 10% of the PIEs in the last four years. EisnerAmper Audit Limited audited approximately 5% of the PIEs in 2018 and 2019 but resigned from its PIE audits during 2020.



## Chapter 1: Quality assurance review of PIE firms

### IAASA's quality assurance review process

#### Purpose of a quality assurance review

The purpose of IAASA's quality assurance review process is to assess the effectiveness of a PIE firm's system of quality control.

A quality assurance review:

- assesses the design of the firm's system of quality control
- performs compliance testing around the implementation of the firm's procedures
- evaluates the quality of a sample of audits of PIEs

The quality assurance review process is not designed to identify all weaknesses that may exist in a firm's system of quality control. Ultimate responsibility for audit quality rests with the statutory auditor issuing an audit opinion.

#### Assessment of a firm's system of quality control

Assessing the design of a firm's system of quality control involves a review of the firm's policies and procedures and their impact, if any, on audit quality. Compliance testing involves a review of a firm's implementation of its policies and procedures.

Over a three year period, IAASA reviews the 13 areas listed below, with a selection of the areas listed below reviewed each year.

- tone at the top
- ethics and independence
- acceptance and continuance
- partner evaluation, compensation and promotion
- staff evaluation, compensation and promotion
- methodology
- training
- consultations
- engagement quality control reviews
- other quality control reviews
- internal monitoring
- complaints and allegations
- documentation and data security

## Chapter 1: Quality assurance review of PIE firms

### Selection of a sample of audits of PIEs

IAASA selects a sample of audits of PIEs for inspection using a risk-based approach. For each audit inspected, IAASA evaluates the sufficiency and quality of audit evidence across a number of selected audit areas.

The sample size selected for each firm is driven by factors, such as the number of PIEs audited by a firm, the results of previous inspections relating to the firm, any significant changes in a firm's market share or type of PIE audited by the firm.

IAASA then uses a risk selection model. The risk selection model applies many factors and weights the factors where appropriate. These factors include:

- PIE type
- PIE size
- facts which come to the attention of IAASA relating to an EU PIE such as public announcements by the company or matters on public record
- audit fees, non-audit fees, year on year changes in audit fees
- the PIE firm's experience of auditing the specific PIE type
- previous audit quality referrals, if any, to IAASA's Enforcement Unit

In selecting a sample of audits of PIEs for inspection, IAASA also considers factors that are not within the risk selection model. Such factors can include media coverage and complaints as well as matters identified by IAASA's Financial Reporting Supervision Unit and other pertinent matters. The Authority also assigns a higher risk rating to PIE firms where previous inspection results were weak.

IAASA's risk based approach allows for audits with particular complexities to be selected, as well as audits that have a higher risk. The audits of PIEs inspected by IAASA are not representative of the PIE audit population. For this reason, IAASA's inspection results cannot be extrapolated to make inferences about audits that have not been inspected.

### Inspection procedures for audits of PIEs

In evaluating the quality of an audit of a PIE, IAASA considers the sufficiency and quality of audit evidence across a number of selected audit areas. The audit areas reviewed are selected at the discretion of IAASA, taking into consideration specific risks related to the PIE as well as areas of focus for IAASA.

Where there are matters that are relevant both to IAASA's Financial Reporting Supervision Unit and IAASA's Audit Quality Unit, a joint inspection is performed.

IAASA may expand the number of audits or audit areas inspected in response to issues identified.

# Chapter 1: Quality assurance review of PIE firms

## IAASA's recommendations

Where the Authority notes non-compliance with legislation, standards or a firm's policies, a finding is raised. For each finding, the Authority sets out its recommendations. The recommendations detail the actions required of the firm to remediate deficiencies or implement improvements going forward.

PIE firms are required by law to implement the Authority's recommendations within 12 months and the Authority is required to impose a sanction on PIE firms that fail to do so. Within 12 months of the date of the Authority's recommendations, PIE firms are required to provide the Authority with a written submission detailing the actions taken to implement them. The Authority undertakes follow-up procedures to ensure that the Authority's recommendations have been appropriately implemented within 12 months.

## IAASA's rating and grading policy

Findings in relation to the effectiveness of a PIE firm's system of quality control have their significance indicated by way of a colour-coding system, as follows: red (significant deficiency), amber (improvement is required) and yellow (minor deficiency).

Each of the audits of PIEs inspected as part of the quality assurance review is assigned a grade as follows: 1 (good audit), 2 (limited improvements required), 3 (improvements required) and 4 (significant improvements required).

Further details on IAASA's rating and grading policy are set out in the Appendix.

## Referral to IAASA's Enforcement Unit

Where the Authority suspects possible significant breaches of standards or possible contraventions of legislation by a statutory auditor, the matter is referred to IAASA's Enforcement Unit. In these cases, the Audit Quality Unit issues recommendations in the usual manner and the PIE firm is required to implement the recommendations within 12 months.

Chapter 2 in this report explains the process followed by IAASA's Enforcement Unit.

## Reporting

Each year, IAASA issues a report on the quality assurance review of each PIE firm. The purpose of the report is to communicate the deficiencies identified through the quality assurance review and the recommendations arising.

The report on the quality assurance review includes:

- a brief overview of the PIE firm
- an explanation of the quality assurance review process
- an explanation of the scope of IAASA's quality assurance review
- an overview of IAASA's findings
- the results of the quality assurance review, including findings and recommendations on the firm's system of quality control and a summary of audits of PIEs expected
- the results of follow-up procedures

## Chapter 1: Quality assurance review of PIE firms

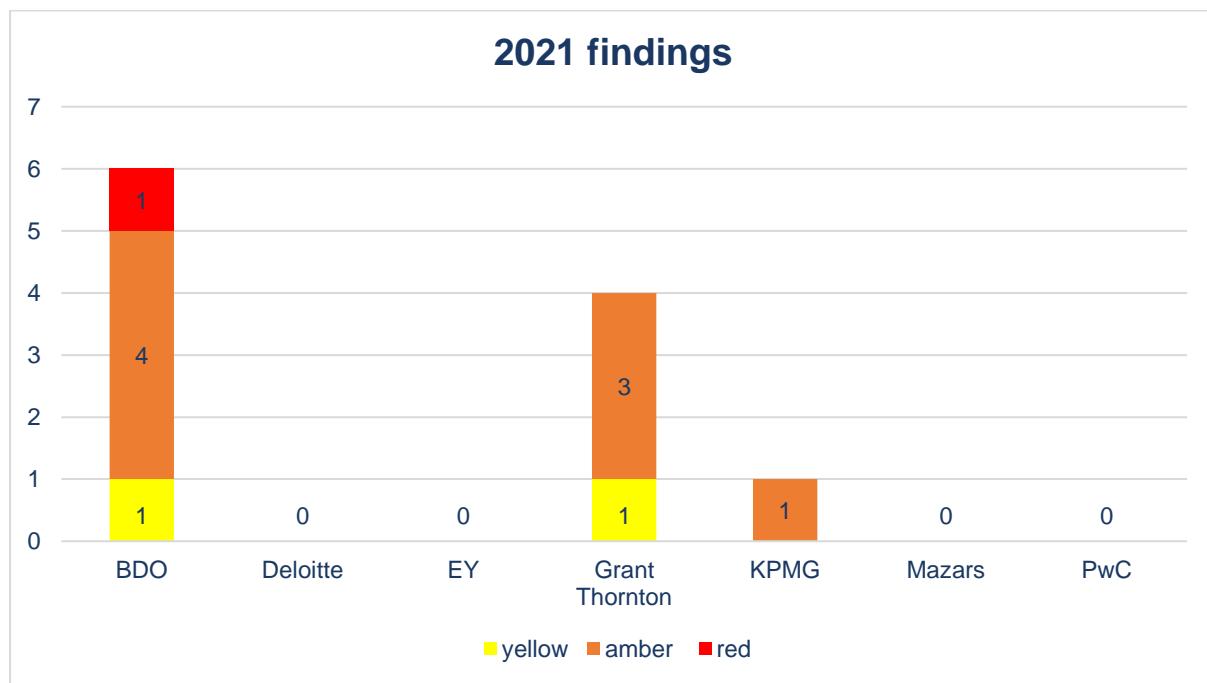
### IAASA's 2021 quality assurance review activity

#### Inspection of PIE firms' systems of quality control

In 2021, the quality assurance review assessed the design of the system of quality control in five areas.

- consultations
- internal monitoring
- methodology
- other quality control reviews
- training

The Authority raised 11 findings across the areas reviewed in 2021, with findings identified in three of the seven PIE firms. An inspection was also carried out in one audit firm, which had been newly notified to the Authority during 2021. As this was the first inspection of this firm, the results are not made public and are not discussed in this report. This Firm resigned from its role as auditor to a PIE and no longer conducts any PIE audits.



The quality assurance review report for each of the seven PIE firms explains the background to each finding and the issue identified by IAASA. Each quality assurance review report also explains IAASA's recommendations for each finding on the firm's system of quality control, setting out how IAASA expects the firm to remediate deficiencies or implement improvements going forward. The 2021 quality assurance review reports for these firms are published on the Authority's [website](#).

Findings were most frequently identified in the area of internal monitoring, with findings also identified in the areas of consultation and training. The severity of findings on PIE firms' systems of quality control in 2021 ranged between yellow (minor deficiency) and red (significant deficiency).

## Chapter 1: Quality assurance review of PIE firms

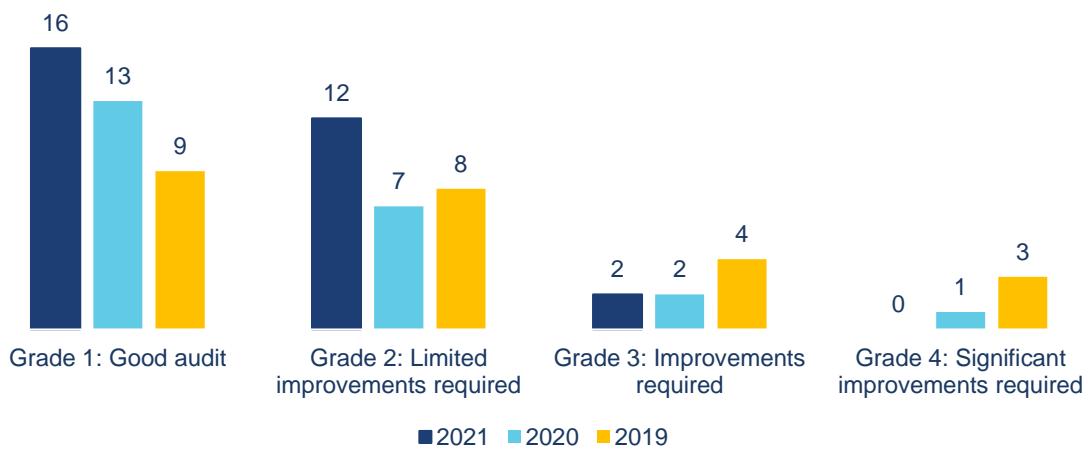
### Inspection of audits of PIEs

The Authority inspected one audit of a PIE that was conducted by a firm that was newly notified to the Authority as a PIE auditor. This Firm resigned from its role as auditor to all PIE audits during 2021. As this was the first inspection of this firm, the results are not made public.

The Authority inspected 30 audits of PIEs across the remaining seven PIE firms. The number of audits of PIEs reviewed in each of the seven PIE firms varied between two and six. The financial statements for seven of the PIEs reviewed were also reviewed by IAASA's Financial Reporting Supervision Unit.

The graph below shows the grades assigned to the 30 audits of PIEs inspected. 93% of audits of PIEs inspected across the seven firms were assigned a grade of 2 or higher, indicating that these audits were of a good standard or required limited improvements. For the 7% of audits inspected that were assigned a grade of 3, improvements were required.

**Grading of PIE audits**



The key recommendations arising from inspection of audits of PIEs in 2021 are set out in the quality assurance reports of each PIE firm, available on IAASA's [website](#).

The table below sets out some of IAASA's recurring key recommendations.

Audit area	IAASA's recommendations
Accounting estimates	Auditors should perform procedures to address uncertainty, assess the appropriateness of the methodology used, to assess whether disclosures are in accordance with the reporting framework.
Cash and cash equivalents	Auditors should ensure that procedures are performed to evaluate the reliability of cash confirmations and that all material cash balances are confirmed.

## Chapter 1: Quality assurance review of PIE firms

Audit area	IAASA's recommendations
Financial statement disclosures	Auditors should carry out procedures to evaluate whether disclosure notes in the audited financial statements have been properly prepared in accordance with the requirements of the financial reporting framework.
Key audit matters	Auditors should evidence the rationale in determining which significant risks were key audit matters and communicate the key audit matters to those charged with governance.
Written representations	Auditors should obtain written representations from those charged with governance about whether the methods and data used in making accounting estimates and the related disclosures are appropriate to achieve recognition, measurement and disclosure in accordance with the applicable financial reporting framework and should ensure written representations are appropriate addressed
Control deficiencies	Auditors should ensure that there is appropriate evaluation of any identified control deficiencies, including an evaluation of the potential impact on the planned audit procedures.

### Follow-up on recommendations

The Authority reviewed all submissions received from PIE firms explaining the actions taken to implement IAASA's recommendations and performed follow-up procedures, where necessary. The Authority is satisfied that all recommendations made to the PIE firms in 2020 were appropriately implemented in 2021.

### Referral to IAASA's Enforcement Unit

Where the Authority suspected possible significant breaches of standards or possible contraventions of legislation by a statutory auditor, the matter was referred to IAASA's Enforcement Unit for consideration for investigation. IAASA's Audit Quality Unit does not re-perform audit procedures or seek to determine whether there are issues with the financial statements. As such, there should be no inference that the financial statements of the PIEs whose audits were referred are misstated.

Chapter 2 gives further detail on the investigations conducted by IAASA in relation to statutory auditors of PIEs.

### Referral to other bodies

During 2021, IAASA noted one instance of a breach of company law by an auditor. The matter was referred to Office of the Director of Corporate Enforcement for consideration and was also referred to the relevant recognised accountancy body.

## Chapter 1: Quality assurance review of PIE firms

### Publication of quality assurance review reports

In 2021, IAASA published quality assurance review reports in respect of seven PIE firms. Each of the reports summarised IAASA's findings arising from the 2020 quality assurance reviews of the PIE firms, detailing any improvements required in the firms' systems of quality control and IAASA's recommendations. The reports also provided a summary of the audits of PIEs inspected by the Authority in 2020 and the grade that was assigned to each of the audits inspected. The reports were published in March 2021 and are available on IAASA's [website](#).

The results of the 2021 quality assurance reviews in respect of seven PIE firms were published by the Authority in March 2022 and are available on IAASA's [website](#).

### Supporting high standards in audit of PIEs

In October 2021, the Authority hosted a briefing for audit committees. The discussion focussed on topics such as the regulatory landscape at an Irish and European level, IAASA's functions, the changing role of audit committees and the experiences of audit committees in their interaction with audit regulators.

In November 2021, the Authority hosted a roundtable discussion with seven PIE firms. The discussion focussed on topics such as IAASA's thematic observations, IAASA's investigation process, Covid-19 implications for auditors and IAASA's plans to enhance the quality assurance review process by further engaging with audit committees in 2022.

In 2021, the Authority issued thematic reports on the transparency reports of PIE audit firms and the use of data analytics in audits.

### International cooperation

The Authority believes that cooperating with international audit regulators is fundamental to its success. As the entities and firms within the Authority's remit often operate within global structures, it is vital that regulators cooperate to share knowledge, experience and act consistently where possible. Such activities assist regulators to achieve their aim of effectively and efficiently contributing to continuing improvements in audit quality.

IAASA actively participates in both the Committee of European Audit Oversight Bodies (CEAOB) and the International Forum of Independent Audit Regulators (IFIAR). IAASA has representatives on all CEAOB sub-groups as well as a number of task forces and colleges. IAASA is the chair of the CEAOB sub-group on market monitoring and holds a position on the organising committee of the CEAOB inspections sub-group and the consultative group of the CEAOB, which supports the Chair of the CEAOB.

IAASA's international engagement normally involves several physical meetings per year. In 2021, many of these meetings took place virtually, albeit with shorter agendas than usual given the difficulties with coordinating time zones and recognising the constraints of virtual platforms.

## Chapter 1: Quality assurance review of PIE firms

### Third country auditors

A third country auditor is an auditor who issues an audit opinion in relation to an entity not incorporated within the EU, which is listed on an EU regulated stock exchange. In Ireland, such auditors must make an application to register with IAASA following which a detailed assessment is undertaken to ensure the auditor meets the relevant criteria.

During 2021, IAASA renewed the full registration of seven (2020: seven) third country audit firms and registered five firms from the UK following Brexit. IAASA is also responsible for updating the register of third country auditors (available on the CRO website: [www.cro.ie](http://www.cro.ie)) for approved applications and notifying any other changes to the CRO.

### 2022 work programme priorities

#### Quality assurance reviews

In 2022, a key priority for the Authority is to engage with PIE firms in relation to their preparedness to comply with the requirements of the International Standards on Quality Management which will be effective on 15 December 2022 and will bring significant change to all audit firms.

Following on from the Covid-19 pandemic, the Authority will consider how inspections may be carried out going forward, considering whether a full return to onsite inspections is desirable or whether to carry out hybrid inspections.

The Authority plans to continue to communicate the results of the quality assurance review process to key stakeholders and to engage further with them through publication of observations and commentaries. To that end, in early 2022, the Authority published the 2021 quality assurance review reports in respect of seven PIE firms.

In 2021, the Authority reached its full staff complement of nine audit inspectors. In 2021, IAASA will continue to perform quality assurance reviews across the seven PIE firms. IAASA intends to continue to apply a risk-based approach in selecting audits of PIEs for inspection.

#### International cooperation

IAASA will continue to actively participate in the international groups of regulators and support their activities by moderating and presenting at meetings and workshops.

### Third country auditors

IAASA will process third country auditor applications as they arise. IAASA will contribute to the CEAOB sub-group that assesses countries wishing to be deemed equivalent by the EU, and which makes a recommendation to the EU in that regard.

## Chapter 2

### Enforcement

## Chapter 2: Enforcement

### Introduction

Investigations are undertaken by IAASA's Enforcement Unit against audit firms and auditors of public-interest entities. IAASA may also undertake investigations of possible breaches of a recognised accountancy body's standards by a statutory auditor, such investigations will be undertaken by IAASA if it is appropriate or in the public interest to do so.

This chapter outlines the Authority's work in investigating possible contraventions of applicable law or a recognised accountancy body's standards by statutory auditors. The chapter also summarises the Authority's international cooperation related to enforcement. Work programme priorities for IAASA's Enforcement Unit in 2022 are also outlined.

### Resources

At 31 December 2021, IAASA's Enforcement Unit had one Senior Enforcement Counsel. The unit is overseen by IAASA's Chief Executive.

### Funding

IAASA's Enforcement Unit is funded 60% by a statutory levy on the prescribed accountancy bodies (PABs) and 40% by the Exchequer. The levy on the PABs allocates the costs to each PAB based on the number of its members and audit firms in Ireland. In addition, any fine income received or costs recouped are lodged to a statutory reserve fund, and may be used only for enforcement purposes.

## Enforcement against auditors and recognised accountancy bodies

IAASA has a range of powers to gather evidence. A person may be required to produce documentation or attend before the Authority to answer questions on oath. A person may also be required to give the Authority any other assistance, which that person is reasonably able to give, in connection with an investigation by the Authority.

### Statutory auditors and audit firms

Under section 934 of the Companies Act 2014, IAASA can take enforcement action in response to a breach of RAB standards or a contravention of legislation.

#### Breach of RAB standards

Section 934 of the Companies Act 2014 sets out that IAASA may undertake investigations of possible breaches of a recognised accountancy body's (RAB) standards by a statutory auditor. IAASA may investigate such a suspected breach if it is of the opinion that it is appropriate or in the public interest to do so. If IAASA determines that a breach of a RAB's standards has occurred, IAASA may impose any sanction to which a statutory auditor would have been liable under the constitution and byelaws of the RAB.

## Chapter 2: Enforcement

### Contravention of legislation

Section 934 of the Companies Act 2014 sets out that IAASA may undertake investigations of possible contraventions of legislation by a statutory auditor. If IAASA determines that there has been a contravention of legislation by a statutory auditor, sanctions may be imposed. Sanctions that may be imposed by the Authority include a temporary ban on a statutory auditor from carrying out statutory audits, a declaration that an audit report does not meet certain requirements, and financial sanctions.

### Accountancy bodies

Under section 933 of the Companies Act 2014, IAASA may conduct enquiries into whether a prescribed accountancy body has complied with its approved investigation and disciplinary procedures and, where appropriate, impose sanctions. Also under section 933, IAASA may conduct enquiries into whether a RAB has complied with its statutory obligations. IAASA may also impose sanctions in relation to these enquiries.

More details on IAASA's Enforcement Unit are available on IAASA's [website](#).

### IAASA's 2021 enforcement activity

During the year, IAASA continued to develop its processes and procedures in the conduct of investigations under section 934 of the Companies Act 2014.

The table below summarises IAASA's enforcement activity in 2021. The table shows IAASA's investigations in relation to possible contraventions of legislation or breaches of a RAB's standards by a statutory auditor under section 934 of the Companies Act 2014 (section 934 investigations). The table also shows IAASA's enquiries under section 933 of the Companies Act 2014.

	Section 934 investigations	Section 933 enquiries
Open at 1 January	2	1
Opened during the year	2	2
Concluded during the year	(2)	(2)
Open at 31 December 2021	2	1

During the year, the Authority entered into two settlement agreements, one in relation to a section 933 enquiry and one relating to a section 934 investigation. A link to the text of these agreements is available on IAASA's [website](#). The Authority launched two enquiries under section 933 and two investigations under section 934. One of the section 933 enquiries and one of the section 934 investigations were closed at the year-end and three matters were open at the year-end.

## Chapter 2: Enforcement

### International cooperation

IAASA actively participates in both the CEAOB and the IFIAR by participating at meetings and workshops. IAASA has a representative on the CEAOB's Enforcement Sub-group and joined IFIAR's Enforcement Working Group in April 2021.

### 2022 work programme priorities

The Authority intends to continue to progress the investigations and enquiries that were ongoing at the year end and further develop its policies and procedures. In 2022, the Authority will continue its enforcement activity, considering all matters referred to its Enforcement Unit and where appropriate performing enquiries and investigations.

IAASA will continue to actively participate in the international groups of regulators and support their activities by presenting at meetings and workshops.

## **Chapter 3**

Functions performed by  
the recognised  
accountancy bodies

## Introduction

This chapter summarises the activities of the recognised accountancy bodies (RABs) in performing the statutory functions assigned to them for the regulation of statutory auditors and audit firms. It also outlines the Authority's activities in its oversight of the RABs and its 2022 work programme priorities.

## Resources

At 31 December 2021, there were five people in IAASA's Regulatory and Monitoring Supervision Unit: a senior supervision manager, one project manager, two project executives and an administrative executive. The unit is overseen by IAASA's Head of Operations.

## Funding

IAASA's Regulatory and Monitoring Supervision Unit is funded 60% by a statutory levy on the prescribed accountancy bodies (PABs) and 40% by the Exchequer. The levy on the PABs allocates the costs to each PAB based on the number of its members and audit firms in Ireland. Further details about the 2021 levy and its allocation across the PABs are provided in IAASA's financial statements, which will be available on its website.

## Functions performed by the recognised accountancy bodies

### Overview

The Companies Act 2014 assigns the performance of certain functions in respect of statutory auditors to the recognised accountancy bodies (RABs) subject to oversight by IAASA, namely:

- approvals and registration (including appropriate qualification)
- continuing education
- quality assurance reviews of statutory auditors and audit firms in relation to audits of entities that are not PIEs
- investigation and discipline in relation to audits of entities that are not PIEs

During 2021, both the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants of Scotland (ICAS) applied to IAASA to have their recognition revoked. Pursuant to its powers under section 931(4) the Companies Act 2014, IAASA revoked the recognition of ICAEW with an effective date of 21 July 2021 and revoked the recognition of ICAS with effect from 22 December 2021. This means that ICAEW and ICAS may no longer authorise individuals or firms as statutory auditors in Ireland or undertake any audit related regulatory functions.

By virtue of the revocation of their recognition, ICAEW and ICAS are no longer prescribed accountancy bodies under the Act and therefore, no longer come under the remit of the Authority.

At 31 December 2021, there were three RABs recognised to undertake the above functions:

- Association of Chartered Certified Accountants (ACCA)
- Institute of Certified Public Accountants in Ireland (CPA)
- Institute of Chartered Accountants in Ireland (ICAI)

This chapter summarises the RABs' activities in relation to the functions delegated to them by the Authority in the four areas listed on the previous page.

IAASA has relied on the RABs to provide some of the information set out in this chapter and the information may be subject to variances due to the structure and operations of the three RABs.

The Profile of the Profession, published by IAASA, provides more detailed information on the RABs' performance of their functions and is available on IAASA's [website](#).

## IAASA's oversight activities

### Supervisory visits

IAASA performs supervisory visits to the RABs to assess the quality of their activities in performing their functions in respect of statutory audit. IAASA's supervisory visits focus on the functions performed by the RABs in respect of statutory auditors.

Following a supervisory visit, IAASA issues a report to the RAB setting out the matters identified during the visit and IAASA's recommendations. IAASA liaises with the RAB throughout the process and considers any concerns the RAB has with regard to its ability to implement IAASA's recommendations. RABs are required to implement the recommendations within 12 months. IAASA follows up on the implementation of its recommendations at the end of the 12-month period.

### Engagement

IAASA continually engages with the RABs, in the form of meetings, roundtables and ad hoc communications.

On an ongoing basis, IAASA meets with each RAB to discuss matters such as their compliance with legislative requirements, implementation of IAASA's guidelines and the implementation of IAASA's recommendations. IAASA reviews and approves changes proposed by RABs to their constitutional documents and provides feedback on guidance documents where relevant.

### Referral to IAASA's Enforcement Unit

Where the Authority receives a complaint that indicates possible significant breaches of a RAB's investigation and disciplinary procedures, the matter is referred to the Authority's Enforcement Unit.

## Functions performed by the recognised accountancy bodies during 2021

### Approval and registration of statutory auditors and audit firms

The RABs may approve statutory auditors and audit firms in accordance with the Companies Act 2014.

At 31 December 2021, there were 1,343 audit firms registered to carry out statutory audits in Ireland (2020: 1,491), with 2,208 individuals in those firms authorised to act as statutory auditors (2020: 2,576).

The number of audit firms registered to audit in Ireland has decreased by 10% and the number of statutory auditors registered to audit in Ireland has decreased by 14%.

The table below shows the movement in audit firms and statutory auditors during 2021.

	Total	ACCA	CPA	ICAEW	ICAI	ICAS
<b>Audit firms registered to audit in Ireland at 1 January</b>	<b>1,491</b>	<b>406</b>	<b>319</b>	<b>38</b>	<b>723</b>	<b>5</b>
New applications granted	53	21	10	-	22	-
Applications not renewed or voluntarily surrendered	(196)	(67)	(18)	(38)	(68)	(5)
Registrations withdrawn	(5)	(1)	(3)	-	(1)	-
<b>Audit firms registered to audit in Ireland at 31 December 2021</b>	<b>1,343</b>	<b>359</b>	<b>308</b>	-	<b>676</b>	-
<i>Those with offices in Ireland at 31 December</i>	1,105	283	308	-	514	-
<b>Statutory auditors registered to audit in Ireland at 31 December 2021</b>	<b>2,208</b>	<b>537</b>	<b>393</b>	-	<b>1,278</b>	-
<i>Those located in Ireland at 31 December 2021</i>	1,790	380	393	-	1,017	-

### Monitoring continuing education

Continuing education (or continuing professional development/CPD) is the means by which a statutory auditor maintains and enhances their professional knowledge, skills and values.

Under IAASA's oversight, each RAB is responsible for effective regulation, monitoring and enforcement of CPD in respect of statutory auditors. In 2021, IAASA issued guidelines for RABs on the regulation, monitoring and enforcement of continuing education for statutory auditors. These guidelines are effective from 1 January 2022.

The table below summarises the CPD reviews of auditors undertaken by the RABs during 2021

	Total	ACCA	CPA	ICAI
<b>CPD records reviewed in the year</b>	<b>912</b>	<b>156</b>	<b>496</b>	<b>260</b>
Desktop reviews (risk based)	115	60	35	20
Desktop reviews (random)	1	-	-	1
On-site reviews	373	74	68	231
Other monitoring activities	423	22	393	8
<b>CPD records that did not comply with CPD requirements after follow up action was taken</b>	<b>17</b>	<b>3</b>	<b>-</b>	<b>14</b>
Of those, statutory auditors that were:				
<i>Subject to regulatory action</i>	8	3	-	5
<i>Subject to disciplinary action</i>	-	-	-	-

## Quality assurance systems

RABs are required to operate a system of quality assurance review of statutory auditors and audit firms, with the exception of PIE audits, which are directly inspected by IAASA. RABs are required to undertake a quality assurance review of each statutory audit firm based on an analysis of risk, but at least once every six years.

In 2021, the RABs concluded 282 quality assurance reviews of audit firms (2020: 251). Where deficiencies were identified, the RABs imposed conditions, restrictions or penalties on the statutory auditor or audit firm. These ranged from the requirement to provide additional information to the suspension of audit registration. 34 of the 2021 quality assurance reviews concluded by the RABs identified deficiencies that resulted in regulatory action being taken against the statutory auditor or audit firm (2020: 40).

The table below summarises the RABs' quality assurance activities during the year.

	Total	ACCA	CPA	ICAI
<b>Quality assurance reviews concluded in the year</b>	<b>282</b>	<b>63</b>	<b>71</b>	<b>148</b>
Good with limited improvements required	153	13	20	120
Acceptable overall with improvements required	95	41	40	14
Unacceptable with significant improvements required	34	9	11	14
<b>Of the quality assurance reviews concluded in the year, those that resulted in regulatory action</b>	<b>34</b>	<b>3</b>	<b>12</b>	<b>19</b>

## Investigation and disciplinary systems

The Companies Act 2014 requires RABs to implement effective systems of investigations and penalties in relation to the inadequate execution of an audit. In 2021, IAASA issued guidelines for RABs when performing investigation and disciplinary functions. These guidelines have an effective date of 1 January 2022.

In 2021, the RABs opened 63 new complaint cases concerning statutory auditors and audit firms (2020: 88). The nature of complaints varied and related to audit and non-audit work. The majority of new complaints arose under the categories of an alleged breach of a body's code of ethics, rules or regulations and poor work, unsatisfactory professional service or conduct.

The table below shows the complaints received, and closed, by the RABs relating to statutory auditors and audit firms in 2021.

	Total	ACCA	CPA	ICAI
New complaints received	63	11	16	36
Complaints closed	61	13	9	39
Complaints closed with adverse findings	20	7	4	9
Complaints closed with adverse findings and sanctions imposed	19	7	4	8
Average time taken to close a complaint (in months)		10	7	14

## IAASA's oversight activities in 2021

### Supervision framework

During 2021, IAASA implemented a revised approach to supervising RABs. Two sets of guidelines were issued in relation to the regulation, monitoring and enforcement of continuing education for statutory auditors and for investigation and disciplinary functions. There was also a consultation on proposed amendments to the guidelines for RABs when granting exemptions from the test of theoretical knowledge. The re-designed process aligns resources with regulatory priorities and will allow for improved consistency and efficiency of supervision.

### 2021 supervisory visits

IAASA completed a supervisory visit to a RAB covering quality assurance during 2021. Recommendations were issued, which are to be implemented within 12 months. IAASA will be performing follow-up procedures to ensure all recommendations are satisfactorily implemented within 12 months.

### Engagement

IAASA engages with RABs on an ongoing basis to monitor compliance with legislation and with IAASA guidelines. Additionally, IAASA discusses any other relevant regulatory matters with the RABs. Of note in 2021 was Covid-19 and the effect of ICAEW and ICAS seeking revocation.

In November 2021, IAASA hosted a roundtable discussion with the six prescribed accountancy bodies in Ireland. The discussion focussed on topics such as updates to the supervision framework, funding and IAASA's investigation process.

In October 2021, the Authority commenced a thematic review to understand procedures performed by the RABs to assess whether statutory auditors and audit firms are of good repute. This report will be finalised in 2022. A review also commenced with EU member states to understand how good repute is considered and assessed within the EU.

## 2022 work programme priorities

### Supervisory visits

During 2022, IAASA intends to carry out three supervisory visits to RABs. The planned supervisory visits will focus on the RABs' approval and registration function.

### Engagement

IAASA will continue to oversee the RABs and their performance of their functions. IAASA will issue draft guidelines on the quality assurance function and will liaise with RABs with regard to the implementation by RABs of these guidelines.

IAASA intends to conduct two thematic reviews, covering:

- the initial complaints handling process
- the examination of professional competence required for qualification as a statutory auditor under Schedule 19 of the Companies Act 2014

IAASA will also liaise with RABs on upcoming European legislation, and particularly with the Corporate Reporting Sustainability Directive.

## Appendix

# Appendix

## IAASA's rating and grading policy

### Ratings

Findings in relation to the effectiveness of a PIE firm's system of quality control have their significance indicated by way of a colour-coding system.

● **Red** indicates that a finding is a significant deficiency.

● **Amber** indicates that an improvement is required. This is a less than significant failure to:

- meet the requirements of the ethical standards and International Standard on Quality Control (Ireland) 1 (ISQC 1); or
- apply a firm's processes or procedures.

● **Yellow** indicates that a finding is a minor deficiency. This is:

- a minor failure in the application of a firm's procedures or processes; or
- a low level deficiency that has the potential to develop into a significant or less than significant failure to meet the requirements of the ethical standards and ISQC 1.

### Grades

Each of the audits of PIEs inspected as part of the quality assurance review is assigned a grade.

- 1 A 1 grade is a good audit with no concerns regarding the sufficiency and quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Any concerns are very limited in their implications (both individually and collectively).
- 2 A 2 grade is an audit that requires limited improvements. There are only limited concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Although there may be some concerns, their implications (both individually and collectively) are limited.
- 3 A 3 grade is an audit that requires improvements. There are some concerns, assessed as less than significant, regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. Although there may be concerns, their implications (both individually and collectively) are less than significant.
- 4 A 4 grade is an audit that requires significant improvements. There are significant concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgements in the areas reviewed. There may be concerns in other areas, with implications that are individually or collectively significant.



**Irish Auditing & Accounting  
Supervisory Authority**

Willow House  
Millennium Park  
Naas, Co. Kildare  
W91 C6KT  
Ireland

Phone: +353 (0) 45 983 600  
Email: [info@iaasa.ie](mailto:info@iaasa.ie)

**[www.iaasa.ie](http://www.iaasa.ie)**