

2022

Annual audit programme and activity report

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Vision

Public trust and confidence in quality auditing and accounting



Mission

Upholding quality corporate reporting and an accountable profession

Our Values



Excellence

Striving to be the best we can be



Independence

Regulating impartially and objectively



Integrity

Being trustworthy and respectful

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Chief Executive's introduction

In accordance with section 930B of the Companies Act 2014, I am pleased to present the Irish Auditing and Accounting Supervisory Authority's (IAASA)'s 2022 annual audit programme and activity report. This report summarises the activities performed by the Authority during 2022 in its oversight of the audit profession in Ireland.

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 2022 included:

- inspection of seven PIE firms by reviewing 35 audits and four internal control areas
- publication of reports on the quality assurance reviews of the seven PIE firms inspected in 2021
- completion of three joint inspections between IAASA's Audit Quality Unit and IAASA's Financial Reporting Supervision Unit
- thematic review on good repute for statutory auditors and statutory audit firms
- hosting a briefing for audit committees
- published an inspection insight series on auditing related party transactions
- volunteered to host 2024 IFIAR inspection workshop
- participated in the leadership of the CEAOB inspection subgroup, through its organising committee, and the CEAOB plenary, through its consultative group and one CEAOB task force
- actively participated on board of International Forum of Independent Audit Regulators (IFIAR) and in two IFIAR task forces
- presented at training events to communicate key inspection findings
- implemented the Common Audit Inspection Methodology for assessing the internal quality control systems of PIE audit firms

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

12 May 2023

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 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 2023 are also outlined.

Resources

In 2022, 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 the firms. The remainder of the levy is allocated across these firms based on their market share of the statutory audit fees for all audits of PIEs.

Further details about the 2022 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 PIE 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 RAB. The Companies Registration Office (CRO) maintains the register of statutory auditors and audit firms in Ireland on its website (www.cro.ie). At 31 December 2022, there were 1,261 audit firms approved to carry out statutory audits in Ireland (2021: 1,343). Further details on the approval of statutory auditors and audit firms are set out in chapter 3.

PIEs and their auditors

The term public-interest entity is defined in the Companies Act 2014, as:

- 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](#).

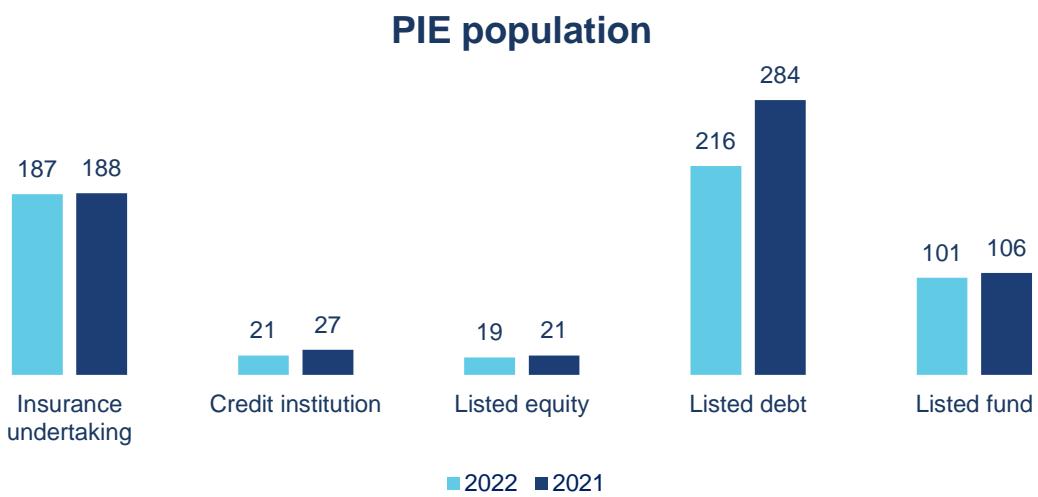
Any statutory auditor or audit firm on the CRO register may be appointed as an auditor to a PIE. Under law, auditors are required to inform IAASA the first time they are appointed as an auditor to a PIE. At 31 December 2022, IAASA was notified of seven PIE firms (2021: seven), auditing 544 PIEs (2021: 626).

These PIE firms were:

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

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 PIE audits and to select audits of PIEs for inspection by the Authority.

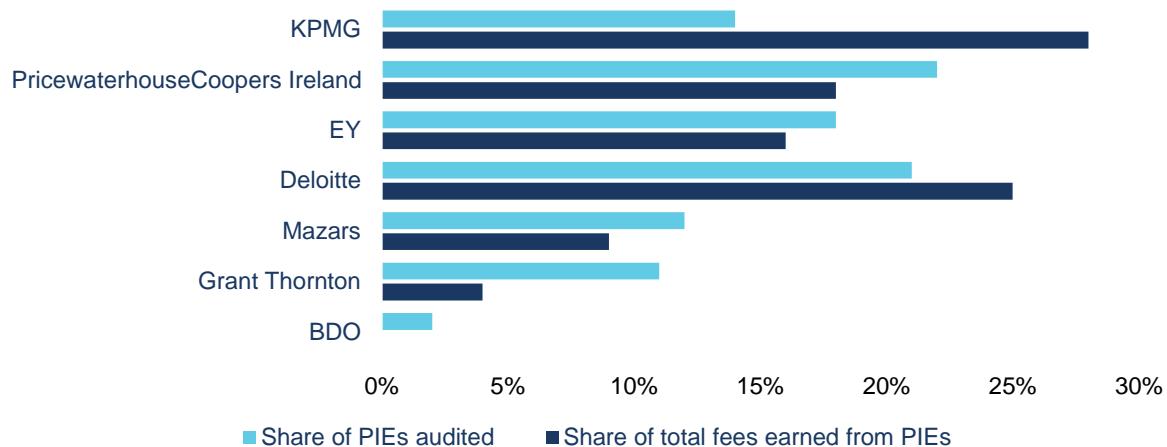
The chart below shows the number of PIE audits based on the above PIE firms' most recent annual returns.



In 2022, four audit firms (Deloitte, EY, KPMG and PricewaterhouseCoopers Ireland) audited approximately 75% of PIEs (2021: 75%) and earned approximately 87% of the related fees (2021: 89%).

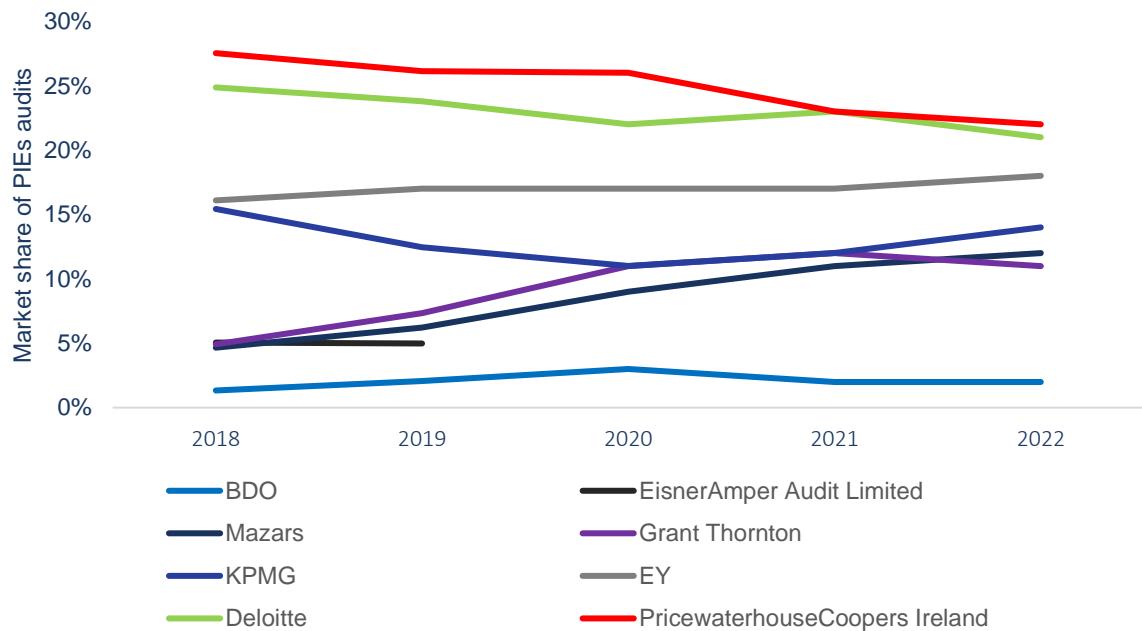
The chart on the next page illustrates the market share of each of the seven PIE firms in Ireland, showing the number of PIEs audited by each PIE firm in 2022 and the fees earned by each Firm in respect of these audits of PIEs.

Market share



The chart below illustrates the developments in the Irish market in relation to the market share of each PIE firms in Ireland 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 five years. EisnerAmper Audit Limited audited approximately 5% of the PIEs in 2018 and 2019 but resigned from its PIE audits during 2020.

Developments in the Irish PIE audit market



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 and compensation
- staff evaluation and compensation
- methodology
- training
- consultations
- engagement quality control reviews
- other quality control reviews
- internal monitoring
- complaints and allegations
- documentation and data security

Systems of quality management in compliance with International Standard on Quality Management (ISQM) (Ireland), previously International Standard on Quality Control (Ireland) (revised November 2020) were required to be designed and implemented by December 15, 2022. The evaluation of the system of quality management required by paragraphs 53–54 of this ISQM (Ireland) is required to be performed within one year following December 15, 2022. IAASA will commence their review of the components of ISQM (Ireland) in 2023.

Selection of a sample of audits of PIEs

IAASA selects a sample of PIE audits 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 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 PIE audits 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.

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. 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: yellow (minor deficiency), amber (improvement is required) and red (significant 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 still 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

IAASA's 2022 quality assurance review activity

Inspection of PIE firms' systems of quality control

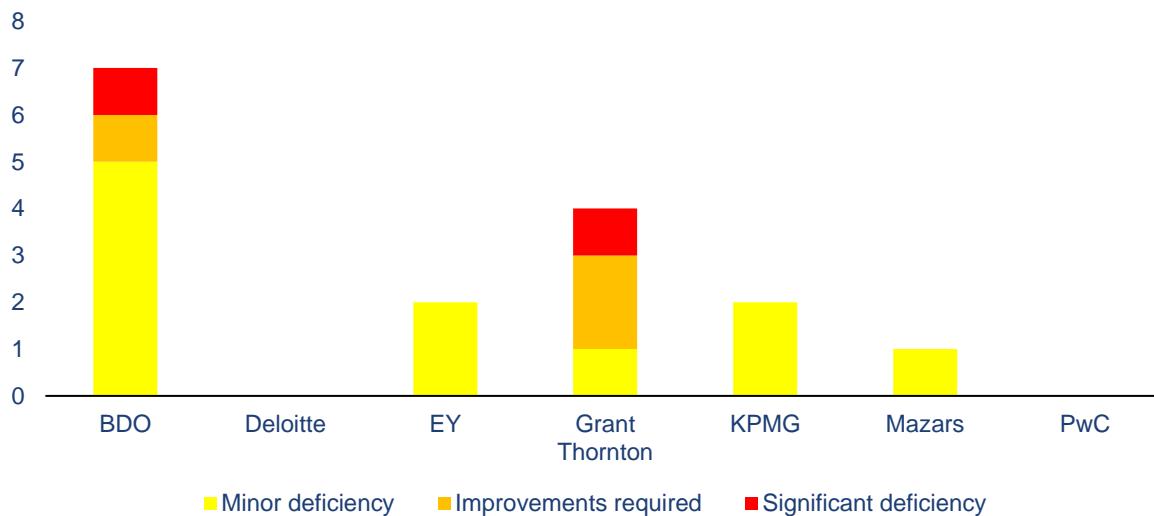
In 2022, the quality assurance review assessed the design of the system of quality control in four areas:

- ethics and independence
- acceptance and continuance
- partner evaluation and compensation
- staff evaluation and compensation

Findings were most frequently identified in the areas of ethics and independence and partner evaluation and compensation, with findings also identified in the areas of acceptance and continuance and staff evaluation and compensation. The severity of findings on PIE firms' systems of quality control in 2022 ranged between yellow (minor deficiency) and red (significant deficiency).

The Authority raised 16 findings across the areas reviewed in 2022, with findings identified in five of the seven PIE firms.

2022 findings on PIE firms' systems of quality control



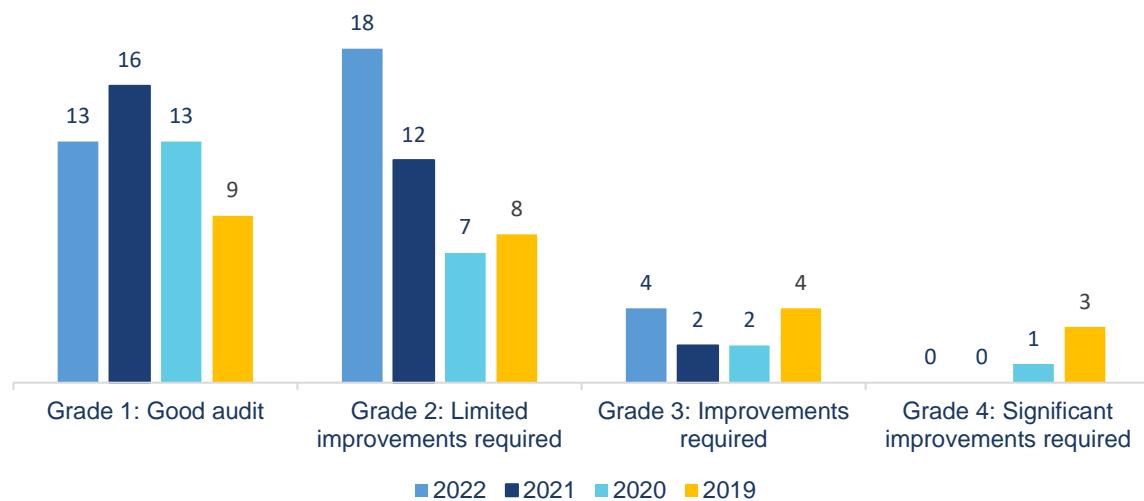
The quality assurance review report for each of the seven PIE firms explains the background to each finding and the issue identified by IAASA. Each quality assurance review report also explains IAASA's recommendations for each finding on the firm's system of quality control, setting out how IAASA expects the firm to remediate deficiencies or implement improvements going forward. The 2022 quality assurance review reports for these firms are published on the Authority's [website](#).

Inspection of audits of PIEs

The Authority inspected 35 audits of PIEs across the seven PIE firms. The number of audits of PIEs reviewed in each of the seven PIE firms varied between three and six. The financial statements for three of the PIEs reviewed were also reviewed by IAASA's Financial Reporting Supervision Unit.

The graph below shows the grades assigned to the 35 audits of PIEs inspected in 2022 and provides the comparative grading assigned to PIE audits for 2021 – 2019. 89% 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 11% 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 2022 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 key recommendations
Related parties	Auditors should perform procedures to evaluate management's assertion on transactions equivalent to those at arms length and whether related disclosure notes in the financial statements have been properly prepared in accordance with the requirements of the financial reporting framework.
Communications with those charged with governance	Auditors should ensure that results of the audit procedures performed on financial statement line items are clearly reported to those charged with governance.

Audit area	IAASA's key 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 ensure all key audit procedures performed to address the key audit matters are clearly and accurately disclosed in the auditor's report.
Journal entry testing	Auditors should ensure the audit file sufficiently evidences the procedures carried out on journal entries and the conclusions reached on the testing performed.

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 2021 were appropriately implemented in 2022.

The results of the 2022 quality assurance reviews in respect of seven PIE firms were published by the Authority in March 2023 and are available on IAASA's [website](#).

Supporting high standards in audit of PIEs

In October 2022, 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 publications, changes to corporate reporting brought about by sustainability reporting and current challenges facing audit committees.

In November 2022, the Authority hosted a roundtable discussion with seven PIE firms. Those attending discussed financial reporting updates, corporate sustainability reporting directive, IAASA's audit inspection results and key findings and recommendations, IAASA's hybrid inspection approach, ISQM (Ireland) and audit committee engagement.

In 2022, the Authority issued an inspection insight series on auditing related party transactions, which is available on IAASA's [website](#).

International co-operation

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 Training Task Force. IAASA holds a position on the CEAOB sub-group on market monitoring, 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 chaired a task force reviewing current EU audit legislation and also joined a new sustainability reporting technical sub-group which engages with the European Commission regarding the implementation of the upcoming sustainability reporting standards. IAASA is a board member of IFIAR and also participates in the inspections workshop working group as well as the technology task force.

IAASA's international engagement normally involves several physical meetings per year. In 2022, these meetings were both in person meetings and virtual meetings. This approach combined the advantages and efficiencies afforded by remote working during the COVID-19 pandemic.

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 2022, IAASA renewed the full registration of 12 (2021: 7) third country audit firms and registered one firm. The increase relates to the renewal of UK auditors who registered for the first time in 2021. IAASA is also responsible for updating the register of third country auditors (available on the CRO website: www.cro.ie) for approved applications and notifying any other changes to the CRO.

2023 work programme priorities

Quality assurance reviews

In 2023, a key priority for the Authority is to engage with PIE firms in relation to the design and implementation of their systems of quality management in compliance with the ISQM (Ireland), effective 15 December 2022.

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 2023, the Authority published the 2022 quality assurance review reports in respect of seven PIE firms.

In 2022, the Authority reached its full staff complement of nine audit inspectors. In 2022, 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.

Hybrid Inspection Approach

IAASA adopted a hybrid inspection approach in 2022. The aim of this approach is to combine the advantages and efficiencies afforded by remote working with an on-site presence when such an

approach better facilitates the exchange of information with the PIE firms. The hybrid approach facilitates greater flexibility both for the IAASA inspectors and the PIE firms and better reflects the work practices that have evolved in recent years. In person meetings enable an open exchange of information regarding the quality control area or audit file being reviewed. These are supplemented by remote access to documentation, including audit files, video meetings and other online platforms to give better access to IAASA inspectors and reduce the amount of resources required by PIE firms to facilitate an 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

Introduction

Investigations are undertaken by IAASA's Enforcement Unit into audit firms and auditors of PIEs. IAASA may also undertake investigations of possible breaches of a RAB'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 RAB'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 2023 are also outlined.

Resources

At 31 December 2022, 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 RAB's 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.

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 PAB 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 2022 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 2022. 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	4	1
Opened during the year	2	0
Concluded during the year		(1)
Open at 31 December 2022	6	0

During the year, the Authority entered into one settlement agreement, in relation to a section 933 enquiry. A link to the text of the agreement is available on IAASA's [website](#). The Authority launched two investigations under section 934 in 2022. The table above reflects the Authority's new reporting structure. In respect of section 934 investigations, previous years tables reflected the number of audit files. The table above now reflects the number of investigations relating to individuals and firms.

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 IFIAR's Enforcement Working Group .

2023 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 2023, 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 RABs

Introduction

This chapter summarises the activities of the 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 2023 work programme priorities.

Resources

At 31 December 2022, there were five people in IAASA's Regulatory and Monitoring Supervision Unit: a senior supervision manager, one project manager, one project executives and two administrative executives. 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 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 2022 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 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

At 31 December 2022, 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 undertakes 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, assessing compliance with legal requirements and IAASA guidelines.

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 regarding 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

On an annual basis IAASA reviews regulatory plans, annual returns, annual and regulatory reports and engages with RABs on these reports. 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 2022

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 2022, there were 1,261 audit firms registered to carry out statutory audits in Ireland (2021: 1,343), with 2,049 individuals in those firms authorised to act as statutory auditors (2021: 2,208).

The number of audit firms registered to audit in Ireland has decreased by 6% in 2022 and the number of statutory auditors registered to audit in Ireland has decreased by 7%.

The table below shows the movement in audit firms and statutory auditors during 2022.

	Total	ACCA	CPA	ICAI
Audit firms registered to audit in Ireland at 1 January	1,343	359	308	676
<i>During the year:</i>				
New applications granted	43	17	9	17
Applications not renewed or voluntarily surrendered	(125)	(63)	(23)	(39)
Registrations withdrawn	(2)	-	(1)	(1)
Other*	2	10	(4)	(4)
Audit firms registered to audit in Ireland at 31 December	1,261	323	289	649
- Of those, number with offices in Ireland at 31 December	1,059	276	289	494
Statutory auditors registered to audit in Ireland at 31 December	2,049	404	371	1,274
- Of those, number located in Ireland at 31 December	1,725	332	371	1,022

* data cleansing, movement in jurisdiction, deceased members

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 with an effective date of 1 January 2022. During 2022, IAASA liaised with RABs on the implementation of these CPD Guidelines.

The table below summarises the CPD reviews of auditors undertaken by the RABs during 2022

	Total	ACCA	CPA	ICAI
CPD records reviewed in the year	760	110	468	182
Desktop reviews (risk based)	53	25	14	14
Desktop reviews (random)	20	-	19	1
On-site reviews	277	46	64	167
Other monitoring activities	410	39	371	-
CPD records that did not comply with CPD requirements after follow up action was taken	13	11	-	2
Of those, statutory auditors that were:				
<i>Subject to regulatory action</i>	13	11	-	2
<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 2022, the RABs concluded 205 quality assurance reviews of audit firms (2021: 282). 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. 41 of the quality assurance reviews concluded in 2022, by the RABs, identified deficiencies that resulted in regulatory action being taken against the statutory auditor or audit firm (2021: 34).

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

	Total	ACCA	CPA	ICAI
Quality assurance reviews concluded in the year	205	46	42	117
Good with limited improvements required	100	5	9	86
Acceptable overall with improvements required	65	37	22	6
Unacceptable with significant improvements required	40	4	11	25
Of the quality assurance reviews concluded in the year, those that resulted in regulatory action	41	1	10	30

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 2022, the RABs opened 50 new complaint cases concerning statutory auditors and audit firms (2021: 63). 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 2022.

	Total	ACCA	CPA	ICAI
New complaints received	50	10	7	33
Complaints closed	51	19	9	23
Complaints closed with adverse findings	14	4	5	5
Complaints closed with adverse findings and sanctions imposed	12	4	3	5
Average time taken to close a complaint (in months)		11	13	38

IAASA's oversight activities in 2022

Supervision framework

During 2022, IAASA continued to bed down its revised approach to supervising RABs. The re-designed process aligns resources with regulatory priorities and will allow for improved consistency and efficiency of supervision. Draft guidelines for RABs when performing the Quality Assurance (QA) function in respect of statutory auditors and audit firms were circulated for consultation and final guidelines were issued during 2022. These QA guidelines apply to RABs from 1 January 2023.

2022 supervisory visits

In 2022, IAASA conducted reviews of the RABs' licensing process for statutory auditors and audit firms. Draft reports were sent to each RAB in 2022 with final reports issuing in early 2023. Using the RAY (red / amber/ yellow) classification for significance of the rating, IAASA issued 11 Red and 5 Amber findings with recommendations across the three RABs. The Authority also commented on a number of areas of weakness for each RAB where there wasn't a specific case of non-compliance noted but where a process or constitutional document did not appear to be operating or drafted in a manner that ensures compliance with the requirements in the legislation, guidelines or the RABs own standards.

The findings noted in the reports to the three RABs included incidents of non-compliance with legislation, IAASA guidelines and the RABs' own constitutional documents. There was commonality noted in the nature of some of the findings but also other findings which were noted in only one or two of the RABs. The nature of the findings included, but was not limited to:

- issues regarding the accuracy, completeness and timeliness of information provided to the Registrar for inclusion on the public register of statutory auditors;
- errors on the public register of statutory auditors and audit firms;
- non-compliance with eligibility criteria regarding audit firms which were approved on the public register;
- non-verification of, or non-evidence of verification of compliance with eligibility criteria regarding individuals and firms;
- inconsistencies in the treatment of member and non-member applications for statutory auditor approval;
- breaches or errors not noticed in files where there was no oversight, or weaknesses in oversight of the approval tasks;
- maintenance of adequate RAB records in relation to the regulatory functions and;
- non-compliance with RABs requirements for committee composition, reporting information, or the processes or methodologies used by the RAB in conducting the approvals and registration functions.

In addition to following up on the recommendations issued to each of the RABs, IAASA will use the findings to inform the drafting of guidelines for the approval of statutory auditors and audit firms in Ireland.

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 2022 was the ongoing effect of COVID-19 including remote or hybrid monitoring visits and remote disciplinary hearings.

In November 2022, IAASA hosted a roundtable discussion with the six PABs in Ireland. Presentations included topics such as the EU consultation on corporate reporting and its enforcement, recognition of accounting/auditing qualifications from other countries, digitalisation, Corporate Sustainability Reporting Directive and other regulatory updates relevant to RABs.

In October 2021, IAASA commenced a thematic review regarding the assessment by RABs of good repute. The thematic review which concluded in 2022 considered how the RABs define and evidence good repute in relation to statutory auditors and audit firms, as well as understanding the action taken by RABs where good repute is compromised. The report concluded that there was commonality in some procedures used by the RABs but some differences also arose.

IAASA conducted a parallel survey of EU member states. The responses from 20 jurisdictions revealed many differences in the approaches adopted in the different jurisdictions. IAASA will use the learnings from both reviews when drafting guidelines relating to the licensing of statutory auditors and audit firms in 2023.

In 2022, IAASA undertook a desktop review of some aspects of the requirements in Schedule 19 of the Companies Act 2014 and how they are being implemented across the three RABs. As part of this review, a questionnaire was developed by IAASA and issued to the three RABs. The questionnaire sought to gather information on how the RABs ensure that their exams include all the subject requirements in Schedule 19. There were also questions on how the RABs process exemptions sought by applicants in respect of auditor qualification exams. The responses were reviewed and considered and a report was prepared by IAASA and shared with the RABs. There were a number of findings that emerged from the work, the results of which will inform RMS work programmes and supervisory activities. The results will also feed into the development of guidelines on approval of statutory auditors and audit firms.

IAASA also conducted a thematic review comparing investigation and disciplinary systems across the six PABs which included the three RABs. The review focussed on the initial stages of the complaints process and covered the initial submission stage of a complaint through to the action available to the RAB when a complaint is determined to be admissible.

The thematic review involved responses to a questionnaire issued by IAASA and supporting information provided by the RABs. Some of the key observations from this thematic review are summarised below.

- All RABs provide guidance as to how to make a complaint and what complaints the PAB will accept on their websites.
- All RABs consider complaints regarding poor performance and misconduct.
- The majority of RABs require an attempt at resolution with the member before considering the complaint.

- The majority of RABs require the complaint to be set out in writing with supporting evidence where possible.
- RABs close complaints if they cannot be dealt with under the RAB's regulations. Where complaints can be addressed, they are dealt with via conciliation or an alternative resolution process.
- Where complaints are not resolved, they progress to an investigation process.
- RABs do not engage with the resolution of complaints with regard to disputes over fees.
- RABs have time restrictions regarding the submission of complaints they will accept, although discretion is available for complaints which impact public interest.
- In the majority of RABs, complainants can make further representations and request the closed complaint be subject to a further review.
- Decisions to close complaints are subject to oversight in all RABs.
- There are conflict of interest policies and rules managed and monitored in all RABs for staff and committees.
- Quarterly reports regarding complaints are made to committees and annually to Boards or Councils.
- Complaints relating to audit are investigated by the RAB which approved the statutory auditor.

2023 work programme priorities

Supervisory visits

During 2023, IAASA intends to carry out three supervisory visits to RABs. The planned supervisory visits will focus on the RABs' complaints process.

Engagement

IAASA will continue to oversee the RABs and their performance of functions under the Act. IAASA will issue draft guidelines on the approval of statutory auditors and audit firms function and will liaise with RABs regarding the implementation by RABs of these guidelines.

IAASA intends to conduct a two-part thematic review, covering the investigation process and the disciplinary and appeals processes.

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

www.iaasa.ie