

2. General overview of the Regulatory landscape

Lisa Campbell
Head of Operations

Slido questions

- Which of these IAASA publications have you read?
 - FRSU observations
 - FRSU decisions
 - AQU inspection reports
 - Thematic reviews
 - Annual audit programme and activity report
 - Annual report
 - Profile of the profession

IAASA and what it does ...

IAASA is responsible for:

1. supervision of the accounting profession
2. statutory auditors
3. examining the level of compliance with applicable financial reporting standards
4. direct inspection of audits of Public Interest Entities
5. conduct of investigations
6. adopting standards on auditing
7. other activities: liquidators, third country auditors, advising the Minister

IAASA and what it does not do ..

- Does not have direct oversight over audit committees, directors
- However...

Responsibilities under Article 27.1 of the Audit Regulation (537/2014)

where:

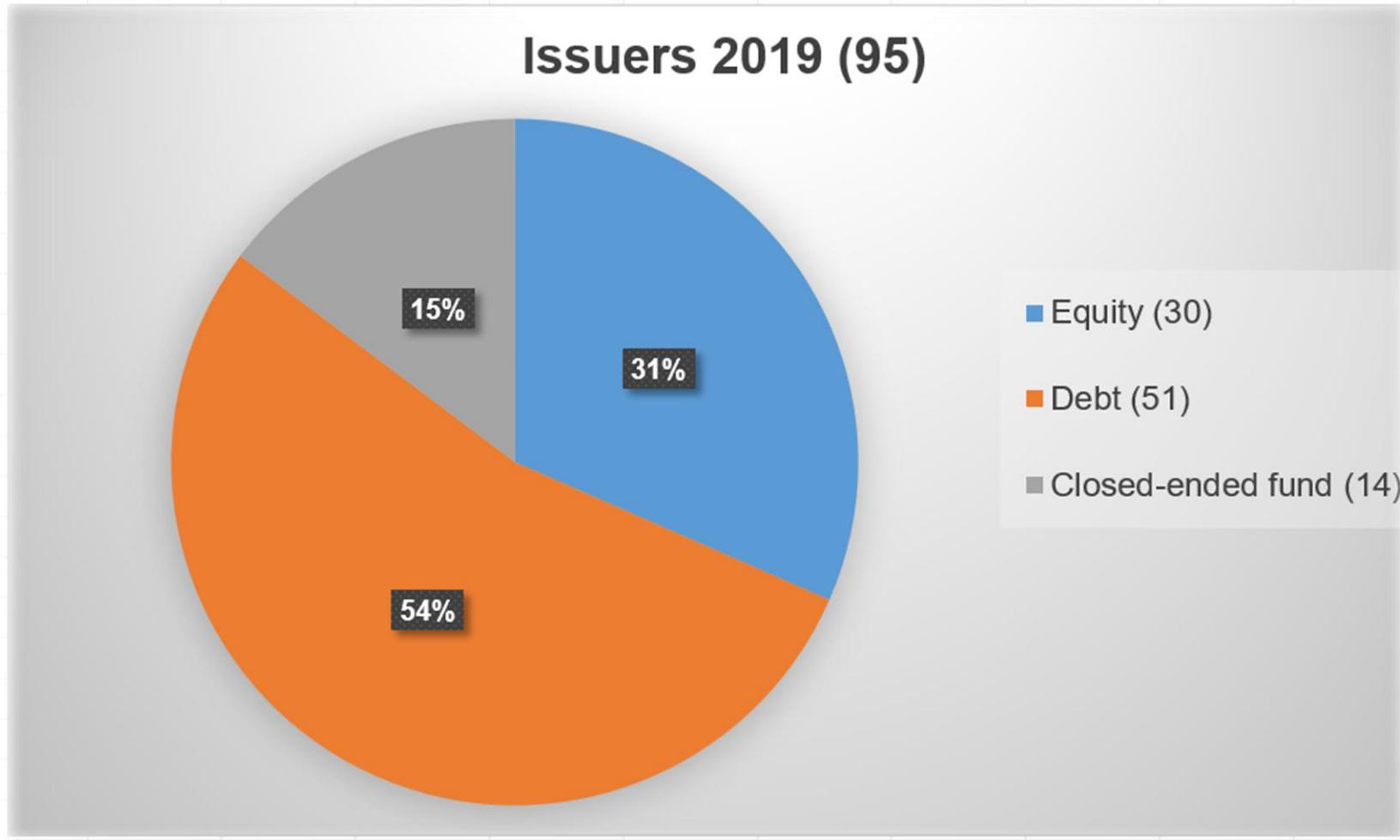
The competent authority shall assess 'the performance of audit committees'

Remit

- 8 Prescribed Accountancy Bodies (PABs)
- 40,027 PAB members in Ireland
- 4,341 Statutory Audit Firms (8 auditing PIEs)
- 752 Public Interest Entities (PIEs)
- 95 issuers

Financial statement examinations

Issuers under remit at 31 December 2019



FRSU reviews

- Risk assessment carried out to identify relevant issuers for review
- Also comply with ESMA Guidelines on Enforcement of Financial Information, which includes rotational element
- Initial contact is letter to CEO
- Further engagement can be carried out by letter or by meeting/call
- Matters typically resolved by provision of undertakings by the directors

IAASA's approach to accounting enforcement during COVID-19

1. Flexible response timelines:
 - normally a response deadline of 3 weeks is given to issuers to respond to IAASA's initial letter
 - extended to 6 weeks
2. Open to granting extensions to response deadlines
3. Open to discussion in advance of receiving a response

Topical issues

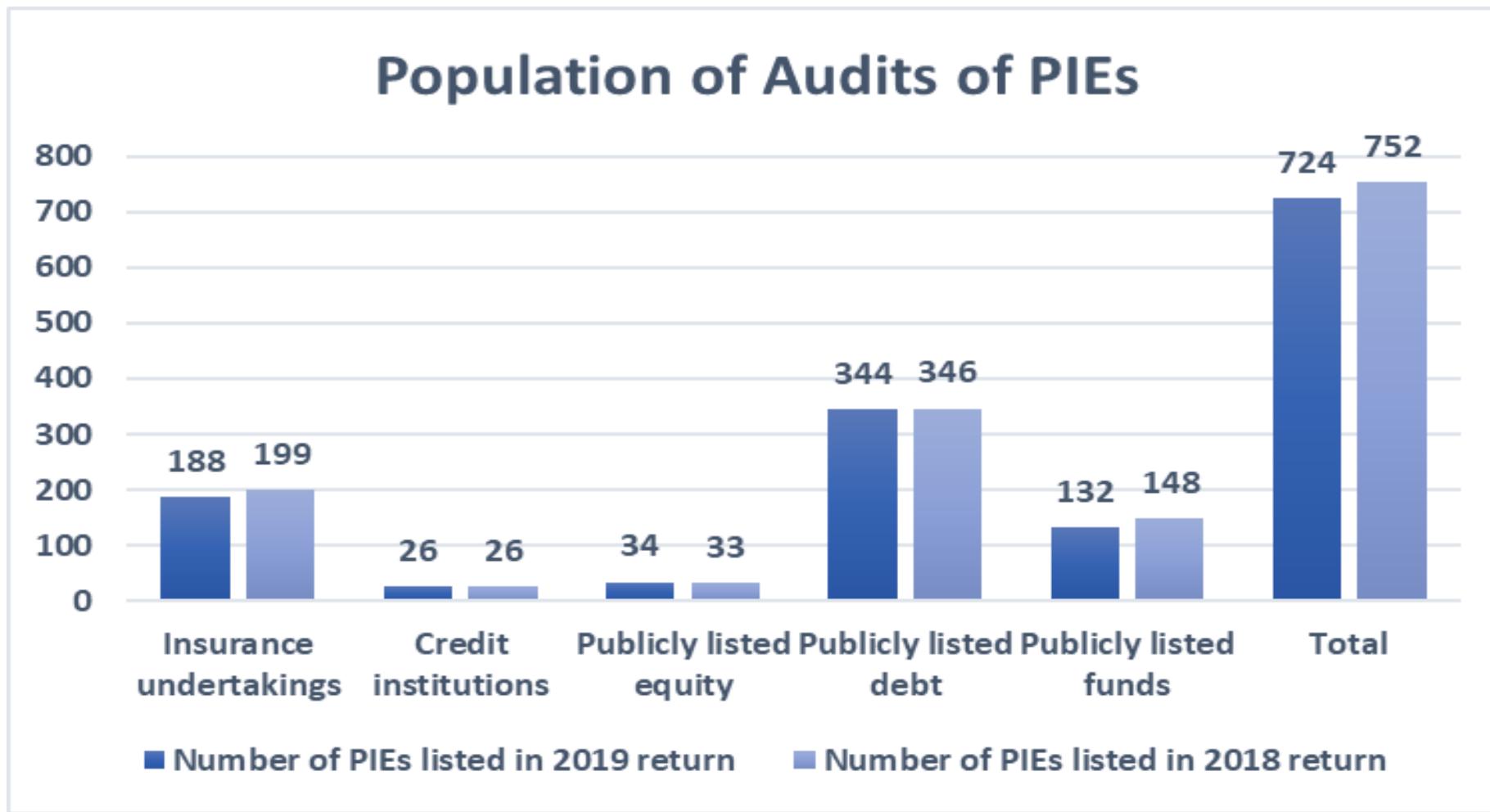
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 Leases
- IFRS 9 Expected Credit Losses
- Compliance with bank covenants
- Impairment
- Going concern
- Alternative performance measures

Watch out for ...

1. 2020 *Observations* document (due September 2020)
2. 2020 ESMA Common Enforcement Priorities (expected late October 2020)
3. ESMA extracts of European financial reporting decisions (on-going)

Audit inspections

PIE Population



Audit Inspections

- IAASA's mission includes promotion of high quality auditing
- Transparency in relation to findings is vital for market
- All PIE audit firms are visited annually
- Number of inspections performed dependent on size and risk profile of portfolio (as well as firm considerations)
- 2019 was the second round of inspections and the first year the firmwide inspection reports were published
- Audit Committees of PIEs are required to consider the findings and conclusions of published inspection reports in appointing an auditor

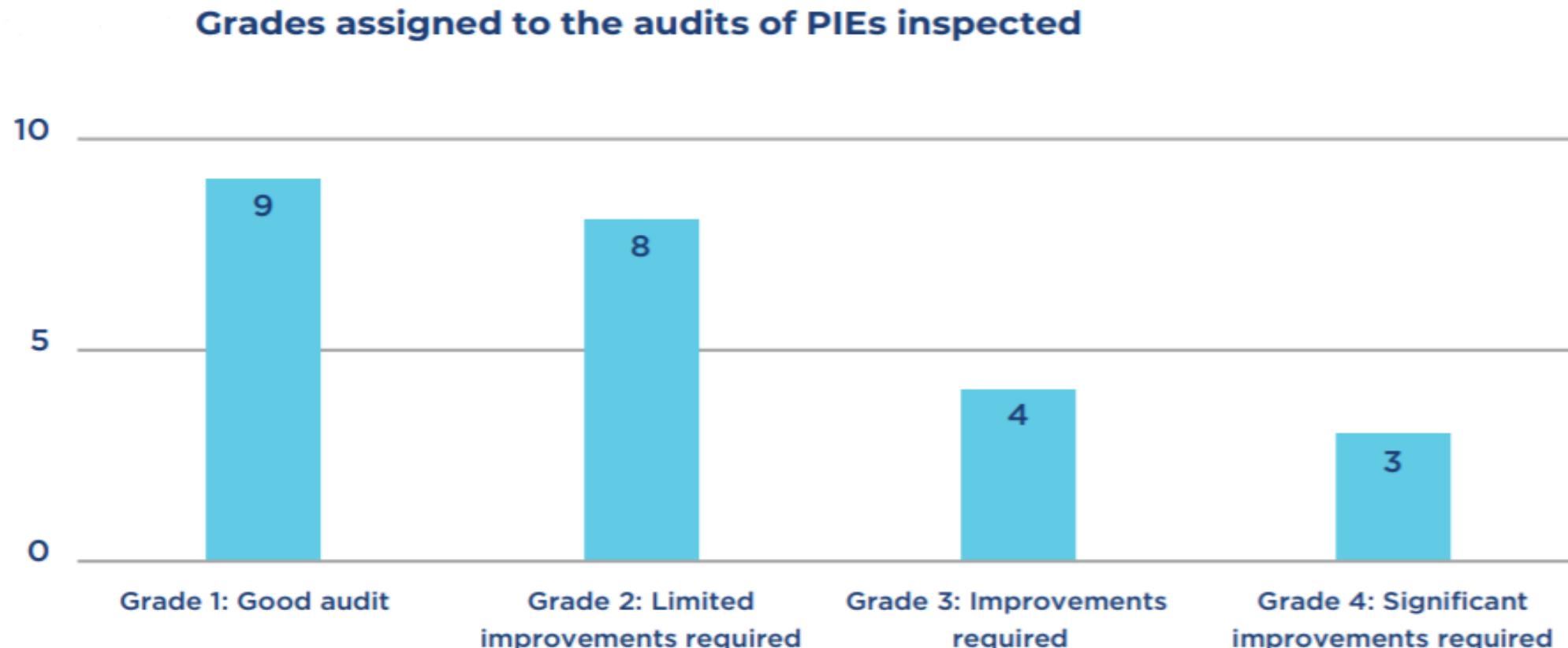
Audit inspections – grading

Individual Audit Inspections: 1 → 4 Grading

Grade	Definition
1	Good Audit <ul style="list-style-type: none">• No concerns regarding the sufficiency and quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed
2	Limited Improvements Required <ul style="list-style-type: none">• Limited concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed
3	Improvements Required <ul style="list-style-type: none">• Concerns, assessed as less than significant, regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed
4	Significant Improvements Required <ul style="list-style-type: none">• Significant concerns regarding the sufficiency or quality of audit evidence or the appropriateness of significant audit judgments in the areas reviewed

Audit inspections – grading

Individual Audit Inspections: 1 → 4 Grading



Inspections update – key findings

Key findings

- Risk assessment
- Estimates
- IT findings
- Group audits
- Communications with TCWG

COVID-19 impact on audit

- Acceptance of new audit engagements
- Planned audit procedures
- Internal control
- Professional scepticism
- Auditor's report
- Group audits

ISA 570 update – Going concern

- New definitions added – “management bias” and “material uncertainty”
- Increased requirements for the auditor
 - the entity and its environment;
 - the applicable financial reporting framework;
 - the entity’s system of internal control;
 - evaluation of management’s assessment
- Enhanced auditor reporting requirements

ISA 540 update – Accounting estimates

- Enhanced requirements and application material for risk assessment procedures and the auditor's response
- Enhanced work relating to:
 - Considering events occurring up to the date of the auditor's report;
 - Testing how management made the accounting estimate; or
 - Testing how estimation uncertainty has been addressed by management

ISA 540 update – Accounting estimates

- Enhancements to reinforce the application of professional scepticism
- Emphasising the importance of the need to consider internal control, with improved cross references to ISAs 315 & 330
- Procedures should address whether both the accounting estimates and the related disclosures are "reasonable"

2021 Audit Inspections

- Round 3
- All PIE firms in scope
- Reports for 2020 inspections published Q1 2021
- Increased interaction with Audit Committee Chairs

Questions?

Useful links

- IAASA Covid Hub - <https://www.iaasa.ie/Covid-Hub>
- IAASA inspection reports
- Annual Audit Programme & Activity report
- AQU Bulletin
- Guidance note on PIE inspections
- Frequently Asked Questions