2020

Feedback Paper

# Ethical Standard for Auditors (Ireland), International Standards on Auditing (Ireland) and Glossary of Terms (Revised November 2020)

IAASA
Irish Auditing & Accounting Supervisory Authority

## Disclaimer

## 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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# 1. Summary

Following public consultation, IAASA is issuing revised versions of:

- the Ethical Standard for Auditors (Ireland);
- certain International Standards on Auditing (Ireland) and the International Standard on Quality Control (Ireland) 1 (together the 'ISAs (Ireland)'), listed in the Appendix to this document; and
- the Glossary of Terms, which defines the terms used in the Irish auditing framework.

The revised standards are effective for audits of financial statements for periods beginning on or after 15 July 2021, with early adoption permitted. The main changes to the standards, which are designed to improve audit quality and enhance public confidence in audit in Ireland, are summarised below.

## 1.1. Ethical Standard for Auditors (Ireland)

- Simplification and restructuring, to assist auditors to better understand the ethical requirements and so lead to a higher level of compliance.
- The 'objective, reasonable and informed third party' test has been redefined and additional application guidance inserted.
- Prohibitions on providing recruitment or internal audit services to or acting as the general counsel of an audited entity.
- Enhancements to ethics partners' authority.
- A new requirement for auditors to report breaches of the Ethical Standard for Auditors (Ireland) on an annual basis to:
    - IAASA and the relevant recognised accountancy body ('RAB') for auditors of public interest entities ('PIEs'); and
    - the relevant RAB for non-PIE auditors.

  Auditors will also be required to report any breaches relating to a specific audit to those charged with governance of the relevant entity.
- The cooling off period for engagement partners on PIE audits has been amended to 3 years, as provided in EU Regulation 537 of 2014 and a corresponding change made to the requirement for listed entities.

## 1.2. ISAs (Ireland)

- Clarification and enhancement of requirements relating to group audit procedures and the auditor's work effort in respect of 'other information' in the financial statements.
- Extension of the requirement for the auditor's report to explain the extent to which the audit was considered capable of detecting irregularities, including fraud, to listed entities as well as PIEs.
- Enhanced disclosures in respect of materiality, including the specification of performance materiality.

# 2. Responses received

The consultation closed on 17 July 2020. IAASA received 8 responses, as listed below – three from recognised accountancy bodies and five from audit firms.

- Association of Chartered Certified Accountants ('ACCA')
- Chartered Accountants Ireland ('CAI')
- CPA Ireland ('CPA')
- Deloitte
- EisnerAmper
- EY
- KPMG
- PwC

The full responses are available here on the IAASA website.

Having reviewed and considered in detail all of the responses received, a number of changes from the consultation documents have been reflected in the final versions of the revised Ethical Standard for Auditors (Ireland) and ISAs (Ireland), as detailed in sections 3 and 4 below.

Section 5 of this feedback paper summarises the general comments on the proposals made by the majority of respondents and IAASA's consideration of those points, while section 6 summarises the responses received to the questions in the Consultation Paper and IAASA's response.

# 3. Revised Ethical Standard for Auditors (Ireland) – differences to consultation proposals

## 3.1. Effective date

The majority of respondents requested a deferral of the proposed effective date of 15 October 2020. However, there was no consensus on an alternative with a range of dates throughout 2021 suggested. The principal points raised in support of respondents' requests for a deferral were:

- to allow sufficient time for updating of audit firms' policies and methodologies to reflect the revised requirements;
- current challenges in communicating and delivering appropriate training to staff, who are working remotely due to Covid 19 restrictions;
- the challenging working environment for audit firms due to Covid 19, with delays to reporting deadlines that impact on the timing of audit work;
- firms are currently implementing revisions to ISA (Ireland) 540, *Auditing Accounting Estimates and Related Disclosures* and ISA (Ireland) 570, *Going Concern* both of which are effective for audits of financial statements for periods beginning on or after 15 December 2019; and
- there may be existing permitted non-audit service engagements underway that will not be completed or terminated by the proposed effective date of October 2020.

IAASA is cognisant of the particular challenges presented by Covid 19 and the need to allow time from publication of the revised standards for firms to amend their processes and procedures to reflect the new requirements and to provide appropriate staff training.

In this context, IAASA is of the view that it is appropriate for the revisions to apply to financial years beginning on or after 15 July 2021, with early adoption permitted.

## 3.2. Non-audit services

Four respondents commented on the proposals to prohibit contingent fees for non-audit services, loan staff assignments and tax advocacy for all audits. Their substantive points are summarised in the bullet points below.

- Some respondents were of the view that the prohibitions would have a disproportionate impact on small and medium size businesses in Ireland. They expressed the view that short-term secondments and tax work by the auditor, in particular, are beneficial to both the entity and professional accountants, citing the current Covid 19 situation as an example of where the need for such services may arise.
- The prohibitions may lead to additional costs and practical inefficiencies for entities, who would incur increased costs and effort to engage alternative service providers.
- EU legislation does not prohibit contingent fee arrangements for non-audit services, which can make some assignments feasible for smaller entities and provide access to expertise that might otherwise be outside their range.
- The proposed prohibition on providing tax services that would involve acting as an advocate would be overly restrictive. Respondents stated that the proposals are inconsistent with the provisions applying to legal services, where it is permitted to act in respect of matters that are immaterial to the financial statements, and with the retention of the derogation to provide certain tax services to PIE audit clients where they have 'no direct' or an 'immaterial' effect on the financial statements.
- The list of prohibited non-audit services for PIE audits is aligned with the provisions of the EU Regulation. In contrast, the additional proposals would be applicable to all audits but are not required by legislation.

Having considered the responses received in this area as summarised above, IAASA has not introduced a prohibition on contingent fees for non-audit services, tax advocacy or loan staff assignments. It is noted that the extant Ethical Standard for Auditors (Ireland) sets out stringent provisions regarding when such services may be permitted. These provisions have been retained and should be sufficient to restrict the provision of these services to limited instances where the auditor's independence would not be (or be perceived to be) compromised.

IAASA further notes that auditors are required to apply the overarching ethical principles of integrity, objectivity and independence set out in Part A of the Ethical Standard for Auditors (Ireland) as well as the detailed requirements of Part B. In this context, auditors are required to carefully consider any proposal to provide non-audit services to an audit client in order to determine whether the provision of such services is in compliance with the spirit as well as the letter of the requirements in the particular circumstances arising.

## 3.3. Reporting of breaches

Two respondents commented on the proposal to require auditors to report breaches of the Ethical Standard for Auditors (Ireland) to IAASA (for PIE auditors) or the relevant RAB (for non-PIE auditors) on a bi-annual basis, stating that a bi-annual requirement to report all breaches would result in an overly burdensome set of procedures and reporting obligations for small and medium practices.

IAASA considered the representations received, how it intends to use these reports and its role in supervising the RABs. Consideration was also given as to how best to implement this requirement in Ireland to ensure that both IAASA and the relevant RAB are made aware of breaches of the Ethical Standard on a timely basis without imposing a disproportionate burden on firms. The final version of the Ethical Standard for Auditors (Ireland) provides that such reports shall be submitted at least annually, with reports by PIE auditors submitted to both IAASA and the relevant RAB. Non-PIE auditors shall submit their reports to the relevant RAB only. It is anticipated that reports to IAASA will be linked to the PIE audit firms' annual return process, while each RAB will have discretion to tailor the frequency of such reports to its processes, subject to the requirement that they be submitted at least once a year. The language has also been amended to clarify that this requirement relates to breaches of the Ethical Standard i.e. firms shall not be required to report breaches of their internal policies and procedures unless they also result in non-compliance with the Ethical Standard.

IAASA intends to engage with the RABs on this matter and issue guidance to auditors regarding the format of the reports to be submitted. The reports will form part of IAASA's risk assessment of the PIE audit firms. Any actions taken by IAASA arising from the reports will depend on the specific circumstances of each case.

## 3.4. Other differences

A number of further amendments have been made to the consultation version of the Ethical Standard for Auditors (Ireland) to reflect respondents' comments, as summarised below.

- The extant Ethical Standard for Auditors (Ireland) prevents auditors of listed entities from preparing tax calculations if they are or may reasonably be expected to be used by the entity when preparing accounting entries that are material to the financial statements. It provides that they may prepare tax calculations after the completion of the audit for the purpose of submitting tax returns. This wording has been retained, as this is consistent with the equivalent provisions for PIE audits set out in both the Standard and the Companies Act 2014.
- Legislative referencing has been updated to reflect the enactment of the Companies (Statutory Audits) Act 2017.

# 4. Revised ISAs (Ireland) – differences to consultation proposals

## 4.1. Effective date

As with the Ethical Standard for Auditors (Ireland), the revised ISAs (Ireland) will apply to financial years beginning on or after 15 July 2021, with early adoption permitted.

## 4.2. Extent to which the audit is capable of detecting irregularities, including fraud

Five respondents expressed concerns regarding the proposal to amend ISA (Ireland) 700, *Forming an Opinion and Reporting on Financial Statements* to require all auditors to report on the extent to which the audit was capable of detecting irregularities, including fraud. In particular, they noted that EU law requires this for PIEs only and asserted that the requirement would be particularly onerous for smaller companies and have a greater impact in the Irish market, as small Irish companies that file a late annual return are not entitled to avail of the audit exemption.

IAASA has considered respondents' representations in this area and the potential impact of this proposal on all audits in Ireland relative to the expected benefits, especially for the audits of smaller entities where it may result in similar disclosures across entities that add little value or insight. IAASA has decided to extend the reporting requirements in this area to listed entities. This is in the context of the high level of public interest attached to such entities. The additional reporting requirement for these entities will contribute to users' understanding of auditors' responsibilities.

In September 2020, the IAASB issued a discussion paper on 'Fraud and Going Concern in an Audit of Financial Statements'. IAASA intends to respond to this consultation, through participation in any comment letters submitted by the Committee of European Auditing Oversight Bodies ('CEAOB'), and will monitor developments in this area to ensure that the Irish auditing framework continues to reflect international best practice.

## 4.3. Other differences

A number of amendments to the proposed revisions to the ISAs (Ireland) have been made to reflect comments by respondents, as summarised below.

- ISA (Ireland) 600*, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*
    - In response to requests for clarity on when a component auditor is a key audit partner, the definition of component auditor has been amended to clarify that: 'A component auditor is not an engagement partner for the group audit.'
    - The language in both ISA (Ireland) 600 and ISA (Ireland) 220, *Quality Control for an Audit of Financial Statements* has been amended to clarify that the work of component auditors is subject to review by the engagement quality control reviewer and engagement partner where that work has been performed for the purposes of the group audit.

      Some respondents also sought further guidance regarding the role of the engagement partner and engagement quality control reviewer of group audits, particularly regarding the level of review of component working papers. As the level of review that is appropriate is a matter for professional judgement for the auditor depending on the specific circumstances arising, further detail and prescription has not been added to the application material in this area.

- A clarification has been inserted in ISA (Ireland) 720, *The Auditor's Responsibilities Relating to Other Information* to state that the requirements of the Companies Act 2014 relating to the auditors' report do not apply to the non-financial statement where disclosed within the directors' report.

# 5. General comments

The views below were expressed by the majority of respondents, either in their cover letters or in their detailed responses to the specific questions raised in the Consultation Paper.

## Sufficient consideration was not given to the needs of the Irish market

All of the changes made by the FRC have been reviewed in detail and, where considered appropriate, amendments have been made to tailor the equivalent provisions in the Irish auditing framework. In this regard, there are a number of substantive differences (summarised in section 4 of the Consultation Paper and sections 3 and 4 above) between the revisions made by the FRC and those adopted in the Irish auditing framework which reflect the particular needs of the Irish market, including legislative differences.

## The Irish auditing framework should be consistent with Irish/EU law and the International Standards

The EU Audit Regulation applies to the audit of PIEs only, while the Audit Directive is a 'minimum harmonisation' directive that contains high level provisions to which member states may add further local requirements. In addition, both the Regulation and Directive contain a significant number of member state options. In this context, it is not always possible or practical for IAASA to fully align the Irish auditing framework with audit requirements throughout the EU and the International Standards, particularly in areas where a standardised approach is not currently required by EU legislation.

## Respondents queried whether it continues to be appropriate to base the Irish auditing framework on the UK standards in a post Brexit environment

IAASA monitors changes to the auditing framework proposed by the FRC on an ongoing basis to ensure that it continues to be appropriate to adopt the UK standards with minimal changes in Ireland, particularly in the context of Brexit.

## The proposed changes would have a disproportionate impact on the audits of smaller entities in Ireland

As detailed above, the extant restrictions on contingent fees for non-audit services, loan staff assignments and tax advocacy services have been retained and the requirement for auditors to report on the extent to which the audit was capable of detecting irregularities has been extended to listed entities only. IAASA considers that the amendment of these provisions in the final standards should ensure that the new requirements do not have a disproportionate impact on smaller entities in Ireland.

# 6. Matters on which IAASA consulted, summary of responses and IAASA response

A summary of the responses received to the specific questions asked in the Consultation Paper, and IAASA's response, are set out below.

| No. | Matter on which IAASA sought views |
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| **1** | In the context of IAASA's policy to make minimal amendments to the UK standards, are there any amendments proposed that, in your opinion conflict with Irish or EU law?<br>If so, please:<br>a. identify the relevant proposed amendment(s);<br>b. identify the relevant legal provision(s);<br>c. give reasons for your view; and<br>d. explain what action(s), if any, you believe should be taken to update the standards in Ireland in respect of the matter(s) concerned. |
| **Summary of responses** | **Ethical Standard - prohibitions and restrictions on certain non-audit services**<br>As detailed in the section 3.2 above, four respondents commented on the proposals to prohibit certain non-audit services for all audits, in particular contingent fees for non-audit services, loan staff assignments, tax advocacy and internal audit services.<br><br>**ISA (Ireland) 700 - extent to which the audit is capable of detecting irregularities, including fraud**<br>As detailed in section 4.2 above, five respondents did not support the proposal to amend ISA (Ireland) 700 to require all auditors to report on the extent to which the audit was capable of detecting irregularities, including fraud. They provided a number of arguments in support of this position, related to EU law requiring this for PIEs only, particular challenges for smaller companies in Ireland, legal restrictions regarding what can be disclosed and concerns that it would lead to boilerplate language.<br><br>**Provisions not required by EU/Irish law**<br>The majority of respondents noted that some of the proposed amendments to the standards are not required by EU or Irish law and expressed the view that the Irish standards should be aligned with EU requirements rather than reflecting the UK's approach post Brexit.<br>Some respondents also stated that the responses to the FRC's consultation expressed concerns that changes should not be made to the UK framework until the outcome of the Brydon, Kingman and CMA reviews in the UK are fully known.<br><br>**ISA (Ireland) 701, *Communicating Key Audit Matters in the Independent Auditor's Report* – performance materiality**<br>Three respondents suggested removal of the proposed requirement to report on performance materiality and provide an explanation of significant judgements in relation to determining performance materiality in ISA (Ireland) 701. Respondents noted that this is not required by EU or Irish law and expressed the view that the |

inclusion of performance materiality may lead to unnecessary confusion and misinterpretation among the users of the financial statements and would add additional jargon and complexity to audit reports.

**Other matters**
As noted sections 3.4 and 4.3 above, a number of other comments by respondents have been reflected in the final revisions to the standards.

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| **IAASA Response** | **Ethical Standard - prohibitions and restrictions on certain non-audit services**<br>As detailed in section 3.2 above, IAASA has not introduced prohibitions on contingent fees for non-audit services, loan staff assignments and tax advocacy services.<br>However, it is essential that the public have confidence in the independence of auditors and it is IAASA's view that the provision of internal audit services to audit clients creates a risk (both real and perceived) that merits action. In this context, and subject to the transitional provisions set out in the revised Ethical Standard for Auditors (Ireland), internal audit services may not be provided to any audit client when the new standard becomes effective. It is accepted that there may be additional short term costs for entities to obtain internal audit services from an alternative provider. However, this is outweighed by the public interest in ensuring that auditors are independent of the entities being audited.<br><br>**ISA (Ireland) 700 - extent to which the audit is capable of detecting irregularities, including fraud**<br>As detailed in section 4.2 above, IAASA has extended this requirement to listed entities but not to smaller entities.<br>There is an expectation gap in this area, with stakeholders often expecting a higher level of assurance in this area than an audit is designed to provide. IAASA considers this gap may be narrowed through the expansion of audit reports to provide additional information to users of the financial statements of listed entities on the work performed by the auditor in this area. It is the auditor's responsibility to ensure that their report is clear, relevant and sufficiently tailored to be useful to users.<br>IAASA acknowledges that, in some instances, legislation may prohibit an auditor from disclosing certain information, which will impact on their audit report. In such instances, the auditor may wish to consider obtaining independent legal advice.<br><br>**Provisions not required by EU/Irish law**<br>It is IAASA's policy to adopt the UK auditing framework with minimal amendments. Changes are considered where there is a conflict with Irish/EU legislation or a distinct difference between the UK and Irish markets. In this context, IAASA has not implemented changes adopted by the FRC that reflect post Brexit legislation and requirements that do not conform to Irish/EU legal requirements.<br>Applicable legislation sets out the minimum standards that must be applied by auditors and one of the purposes of the auditing framework is to provide further clarity and detail on how the legislative provisions shall be applied in practice. IAASA takes care to ensure that, while auditors may be required by the standards to go beyond the minimum legal obligations, the application of such provisions will not result in non-compliance with Irish or EU law.<br>In addition, we note that the FRC has stated that its changes do not pre-empt the findings of the various UK reviews and will increase confidence that auditors are independent of the entities they audit.<br><br>**ISA (Ireland) 701, *Communicating Key Audit Matters in the Independent Auditor's Report* – performance materiality**<br>IAASA notes that ISA (Ireland) 701 only applies to audits of PIEs, listed entities or where the auditor otherwise decides or is required to communicate key audit matters in the auditor's report. Auditors of these entities are currently required to provide an explanation of how the concept of materiality was applied in planning |

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| | and performing the audit, including the threshold used for materiality for the financial statements as a whole. IAASA considers that auditors should be able to leverage their experience of this requirement to expand their disclosure to also include performance materiality.<br>Given that performance materiality is a fundamental concept in the application of the ISAs (Ireland), we do not agree that it is difficult for auditors to explain the concept and how it has impacted on the audit in a way that can be understood by users of financial statements. Auditors are required by ISA (Ireland) 320, *Materiality in Planning and Performing an Audit* to document performance materiality and the factors considered in calculating performance materiality and should be able to disclose this information without incurring significant costs or using boilerplate language.<br>While such disclosure is not required by EU or Irish law, this requirement will not lead to non-compliance or conflict with legislation nor did respondents identify issues specific to the Irish market that would impact on its applicability in Ireland.<br><br>**Other matters**<br>As noted sections 3.4 and 4.3 above, a number of other comments by respondents have been reflected in the final revisions to the standards. |
| **2** | In the context of IAASA's policy to make minimal amendments to the UK standards, are there any areas not identified in this Consultation Paper where there are distinct differences between the Irish and UK markets which, in your opinion, would impact on the applicability of the proposed amendments to the standards in Ireland?<br>If so, please:<br>a. identify the relevant proposed amendment(s);<br>b. identify the market sector(s), audited entities etc. in Ireland impacted by the proposed amendment(s);<br>c. give reasons for your view; and<br>d. explain what action, if any, you believe should be taken to update the standards in Ireland in respect of the matter(s) concerned. |
| **Summary of responses** | The responses to this question were largely consistent with the comments provided in response to question 1. Additional significant points raised in the responses are detailed below.<br><br>**Ethical Standard - requirement to report breaches of the Ethical Standard for Auditors (Ireland)**<br>As noted in section 3.3 above, two respondents stated that a bi-annual requirement to report all breaches would result in an overly burdensome set of procedures and reporting obligations for small and medium practices. They also noted that the consultation did not state what actions IAASA may take regarding reported breaches.<br><br>**Ethical Standard - long association with engagements and with entities relevant to engagements**<br>Three respondents commented that the proposal that PIE partner rotation periods include 'periods prior to the firm's appointment as auditor' and also apply to partners and staff who have been responsible for the client relationship would give rise to challenges, both in determining what constitutes a relationship and what period to consider.<br>They stated that tenders may be run several years before the rotation takes place to allow for prohibited non-audit services to cease during the 'cooling– in' period and queried if the proposals are intended to cover the tendering period. They also requested clarification on what is intended by 'responsible for the relationship' and noted that interpretation may vary between firms. |

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| | **Ethical Standard - hospitality and gifts**<br>Three respondents commented on the proposal to require audit firms to establish policies in relation to hospitality that may be accepted from and offered to entities which are likely to 'subsequently become an entity relevant to an engagement'. They stated it may be difficult to implement policies in this area and requested clarity on the required timeframe and events that may trigger commencement of the policy. |
| **IAASA response** | **Ethical Standard - requirement to report breaches of the Ethical Standard for Auditors (Ireland)**<br>As detailed in section 3.3 above, the requirement to report breaches has been amended to reflect respondents' concerns regarding the frequency of reporting and level of detail required.<br>The extant Ethical Standard for Auditors (Ireland) requires auditors to respond to all possible or actual breaches of the standard and auditors are required by the Companies Act 2014 to keep records of any contraventions of the 'relevant provisions', which includes non-compliance with the auditing framework. In this context, IAASA does not consider that requiring such breaches to be reported to IAASA or the RABs represents a significant additional administrative burden for auditors. We also consider that the additional requirements will encourage firms to further enhance their processes and procedures to ensure compliance and minimise the number of breaches required to be reported.<br>The actions taken by IAASA, or the relevant RAB, in response to such reports will vary on a case by case basis depending on factors such as the nature of the breach, the appropriateness of the firm's response and the firm's regulatory history. As noted in section 3.3, IAASA intends to engage with the RABs and issue guidance to auditors on the report format.<br><br>**Ethical Standard - long association with engagements and with entities relevant to engagements**<br>IAASA notes that this proposal does not preclude firms from allowing such individuals to continue their involvement with the client providing the requirements of the Ethical Standard are complied with and appropriate safeguards are in place. It is IAASA's view that it is appropriate in an Irish context to ensure that auditors apply appropriate safeguards in such situations.<br>It is neither practical nor appropriate for IAASA to set out detailed requirements on this matter in the Ethical Standard given that, as noted by respondents, responsibility for managing client relationships varies between firms. It the firm's responsibility to exercise its professional judgment. However, it is IAASA's expectation that at a minimum, a firm will apply this requirement to the individuals designated as responsible for managing the relationship with the audit client, which would normally include at least the engagement partner, key audit partners and partner(s) responsible for the provision of non-audit services to the client.<br><br>**Ethical Standard - hospitality and gifts**<br>The development and application of this policy is a matter of professional judgement in the context of the overarching legal and ethical requirements for the auditor to be independent. It is not practical or appropriate for IAASA to attempt to address all situations where such a policy may apply and to do so risks moving to a more rules based approach.<br>By way of clarification, IAASA does not consider it appropriate that a firm's policy in this area should only apply from commencement of the audit tendering process in situations where the firm could reasonably have been expected to know that it is likely to tender for an audit in the near future, for example, in the case of the ten year rotation for PIEs. |
| **3** | As noted in section 4 of the Consultation Paper, the FRC has expanded the scope of the non-audit services requirements applicable to PIEs to include 'other entities of public interest', as defined in the FRC's glossary of terms. |

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| | In your view, should IAASA expand the scope of the non-audit services requirements applicable to PIEs to include ‘other entities of public interest’ in Ireland?<br>If so, please<br>a. give your reasons; and<br>b. provide a suggested definition and examples of the entities to be included within the definition of ‘other entities of public interest’. |
| **Summary of responses** | One respondent supported the extension of the non-audit services requirements applicable to PIEs to other entities of public interest and suggested that it may be appropriate to consider this matter when the IESBA has concluded its project on the definition of PIEs and listed entities.<br>The majority of respondents did not support a change in this area. The principal reasons given for their position were:<br>• the current PIE definition was set out in Irish law following public consultation and any changes in this area should be part of a public policy decision by government rather than through a standard;<br>• evidence was not provided that such an extension is necessary or will enhance audit quality;<br>• it would impose significant independence requirements on relatively small entities; and<br>• practical issues arising in the implementation of the definition of ‘other entities of public interest’ in the UK. |
| **IAASA response** | The scope of the non-audit services requirements applicable to PIEs in the Ethical Standard for Auditors (Ireland) was not expanded to include ‘other entities of public interest’.<br>When the IESBA project on the definition of PIEs and listed entities has concluded, IAASA will consider whether changes to the Irish auditing framework may be appropriate and, if so, will issue a public consultation on any proposed substantive changes. |
| **4** | Are there any matters set out in section 4 above [of the Consultation Paper] that should, in your view, be reflected in the revised standards in Ireland?<br>If so, please give your reasons and explain what action, if any, you believe should be taken to update the standards in Ireland in respect of the matter(s) concerned. |
| **Summary of responses** | Three respondents raised matters in response to this question, as detailed in the bullet points below.<br>• IAASA should remove the derogation which allows for the provision of certain prohibited non-audit services to PIE audit clients where they have ‘no direct’ or ‘immaterial’ effect on the financial statements, on the basis that it is consistent with proposals from IESBA to withdraw the ’materiality qualifier’ from the non-assurance services provisions of the International Independence Standards and general acceptance of the withdrawal of the materiality qualifier in relation to PIEs.<br>• One respondent expressed the view that there was a discrepancy between the stated approach taken and the proposed changes to the standard in relation to tax services for ‘immaterial’ matters and recommended adoption of the current provisions of the IESBA Code in place of the FRC’s provisions.<br>• One respondent requested IAASA to consider simplifying the provisions of the Ethical Standard relating to financial relationships (section 2). |
| **IAASA response** | • As the derogation reflects the current requirements of both Irish legislation and the extant IESBA Code, it has been retained.<br>• The second two comments do not relate to a request for any of the items in section 4 of the Consultation Paper to be reflected in the Irish auditing framework. As noted above, the materiality qualifiers for tax advocacy and |

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| | the calculation of current and deferred tax for listed entities have been retained. Given IAASA's policy to adopt the UK standards with minimal amendments and the fact that this point was made by a single respondent, IAASA does not propose to make further amendments to the provisions of the Ethical Standards relating to financial relationships at this time. |
| **5** | Is the proposed effective date, i.e. for financial periods beginning on or after 15 October 2020, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate. |
| **Summary of responses** | As detailed in section 3.1 above, while the majority of respondents did not support the proposed effective date of October 2020, there was no consensus on an alternative with a range of dates throughout 2021 suggested. |
| **IAASA response** | As stated in section 1 above, the revised standards will apply to financial years beginning on or after 15 July 2021, with early adoption permitted. |

# 7. Micro companies

The micro companies' regime was introduced in Ireland by the Companies (Accounting) Act 2017. As the ISAs (Ireland) were first adopted by IAASA before the commencement of that act, FRC application material relevant to micro companies in ISA (UK) 700, *Forming an Opinion and Reporting on Financial Statements* and ISA (UK) 210, *Agreeing the Terms of Audit Engagements* relating to audit reports for micro companies was not replicated in the equivalent Irish standards at that time.

Now that the regime has been made law, additional paragraphs based on the corresponding UK provisions have been inserted in both ISA (Ireland) 700 (paragraph A29-1) and ISA (Ireland) 210 (paragraphs A38-1 and A38-2). This will provide additional application material for auditors that is consistent with the approach adopted for micro companies in the compendium of audit reports issued by IAASA in October 2020 (available here on the IAASA website). As these changes do not impose additional requirements on auditors (being application material) and would have been included in the original ISAs (Ireland) if the micro company regime had been in place at that time, IAASA did not consider it necessary to publicly consult on these amendments prior to their adoption.

# 8. Conclusion

Following the consultation and having regard to the responses received, as detailed in this feedback paper, IAASA is issuing revised versions of:

- the Ethical Standard for Auditors (Ireland);
- certain ISAs (Ireland), as listed in the Appendix; and
- the Glossary of Terms.

The effective date is for audits of financial statements for periods beginning on or after 15 July 2021, with transitional provisions for non-audit services set out in the Ethical Standard for Auditors (Ireland). Early adoption is permitted.

# Appendix – List of revised ISAs (Ireland)

ISQC (Ireland) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

ISA (Ireland) 210, *Agreeing the Terms of Audit Engagements*

ISA (Ireland) 220, *Quality Control for an Audit of Financial Statements*

ISA (Ireland) 250, *Section A - Consideration of Laws and Regulations in an Audit of Financial Statements*

ISA (Ireland) 250, *Section B - The Auditor's Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector*

ISA (Ireland) 260, *Communication with Those Charged with Governance*

ISA (Ireland) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

ISA (Ireland) 620, *Using the Work of an Auditor's Expert*

ISA (Ireland) 700, *Forming an Opinion and Reporting on Financial Statements*

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