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AUDIT NEWS

Introduction

Welcome to Audit News 59, your regulatory update containing the latest technical guidance and best practice advice. Please share this issue with colleagues involved in audit work.

Contents

A new set of Audit Regulations

The Audit Regulations are being updated to take account of Irish company law changes. The new regulations will take effect on 1 April 2017. We anticipate the new regulations will be available on our website before 1 April.

The Audit Regulations were last updated in June 2016 to take account of the UK's implementation of the EU Audit Regulation and Directive 2014, and the changes required by the FRC to recognise the new regulatory framework through the delegation agreement.

Ireland issued a separate interpretation of the EU legislation through SI312 (June 2016) which replaced SI220. However, most of SI220 will be carried forward and incorporated into the new regulations.

In 2014 a new Irish Companies Act was issued to replace the act of 1990 and some these provisions were reflected in the June 2016 version of the Audit Regulations. Further amendments were identified this time round and will be incorporated.

The Irish approach to the EU reforms differs from that of the UK; powers will continue to be delegated to the RABs directly by the Irish government (rather than through IAASA as the competent authority). Only powers related to PIEs will be transferred to IAASA – they will set up their own monitoring unit to monitor Irish PIE audits.

Due to changes in the FRC's structure and the wording of the EU reforms, the standards issued by the former ASB, (now part of the Codes and Standards Committee of the FRC) relate only to the UK and not the UK and Ireland. The cross references to accounting, auditing and ethical standards have been amended.

In January 2017 separate standards were adopted by IAASA in respect of Ireland. More details are set out below in the 'Auditing framework for Ireland' article.

We have taken the opportunity to update the quorum and membership details of the Audit Registration Committee as a result of ICAEW regulatory governance changes agreed by the ICAEW Council (December 2014). These require parity of lay members with ICAEW members in the committee and a quorum of two lay and two non-lay.

One further change noted is the appeal structure in Ireland which can be routed through the High Court. This route is not available in the UK.

On 16 February 2017 the Irish government published the general scheme for a Companies (Statutory Audits) Bill. The scheme proposes following a framework similar to that of the UK in making IAASA the ultimate competent authority and routing all relevant regulatory tasks through them to the recognised accountancy bodies (RSBs). The bill absorbs and replaces SI312 2016. Though this will ultimately result in further changes to the Audit Regulations, the bill will take some time to find its way through the Irish Parliament (Oireachtas) and then for IAASA to agree delegation arrangements with the RSBs. Consequently the 1 April version of the regulations noted above based on SI312 will be published and take effect as planned. Information on the bill is available on the DJEI website.

Auditing framework for Ireland

On 31 January 2017 IAASA formally adopted a new auditing framework for Ireland, which consisted of;

- Ethical Standards for Auditors (Ireland) 2017.
- International Standards on Auditing (Ireland) 2017 (ISA Ireland).
- International Standard on Quality Control (Ireland) 2017 (ISQC Ireland).

The standards, which are based on the ISAs (UK & Ireland) as amended, are issued under licence from the FRC in the UK. They apply to accounting periods commencing on or after 17 June 2016, for which audit opinions are signed after 1 February 2017.

Firms are reminded that Regulation 77(1) of SI312 2016 requires statutory auditors to carry out audits in accordance with these standards. Copies of the new standards are available on the IAASA website (www.iassa.ie).

Payment of 2017 audit fees

The 2017 annual fees for audit registration and audit affiliate status were payable on 1 January 2017. If you still haven't paid please do so as soon as possible in order to ensure your firm's audit registration is not ceased for non-payment. If you have any queries on your outstanding fees, or to arrange payment, please contact us on +44 (0)1908 546 276 or CreditControl-PSD@icaew.com.

Irish insurance brokers – filing requirements

The Companies Registration Office in Dublin has advised that certain Irish insurance brokers may not be acting in compliance with their obligations under the Companies Act 2014 (the 2014 Act) by failing to file a full set of financial statements with their annual return.

Under Section 347 of the 2014 Act, a company is required to deliver an annual return to the Registrar, together with certain documents, including:

- the statutory financial statements of the company;
- the directors' report, including any group directors' report; and
- the statutory auditors' report on those financial statements and that directors' report.

Certain small and medium-sized companies can claim exemption from filing a full set of financial statements provided the criteria in Section 350 of the 2014 Act are met. These companies can instead file an abridged set of financial statements, information extracted from the directors' report and a special statutory auditor's report.

However, the exemptions under Section 350 are not available to a company listed within Schedule 5 of the 2014 Act, including:

- 'any other company the carrying on of business by which is required, by virtue of any enactment or instrument thereunder, to be authorised by the Central Bank'; and
- 'a company that is an insurance intermediary within the meaning of the Insurance Act 1989.'
- Any Irish insurance broker that falls within these categories must, therefore file a full set of financial statement with the Registrar.

Additionally, any insurance broker that can't claim exemption under Section 350 of the 2014 Act, can't claim audit exemption either as the full accounts filed with the Registrar must be audited accounts. Therefore, if your firm acts for any Irish insurance brokers, please familiarise yourself with the requirements of Section 350 and Schedule 5 of the 2014 Act and ensure the filing and audit exemptions are not claimed by any ineligible company your firm acts for.

Improving audit quality using root cause analysis

With external audits under unprecedented levels of scrutiny, root cause analysis (RCA) can be a useful tool for those tasked with improving audit quality. Following feedback that there is little support for external auditors on how to carry out RCA, the ICAEW Audit and Assurance Faculty has published a paper that outlines what RCA is and what auditors need to consider to make the most of this useful tool. It covers the five essential questions of: what, why, how, who and when?

RCA is a technique for identifying the underlying key causes behind review findings. Once identified. audit firms can take action to prevent recurrence of negative outcomes and to promote recurrence of positive ones.

RCA does not have to be complicated and it can be very powerful if done well. In simple terms, it is a matter of asking 'why?', possibly several times. This paper draws on the experiences of practitioners already performing RCA and provides pointers on key things to consider based on what they have found works in practice.