



Hot File Review and Reviewers Terms of Reference

A Hot File Review is a review conducted on an audit engagement file and completed on or before the date of signing of the audit report by the auditor and before the auditor's report is issued to the client. In the circumstances of a statutory audit engagement conducted in accordance with the Companies Act 2014, the hot file review process shall be concluded on or before the date of the statutory auditor's report.

The Hot File Review is undertaken by an independent reviewer.

1. Timing of the Hot File Review –

- a) The review shall be performed at a point when the Auditor has advised the Reviewer that s/he has completed all audit and associate work considered necessary and formed the audit opinion (i.e. ready to sign the audit report); and
- b) in advance of the audit report being signed and before the audit report is issued to the client.

2. The Review –

- i. The reviewer shall review the audit engagements file(s) as presented by the auditor with a view to forming an opinion as to whether the auditor has fully complied with:
 - a) all applicable auditing standards, i.e. International Standards on Auditing (Ireland) (ISAs), as issued by the Irish Auditing and Accounting Supervisory Authority (IAASA);
 - b) the relevant Financial Reporting Framework;
 - c) company law insofar as of relevance to the audit; and
 - d) any other legal and/or regulatory requirements in so far as of relevance to the audit.
- ii. The auditor has complied fully with the relevant requirements of the following standards and codes as they apply to an audit engagement, as opposed to firm-wide procedures:
 - a) Ethical Standard (Ireland), as issued by IAASA,
 - b) CPA Ireland's Code of Ethics.; and
 - c) International Standard on Quality Management (Ireland) 1, as issued by IAASA.
- iii. The auditor has planned and performed the audit to reduce audit risk to an acceptably low level that is consistent with the objective of an audit; and
- iv. The proposed audit opinion is supported by sufficient appropriate audit evidence.

3. Reviewer's Report -

Upon completion of the review, the reviewer shall prepare a hot file review report which shall;

- a) Set out the results of the review under the headings set out in paragraph 2 above; and
- b) Inform the auditor that, in his/her professional opinion;
 - i. it is appropriate to sign the audit report; or
 - ii. it is not appropriate to sign the audit report, the reasons for this conclusion should be outlined.

In circumstances where the reviewer considers that it is appropriate to sign the audit report a clearance letter shall be provided stating this opinion.

In circumstances where the reviewer considers that it is not appropriate to sign the audit report the reviewer shall set out clearly the matters identified for resolution before the audit report can be signed. Before the hot file review process concludes with the issuance of a clearance letter, the matters identified shall be remediated.

4. File Review Conclusion

Where the reviewer forms the view that, in his/her professional opinion, it is appropriate for the auditor to sign the audit report and all areas of weakness as identified on the audit file have been satisfactorily dealt with prior to the audit report being signed, **a copy of the clearance letter indicating that it is appropriate to sign the audit report shall be furnished to CPA Ireland and the audit Firm.**

The audit report should not be signed by the auditor until the clearance letter has been received by the audit firm.

Where the reviewer forms the view that, in his/her professional opinion, it is not appropriate for the auditor to sign the audit report, the review report of the first review will set the basis for the reviewer's opinion. The auditor shall address the matters raised in this report.

A follow up review shall be performed in circumstances where;

- I. The Auditor has been informed by the reviewer that in his/her professional opinion it is not appropriate to sign the audit report; and
- II. The Auditor agrees to address all the areas of weaknesses as identified in the report prior to a second Hot File Review.

The matters identified should be addressed by the firm to the satisfaction of the of the Reviewer. The audit report should not be signed until the matters are appropriately resolved and a clearance letter has been received by the firm.

Copies of all clearance letter shall be submitted to CPA Ireland on a monthly basis.

5. Reporting to CPA Ireland and Ongoing Monitoring

Firms/individuals that are subject to a hot file review condition must advise CPA Ireland on a monthly basis of the audit reports that have been signed by them during the previous month. This monthly submission should also include a copy of the supporting **clearance letters** issued by the Reviewer, for the audit reports signed during that period. **CPA Ireland may request the submission of specific hot file review reports for review.**

CPA Ireland will review information submitted. Ongoing monitoring of filings with CRO will be conducted.

CPA Ireland's Registration Committee will be advised of the compliance or otherwise with a hot file review condition before the renewal of an Authorisation and at other times during the year as considered appropriate.

Information regarding hot file review conditions may be used for the purposes of the consideration of the criteria for firm selection for a quality assurance review in accordance with Bye Law 7.12.

Information regarding hot file review conditions may be shared with other relevant Recognised Accountancy Bodies where appropriate and in accordance with the *Memorandum of Understanding: Framework for co-operation between Recognised Accountancy Bodies and Recognised Supervisory Bodies.*

6. Failure to comply

Firms/individuals that do not comply with any or all of the Hot File Review Terms of Reference shall be referred to the Quality Assurance Manager. Non-compliance with the terms may result in a referral for further disciplinary action in accordance with Bye Law 6, Discipline.

7. Reviewers remuneration

Arrangements regarding reviewer's remuneration are a matter for the reviewer and the firm and CPA Ireland shall have no responsibility or liability in that regard.