

In Practice News

European Parliament calls for mandatory 7-year audit rotation

The European Parliament set up a so-called TAX3 Committee in March 2018 in the aftermath of Paradise Papers, Panama Papers and other tax leaks and scandals that shed light into tax avoidance and evasion practices. The Committee's objective was to investigate and come up with legally non-binding recommendations to enable Europe to better fight against such practices.

It has now adopted its final report and recommendations for rendering the EU more resilient against tax evasion, tax avoidance and money laundering. The report passed with a margin of 505 votes in favour, 63 votes against and 87 abstentions.

Among the many other tax-specific recommendations, the MEPs also adopted a paragraph calling for mandatory seven-year audit rotation in order to fight against conflicts of interest. This paragraph, which was initially proposed by the Centre-Left S&D Group, passed by a margin of 351 in favour and 296 against. This means that a number of liberal and conservative MEPs voted against their own party lines and aligned with the Left on this issue.

Since the TAX3 report is legally non-binding, the European Commission and the EU Member States do not have to take its recommendations into account. However it does have political weight and influence.

Source:
www.accountancyeurope.eu

Disclosure Of Non-Financial and Diversity Information Audit Obligation

The European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) (Amendment) Regulations 2018 came into operation on 17 October 2018. This legislation amended the 2017 Regulations with regard to the statutory auditor's obligation to report on the company's statutory financial statements.

When preparing the statutory auditors' report the auditor "shall establish that the company has, in respect of the financial year immediately preceding the financial year that is the subject of the report required by section 391, provided the information required under paragraphs (2) to (7) either as a non-financial statement or in a separate statement in accordance

with paragraphs (9) and (10) and, where the applicable company has not so provided the information required under paragraphs (2) to (7), the statutory auditors shall state that fact in the report." The statutory auditor is not required to state, for this information whether, in their opinion, the information given in the directors' report for the financial year is consistent with the statutory financial statements.

It should be noted that this requirement is in addition to the auditors obligation under ISA (Ireland) 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

Source: www.cpaireland.ie

Procedures for Employees of Audit Firms to Report Breaches

Audit Firms should note that in accordance with Article 30e of the EU Statutory Auditor Directive, there is a requirement for firms to establish appropriate internal procedures for their employees to report potential or actual breaches of the EU Audit Directive and Regulation on statutory audit.

Procedures will be reviewed through the quality assurance process.

Article 30e Reporting of breaches

1. Member States shall ensure that effective mechanisms are established to encourage reporting of breaches of this Directive or of Regulation (EU) No 537/2014 (on the Statutory Audit of Public Interest Entity) to the competent authorities.
2. The mechanisms referred to in paragraph 1 shall include at least:

(a) specific procedures for the receipt of reports of breaches and their follow-up;

(b) protection of personal data concerning both the person who reports the suspected or actual breach and the person who is suspected of committing, or who has allegedly committed that breach, in compliance with the principles laid down in Directive 95/46/EC;

(c) appropriate procedures to ensure the right of the accused person to a defence and to be heard before the adoption of a decision concerning him or her, and the right to seek an effective remedy before a tribunal against any decision or measure concerning him or her.

3. Member States shall ensure that audit firms establish appropriate procedures for their employees to report potential or actual breaches of this Directive or of Regulation (EU) No 537/2014 internally through a specific channel.

Source: www.cpaireland.ie