

In Practice News

IAASA publishes revised investigation procedures

IAASA recently published revised procedures governing the conduct of statutory investigations under Section 934 of the Companies Act 2014. The revised procedures, applicable to investigations initiated after 21 January 2020, should be read in conjunction with the Companies Act 2014 and set out how a Section 934 investigation will operate in practice.

FRC plan for greater regulatory oversight

The Financial Reporting Council (FRC) recently announced a major shakeup of its oversight and supervisory functions to speed up the pace of enforcement investigations. The FRC is also broadening its stated purpose to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them.

As part of its strategy for 2020/21 the FRC is seeking to make further progress in its transition to the Auditing, Reporting and Governance Authority (ARGA) as recommended by the "Independent Review of the Financial Reporting Council" by Sir John Kingman.

Ahead of wider legislative reform, the FRC plans to speed up the investigation and conclusion of enforcement cases by increasing the number of lawyers and forensic accountants and strengthening its case examination function to fast-track decisions on whether to open an enforcement case.

To improve coverage, the number of Audit Quality and Corporate Reporting Reviews is set to increase by 25%, while audit firm monitoring will be further expanded from the Big 4 to challenger firms. Oversight of Recognised Supervisory Bodies for Audit will also be increased, and initial steps taken on auditor registration governance as also recommended in the independent review.

Source: www.frc.org.uk

Financial Reporting Council (FRC) in the United Kingdom has revised its Ethical and Auditing Standards

The Financial Reporting Council (FRC) in the United Kingdom has issued a major revision to the UK's Ethical Standard and revised its Auditing Standards.

The revision incorporates changes to international ethical requirements, which now prohibit auditors from providing recruitment and remuneration services or playing any part in management decision making. Public interest entity auditors will now only be able to provide non-audit services which are closely linked to the audit itself or required by law or regulation. This will dramatically reduce the risk of a damaging conflict of interest, where the commercial interests of an auditor are perceived to be the most important factor in an audit relationship, rather than a focus on high quality audit.

The changes build in existing changes made to standards in 2016, which have seen audit firm fee income – from non-audit services provided to entities they audit – fall by 8 per cent. In three years, no audit firm has asked the FRC to waive the non-audit services fee cap, and audit committees for the most part, no longer consider their auditor to be the default provider for non-audit services.

The Auditing Framework for Ireland is based on the FRC's Auditing Framework. IAASA's policy is to have minimal amendments to the UK framework. Amendments will be considered where there is a conflict with Irish or EU law or where there are clear, distinct differences between the Irish and UK markets, which impact on the applicability of standards.

IAASA is to review the changes made by the FRC and issue a public consultation on proposed changes to the Ethical Standard for Auditors (Ireland) and International Standards on Auditing (Ireland), including a suitable effective date for any Irish revisions.

Source: www.iaasa.ie

Important notice – Bye Law 7 Quality Assurance Revised

Members in practice are advised of changes made to CPA Ireland's Bye Law 7, Quality Assurance effective from the 1st January 2020. The revisions update legislative references to reflect Part 27 Companies Act 2014 and introduce changes to improve the effectiveness and efficiency of the quality assurance process.

For example, the revisions now allow for a shortening of the quality assurance cycle in circumstances where a firm scores two consecutive Grade B's on review or where a firm fails to demonstrate adequate improvements with a view to achieving a Grade A within a reasonable timeframe.

For further details please visit www.cpaireland.ie.