



TECHNICAL RELEASE TR 02/2021

---

## **Reporting Breaches of Ethical Standard for Auditors (Ireland) 2020**

July 2021

## **Disclaimer**

The content of this publication is provided as a guide only and does not purport to give professional advice. It should, accordingly, not be relied upon as such. No party should act or refrain from acting on the basis of any material contained in this publication without seeking appropriate professional advice. While every reasonable care has been taken by ACCA in the preparation of this publication we do not guarantee the accuracy or veracity of any information or opinion, or the appropriateness, suitability or applicability of any practice or procedure contained therein. ACCA is not responsible for any errors or omissions or for the results obtained from the use of the information contained in this publication.

To the fullest extent permitted by applicable law, ACCA excludes all liability for any damage, costs, claims or loss of any nature, including but not limited to indirect or consequential loss or damage, loss of business profits or contracts, business interruption, loss of revenue or income, loss of business opportunity, goodwill or reputation, or loss of use of money or anticipated saving, loss of information or loss, damage to or corruption of data, whether arising from the negligence, breach of contract or otherwise of ACCA, its employees, servants or agents, or of the authors who contributed to the text, even if advised of the possibility of such damages.

Similarly, to the fullest extent permitted by applicable law, ACCA shall not be liable for any indirect or consequential losses including but not limited to, loss of business profits or contracts, business interruption, loss of revenue, loss of business opportunity, goodwill or reputation, or loss of use of money or anticipated saving, loss of information or damage to or corruption of data, nor shall it be liable for any damage, costs or losses of any nature (whether direct or indirect) occasioned by actions, or failure to act, by users of this publication or by any third party, in reliance upon the contents of this publication, which result in damages or losses incurred either by users of this publication, for whom they act as agents, those who rely upon them for advice, or any third party, or for any breach of contract by ACCA in respect of any inaccurate, mistaken or negligent misstatement or omission contained in this publication.

All rights reserved. No part of this publication is permitted to be reproduced for resale, stored in a retrieval system for resale, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise for resale, or for any other purpose, without the prior and express written permission of the copyright holder. Nor is any right granted for any part of this publication to be copied or otherwise used in any presentation or training course without the prior and express written permission of the copyright holder. For professional advice on any of the matters referred to above, please contact ACCA Advisory Services.

Any issues arising out of the above will be governed by and construed in accordance with the laws of Ireland and the courts of Ireland shall have exclusive jurisdiction to deal with all such issues.

## Introduction and Background

The Ethical Standard for Auditors (Ireland) 2020 (“the Ethical Standard”) includes a new requirement for audit firms to make reports of breaches of the Ethical Standard to the relevant competent authority and now explicitly prescribes reporting of breaches to those charged with governance.

The purpose of the Technical Release is to alert members to these new requirements and to provide an example of the report that may be submitted to the Recognised Accountancy Body (“RAB<sup>1</sup>”) and Irish Auditing & Accounting Supervisory Authority (“IAASA”).

### Extract from the Ethical Standard:

- 1.21** Whenever a possible or actual breach of this Ethical Standard, or of policies and procedures established pursuant to the overarching principles and supporting ethical provisions and requirements established in it, is identified, the *engagement partner*, in the first instance, and the *Ethics Partner*, where appropriate, shall assess the implications of the breach, determine whether there are safeguards that can be put in place or other actions that can be taken to address any potential adverse consequences and considers whether there is a need to resign or withdraw from the engagement. The firm shall report all breaches of this Ethical Standard to the relevant *Competent Authority/Authorities*<sup>1</sup> on at least an annual basis and to those charged with governance of an *entity relevant to an engagement*, where a breach relates to a specific engagement or engagements, in a timely manner.

This section requires the reporting of all breaches of the Ethical Standard to the relevant **RAB** on at least an annual basis, with reports to both **IAASA** and the relevant RAB in the case of EU Public Interest Entity auditors.

This requirement is in addition to the requirements of Section 1542 of the Companies Act 2014 which requires firms to designate a key audit partner and record contraventions of the relevant provisions<sup>2</sup>.

There is an additional requirement under Section 934I(3) of the Companies Act 2014 for an audit firm to have effective procedures within the firm for employees to report relevant contraventions or suspected relevant contraventions<sup>3</sup>.

---

<sup>1</sup> A Recognised Accountancy Body is an accountancy body that has been granted recognition under section 930 of the Companies Act 2014. A recognised accountancy body is permitted to authorise its members and/or member firms to perform statutory audits and to register firms from other EU Member States to perform audits under the Companies Act, provided that they satisfy certain additional conditions. There are currently four recognised bodies:

- ACCA - Association of Chartered Certified Accountants;
- ICAI - Institute of Chartered Accountants in Ireland;
- ICAS - Institute of Chartered Accountants of Scotland; and
- ICPAI - Institute of Certified Public Accountants in Ireland.

<sup>2</sup> See Appendix

<sup>3</sup> See Appendix

## **Reporting to Clients**

The Ethical Standard now explicitly prescribes that auditors report breaches of the Ethical Standard to those charged with governance “in a timely manner”. This should be done in accordance with International Standard on Auditing (Ireland) 260 Communication with Those Charged with Governance.

## **Nil reports are not required**

Where the firm has no breaches in the period under review there is no requirement to make a report to the RAB or to IAASA.

## **Timing of reports**

The Ethical Standard requires that reports to the RAB and IAASA are made at least an annual basis and to those charged with governance in a timely manner.

After the first year (see below for transition provisions) firms should report to IAASA and the relevant RAB annually. As agreed with the competent authorities the reports should cover the year to 31 December.

Firms might find it useful to submit this report when completing their annual audit licence renewal.

## **Effective Date**

The Ethical Standard comes into effect on 15 July 2021 therefore the first reporting period for reports to IAASA will be to 31 December 2021.

## **Transitional provisions for the new Ethical Standard**

The Ethical Standard contains certain transitional provisions for engagements already underway:

- 1.70 Firms may complete engagements relating to periods commencing before 15 July 2021, in accordance with existing ethical standards, putting in place any necessary changes in the subsequent engagement period.
- 1.71 Engagements to provide previously non-prohibited non-audit services, entered into before 15 July 2021, and for which the firm has already commenced work may continue until completed in accordance with the original engagement terms, subject to the application of appropriate safeguards.

## Example report to RAB/IAASA

### Firms headed paper

Report to RAB/IAASA\*

For the attention of the Head of Practice Regulation, Practice Regulation Department, ACCA

By email to: [PMDAdmin@accaglobal.com](mailto:PMDAdmin@accaglobal.com)

Firm name: *Name*

Ethics Partner: *Name*

Period covered: *15 July 2021 to 31 December 2021*

For the above period this firm reports in accordance with Paragraph 1.21 of the Ethical Standard for Auditors (Ireland) 2020 the breaches as set out in the table attached.

Signed

*Ethics Partner*

Chartered Certified Accountants

Table of breaches of the Ethical Standard for Auditors for the period 15 July 2021 to 31 December 2021

Ethical Standard reference	Nature of Breach and why it occurred	Measures to address	Date matter determined to be a breach	Other relevant information
<i>Section Number</i>	<i>summary details only.</i>	<i>Measures taken and/or planned to address the root cause of the breach</i>	<i>Insert the date that the firm determined that it was a breach.</i>	<i>Any other relevant circumstances that the auditor/firm considers should be reported</i>

## Appendix

### Companies Act 2014

#### 934 I (3). Reporting of relevant contraventions

A statutory auditor which is an audit firm shall, as soon as is practicable after the commencement of section 35 of the Companies (Statutory Audits) Act 2018, establish effective procedures within the firm for employees to report relevant contraventions or suspected relevant contraventions.

#### 1542. Organisation of work of statutory auditors and audit firms

(1) An audit firm, when carrying out a statutory audit of an undertaking, shall designate at least one key audit partner who shall be actively involved in the carrying out of the statutory audit.

(2) An audit firm shall -

(a) provide the key audit partner with sufficient resources and with personnel that have the necessary competence and capabilities to discharge his or her duties appropriately, and

(b) ensure that the main criteria in selecting the key audit partner are securing audit quality, independence and competence.

(3) A statutory auditor, when carrying out a statutory audit of an undertaking, shall devote sufficient time to the engagement and shall assign sufficient resources to enable him or her to carry out his or her duties appropriately.

(4) A statutory auditor or audit firm shall keep records of any contraventions by him or her of the relevant provisions.

(5) A statutory auditor or audit firm shall keep records of any consequences of any contravention referred to in subsection (4), including the measures taken to address such contravention and to modify his or her internal quality control system.

(6) A statutory auditor or audit firm shall prepare an annual report containing an overview of any measures taken pursuant to subsection (5) and, in the case of an audit firm, shall communicate that report internally to the partners or directors, as may be appropriate, of the audit firm.

(7) A statutory auditor or audit firm shall document each request made and advices received where he or she asks external experts for advice.