IMPLICATIONS FOR AUDIT REGISTRATION OF A ‘NO-DEAL BREXIT’

The Professional Standards Department writes:

At present, the audit regulatory framework that exists between the UK and Ireland is such that firms holding audit registration from the Institute are able to hold audit appointments in respect of both UK and Irish entities. In simple terms, for example, this has enabled statutory audit firms ‘located’ in Northern Ireland or Great Britain to audit Irish registered entities while statutory audit firms ‘located’ in Ireland have been able to audit UK-registered entities.

In recent months, both the UK and Ireland have provided further information in respect of the recognition of statutory audit firms post Brexit. As regards the UK, the Department of Business, Energy, and Industrial Strategy (‘BEIS’) has confirmed that in the UK, the status quo will remain, deal or no-deal, at least until December 2020.

However, in late October the Irish Auditing and Accounting Supervisory Authority (‘IAASA’) announced that, in the absence of any transitional arrangements that might be contained in any withdrawal agreement, and based on advice received from Ireland’s Attorney General, UK-based audit firms would no longer meet the eligibility criteria for approval as EU statutory auditors and therefore would not be entitled to hold audit appointments for Irish companies post Brexit. In this scenario, after 29th March, UK-based auditors would be unable to sign audit reports on Irish entities and as such, will no longer be eligible for inclusion on the Irish audit register.

Irish company law does make provision for the recognition of statutory auditors from a ‘Third Country’, which is what the UK will become post Brexit. However, such recognition is subject to appropriate regulatory arrangements being established between Third Country jurisdictions and Ireland (IAASA) which would include equivalence/reciprocity regimes etc. In spite of the existing arrangements essentially reflecting such a regime, formalising such new arrangements will take time and can only be finalised after the UK becomes a Third Country.

While it is hoped that the above scenario can be avoided by virtue of appropriate transitional arrangements, firms (UK-based) who may be impacted by the above are advised to consider what action they may need to take as regards audit appointments of Irish companies they may have.

Specific issues firms will need to consider will include:

- The need to make contingencies as regards the audits of Irish entities in the event of a no-deal Brexit – e.g. advising clients of this possibility and the logistics of the client identifying an alternative auditor located in Ireland;
Further information on the respective UK and Irish positions regarding statutory audit can be found:


The Institute continues to engage with relevant regulatory bodies and Governments on this issue and related issues with a view to obtaining further clarifications and explanations. In this regard, specifically, we have provided a series of questions and scenarios to IAASA. We shall keep you advised of additional information as it becomes known.

While the above is likely to arise only in the event of no ‘withdrawal agreement’ between the UK and the EU, it is important that firms be aware of the possible outcomes if such occurs.

If you would like to discuss further any of the above matters, please do not hesitate to contact Aidan Lambe, Director, Professional Standards at the Institute at Aidan.lambe@charteredaccountants.ie

RECENT PUBLICATIONS

Since the publication of the first edition of Accounting and Reporting by Charities in the Republic of Ireland in 2011, there have been significant changes to the financial reporting regime operating in Ireland, including the publication of the Charities SORP (FRS 102), and to the regulation of the Irish charities sector. This second edition provides guidance to those charities in the Republic of Ireland that have opted to prepare their financial statements in accordance with the Charities SORP (FRS 102) in advance of any legal requirement to do so. As well as those involved in the preparation of financial statements for charities, and their professional advisors, this book is also a guide for trustees of charities to the requirements of the Charities SORP (FRS 102). This book is available at https://www.charteredaccountants.ie/books

Special offer to members of Chartered Accountants Ireland: €22.50 plus P&P (£20.25 plus P&P)
NORTHERN IRELAND TAX DEVELOPMENTS

Making Tax Digital update
This edition’s update on Making Tax Digital (“MTD”) looks at the announcement of HMRC’s reprioritising of some aspects of MTD and the latest on the MTD for VAT trial. However, readers should be in no doubt that, at the time of writing, HMRC are proceeding with MTD for VAT effective from 1 April 2019.

As set out in our last update, a six month deferral of MTD for VAT is available for certain businesses “with more complex requirements”. HMRC has since undertaken a detailed exercise to identify all taxpayers that fall within this group and began issuing letters before Christmas to those affected.

The letter is a specific:

• direction under law to continue using existing methods to file VAT returns for all periods starting before 1 October 2019 (unless the taxpayer chooses to join Making Tax Digital for VAT before then); and

• notification of exemption under law from the requirement to keep an electronic account (digital VAT records).

Reprioritising of MTD in order to support Brexit
HMRC have decided to slow the IT delivery of some elements of MTD for income tax and corporation tax in order to allow more IT resources to be dedicated to Brexit.

According to the communication received from HMRC, work will continue to complete the income tax service for the millions who are eligible to join and the income tax pilot will remain open for those who wish to trial the service, but HMRC “will pause work to extend the service to cater for other customer types”.

These changes do not impact on MTD for VAT – the majority of taxpayers with turnover above the VAT threshold are still mandated to use the MTD for VAT service from April 2019.

Update on pilot
Following successful completion of testing, partnerships are now able to voluntarily join the MTD for VAT service and begin to test the service ahead of its introduction.

HMRC has also updated guidance to reflect the fact that Flat Rate Scheme users can also now join the pilot. Private testing with other taxpayer types continues and HMRC opened the pilot up to the remainder of those who are mandated to join the service from April.

REPUBLIC OF IRELAND TAX DEVELOPMENTS

Finance Bill 2018 and changes for the 2019 tax year
Finance Bill 2018 was signed into law by the President on the 19 December 2018. Revenue’s Finance Bill 2018 guidance notes are now available on www.revenue.ie. Guidance on the USC has also been updated on www.revenue.ie to take account of the provisions in Finance Bill 2018. Updates to Chartered Accountants Ireland’s searchable online tax legislation for Finance Act 2018 will be available in the near future.

Key changes under Finance Bill 2018 which took effect from 1 January 2019 are as follows:

Income Tax

• The 4.75 percent rate of USC has reduced to 4.5 percent

• The standard rate band threshold for all earnings increased by €750 i.e. single rate band increased to €35,300

• The earned income credit for the self-employed has increased by €200 to €1,350.

• Employers PRSI increases from 10.85 percent to 10.95 percent

• The lower rate of employers PRSI will apply to income of €386 or less per week

VAT, betting and excise duty

• The special 9 percent VAT rate for the hospitality sector reverted to its original rate of 13.5 percent

• The rate of VAT on electronic publications falls from 23 percent to 9 percent

• Betting tax increases from 1 percent to 2 percent

• For non-hybrid vehicles, a 1 percent surcharge for diesel passenger vehicles registering in Ireland will apply across all vehicle registration tax (VRT) bands.
FRC staff factsheets on FRS 102
In December 2018 the Financial Reporting Council ('FRC') issued a suite of staff factsheets on aspects of FRS 102, including the 2017 triennial review. Seven factsheets were issued, on the following topics:

- FRS 102: Triennial Review 2017 Amendments
- FRS 102: Triennial Review 2017 Transition
- FRS 102: Illustrative Statement of Cash Flows
- FRS 102: Financial Instruments
- FRS 102: Property: Fair Value Measurement
- FRS 102: Business Combinations
- FRS 102: Transition to FRS 102

The factsheets are intended to assist stakeholders by highlighting certain requirements of FRS 102 and they are available on the FRC website at the following link: https://www.frc.org.uk/accountants/accounting-and-reporting-policy/uk-accounting-standards/staff-factsheets.

Technical Releases and Technical Alerts issued in 2018
As the year starts, a reminder to practitioners that the Institute issued a number of Technical Releases (TRs) and Technical Alerts (TAs) during 2018. The full list is available in the Knowledge Centre section of our website and on CHARIOT. Those relating to financial reporting and audit include:

- TR 04/2018 Companies Act 2014 - Small and micro companies: The Companies (Accounting) Act 2017 ('CA 2017') made a range of amendments to the accounting and filing requirements of the Companies Act 2014. This TR is intended as a signpost to assist with the preparation of statutory financial statements of small and micro companies. CA 2017 has reduced the number of disclosure requirements for small and micro companies compared with larger companies. The TR discusses these disclosures and also highlights some key aspects of the revised legal requirements regarding directors’ reports and abridged financial statements applying to small and micro companies.

- TA 01/2018 Illustrative auditor’s report for the audit of financial statements prepared in accordance with the Micro Companies Regime of Companies Act 2014 and FRS 105: The purpose of this TA is to provide guidance in relation to matters to be considered by an auditor in the circumstances where an auditor is forming an opinion on the financial statements of a micro company adopting the Micro Companies Regime and applying FRS 105. An illustrative auditor’s report for an audit of the financial statements of a micro company is also provided.

- TA 03/2018 - Guidance on International Standard on Quality Control (Ireland) 1: The purpose of this TA is to highlight changes made to ISQC (Ireland) 1, from ISQC (UK and Ireland) 1.

A reminder too that the TRs issued in 2018 also include TR 03/2018 - Licence applications under the Property Services (Regulation) Act 2011 and the Property Services (Regulation) Act (Client Moneys) Regulations 2012, to assist members when furnishing Accountant’s Reports in accordance with the requirements of the Act and the Regulations.

ISA (Ireland) 540 and ISA (UK) 540 (Auditing Accounting Estimates and Related Disclosures)
In December 2018, IAASA and the FRC issued revised versions of ISA (Ireland) 540 and ISA (UK) 540 respectively. These revised ISAs, which are available on the respective websites, are effective for audits of financial statements for periods beginning on or after 15 December 2019 and early adoption is permitted.

Anti-Money Laundering legislation
As noted in the last issue of Practice Matters, the Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Act 2018 was expected to be commenced with effect from 26 November 2018. Statutory Instrument 486 of 2018 has now confirmed this date for all but one section of the Act (section 32, setting out an amendment to the 2010 Act’s definition of State Competent Authorities for the purposes of anti-money laundering matters). The Statutory Instrument is available on the Irish Statute Book website at the following link http://www.irishstatutebook.ie/eli/2018/si/486/made/en/print. CCAB-I guidance is expected to be issued in February. Should any members have queries prior to its release, the Technical Enquiry Service will be pleased to help.
The Practice Consulting team are delighted to announce that the Practice Forum (Northern Ireland) will take place at the Linenhall, Belfast on Friday 15 March 2019. Developed specifically to meet the needs of our members working in small and medium sized practices, the theme of this year’s forum is how to grow and develop your practice in a time of considerable change.

Be it recent regulatory changes (e.g. GDPR), the ongoing Making Tax Digital project, advances in technology or the impact of Brexit, change and disruption present major challenges for both accounting practitioners and their clients. In the face of all this, it is easy to forget that such change also creates opportunities for those firms ready to seize it. Join our expert speakers who, during the day, will help you to position your firm to embrace change, to lead and to succeed in these times of uncertainty. The following are a flavour of the topics we will cover:

- **2019 Economic Update** - Insights on where the Northern Irish economy stands, as well as the landscapes of the wider UK and Irish economies, as we face into the uncertainty that Brexit implementation brings. The likely economic impact on your client base in the Small and Medium Enterprise sector post-Brexit will be a particular focus.

- **Essential Tax** - As the Making Tax Digital for VAT project comes to fruition in early 2019, learn about the present state of play on this, as well as other key recent and upcoming changes in the tax area that will impact your clients.

- **Professional Standards Update** - Get an update on both the recent and likely imminent regulatory changes that affect the oversight regime in place for your practice. In addition, an overview will be provided of the common issues emerging from monitoring visits to member firms over the last year, as well as the likely areas of focus for such visits in 2019/20.

- **The Practitioner’s Accounting Update** - Learn how to avoid the top financial reporting errors that emerge time and again in the implementation of both FRS 102 and 105. We will also provide practical advice on the problems that accountants currently face both in the preparation and/or audit of accounts of Charities and Not for Profit entities, as well as providing an insight into the evolving role of regulation in this sector.

- **Attracting & Retaining the Best Staff in your firm** - Our careers experts will share with you their advice on how small and medium sized firms can succeed in both hiring and holding the best staff in an ever more competitive and evolving work environment.

- **Evolving to be a Digital Accountancy Practice** - Recent advances in Information Technology have an ever growing impact both on how your firm is run and the services you offer to your clients. Take the opportunity to listen to the experiences of small practitioners as they share with you the challenges they have overcome, as well as the benefits both they and their clients now reap, after their firms have undertaken the journey to transform and become Digital Practices.

- **Growing & Developing Your Practice: Panel Discussion** - Gain unique insights from a number of Northern Irish Practitioners as they discuss their experience and give their views on how to grow and develop your firm in these changing times. As with the other sessions above, questions and interaction from the audience are encouraged.

From technical updates focused on your needs, to providing you with real practical insights on how your firm can evolve and grow over the coming years, this forum is a must attend for all accounting practitioners who want to future proof and stay ahead of the emerging issues impacting on our profession. Over the day, you will also have the opportunity to network and catch up with your fellow practitioners from across Ulster, all while gaining a vital 7 hours CPD credit.

To learn more on the speaker line up and to book your place further details are available on the Professional Development area of the Institute website (https://www.charteredaccountants.ie/Event-Calendar).
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