The Professional Standards Department (PSD) Quality Assurance Team has recently compiled a list of common matters arising on audit and investment business inspection visits, which are set out below. Please note that, where PSD returns to firms that have had a relatively recent visit, it conducts follow-up procedures to ensure that the firm has taken action to address matters raised at the previous visit.

Audit Inspections

Financial Reporting

Firms need to perform audit procedures to evaluate whether the overall presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework which, in recent years, has been substantially changed by the introduction of FRS 100-105 and amendments to company law. PSD found that, for the most part, firms had adequately addressed the requirements of FRS 102 and, in RoI, the Companies Act 2014 ('CA 2014') through the use of checklists. However, non-application of FRS 102 by audit clients was sometimes not identified. Firms should ensure that their audit procedures to assess the appropriateness and completeness of disclosures are up to date for the relevant financial reporting regimes.

Certain common omissions were identified:

- Statement of Changes in Equity or Statement of Cash Flows, where relevant;
- Significant judgements and key sources of estimation uncertainty in relation to amounts recognised in the financial statements (FRS 102 s8.6-8.7);
- Where relevant, material uncertainties related to events or conditions that cast significant doubt upon the entity’s ability to continue as a going concern (FRS 102 s3.8-3.9);
- The measurement basis (or bases) used for financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements (FRS 102 s11.40);
- Disclosures relating to creditors required by CA 2014 Schedule 3, such as terms of payment/repayment and the rate of any interest payable on debts.

(N.B. The specific FRS 102-related matters noted above relate to financial statements prepared in accordance with the full requirements of FRS 102 and may not be relevant to financial statements where the small/micro companies regime is applied.)

International Education Standard (IES) 8 (Revised)

IES 8 Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (Revised) was issued by the International Accounting Education Standards Board (IAESB) in December 2014 and is effective from 1 July 2016. Its objective is to establish the professional competence that professional accountants develop and maintain when performing the role of an Engagement Partner. During an audit monitoring visit, the inspector will make enquiries to assess whether a firm is familiar with IES 8 (Revised), including consideration of the learning outcomes which are listed in Table A to the Standard.

Firms can obtain a copy of IES 8 (Revised) at: http://www.ifac.org/system/files/publications/files/IAESB-IES-8.pdf

Investment Business inspections

Investment Business (IB) inspections carried out by PSD over the last few years had focused on firms holding IB1/IB2 authorisation. However, PSD is now conducting an increased number of IB inspections to firms holding all levels of IB authorisation, including a sample of firms holding IA1/IA2 authorisation.

Firms should be mindful of, and ensure they address, the following matters.
Investment business procedures (IBR 2.56)
All authorised firms are required to establish and maintain adequate written investment business procedures. These should include managing conflicts of interest, maintaining ‘Chinese Walls’ and the consequences of breaching them, along with the handling of errors and complaints. A firm must adequately train its principals carrying on investment business and its employees using these procedures.

Training (IBR 2.60)
Authorised firms must make arrangements to ensure that principals and employees involved in investment business maintain an appropriate level of competence and comply with Institute CPD requirements. Firms authorised in Category IA2 and above must make arrangements to ensure compliance with the Central Bank Minimum Competency Code, which has recently been updated. A copy of the Code can be obtained on the Central Bank of Ireland’s website.

Investment Business Compliance Review (IBR 2.58)
An authorised firm must carry out an Investment Business Compliance Review (IBCR) at least annually. PSD found that, for some firms, an annual IBCR had not been carried out, or did not include a whole firm review, a review of accounting records and a sample of client files. Some IBCRs did not identify different types of IB advice provided by the firm or non-compliance with the IBRs. Corrective action was not always taken in a timely manner.

Engagement letters (IBR 3.19-3.20)
PSD found that some firms did not have an engagement letter in place, or the letter had not been agreed with the client prior to investment business advice being provided, as required by IBR 3.19 or did not include the minimum details required by IBR 3.20.

Commission consent and disclosure (IBR 3.30-3.32)
If a firm receives commission it must account to the client for that commission, and either the terms (%) of the commission and the amount (€/£) must be disclosed. In cases where the firm retains the commission, it must have the client’s written consent to do so. Consent to retain commission can be obtained in the client engagement letter. The Quality Assurance Committee views non-compliance with commission consent and disclosure requirements very seriously.

Section 30 receipts (IBR 4.44-4.46)
Firms must issue receipts when they receive client premiums or investment business clients’ money. Details of what must be included on the receipt are specified in IBR 4.45.

Other matters
Firms should ensure that they are aware of their category of IB authorisation and the limits of that category.
• Category IA2 is required to hold client premiums;
• Category IB is required to hold investment business clients’ money; and
• If handling or holding client premiums or investment business clients’ money, the firm must appoint an independent accountant and submit an independent accountant’s report to the Institute.

Carrying on investment business, when not authorised to do so, is an offence under the Act. Firms may wish to review their category of investment business authorisation and assess whether it is suitable for their needs. Firms should refer to Schedule 1 to Chapter 1 of the IBRs for activities which may be undertaken under the various categories.

For further details on the above matters, please look out for PSD’s forthcoming Regulatory Bulletin. For advice or support on the above matters, firms may contact, in strict confidence, the Practice Consulting Team, which is independent of the Professional Standards Department.

CPD COURSES FOR MEMBERS IN PRACTICE
Look out for the following courses designed with you in mind, all of which can be booked online through the Professional Development area of our website:
30 November – Dublin – Practical Audit Update
1 December – Dublin - Small and Medium Sized Practice Day
6 December (morning) – Financial Reporting Seminar – Belfast
6 December (afternoon) – Audit and Assurance Seminar – Belfast
We received very good feedback on the course recently run in Dublin: A small firm’s guide to small and micro company accounting. The course was very well attended and we are considering running it again in Cork and Dublin. Watch out for information on dates.
NEW AUDITING STANDARDS IN FORCE

Michael McAllister writes:

Auditors are reminded that there are now separate audit frameworks applying in the UK and Ireland. As such, somewhat different International Standards on Auditing (ISAs), Ethical Standards and International Standards on Quality Control 1 (ISQC 1) are now in force in each jurisdiction. The new Standards in the UK apply to the audits of financial statements for periods commencing on or after 17 June 2016. The new Irish Standards apply to audits of financial statements for the same periods, where auditor’s reports are signed on or after 1 February 2017. In ROI, the auditor requirements contained in Statutory Instrument (SI) 312 also came into operation on 17 June 2016.

To help members address the new requirements, Practice Consulting will soon be issuing an update to our Procedure for Quality Audits (PQAs) to paid-up licence-holders. It is intended that this will include the following:

- New template ISQC 1 procedures
- Updated template Audit Planning Memorandum
- Updated ‘Independence and Acceptance of Appointment or Reappointment’ section
- Updated ‘Going Concern’ section
- Updated ‘Auditor’s Report’ section

Members will be informed as soon as the update is available.

In the meantime, auditors planning audits for applicable periods should note that it is now a requirement to assess and document the following matters before accepting or continuing an audit engagement:

- whether the auditor/audit firm complies with independence requirements;
- whether there are threats to the auditor’s/audit firm’s independence and safeguards applied to mitigate those threats;
- whether the auditor/audit firm has competent employees, time and resources to carry out audit in an appropriate manner; and
- whether the Key Audit Partner is approved as a statutory auditor.

Additionally, the form and content of the auditor’s report has changed significantly. Guidance on this can be found as follows:

- for UK, in FRC Bulletin ‘Compendium of illustrative auditor’s reports on United Kingdom private sector financial statements for periods commencing on or after 17 June 2016’.
- For ROI, in Technical Alert 01/2017 ‘Guidance on the new ISAs (Ireland) Auditing Standards issued by the Irish Auditing and Accounting Supervisory Authority’, and in Practice Consulting’s ‘Pro Forma Financial Statements 2017 (ROI)’, available for purchase in the ‘Shop’ section of the website.

THE ABHAILE SCHEME

Members in the Republic of Ireland with practising certificates have been asked in the individual Institute annual return whether they wish to opt into either the new Abhaile scheme or the older Mortgage Forbearance Advice scheme. More information on both schemes is available in the Practice Consulting section of the website under the heading Abhaile Scheme.

TECHNICAL SIGNPOST

The Chartered Accountants Ireland Representation and Technical Policy Department (RTP) writes:

Technical Alerts and Releases

In recent months, a number of technical publications were issued by Chartered Accountants Ireland to provide guidance to members.

Technical Alert 02/17, Guidance on the new ISAs (Ireland) Auditing Standards issued by the Irish Auditing and Accounting Supervisory Authority highlights to members the key new requirements of the Auditing Standards applicable in Ireland under the new Auditing Framework introduced by the Irish Auditing and Accounting Supervisory Authority (“IAASA”) in January 2017. The new Auditing Framework replaced the Financial Reporting Council’s (“FRC”) framework known as ISAs (UK and Ireland).

Technical Release 02/17, Irish Company Law Requirements: Audit Committees provides information to members of the accountancy bodies of Consultative Committee of Accountancy Bodies – Ireland (“CCAB-I”) regarding the legal requirements in relation to audit committees in Ireland

In June 2017, Technical Release (TR) 03/17, Winding up - Companies Act 2014 was issued and is intended to assist members in understanding the changes made to company legislation governing liquidations under the Companies Act 2014. The Technical Release refers to liquidators, including appointment, powers and duties, resignation/removal and remuneration and the different types of liquidations.

These technical documents are available in the “Technical” section of our website and on CHARIOT.
Statement of Standard Insolvency Practice (SIPs)

SIP 16B (Taxation matters of practice) and SIP 18B (Reporting by liquidators to the Director of Corporate Enforcement) were withdrawn in June 2017.

Representations

Chartered Accountants Ireland has responded to a number of consultations, including:

- **Representation 02/17**, Chartered Accountants Ireland response to DJEI on the General Scheme of Companies (Statutory Audits) Bill 2017;
- **Representation 03/17**, Chartered Accountants Ireland response to IAASB on the Proposed International Standard on Auditing 540 (Revised) Auditing Accounting Estimates and Related Disclosures;
- **Representation 04/17**, Chartered Accountants Ireland response to the UK Joint Insolvency Committee on the Proposed Amendments to Part D, Code of Ethics for Insolvency Practitioners;
- **Representation 05/17** Chartered Accountants Ireland response to FRC on FRED 67 - Draft amendments to FRS 102: ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ - Triennial review 2017 - Incremental improvements and clarifications (March 2017);
- **Representation 06/17**, Chartered Accountants Ireland response to FRC on anti-money laundering guidance for UK auditors on UK legislation;
- **Representation 07/17**, Chartered Accountants Ireland response to IESBA on professional scepticism.

These representations are available to read in the “Representations” section of our website.

Companies (Accounting) Act 2017

As readers may be aware, the Companies (Accounting) Act 2017 (‘CA 2017’) came into operation on 9 June 2017. Primarily, CA 2017 amends Companies Act 2014 to transpose the requirements of the 2013 EU Accounting Directive, including the introduction of the small companies regime and micro companies regime, although it also introduces certain other changes to Irish company law.

In an article in the August edition of Accountancy Ireland, Mark Kenny, Director, Representation and Technical Policy at Chartered Accountants Ireland, provided an overview of the reporting and filing-related aspects of the new legislation, and also explained the commencement provisions in more detail. The article is available to read at the following link: [https://www.charteredaccountants.ie/docs/default-source/Publishing/companies_accounting_act_2017_ai_october_2017.pdf?sfvrsn=2](https://www.charteredaccountants.ie/docs/default-source/Publishing/companies_accounting_act_2017_ai_october_2017.pdf?sfvrsn=2)

We are working with the Institute’s Accounting Committee to produce a Technical Release dealing with the form and content of entity financial statements prepared in accordance with the small and micro company regimes and members will be informed through the usual Institute channels once it is available. A suite of Proforma Financial Statements reflecting the new regimes has been issued by Practice Consulting and are available to purchase in the 'Shop' section of the Institute’s website.

Anti-Money Laundering – Ireland

The Irish Financial Intelligence Unit (FIU), the Garda Síochána, launched a new software system, called ‘goAML’ on 12 June 2017. ‘goAML’ allows accountancy firms, and other reporting entities, to electronically submit reports to the FIU pursuant to anti-money laundering legislation. Since the introduction of the new system, the FIU has received a considerable number of queries from reporting entities and they have also raised a number of issues with regard to the operation of the system. To assist goAML users, the FIU has drafted FAQs which are available at this link: [https://www.charteredaccountants.ie/docs/default-source/dept-professional-standards-(psd)/public-statements/goaml---frequently-asked-questions-(faqs).pdf?sfvrsn=2](https://www.charteredaccountants.ie/docs/default-source/dept-professional-standards-(psd)/public-statements/goaml---frequently-asked-questions-(faqs).pdf?sfvrsn=2)

Anti-Money Laundering – UK

On 26 June 2017, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 became law in the UK. These regulations replace the Money Laundering Regulations 2007 and transpose Directive (EU) 2015/489 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the 4th EU Anti-Money Laundering Directive). While many of the obligations imposed on accounting practitioners have not been significantly altered by the introduction of these new regulations, they contain some new developments including:

- Firms are now required to complete a whole firm risk assessment;
- Firms are now required to establish certain specific internal controls in relation to anti-money laundering;
- There are changes to the requirements relating to customer due diligence which need careful attention;
- Domestic Politically Exposed Persons (PEPs) are subject to prescribed due diligence processes.
The Consultative Committee of Accountancy Bodies has updated its Anti-Money Laundering Guidance for the Accountancy Sector in the UK. That guidance is subject to approval by Her Majesty’s Treasury and is therefore described as draft guidance pending that approval. It is available at: http://www.ccab.org.uk/documents/TTCCABGuidance2017regsAugdraftforpublication.pdf

General Data Protection Regulation (‘GDPR’)
The (GDPR) will come into force on 25 May 2018 and will result in a significant overhaul of the existing European data protection regime. It will repeal and replace the current Data Protection legislative frameworks in both UK and RoI. The aim of GDPR is to harmonise data privacy laws across Europe and create a level playing field. The changes contemplated by GDPR will place significantly more obligations on organisations and give more rights in favour of individuals.

Practitioners need to consider the potential impact that the GDPR is likely to have on the governance and processes in relation to data protection by their firms and take the appropriate actions to prepare in advance of May 2018. Some useful information in relation to the GDPR is available at EU portal at the following link: http://www.eugdpr.org/

You may find it helpful to read the articles in relation to the GDPR at the following links:
https://www.charteredaccountants.ie/News/getting-to-grips-with-gdpr
https://www.charteredaccountants.ie/News/the-final-countdown-to-gdpr

Practitioners who are unsure of their obligations under the GDPR may wish to seek the advice of legal practitioners in relation to this area of law.

TAX MATTERS
The Chartered Accountants Ireland Tax Department writes:

REPUBLIC OF IRELAND TAX DEVELOPMENTS

Tips for tax compliance season
Revenue’s PAYE Service
Concerns have been raised by Chartered Accountants on a number of operational aspects of the new Revenue PAYE service. From the middle of June this year, the PAYE Anytime service was withdrawn and replaced with a PAYE Services function in myAccount. Chartered Accountants Ireland has taken these concerns to Revenue who provided tips for using the service as follows.

1. Agents need to be linked to their client’s PAYE registration in order to access PAYE Services. Agents can make this link using the “Manage Tax Registrations” tab in Client Services.

2. A full history of Tax Credit Certificates is available to agents in My Documents. These documents can be viewed, printed or downloaded as needed.

3. Agents of clients with a PAYE registration (who don’t also have an Income Tax registration) can request an end of year statement (P21). This can be done via two different services. The end of year statement service has replaced the ‘Request a P21 Balancing Statement’ service that was previously available in PAYE Anytime.

4. Pay, tax and USC details are available (once the employer P35 is received and uploaded to Revenue’s records) in the following services:
   - Form 12 – this service is only available to agents of non-IT registered taxpayers (as IT registered taxpayers must file a Form 11)
   - End of year statement (P21) – this service is only available to agents of non-IT registered taxpayers (as IT registered taxpayers must file a Form 11)
   - Pre-populated Form 11(PAYE/BIK/Pensions (i) tab) – this service is available to agents of IT registered taxpayers.

Further information on the PAYE service is available on www.revenue.ie. We are interested to hear your experience of the PAYE service so please contact us at tax@charteredaccountants.ie.

Renewal of ROS Certificates
All ROS certificates issued or renewed before 10 September 2016 will expire on 11 December 2017. It is therefore necessary to renew your certificate before 11 December otherwise the certificate will expire and you and your firm may not be able to access the service. On logging into ROS this month, a Certificate Renewal screen can be accessed to renew the ROS certificate. Further details are set out in Revenue eBrief No. 76/17.

Correspondence from Revenue linked to CRO Information
Revenue is in the process of contacting companies who registered with the CRO during 2016 but have not yet registered their trading status (known as a Corporation Tax Statement of Particulars) with Revenue. Companies registered with the CRO are required to register with Revenue when:
   - they commence to trade
   - there’s a material change in their details or
   - they are required to do so by a notice from Revenue.

This Corporation Tax Statement of Particulars is mandatory as per section 882 Taxes Consolidation Act 1997. To find out more, read Revenue eBrief No. 77/17.
NORTHERN IRELAND TAX DEVELOPMENTS

Making Tax Digital for business start date deferred & exemption threshold increased

Over the summer, the UK government announced that the start date for online reporting of quarterly accounts information for income tax is being deferred until at least April 2020. Businesses had been due to begin quarterly reporting to HMRC from April 2018. These changes reflect recommendations and lobbying by this Institute to allow firms more time to prepare. Chartered Accountants Ireland recommends that firms should continue their preparations based on the revised timetable.

Under the revised Making Tax Digital for Business (“MTDfB”) timetable:-

- From April 2019, only businesses with turnover above the VAT registration threshold (currently £85,000) will have to keep digital records, and only for VAT purposes;
- Businesses will not be asked to keep digital records, or to update HMRC quarterly, for other taxes, until at least 2020.

MTDfB will be available on a voluntary basis for the smallest businesses and for other taxes. Businesses with turnover below the VAT threshold will not be required to use the system but can choose to do so if they wish. Businesses will also be able opt in for other taxes.

HMRC has also announced that it will start to pilot MTDfB for VAT by the end of this year, starting with small-scale, private testing, followed by a wider, live pilot starting in spring 2018. This will allow over a year of testing before any businesses are mandated to use the system. This was another recommendation made by the Northern Ireland Tax Committee last October.

The MTD legislation will be included in Finance Bill (No. 2) 2017, due to be introduced in the autumn after the UK Parliament’s summer recess.

In its various submissions on MTD, the Northern Ireland Tax Committee advocated that the project timetable be revised and the start date be pushed out to allow the changes to be phased in properly, considering the scale and impact of the proposals.

The Committee also pushed for businesses below the VAT registration threshold to be completely exempted from the proposals. Both these recommendations have now been implemented.

Following the huge amount of work the Institute and the Northern Ireland Tax Committee has put into our representations in this area, we are very pleased that the concerns raised have been listened to.

The Institute is currently developing a MTD hub which will be available in the coming months. An MTD event is also being planned for spring of 2018.

WELCOME TO JEREMY TWOMEY

We are delighted to welcome Jeremy Twomey to the Institute’s Practice Consulting team. In his role as Practice Consulting Manager, Jeremy will be working to support our member practitioners across our service areas, with a particular focus on compliance support, training and our associated advisory services.

Jeremy is a Fellow of the Institute, having trained with Ernst & Young; he has held senior management positions across both financial and professional services, as well as the public sector. His areas of experience include Corporate Governance, External Audit, Financial Reporting, Internal Audit, Project Management, Risk Management and Taxation. In recent years, Jeremy has also run his own consulting business providing Corporate Governance, Internal Audit and Risk related services. Organisations that Jeremy has worked with include Bank of Ireland, the Central Bank of Ireland, EY, Health Service Executive, Mazars and Science Foundation Ireland.

Jeremy brings a wealth of relevant experience to his new role and will make a great addition to our team, as we continue to work to support our members across Ireland.

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