



An Roinn Fiontar,
Trádála agus Fostaíochta
Department of Enterprise,
Trade and Employment

Public Consultation on Member State Option to Introduce Independent Assurance Service Providers (IASPs)

Pursuant to Article 34 of Directive 2013/34/EU as inserted by Directive
2022/2464/EU (CSRD)

Response Template

As set out in the consultation paper, the Department of Enterprise, Trade and Employment is specifically seeking views on the Member State option to introduce a new category of independent assurance services provider pursuant to Directive 2022/2464/EU ('CSRD').

Respondents can comment generally on this Member State option at the end of the template and express any views specific to this option should they wish.

Please include your response in the space underneath the relevant option, to set out/ explain your views. Completing the template will assist with achieving a consistent approach in responses returned and facilitate collation of responses.

When responding please indicate whether you are providing views as an individual or representing the views of an organisation.

Name(s):	Dee Moran
Organisation:	Chartered Accountants Ireland
Email address:	Dee.moran@charteredaccountants.ie
Telephone number:	01-6377200

Respondents are requested to return their completed templates by email to CSRD@enterprise.gov.ie by the closing date of **Friday, 19 July 2024**.

Submissions should be sent by email to CSRD@enterprise.gov.ie

Please write '**response to public consultation on option to adopt Independent Assurance Services Provider**' in the subject line of the email.

Directive 2022/2464/EU ('CSRD') amends Directive 2013/34/EU ('Accounting Directive') by inserting a new paragraph 4 into Article 34. Paragraph 4 provides the following:

4. Member States may allow an independent assurance services provider established in their territory to express the opinion referred to in point (aa) of the second subparagraph of paragraph 1, provided that such independent assurance services provider is subject to requirements that are equivalent to those set out in Directive 2006/43/EC of the European Parliament and of the Council as regards the assurance of sustainability reporting as defined in point 22 of Article 2 of that Directive, in particular the requirements on:

- (a) training and examination, ensuring that independent assurance services providers acquire the necessary expertise concerning sustainability reporting and the assurance of sustainability reporting;
- (b) continuing education;
- (c) quality assurance systems;
- (d) professional ethics, independence, objectivity, confidentiality and professional secrecy;
- (e) appointment and dismissal;
- (f) investigations and sanctions;
- (g) the organisation of the work of the independent assurance services provider, in particular in terms of sufficient resources and personnel and the maintenance of client account records and files; and
- (h) reporting irregularities.

Question 1 – Do you support the proposal that Ireland adopts the Member State option to introduce, accredit, regulate, and monitor a new service provider – called an Independent Assurance Services Provider – to give an assurance opinion on sustainability reporting? Please give reasons for your preference.

Chartered Accountants Ireland welcomes the fact that the Department of Enterprise, Trade and Employment (the Department) are consulting on this Member State option, and we appreciate the opportunity to respond.

Overall, we do not disagree with the proposal that Ireland adopts the Member State option to introduce, accredit, regulate, and monitor Independent Assurance Service Providers (IASPs) to give an assurance opinion on sustainability reporting. However, as explained in more detail in this response, this regime should only be introduced following a significant investment in setting up an infrastructure and framework which is as robust as the system in place for statutory auditors under Directive 2006/43/EC.

Question 2 – Do you voluntarily obtain the services of a person, other than a statutory auditor, for an assurance opinion on sustainability reporting? Please give reasons for your preference.

N/A

Question 3 – Do you have any views on how and by whom Independent Assurance Services Providers established in Ireland should be accredited, supervised, and monitored?

It would appear logical to us that IAASA, given their remit and status in Ireland, would be the most appropriate body to accredit, supervise and monitor Sustainability Assurance Service Providers (SASPs), including IASPs. This would help to ensure that the robustness and quality of the inspection regime is maintained across all assurance providers equally. Appointing IAASA as the body to accredit, supervise and monitor IASPs would not be without its challenges. Firstly, it would be essential that IAASA (or indeed any oversight body as regards IASPs) be given the expertise, time and resources to build the framework for the supervision of professionals from potentially disparate disciplines - IAASA's experience is currently only in the supervision of accountants and auditors.

Currently, IAASA only supervises Public Interest Entities (PIEs). At non-PIE level, IAASA provides supervision through recognised accountancy bodies (RABs). It is not apparent to us that there is such scope for delegation of regulatory obligations as regards IASPs to professional bodies in professions to whom IASPs may belong.

Any role for the RABs as regards IASPs would necessarily be limited to those IASPs who are accountants (but not statutory auditors), specifically expert accountants at firms which are statutory audit firms and already within the supervisory remit of their RAB in that context.

It is further worth noting that IAASA does not currently have a role in the accreditation of SASPs and so adding this responsibility to IAASA in the context of IASPs would pose a resource challenge for IAASA.

In summary, if the option to allow IASPs is taken in Ireland, then the regulatory framework established must ensure a level playing field as regards the accreditation, supervision and monitoring of IASPs compared to SASPs. Therefore, we would suggest IAASA as the appropriate regulator, but significant funding and resources would be required for them to discharge that function.

Question 4 – Do you have any views on the capacity of Independent Assurance Services Providers to comply with equivalent requirements to those set out in the Directive 2006/43/EC ('Audit Directive')?

On the assumption that the regulatory body which is granted the authority to introduce, accredit, regulate, and monitor IASPs is required to govern and administer equivalent supervisory procedures to that of an audit competent authority, then we believe that IASPs will be capable of complying with the requirements set out by the body which regulates them. Many IASPs will be experts in their field and will be professionals with substantial experience in the area of sustainability.

Notwithstanding this, we believe that a substantial financial and resource effort will be required in order to create the framework (and to establish a regulatory body) to ensure that IASPs are subject to equivalent requirements to statutory auditors in respect of this assurance work, as required by the CSRD. To illustrate this challenge, we have set out some of the steps that our members are subject to in order to attain their status as a statutory auditor (and subsequent to this, their status as a SASP), as well as the ongoing requirements which they must adhere to in order to maintain this status. The below lists are not exhaustive but illustrate some of the building blocks which would need to be put in place by the new body overseeing IASPs in order to have a framework equivalent to that of Statutory Auditors, as required by the CSRD.

Steps required by our members in order to act as Statutory Auditor or “Responsible Individual” (RI)

- Education, typically up to third level for approximately 17/18 years
- Successfully completing a 3.5-year training contract with an approved training firm, during which they will gain experience of statutory audit
- During this 3.5-year training contract, the member will be required to pass professional exams during a number of sittings (Referred to in the Institute as CAP 1, CAP 2 and FAE). These exams cover several areas and cover theoretical knowledge as well as practical application of theoretical knowledge. The relevant exams are set in accordance with the educational requirements of Schedule 19 of the Companies Act 2014
- Following qualification, the completion of post-qualification experience in order to be eligible to apply for “Responsible Individual” status. This includes the requirement to have a minimum number of weeks practical training in the area of audit in the jurisdiction in which they wish to operate
- Following the attainment of Responsible Individual Status, the individual will then be required to complete an application process to be accredited as a Sustainability Assurance Service Provider (SASP). The requirements will differ depending on whether the individual is entitled to, and chooses to, avail of the transitional arrangements allowed under the CSRD. At a minimum however, it is expected that 60 hours of sustainability CPD will be required, as well as demonstration of competence in the area of sustainability. If the transitional arrangements are not availed of, then additional requirements including a programme of education, successful completion of an examination in the relevant topics and completion of at least 8 months of practical training in sustainability related work to attain SASP status

Ongoing requirements which our members who have attained “Responsible Individual” status, and subsequently SASP status, must adhere to

- Continued compliance with the Institute’s Audit Regulations which set out the requirements that apply to Institute firms and individuals who conduct audit work on their behalf. This includes requirements on;
 - Independence
 - Conduct of work in accordance with relevant assurance standards
 - Quality management and maintaining competence
 - Monitoring
 - Sanctions and discipline
- Public Practice Regulations which set out detailed provisions of how accountants and auditors in public practice must conduct themselves. These include;
 - Regulation and discipline
 - Quality review
 - Conditions for holding and retaining a practice certificate
 - Requirements for holding professional indemnity insurance
 - Anti-money laundering (AML) obligations
- A quality assurance regime which requires Chartered Accountants Ireland to carry out quality assurance reviews on its audit firms in accordance with section 1496 of the Companies Act 2014. This involves inspection of audit work at those firms at least once every 6 years, but possibly more frequently depending on the assessed risk
- Ongoing CPD obligations which are subject to oversight
- Bye laws and regulations regarding how the Institute is governed
- Code of ethics which provides our members with a framework to adhere to in making ethical decisions
- IAASA’s Ethical Standards for statutory auditors and the IESBA Code

While the setting of an equivalent framework is possible, we would recommend that the Department carry out a sufficient feasibility study that considers;

- What a framework “equivalent” to that set out in EC Directive 2006/43/EC would entail
- The cost involved in setting up the framework, and who would be responsible for the oversight of this framework
- The benefits achievable from the equivalent framework (i.e. the expected number of firms who will register as IASPs relative to the costs involved)

In making the above recommendation, we would suggest that the Department liaise with governments in other EU countries who have put such an equivalent regime in place.

We believe that there would be many challenges arising in determining whether any other framework is equivalent to that set out in EC Directive 2006/43/EC. For example, in relation to independence requirements, would these requirements need to apply to all engagements undertaken by an IASP or only those in relation to CSRD engagements?

Question 5 – Do you have any views on how Ireland (being the host Member State) should supervise the assurance of sustainability reporting carried out by Independent Assurance Services Providers established in another Member State?

It is our understanding that this supervision requirement would only apply if Ireland were to avail of the option to allow IASPs to enter the market in Ireland.

If it is the case, that, in the future, IASPs are allowed to provide assurance on sustainability reporting under Irish company law, then it would be appropriate that any provisions for the approval, registration and supervision of IASPs from other Member States would align with the provisions for the approval, registration and supervision of Member State auditors.

Question 6 – If you fall within scope of the CSRD, would you be likely to use an Independent Assurance Services Provider (other than a statutory auditor) for your sustainability assurance? Please give reasons for your preference.

N/A

Question 7 – Do you have any views on whether the introduction of a new sector for assurance on sustainability would benefit or harm Irish business and employment or the Irish economy?

Assuming the new industry is overseen by a framework equivalent to that set out in EU Directive 2006/43/EC, we do not see the new sector harming Irish business. Such a regime would increase choice for businesses in complying with their CSRD requirements and would drive competition in the market.

We believe that if the new framework is not equivalent to that set out in EU Directive 2006/43/EC, then it would create an uneven playing field in which the SASP and IASP regimes are inconsistent with each other. Such a scenario would not be in the public interest and may result in a disparity of quality between CSRD reporters. As a result, we believe that it is imperative that IASPs (if introduced in Ireland) and SASPs operate in an equivalent environment with a level playing field. If gaps in accreditation, regulation and monitoring of SASPs vs IASPs

were to emerge then it may have the effect of encouraging some reporters to move assurance provider towards the regime with less rigour.

There is potential for harm to be done both at a societal level and to Ireland's reputation if there is not a consistent quality to the inspection regime which is maintained across all assurance providers equally. Not achieving that consistency increases the potential for an environment to be created that makes greenwashing easier, and that is in no-one's interest.

Please include your views on any other issues that you might see as relevant to Article 34(4) and (5).

THANK YOU FOR YOUR RESPONSES