Audit Directive 2014/56/EU

Collated Responses

Article 2	**Definitions**
Directive 2006/43/EC, Article 2.13 – see SI 220/2010, Reg. 3 AMENDED MS Option – Directive 2014/56/EU, Article 1(f)	**Central Bank** Yes to option. Consistent with the Central Bank of Ireland's ("Central Bank") response to the DJEI's consultation on the definition of a Public Interest Entity ("PIE") within the Accounting Directive 2013/34/EU, the Central Bank considers that flexibility over the definition of what constitutes a PIE should be included in the Audit Directive. The Central Bank would welcome the development of a transparent and formalised process whereby additional entities may be designated as PIEs with an indicative timeframe as to how long the designation process may take. **CAI** We agree with DJEI's analysis that while the definition of a Public Interest Entity ('PIE') has changed little in substance, the significance of an entity being classified as a PIE is that such entities now fall within the scope of Regulation 537/2014 ('the Regulation'). Were the definition to be widened, additional entities would become subject to significant additional regulatory requirements with consequent negative impacts on costs for such entities, their auditors, and indeed, resources

required by Regulators (IAASA). Furthermore, Ireland's reputation as a competitive location for business may well be impacted by extending the scope of PIE definition. For example, we are aware from our colleagues within accountancy bodies elsewhere that most EU Member States are likely to maintain the minimum scope definition for PIEs. These include France, Germany, Poland, Luxembourg, and, importantly the UK, with whom Ireland shares its corporate governance, financial reporting, and auditing standard framework.

We are therefore not supportive of adopting the Option to extend the definition of PIEs.

CPA Ireland
It is noted that Ireland did not take up the option in transposing the precursor Directive, transposed by S.I. 220/2010. We do not believe that at this point there is any compelling argument to now exercise this option.

ACCA
ACCA would recommend that the definition of public interest entity (PIE) not be extended beyond the legal minimum. As the consultation notes there would be considerable resource issues to consider if any additional entities were to be brought into scope as PIEs. Keeping the number of PIEs to a minimum should enable resources to be focussed on entities that are of the greatest public interest.

PwC
We do not believe that the definition of PIE requires to be, or should be, extended beyond that set out in the Directive. We believe that this is important in ensuring consistency of regulatory approach across member states and in providing a regulatory framework that is clear. We do not believe that there are additional entities that are of such significant public relevance as to warrant inclusion and would further state that certain entities that are included (e.g. listed investment funds) may not actually meet the test. Given the additional regulatory cost that applies to PIEs, it is important that the designation is applied appropriately.

The inclusion of funds within the PIE definition is already causing promoters to reassess domicile of choice decisions. Adding any further entities to this list will have a very significant regulatory and cost implication for the citizens, pension funds, institutional investors and individual savers who are the main investors in funds, for the fund itself, the auditor and the public oversight system without any significant advantages. These additional costs will be deducted from the investment return to investors and will indirectly create a competitive disadvantage for listed investment funds versus other financial products.

Ireland needs to remain attractive to international fund promoters by being open, transparent and competitive for business in all matters. Ireland needs to be a place where international fund promoters and investment managers are confident about setting up new fund structures and products. To create an environment like this we need to ensure that no further costs are added to fund structures and accordingly no more fund structures should be added to the list of PIEs currently or in the future. European funds are already perceived to be inefficient by comparison with international competitors.

As pension funds are a major source of capital for investment funds (pension funds and institutional investors are often the main shareholder in a fund), designating more fund structures as PIEs will result in increased costs back to those investors and a depletion in funds set aside to provide future pensions.

Furthermore, consideration should be given to the designation of entities (such as funds) with a convenience listing on an EU regulated market. These entities are not the standard public interest entity and in most cases are only open to investment by professional or institutional investors (such as pension funds). They are not actively traded or traded at all on these exchanges. We question whether they really meet the criteria of a public interest entity insofar as it was envisaged by the legislators.

It is also extremely important from a funds industry perspective that the approach taken is no less competitive than other major fund location's in the EU (such as Luxembourg and Malta). There is a very competitive market for new and existing funds in all the major fund locations in the EU. With 5,600 Irish domiciled funds and more than 13,000 people directly employed by the industry, Ireland is a proven domicile of choice for funds. For Ireland to remain a domicile of choice it needs to continue to have one of the best infrastructures for funds, the most flexible for business and to have a reputation as a location for robust and efficient regulation.

We therefore believe that it is in Ireland's best interest that there should be no further entities designated as PIEs.

KPMG

We agree with the Department's observation that while the definition of a Public Interest Entity ('PIE') has changed little in substance, the significance of an entity being classified as a PIE is that such entities now fall within the scope of Regulation 537/2014 ('the Regulation').

If the definition is widened, additional entities would become subject to significant additional regulatory requirements with consequential negative impacts on costs for such entities, their auditors, and indeed, resources required by Regulators (IAASA). Furthermore, Ireland's reputation as a competitive location for business may well be impacted by extending the scope of PIE definition. For example, we are aware from our colleagues elsewhere that most EU Member States are likely to maintain the minimum scope definition for PIEs. These include France, Germany, Poland, Luxembourg, and, importantly the UK, with whom Ireland shares its corporate governance, financial reporting, and auditing standard framework.

We are therefore not supportive of gold plating the Regulation by adopting the Option to extend the definition of PIEs.

EY

We strongly oppose this option as this will be the source of significant increased cost and complexity. There were fewer requirements imposed on the audits of PIEs under the 8th Directive, and derogations were also facilitated. The requirements set out in Regulation 537/2014 are much more extensive and therefore how this will be defined in Ireland is crucial to determine the entities within the scope of the Regulation. A decision to further extend the definition beyond that already set out in the Directive would be of key concern for many affected stakeholders if burdensome rules and requirements were imposed and do not apply to their equivalents in other member states.

Complying with the legislation for those entities already caught by the Directive will be challenging. To draw the net wider would have a serious impact on competitiveness particularly for FDIs looking at Ireland.

Deloitte

We are of the view that Ireland should not avail of the member state option to add to the listing of PIE's provided in the Directive. Ireland did not extend the definition when Directive 2006/43/EC was implemented and we believe that decision is still relevant. It is our view that the scope of the EU decision is appropriate and no additional entities should be added. Adding entities to the listing of entities that would be defined as PIE's would impact Ireland's competiveness in attracting foreign direct investments and adversely impact the attractiveness of the IFSE when compared with other EU member states (e.g. Luxembourg.)

Mazars

We consider that the definition should be extended to include the following:

a) Companies traded on alternative markets

b) Credit Unions

We would agree with MS option (d) that other entities of significant public relevance be included in definition of PIEs.

We believe that (a) should be included as they are publicly traded shares. Listing on a secondary market should not significantly affect governance standards applied.

We believe that (b) should also be included as the holders of public monies and lenders. From the public perspective such entities should have a strong governance structure.

ISE

No, the ISE believes the option to designate other entities as Public Interest Entities (PIEs) should not be taken up, as was the case in the transposition of the original directive. This definition should be consistent with other EU Directives.

IFIA

We agree that the MS option to extend the PIE coverage should not be taken for the reasons set out in the question section of the department's consultation paper on this article.

Further we believe that adding any further entities to this list has a very significant regulatory and cost implication for the investors in funds, for the fund itself, the auditor and the public oversight system without any significant advantages.

Ireland needs to remain attractive to international fund promoters by being open, transparent and flexible for business in all matters. Ireland needs to be a place where international fund promoters and investment managers are confident about setting up new fund structures and products. To create an environment like this we need to ensure that no further costs are added to fund structures and accordingly no more fund structures are added to the list of PIEs currently or in the future.

In particular, this could impact pension fund managers. Pension fund investors are extremely conscious of the impact of costs these pension funds invest into. Pension funds are a major source of capital for investment funds i.e. pension funds / institutional investors are often the main shareholder in a fund. By designating more fund structures as PIEs will in the long term result in increased regulatory costs being borne by the shareholder.

	Furthermore consideration should be given to the designation of entities (such as funds) with a convenience listing on an EU regulated market. These entities are not the standard public interest entity and in most cases are only open to investment by professional or institutional investors (such as pension funds). They are not actively traded or traded at all on these exchanges. Do they really meet the criteria of a Public Interest Entity? It is also extremely important from a funds industry perspective that the approach taken is no less competitive than other major fund domiciliation's in the EU (such as Luxembourg and Malta). There is a very competitive market for new and existing funds in all the major fund domiciles in the EU. With 5,600 Irish domiciled funds and more than 13,000 people directly employed by the industry, Ireland is a proven domicile of choice for funds. For Ireland to remain a domicile of choice it needs to continue to have the one of the best infrastructures for funds, the most flexible for business and to have a reputation as a location for robust and efficient regulation. It is in Ireland's best interest that there should be no further entities designated as PIEs **BlackRock** We would not be in favour of broadening the definition further as we believe it would add complexity and cost.
Article 3	**Approval of statutory auditors and audit firms**
Directive 2006/43/EC – Article 3.4(b) – see SI 220/2010, Reg. 27 AMENDED MS Option – Directive 2014/56/EU, Article 1(3)(b)	**CAI** We have not been able to identify the significance or relevance to Ireland of these 'slightly' amended Options from the 2006 Directive and therefore see no reason why they need to be invoked in an Irish context. **CPA Ireland** First option: We do not at this point see any argument for invoking this option. Second option: We do not consider it necessary to introduce the option to allow for specific voting rights provisions to cater for the audits in question. We do not believe that there is evidence that such an option would necessarily enhance audit quality. **ACCA** There is no need to change the position as currently existing under 220/2010 for either option.

PwC
We do not believe that natural persons need to be approved in any other member state in order to meet the requirements as applied in Ireland.

We do not believe that any additional requirements should apply to the qualification of auditors of cooperatives or similar entities.

KPMG
We have been unable to identify the significance or relevance to Ireland of the amended Options from the 2006 Directive and therefore do not believe they need to be invoked in an Irish context.

EY
We would not be supportive of changes to the current requirements for approval of statutory auditors and are unaware of instances where approval in another member state would be relevant and therefore felt necessary. We would not support the taking of this option.

Deloitte
The requirement related to control of the audit firm by audit firms or natural individuals who satisfy the requirements set out in the Directive provides adequate safeguard in respect of the control of statutory audit firms. There are no reasons for having additional requirements. Therefore we believe there is no reason for invoking either of the member state options set out in Article 3.

Mazars
There would appear to be no further reason for MS to require this additional provision of MS approval for natural persons when the majority of voting rights condition already applies.

The second MS option appears to be MS specific and not applicable in Ireland.

IFIA
We do not believe that the first option should be taken that requires such natural persons should be approved in another member state. There is no particular issue in the funds industry in Ireland that needs to be addressed in this

	regard. Similarly we do see any advantage or need to have specific voting right provisions for those covered by Art 45 of Directive 86/635/EEC.
Article 3a	**Recognition of audit firms**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(4)(3)	**Central Bank** Yes to option. The Central Bank considers that this requirement would have the benefit of ensuring that the practising certificate of the audit firm is up to date at the time of registration. **CAI** This Option appears to be of specific relevance to the State 'competent authority', IAASA, rather than those Recognised Accountancy Bodies ('RABs') which are also recognised as competent authorities under SI 220. Otherwise, this does not appear to have any practical significance in an Irish context. **CPA Ireland** We do not believe that it is necessary to invoke such a member state option. From a practical point of view this may impose additional and unnecessary bureaucracy. For example CPA Audit Certificates are renewed on an annual basis by statutory audit firms. They are issued dated 1st April each year and are valid for a year. For much of any given year they will have been issued more than three months ago. It should be sufficient that the firm in question is currently a registered auditor in the host Member State. **ACCA** There is no reason to take this option; it is simply an additional administrative burden. The Competent Authority should be allowed to decide on the documentary evidence needed to register such entities. **PwC** We believe that rules as regards voting rights that are appropriate to audit firms of a PIE should apply across the board and separate rules by class of entity are not required. **KPMG**

	We believe this option appears to be of specific relevance to the State 'competent authority', IAASA, and should be taken to allow IAASA maximum flexibility in its approach to the recognition of the registration of an audit firm from another Member State. **EY** We believe this option is unnecessary given that registers are available online by the competent authorities and adds time and cost for both the audit firm and the competent authority. **Deloitte** We believe that the competent authority should determine whether certificates issued by another country would need to be less than three months old when the competent authority registers an audit firm already registered in that other member state. **Mazars** We consider the 3 month time limit on registration certificates from MS to be reasonable. **IFIA** A three month old certificate issued by home member state may be too short a period in practical terms and appears to be a somewhat bureaucratic measure. We understand that there is a system of practice certificates being issued to auditors on an annual basis and we believe that a consistent approach with both host and home member states with annual confirmation is sufficient. It would be practical to look at equivalence to be recognised with respect of UK and Ireland and we would support pursuing this measure.
Article 5	**Withdrawal of approval**
Directive 2006/43/EC, Article 5.1 - see SI 220/2010, Regs. 33(5) and 34(5)	**Central Bank** Yes to option. The Central Bank considers that this Member State option ought to be retained in line with the current arrangements as set out in Regulations 33(5) and 34(5) of SI 220 of 2010. **CAI**

UNMODIFIED MS Option – Directive 2014/56/EU	We are supportive of continuing to avail of this Option as currently provided for in Irish legislation. **CPA Ireland** We believe that the option as originally taken at Regulation 33(5) and 34(5) of SI 220/2010 should be continued with. It is not considered necessary at this point to amend or to implement a different mechanism. **ACCA** The option should be taken with no change to 220/2010. **KPMG** We support continuing to avail of this Option as currently provided for in Irish legislation. **PwC** As approval and certificates are granted on an annual basis we do not see why there is a need for this requirement but defer to the competent authority and professional bodies in this regard. **EY** We would be supportive of this option as was set out in SI 220/2010 and the period of not less than one month would also appear reasonable. **Deloitte** We believe that, in the interest of public confidence in audit quality, if the good repute of a person or firm has been seriously compromised the approval of the statutory auditor or an audit firm should be withdrawn forthwith after appropriate due process. We do not believe that a reasonable period of time should be allowed for the purpose of meeting the requirements for good repute as allowing audits be performed by persons or firms of ill repute will not support confidence in audit quality. This of course should not prohibit a person or firm being re-registered when they meet the requirements for good repute. We therefore do not believe this member state option should be availed of by Ireland. **Mazars** We consider a period of 1 month as sufficient time to rectify any “good repute” compromises.

	IFIA We have no observations on this point.
Directive 2006/43/EC, Article 5.2 - see SI 220/2010, Regs. 33(5) and 34(5) UNMODIFIED MS Option – Directive 2014/56/EU	**CAI** There appears to be an inconsistency between availing of the Option immediately above and this Option. We therefore see no reason for this not to be adopted, particularly in circumstances of '*force majeure*' **CPA Ireland** We believe that the option as originally taken at Regulation 33(5) and 34(5) of SI 220/2010 should be continued with. It is not considered necessary at this point to amend or to implement a different mechanism. **ACCA** It is not unreasonable to allow a firm a period in which to remedy any non-compliance with Article 3(4) et seq, caused, for example, by the death of a partner or other unforeseen circumstance. The principal signing the audit report will still need to be qualified and may be the continuity provider for the firm or another qualified principal in the firm – but automatically discontinuing the status of the audit firm would materially inconvenience the audit client. A reasonable period of time could be up to 90 days, depending on the circumstances. **PwC** We do not believe that firms who do not meet the requirements should be permitted to practice. **KPMG** We believe this Option should be taken on a basis consistent with the Option under article 5.1 above. **EY** It would seem relevant to continue with this option on the basis 5.1 has been taken and which we have indicated we also consider appropriate. **Deloitte** We believe that, with appropriate safeguards, if an audit firm no longer meets the 75% requirement in respect to voting rights, management body and persons of good repute, education qualifications and continuous training, and that failure is inadvertent, the audit firm should have a reasonable period of time to rectify the requirement before approval

	of the statutory auditor or audit firm is withdrawn. We therefore believe that the member state option to provide a reasonable period of time for the purpose of fulfilling these requirements should be availed of in Ireland. **Mazars** We do not consider that this option should be taken this time, as to maintain audit firm approval standards there should be immediate withdrawal where the 75% majority voting rights conditions regarding good repute, educational qualifications etc.. are not met. **IFIA** We agree this option should be taken as it prevents inadvertent disqualification and consequential market disruption.
Article 9	**Exemptions**
Directive 2006/43/EC, Article 9.1 UNMODIFIED MS Option – Directive 2014/56/EU	**CAI** We continue to be of the opinion that this Option should not be adopted by Ireland. **CPA Ireland** We do not believe that this option should be taken. We do not see any argument that invoking such an option would further enhance audit quality. **ACCA** The option should be not be taken with no change to 220/2010. **PwC** We believe that academic study and understanding in key disciplines is important and should not be subject to derogation in favour of practical experience. **KPMG** We believe this Option should not be adopted as we support Chartered Accountants Ireland's opinion that this Option should not be adopted by Ireland. **EY**

The views of the recognised accountancy bodies will be important for the DJEI to consider for those options set out below in Articles 9 through to 12 and since dealing with options taken relating to education and qualifications rests with them. Any decision to provide exemptions needs to be carefully considered and take on board these views.

Of paramount importance would be ensuring that any test of equivalence whether against the test of theoretical knowledge or practical experience must be designed and applied to ensure consistent treatment of candidates by the differing accountancy bodies. With potentially a wide range of exam and qualification regimes it may be difficult to conduct sufficiently equitable comparisons. Therefore there are associated risks that this could result in a substandard process for the qualifications regime.

The current process in Ireland is of a high standard and Irish qualified accountancy professionals are internationally regarded of high standing. There are risks of diminishing this quality by taking these options and introducing these exemptions.

Deloitte
We have not identified any reason to change the position Ireland has taken in respect of the 2006 directive. Ireland's existing structures to test competency are believed to be of a high standard internationally and therefore support the perception and belief in audit quality and allowing a (potentially) lesser standard of examination could be perceived to reduce audit quality. We therefore do not support availing of this member state exemption.

Mazars
We do not consider that this option should be taken. The current practice of completing all parts of professional exams should be continued to ensure uniformity in the accountancy qualification. This is the legal requirement in Ireland under the Companies Acts.

IFIA
We do not believe that this MS option should be taken. Irish accountants are well regarded and work within the funds industry locally and around the world. Irish accountants play a valuable role in the industry both locally and internationally. We would have a concern that if any of the standards required of the Irish audit profession are diluted (or have the appearance of being diluted) that this may have a detrimental effect on the standing of Irish accountants with knock-on implications for the services they provide.

Directive 2006/43/EC, Article 9.2 <u>UNMODIFIED</u> MS Option – Directive 2014/56/EU	**CAI** We are supportive of continuing to avail of this Option as currently provided for in Irish legislation. **CPA Ireland** We do not believe that this option should be taken. We do not see any argument that invoking such an option would further enhance audit quality. **ACCA** The option should be not be taken with no change to 220/2010. Reducing the education standards for auditors is not appropriate. Audit is not something that can simply be learned in a book. It requires a period of training and practical implementation; something that all professional bodies currently require. **PwC** We believe that professional exams, which test the practical application of theoretical knowledge, are important in determining the skills of an auditor and should not be subject to derogation based on academic qualifications. **KPMG** We believe that this Option should not be adopted as we believe that it is not appropriate to exempt individuals from the test of ability to apply in practice theoretical knowledge of the subjects specified in article 8. **EY** The views of the recognised accountancy bodies will be important for the DJEI to consider for those options set out below in Articles 9 through to 12 and since dealing with options taken relating to education and qualifications rests with them. Any decision to provide exemptions needs to be carefully considered and take on board these views. Of paramount importance would be ensuring that any test of equivalence whether against the test of theoretical knowledge or practical experience must be designed and applied to ensure consistent treatment of candidates by the differing accountancy bodies. With potentially a wide range of exam and qualification regimes it may be difficult to conduct sufficiently equitable comparisons. Therefore there are associated risks that this could result in a substandard process for the qualifications regime. The current process in Ireland is of a high standard and Irish qualified accountancy professionals are internationally

	regarded of high standing. There are risks of diminishing this quality by taking these options and introducing these exemptions. **Deloitte** We have not identified any reason to change the position Ireland has taken in respect of the 2006 directive. Ireland's existing structures to test competency are believed to be of a high standard internationally and therefore support the perception and belief in audit quality and allowing a (potentially) lesser standard of examination could be perceived to reduce audit quality. We therefore do not support availing of this member state exemption. **Mazars** We do not consider there to be any instances where practical training in a subject confirmed by a State qualification would allow this exemption and thus do not consider that this option should be taken. **IFIA** We do not believe that this MS option should be taken for the same reasons as those set out above. We are satisfied that the current system of qualification that requires a test of the ability to apply in practice their knowledge is appropriate and should be retained.
Article 11	**Qualification through long-term practical experience**
Directive 2006/43/EC, Article 11 UNMODIFIED MS Option – Directive 2014/56/EU	**CAI** This Option was not availed of when transposing the 2006 Directive (2006/43/EC). We continue to believe that relaxing established education requirements will have a detrimental impact on audit quality. **CPA Ireland** We do not believe that this option should be taken. We do not see any argument that invoking such an option would further enhance audit quality and may in fact have a detrimental impact on audit quality. We would also envisage practical difficulties assessing these "professional activities". **ACCA** The option should be not be taken with no change to 220/2010. Reducing the education standards for auditors is not

appropriate. A person with the level of experience set out in Article 11 should have no difficulty in completing formal examinations and proving that at least 3 of the 15 year's experience was sufficient to allow them obtain professional body membership and audit registration that way. In addition, introducing a different "qualified by experience" category of auditor will require a whole set of authorisation, monitoring and regulation procedures to be put in place for this category of person.

PwC
We believe that given the extensive regulatory regime under which auditors practice long term practical experience is not an appropriate substitute for study and examination.

KPMG
We believe that relaxing established education requirements would have a detrimental impact on audit quality and support the position of Chartered Accountants Ireland in this regard, that the Option should not be taken.

EY
The views of the recognised accountancy bodies will be important for the DJEI to consider for those options set out below in Articles 9 through to 12 and since dealing with options taken relating to education and qualifications rests with them. Any decision to provide exemptions needs to be carefully considered and take on board these views.

Of paramount importance would be ensuring that any test of equivalence whether against the test of theoretical knowledge or practical experience must be designed and applied to ensure consistent treatment of candidates by the differing accountancy bodies. With potentially a wide range of exam and qualification regimes it may be difficult to conduct sufficiently equitable comparisons. Therefore there are associated risks that this could result in a substandard process for the qualifications regime.

The current process in Ireland is of a high standard and Irish qualified accountancy professionals are internationally regarded of high standing. There are risks of diminishing this quality by taking these options and introducing these exemptions.

Deloitte
We have not identified any reason to change the position Ireland has taken in respect of the 2006 directive. Ireland's existing structures to test competency are believed to be of a high standard internationally and therefore support the

	perception and belief in audit quality and allowing a (potentially) lesser standard of examination could be perceived to reduce audit quality. We therefore do not support availing of this member state exemption. **Mazars** We do not consider there to be any instances, including 15 years of practical experience, where professional exams should not be taken. We consider that this option should not be taken. **IFIA** We do not believe that this MS option should be taken for the same reasons as set out in respect of Article 9 above. This would be consistent with the option that was not taken under the 2006 Directive.
Article 12	**Combination of practical training and theoretical instruction**
Directive 2006/43/EC, Article 12.1 UNMODIFIED MS Option – Directive 2014/56/EU	**CAI** This Option was not availed of when transposing the 2006 Directive. We are not aware of any developments to suggest that availing of this Option is now required by Ireland. **CPA Ireland** We do not believe that this option should be taken. We do not see any argument that invoking such an option would further enhance audit quality. **ACCA** The option should be not be taken with no change to 220/2010, for the same reasons as above. **PwC** We believe that the balance between practical experience and study/examination has been appropriately determined and that substitution between the two should not be allowed. **KPMG** We believe that this Option should not be taken as we are not aware of any developments to suggest that availing of this Option is now required by Ireland.

EY
The views of the recognised accountancy bodies will be important for the DJEI to consider for those options set out below in Articles 9 through to 12 and since dealing with options taken relating to education and qualifications rests with them. Any decision to provide exemptions needs to be carefully considered and take on board these views.

Of paramount importance would be ensuring that any test of equivalence whether against the test of theoretical knowledge or practical experience must be designed and applied to ensure consistent treatment of candidates by the differing accountancy bodies. With potentially a wide range of exam and qualification regimes it may be difficult to conduct sufficiently equitable comparisons. Therefore there are associated risks that this could result in a substandard process for the qualifications regime.

The current process in Ireland is of a high standard and Irish qualified accountancy professionals are internationally regarded of high standing. There are risks of diminishing this quality by taking these options and introducing these exemptions.

Deloitte
We have not identified any reason to change the position Ireland has taken in respect of the 2006 directive. Ireland's existing structures to test competency are believed to be of a high standard internationally and support the perception and belief in audit quality. Allowing a (potentially) lesser standard of examination could be perceived to reduce audit quality. We therefore do not support availing of this member state exemption.

Mazars
Not applicable as not considering Article 11 exemption above.

IFIA
We do not believe that this MS option should be taken for the same reasons as set out in respect of Article 9 above. This would be consistent with the option that was not taken under the 2006 Directive.

Article 14	Approval of statutory auditors from other Member States
Directive 2006/43/EC, Article 14 NEW MS Option – Directive 2014/56/EU, Article 1(10)(2)	**CAI** The transfer of individuals who are statutory auditors between firms located in different Member States (and elsewhere) is a reasonably common occurrence. Such individuals will normally be highly experienced in international auditing and financial reporting practices. We are therefore of the view that there is merit in considering the Option of an 'adaptation period', perhaps with appropriate safeguards to be developed by IAASA. **CPA Ireland** We believe that the aptitude test option provides for the most appropriate option. It is an open and transparent assessment process. **ACCA** In order not to unnecessarily restrict the movement of auditors, we believe that a defined adaptation period as per Article 3(1)(g) of the Recognition of Professional Qualifications Directive would be suitable. This is particularly important for the major multinational network firms, that often second highly trained principals and staff between national firms. **PwC** We believe that in the interests of protecting the market and avoiding ambiguity there should be a standalone approval point for a statutory auditor and no "probation" period which would give rise to confusion in the marketplace as to suitability and qualification of individuals. The practical consequences of how to deal with the work performed/opinions issued when a probation period is not successfully completed highlight the difficulties with such an arrangement. **KPMG** The transfer of professionals who are statutory auditors between firms located in different Member States (and elsewhere) is a reasonably common occurrence. Such professionals are normally highly experienced in international auditing and financial reporting practices. We believe that there is merit in considering the Option of an 'adaptation period', perhaps with appropriate safeguards to be developed by IAASA.

	EY We would support availing of this option so as to facilitate mobility of skills and provision of services with a cross border context. We additionally would be of the view that audit quality can only be enhanced by having access to experienced principals from other Member States. **Deloitte** It would be best to have both a period of supervised practice being accompanied by further training and a test of professional knowledge but as the Directive only permits one option we would prefer the test of professional knowledge. We would select this option because the applicable quality control standards in Ireland require that for PIE audits engagement quality control activities are performed by another qualified person. This requirement will partially address any weaknesses of not implementing a period of supervised practice. **Mazars** We consider an aptitude test to be the most appropriate approval process for auditors from other Member States because it provides for timely approval rather than an adaptation period and is the most effective in determining the qualification standard from other member states. **IFIA** We have no significant observations on this point.
Article 15	**Public Register**
Directive 2006/43/EC, Article 15.1 AMENDED MS Option – Directive 2014/56/EU, Article 1(11)	**Central Bank** No to option. The Central Bank considers that all auditors should be clearly identifiable on a register. This enables the Central Bank and the public to readily identify whether or not an individual is eligible to act in the capacity as an auditor or not. **CAI** We are supportive of availing of this Option on the grounds of personal security. As far as we are aware Ireland is the only Member State where the original 2006 Directive Option was not implemented. Circumstances where the derogation is availed off can always be overseen by IAASA.

CPA Ireland
Reasons not considered to adequately compelling to consider it necessary to now take up this option.

ACCA
We believe the derogation should be taken because it is impossible to anticipate circumstances that might in the future lead to a threat to personal security. However, we believe that use of the derogation must be strictly supervised and we suggest that IAASA be responsible for this supervision.

PwC
We are not aware of circumstances under which this option is needed and favour a publicly available register.

KPMG
While we support measures which protect the personal security of auditors, we see no benefit in taking this Option given that statutory auditors sign-off the statutory financials statements using their personal signature.

EY
We would favour the taking of this option so that it can be availed of where there is a real and imminent threat to someone's personal security.

Deloitte
We have not identified any reason to change the position Ireland has taken in respect of the 2006 directive. We have not identified any threat to personal security from including a person's name in the public register of statutory auditors. We therefore do not support availing of this member state exemption.

Mazars
We consider a Public Register should be maintained and do not see the benefit of this derogation.

IFIA
We do not believe that this non-registration option should be taken, consistent with the decision taken under the 2006 Directive. We do not see any compelling reasons in the funds industry for such an option to be taken.

Article 20	Language
Directive 2006/43/EC, Article 20.2 - see SI 220/2010, Reg. 69 UNMODIFIED MS Option – Directive 2014/56/EU	**Central Bank** Yes to option. The Central Bank recommends that requirement set out under Regulation 69 of SI 220 of 2010 should continue to apply. **CAI** We see no reason why this Option should not continue to be available. **CPA Ireland** We do not see any reason why this option should not be taken as is. **ACCA** No change is necessary, permit the use of either English or Irish. **PwC** We agree with the availability of an Irish language entry, but with an English language translation. **KPMG** We believe that this Option should be taken again. **EY** We see no reason not to continue to adopt this as was taken in SI 220/2010. **Deloitte** For the reasons set out in the consultation as to why Ireland availed of this option in implementing the 2006 directive we would support availing of this member state option in Ireland. **Mazars** We consider this option should be taken again as it allows for both the Irish and English languages to apply.

	IFIA We do not see any reason why this option should not be taken.
Article 22b	**Assessment of threats to independence**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(16)	**Central Bank** No to option. Independence is a key attribute of an external auditor regardless of the size or nature of entity that is being audited. Permitting any simplification of the requirements in relation to independence will introduce unnecessarily complexity and may serve to undermine the robustness of the proposed system overall. **CAI** Most, if not all, of the provisions within Articles 22 to 24 are addressed currently through mandatory professional standards published by independent standard setters and compliance monitored by independent regulators. As such, we refer to our covering letter where we have suggested that it is preferable to provide in law for the principles of these requirements with detailed requirements maintained in those standards. We are supportive of proportionate application of professional standards to audits of smaller entities. Critical to this, however, is achieving a common the interpretation of 'proportionate'. Anecdotally, on occasion there would appear to be significant differences in approaches to interpretation of the application of standards among and between quality assurance inspectors and practitioners applying such standards. **CPA Ireland** We do not consider it necessary to provide for the dilution of the independence requirements as laid out for small company audits. **ACCA** Please refer to the point made in the covering letter to this submission on aligning this requirement with the UK FRC. The member state option need not be taken as audit firms must consider all of the matters in the article as part of their normal compliance with auditing or ethical standards anyway. A simplified regime for a small cohort of audits is

therefore not necessary.

PwC
We believe that there should be a clear and unambiguous regulatory regime that applies to an audit and that each audit can be relied upon in the clear understanding of the rules under which it was performed. We do not therefore favour any reduction in the rules as applied to audits of smaller entities but recommend greater use of audit exemption to ensure that Ireland has a scaleable regulatory regime.

KPMG
Generally all of the provisions within Articles 22 to 24 are addressed currently through professional standards published by independent standard setters and compliance monitored by independent regulators.

As such, we believe, as we outlined in our covering letter, that it is preferable to provide in law for the principles of these requirements with detailed requirements maintained in those professional standards.

We support proportionate application of professional standards to audits of smaller entities. Critical to this, however, is achieving a common interpretation of 'proportionate'.

EY
We believe the same independence principles that are covered in the Directive should apply to all audits, and that it is better to avoid creating simplified rules which would be set out in law. How the principles are applied in practice is dealt with in detail in existing independence standards with which auditors in Ireland already comply.

Deloitte
In our opinion the Member State option available under Article 22b is unnecessary in Ireland as professional accountants in Ireland are already required, under professional standards, to apply the requirements. There is no verifiable benefit for Ireland in exempting small audits from the Directives requirements to assess threats to independence. We therefore do not support availing of this member state option.

Mazars
We do not consider that this option should be taken for those small undertakings that meet the national thresholds but fall below the EU thresholds. An assessment to independence should be undertaken in the case of all statutory audits

	regardless of size to reinforce governance and audit quality that which forms the underlying basis for this proposed Audit Reform. **ISE** Yes, the ISE believes this Member State option should be taken up so more simplified requirements for audits can be set for small undertakings to ensure that they are subject to requirements that are appropriate given their size and so they can remain competitive. **IFIA** This is likely to have limited application to the funds industry due to the limits of turnover of under €12m and balance sheet of under €6m. However, in principle we support retaining consistency and comparability of requirements across the EU, taking the MS option on this Article will lessen the consistency of approach.
Article 24a	**Internal organisation of statutory auditors and audit firms**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(18)(1)	**Central Bank** No to option. The Central Bank considers that any simplification in respect of the requirements for audits could potentially lead to a reduction in the quality of the audit and an increase in the risk of a material misstatement not being detected. **CAI** See our response to 22b above and our covering letter. **CPA Ireland** Not considered appropriate to invoke this option. Point 2 of this article provides adequate scope for audit firms to tailor their policies and procedures adequately in terms of the size and complexity of their audit frim. Some concern that perhaps part J as follows may restrict remuneration packages for small firms - (j) a statutory auditor or an audit firm shall have in place adequate remuneration policies, including profit-sharing policies, providing sufficient performance incentives to secure audit quality. In particular, the amount of revenue that the statutory auditor or the audit firm derives from providing non-audit services to the audited entity shall not form

	part of the performance evaluation and remuneration of any person involved in, or able to influence the carrying out of, the audit. **ACCA** Please refer to the point made in the covering letter to this submission on aligning this requirement with the UK FRC. ACCA does not support availing of the MS option. All of the requirements in Article 2(18) 1 are already in auditing standards, ethical standards or rules of professional conduct. Codifying these into law has the advantage of legal underpinning to the existing requirements, but it will also make breaches of these requirements, breaches of law rather than breaches of auditing standards etc… The implications for this would need to be considered; for example would the breaches be "indictable" and therefore reportable; to ODCE. It is also noted that the MS option is only for a small cohort of audits and not all audits, so availing of the option could leave two similar but different requirements for independence and objectivity depending on the size of the audit: one in law and the other for smaller entities in ethical standards. The Article already allows: "The statutory auditor or the audit firm shall take into consideration the scale and complexity of his, her or its activities when complying with the requirements set out in paragraph 1 of this Article." And then also allows member states to provide for simplified requirements" for smaller audits. The MS option to simplify seems to already be covered for all audits by the inclusion of the general "scale and complexity" clause above. On balance we think the public good is best served by not taking the MS option. **PwC** We believe that there should be a clear and unambiguous regulatory regime that applies to an audit and that each audit can be relied upon in the clear understanding of the rules under which it was performed. We do not therefore favour any reduction in the rules as applied to audits of smaller entities but recommend greater use of audit exemption to ensure that Ireland has a scaleable regulatory regime. **KPMG** See our response to 22b above and our covering letter. **EY** We are supportive of allowing for proportionate requirements for the audits of smaller entities but only so long as the principles of those requirements are preserved.

	Deloitte In our opinion the Member State option available under Article 24a is unnecessary in Ireland and is likely to create a two tier audit market, creating complexities and difficulties for the competent authority to licence and monitor auditors who would have to operate under two different structural requirements. We therefore do not support availing of this member state option. **Mazars** We do not consider that there should be simplified requirements under a) to k) for audits of small undertakings as regardless of size in order to reinforce governance and audit quality those organisational requirements in their entirety should apply. **ISE** Yes, the ISE believes this Member State option should be taken up so more simplified requirements for audits can be set for small undertakings to ensure that they are subject to requirements that are appropriate given their size and so they can remain competitive. **IFIA** As noted above we believe that the vast majority of Irish fund industry PIEs will fall outside the criteria for this MS option.
Article 24b	**Organisation of the work**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(19)(3)	**Central Bank** No to option. The Central Bank considers that this Member State option may result in inconsistencies in respect of record keeping by the audit firms and also introduce judgement in respect of what is considered to be a minor breach which may result in non-reporting of certain breaches which taken aggregate may constitute a major breach. **CAI** See our response to 22b above and our covering letter. **CPA Ireland** It is considered appropriate to exempt the record keeping of "minor breaches" of the provisions of the directive and

where applicable the regulation. Our reason for such a position is to ensure that that the administrative burden imposed on audit firms by the directive is proportionate and reasonable. It would be helpful to include a definition of “minor breach”.

ACCA
The exemption for minor breaches should be taken.

PwC
We believe that there should be a clear and unambiguous regulatory regime that applies to an audit and that each audit can be relied upon in the clear understanding of the rules under which it was performed. We do not therefore favour any reduction in the rules as applied to audits of smaller entities but recommend greater use of audit exemption to ensure that Ireland has a scaleable regulatory regime.

KPMG
See our response to 22b above and our covering letter.

EY
We support this member state option on a cost / benefit basis.

Deloitte
In our opinion the Member State option available under Article 24b will facilitate the reduction of red tape and immaterial regulatory documentation. Minor breaches of the requirements of the Directive and the Regulation if remedied on discovery or on a timely basis do not create any significant threats to audit quality or public confidence in audits. In our opinion focusing the requirement to record and report breaches that are not minor will ensure that reporting is relevant to the users of those reports and that significant matters are not lost in among a number of minor breaches. We therefore do support availing of this member state option.

Mazars
We consider this exemption regarding record keeping for minor breaches to be appropriate in terms of cost benefit analysis.

	IFIA This MS option should be taken, it is a sensible approach to exempt minor breaches from the record keeping of auditors and it is consistent with how industry assesses the impact of breaches operationally in the funds industry.
Directive 2006/43/EC <u>NEW</u> MS Option – Directive 2014/56/EU, Article 1(19)(7)	**Central Bank** No to option. The Central Bank considers that any simplification in respect of the requirements recording breaches and complaints in respect of certain auditors could potentially lead to a reduction in the quality of the audit work performed. **CAI** See our response to 22b above and our covering letter. **CPA Ireland** Yes, it is our position that the MS option to allow for simplified requirements with regard to paragraph 3 and 6 for the audits referred to in points (b) and (c) of point 1 of Article 2. As above our reason for such a position is to ensure that the administrative burden placed on firms is proportionate. With regard to nature of these simplified requirements they could include the following; - Annual report requirement to be removed with regard to small company statutory audits. The records for such breaches would still be available for inspection by the firm's competent authority. **ACCA** Auditing standards (ISQC1) already require the record keeping noted at 19(3) although the formal recording of complaints as set out in 19(6) may not be as prescriptive in the rules of professional conduct. The additional requirements are not onerous and do not need simplified rules for smaller entities. **PwC** We believe that there should be a clear and unambiguous regulatory regime that applies to an audit and that each audit can be relied upon in the clear understanding of the rules under which it was performed. We do not therefore favour any reduction in the rules as applied to audits of smaller entities but recommend greater use of audit exemption to ensure that Ireland has a scaleable regulatory regime.

	KPMG See our response to 22b above and our covering letter. **EY** Would appear to be cost effective for smaller entities. **Deloitte** In our opinion the Member State option available under Article 24b will facilitate the reduction of red tape and immaterial regulatory documentation. Minor breaches of the requirements of the Directive and the Regulation if remedied on discovery or on a timely basis do not create any significant threats to audit quality or public confidence in audits. In our opinion focusing the requirement to record and report breaches that are not minor will ensure that reporting is relevant to the users of those reports and that significant matters are not lost in among a number of minor breaches. We therefore do support availing of this member state option. **Mazars** We do not consider that any simplified requirements should be introduced. **ISE** Yes, the ISE believes this Member State option should be taken up so more simplified requirements for audits can be set for small undertakings to ensure that they are subject to requirements that are appropriate given their size and so they can remain competitive. **IFIA** We agree with this MS option being taken for the same reasons as included above for Article 1(19)(3).
Article 26	**Auditing standards**
Directive 2006/43/EC, Article 26 – see SI 220/2010, Reg. 54 AMENDED MS	**Central Bank** No to option. The Central Bank considers that auditors should apply the International Standards of Auditing (ISAs) as this leads to consistent audit practices across the European Union and to the execution of higher quality audits.

Option – Directive 2014/56/EU, Article 1(21)(1)	**CAI** We believe that current provisions regarding auditing standards are appropriate. Responsibility for the setting of auditing standards in Ireland and the UK currently resides with the Financial Reporting Council ('FRC') which issues internationally-based ISAs (UK & Ireland). This regime worked well over many years and has provided consistency and certainty for statutory audit firms and statutory auditors by providing high quality and rigorous requirements for the conduct of statutory audits. The current legislative framework has provided sufficient flexibility to facilitate the evolution of these standards in a manner compatible with international norms. We therefore see no necessity for availing of this Option. **CPA Ireland** We recommend that the current regime of adoption of APB/FRC derived standards be continued. In order to future proof the current regime of APB/FRC derived standards, it may be advisable to adopt this member state option to allow flexibility. **ACCA** ACCA would support the continued use of FRC International Standards on Auditing (UK & Ireland). While these are based on IAASB issued International Standards on Auditing, the UK and Irish versions are at least as rigorous. We support the adoption of International Standards on Auditing and International Standard on Quality Control No 1 by the FRC without any adjustments, except to recognise the legal requirements of Ireland and the UK. We do not believe that any adjustment is required to the international standards to add to the credibility and quality of financial statements. **PwC** We believe that ISAs (UK & Ireland) continue to provide an appropriate auditing framework and note that they include the full requirements of international auditing standards. **KPMG** In Ireland and the UK, responsibility for the setting of auditing standards resides with the Financial Reporting Council ('FRC') which issues internationally-based ISAs (UK & Ireland).

This regime operated well over many years and has provided consistency and certainty for statutory audit firms and statutory auditors by providing high quality and rigorous requirements for the conduct of statutory audits.

However, we are concerned with regard to the legal underpinning of the FRC's ISAs (UK & Ireland) under the current legislative framework in Ireland. In addition, should the Commission adopt International Standards on Auditing as issued by the International Audit and Assurance Board, there is a risk the audit quality may be negatively impacted, for example, the improvements in auditor reporting in the UK and Ireland in recent years may have to be unwound.

Therefore, we believe there may be merit in availing of this Option.

EY
We would not support the taking of this option.

We believe there is no basis on which to create national requirements which might be inconsistent with the ISAs. We are supportive of EU wide adoption of international standards to promote consistency within the EU and reduce the risk of patchwork of rules. It is also important to protect a level playing field throughout the EU.

The FRC has adopted the International ISAs and included additional requirements resulting in ISAs (UK and Ireland) which are applied as the national auditing standards in both the Ireland and the UK. For these reasons we do not believe that the option is therefore necessary.

Deloitte
We believe that the current status where the FRC standards are applied by the profession are sufficient and no change to mandate "national auditing standards" are required. We therefore do not support the member state option available under Article 26. We would encourage adoption of the International Auditing Standards by the Commission to set a common standard for auditing across the EU at the earliest point possible.

Mazars
We consider that International Auditing Standards should continue to apply.

IFIA
Retention of the ability to apply national standards (APB standards) would appear to be sensible.

	BlackRock We believe that APB-derived audit standards (now FRC) continue to meet the needs of users of financial statements.
Directive 2006/43/EC, Article 26.3 – see SI 220/2010, Reg. 54 AMENDED MS Option – Directive 2014/56/EU, Article 1(21)(4)	**Central Bank** Yes to option. In Ireland auditing standards issued by the Auditing Practices Board of the Financial Reporting Council in the UK apply. These are based on International Standards of Auditing (ISAs) but are modified to take into account the impact of various legislative requirements in Ireland and the UK. **CAI** Irish & UK Auditing Standards, while based on International Standards on Auditing (ISAs), do, in a small number of instances, include requirements in addition to those contained in ISAs. Given the FRC already has the ability to add to ISAs as it judges appropriate, there is no need to avail of this Option. However, we would observe that additions to standards (or 'gold plating') by individual Member States to ISA requirements impact negatively on the goal of achieving the application of high quality and harmonised Auditing Standards throughout the EU. **CPA Ireland** Yes, it is agreed that it would be prudent to take this member state option. **ACCA** It would be prudent to take this option. Ireland already requires audit report assurances in addition to the minimum, such as S40 of CA 1983 and CA 1990, S193 (4B). **PwC** We believe that ISAs (UK & Ireland) continue to provide an appropriate auditing framework and that there are no needs for additional national requirements. **KPMG** International Standards on Auditing (UK & Ireland) issued by the FRC, while based on International Standards on Auditing (ISAs), do, in a small number of instances, include requirements in addition to those contained in ISAs.

For the reasons outline above in our response to Article 26, we believe this option should be taken. We also have a concern that the derogation is not sufficiently flexible to allow additions to auditing standards which enhance audit quality, for example, those requirements to ISA (UK & Ireland) regarding auditor reporting which have been published by the FRC in recent years.

However, we would observe that wide spread additions to standards (or 'gold plating') by individual Member States to ISA requirements may impact negatively on the goal of achieving the application of high quality and harmonised Auditing Standards throughout the EU.

EY
We would not support the taking of this option.

We believe there is no basis on which to create national requirements which might be inconsistent with the ISAs. We are supportive of EU wide adoption of international standards to promote consistency within the EU and reduce the risk of patchwork of rules. It is also important to protect a level playing field throughout the EU.

The FRC has adopted the International ISAs and included additional requirements resulting in ISAs (UK and Ireland) which are applied as the national auditing standards in both the Ireland and the UK. For these reasons we do not believe that the option is therefore necessary.

Deloitte
Before deciding whether to avail of this member state option consideration is required to ensure that appropriate due process and consultations are in place prior to imposing any audit procedures or requirements in addition to any standards imposed by the Commission. Standard setters tend to have significant time tables and debate before mandating any auditing standards or procedures on audits to avoid unanticipated consequences. We therefore recommend that Ireland does not avail of this option until the commission mandates International Auditing Standards (see above). At that point the member state option can be considered and the appropriate governance process can be implemented.

Mazars
It would appear prudent to have this MS option to meet any potential national legal requirements that could arise and

	to impose additional audit procedures to enhance the credibility and quality of the financial statements. **IFIA** Along the lines of some of our earlier responses, the funds industry values the comparability and consistency of the reports from Auditors on audits carried out under International Auditing Standards. Taking this option would reduce the consistency of the audit reports received by Fund Boards across the EU. **BlackRock** For the reason outlined above we would not support this option (e.g. We believe that APB-derived audit standards (now FRC) continue to meet the needs of users of financial statements.).
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(21)(5)	**Central Bank** No to option. The Central Bank considers that any simplification in respect of the requirements for audits could potentially lead to a reduction in the quality of the audit work performed. **CAI** We have always been of the view that ISAs (UK & Ireland) are principles-based standards which facilitate the application of professional judgement by statutory auditors and audit firms. In our opinion, the application of such standards to the audits of smaller entities is already feasible. Indeed, the Institute has produced a number of toolkits for smaller audits based on a proportionate application. However, we do have some sympathy with concerns expressed on this matter. Indeed, given that the application of such standards is very much judgement based views will often differ on whether standards have been applied appropriately or not. This may arise, for example, between statutory audit firms and quality assurance inspectors. As audit exemption thresholds increase, it is likely that many smaller entities will opt out of the statutory audit regime, making ‘proportionate application’ less of an issue. We have no strong views on whether Ireland should avail of this Option. If it appears that it is indeed being implemented in other jurisdictions, in the interests of maintaining a level playing field it would be appropriate to do so.

	CPA Ireland We do not believe that it is necessary to take this option. It may be useful to explore other assurance engagement types for small companies. **ACCA** This option need not be taken because we believe that ISA already accommodates a proportionate approach being taken. An audit should provide the same level of reasonable assurance whether it involves a multinational company or a SME. **PwC** We believe that there should be a clear and unambiguous regulatory regime that applies to an audit and that each audit can be relied upon in the clear understanding of the rules under which it was performed. We do not therefore favour any reduction in the rules as applied to audits of smaller entities but recommend greater use of audit exemption to ensure that Ireland has a scaleable regulatory regime. **KPMG** We believe that ISAs (UK & Ireland) are principles-based standards which facilitate the application of professional judgement by statutory auditors and audit firms. Indeed, the application of ISAs (UK & Ireland) to the audits of smaller entities is already feasible, as those standards differentiate between requirements for PIEs and smaller entities. As audit exemption thresholds increase, it is likely that many smaller entities will opt out of the statutory audit regime, making 'proportionate application' less of an issue. However, in the interest of maintaining flexibility and competitiveness internationally we believe in transposing the directive that the Option should be taken such that measures may be taken in the future if considered appropriate. **EY** We support the scalability of ISAs so long as the "audit is an audit" principle is preserved and a level playing field maintained for Ireland alongside other EU member states.

	The increase in audit exemption thresholds will likely make this less of an issue for smaller entities. **Deloitte** Before deciding whether to avail of this member state option consideration is required to ensure that appropriate due process and consultations are in place prior to imposing any audit procedures or requirements in addition to any standards imposed by the Commission. Standard setters tend to have significant time tables and debate before mandating any auditing standards or procedures on audits to avoid unanticipated consequences. We therefore recommend that Ireland does not avail of this option until the commission mandates International Auditing Standards (see above). At that point the member state option can be considered and the appropriate governance process can be implemented. **Mazars** We consider that the standards should be applied in their entirety. **ISE** Yes, we believe Ireland should take measures to ensure the proportionate application of the auditing standards to the statutory audits of small undertakings. It is very important that such entities are not subject to provisions that are too costly and onerous, as they need to remain competitive. **IFIA** We do not believe that this MS option will be applicable to the vast majority of fund industry PIE. While the use of proportionate application of standards to take account of small undertakings is in principle a good approach, again comparability of the audit report would only be maintained for the undertakings affected if each MS took the same proportionality measures.
Article 28	**Audit reporting**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(23)(2)	**Central Bank** Yes to option. This option may be useful to prescribe additional content requirements to the audit report in order to take possible future developments into account. However, it should be noted that the content of the audit report is governed by International Standards of Auditing (ISAs) which have recently been subject to a number of changes and improvements to ensure more information is provided to the users of financial statements. In addition, consistency in

the form and content of audit reports between jurisdictions is preferable, where possible.

CAI
Given that a key objective of the EU Audit Reform package is the achievement of harmonised audit practices throughout the EU, we are not supportive of Member States having individual discretion to specify the content of audit reports.

Significant improvement has been made in recent years in how and what auditors report to shareholders. This evolution has taken place by improvements to independently set Auditing Standards.

Variations in audit report content and requirements would be counter-productive to the EU's overall objectives for statutory audit, would reduce comparability, and likely result in increased costs for audited entities.

We are therefore not supportive of this Option.

CPA Ireland
We believe that this option should be taken to ensure that the contents of this article are future proofed.

ACCA
This option should be taken both to make legal the existing additional audit report reporting requirements set out above and to future proof the legislation. There are dangers to taking this option as it may allow a future Government to use the audit report to provide assurance on matters that are outside the scope of an traditional audit or unsuited to auditor reporting; for example, reporting on legal compliance to Government rather than reporting on truth and fairness to shareholders. It will also hinder comparability of audit reports in different member states.

PwC
Irish company law and auditing standards already set down requirements in relation to the content of the audit report and we do not believe that additional requirements are merited.

KPMG
We would not support additional auditor reporting provisions being laid down in legislation.

In the UK and Ireland significant improvement has been made in recent years in how and what auditors report to shareholders. This evolution has taken place by improvements to International Standards on Auditing (UK and Ireland) published by the FRC and promulgated by Chartered Accountants Ireland. We strongly, support the continued ability of the FRC to consider and adopt such improvements as considered necessary.

Therefore we support adoption of this Option to the extent it is necessary to continue to allow the FRC to consider and adopt improvements to auditor reporting as it considers necessary from time to time.

EY
We would object to the taking of this option.

We believe that is it important to preserve consistency of ISAs as we have noted in our response above and would oppose allowing for additional requirements in the audit report to be laid down at national level.

The imposition of add-ons to the audit report could also create difficulties for those companies as well as the auditors who operate in a global environment where comparability of what is reported by the auditor between a company in one member state and another is important.

Deloitte
Ireland already has requirements in excess of those proposed in the Directive for the content of the audit report. These are incorporated into existing company law and into the current Bill. We therefore believe that Ireland will need to avail of the member state option to ensure that there is no conflict between the new laws to implement this directive and the exiting/proposed company law.

Mazars
We would consider it appropriate to have the option to add content to the audit report should future changes in practice require it.

IFIA
We do not favour any additional requirements in relation to the content of the audit report as it is not likely that all MS will take this option and this will result in comparability issues with respect to audit reports issued for fund PIEs across the EU. We believe that the International Standards on Auditing provide an appropriate content for audit

	reports and consistent application of ISA maximises EU wide harmonisation.
Directive 2006/43/EC, Article 28.1 – see SI 220/2010 AMENDED MS Option – Directive 2014/56/EU, Article 1(23)(4)	**Central Bank** No to option. The Central Bank contends that an individual who is subject to "an imminent and significant threat to their personal security" as a result of signing an audit report could not be considered to be independent given that the degree of threat must be considered to affect their personal judgement. **CAI** DJEI will be aware that we have always supported availing of this Option which addresses those rare circumstances where the personal safety or security of a 'signing' auditor might be threatened. As far as we are aware, Ireland is the only Member State not to have availed of this Option when transposing the original 2006 Directive. Given that the name(s) of persons concerned will be known to relevant competent authorities we see no mischief that could arise from not availing of this Option. **CPA Ireland** Yes we believe that this option should be taken to ensure that potential issues of security for an individual auditor are catered for. **ACCA** For the same reasons as set out earlier, we believe that this option should be taken, but with appropriate supervision. **PwC** We are not aware of circumstances under which this option is required but note that in certain circumstances it could be desirable as described in Article 28. **KPMG** While we support measures which protect the personal security of auditors, we see limited benefit in taking this Option given that statutory auditors sign-off the statutory financials statements using their personal signature. Therefore, generally the auditor of an entity will be known by virtue of their signing-off the prior period statutory financial statements, notwithstanding that in such exceptional circumstances there signature may not be disclosed in the current period financial statements.

	EY We would support taking this option on the basis of personal protection reasons and would be supported by an appropriate approval mechanism by the competent authority. **Deloitte** There are situations where a person's name being connected to a publically available audit report may give rise to security and safety concerns. This has been seen in the UK where militant animal rights campaigners obtained the name of an auditor and his team resulting in threats to personal safety. We therefore believe that this member state option should be implemented in Ireland. **Mazars** We do not foresee any exceptional circumstances where non-disclosure of the signature of the statutory auditor would be acceptable. **IFIA** We believe the need to apply this option would be on an exceptional basis but see no reason why the option should not be taken so that such action is available if needed.
Article 30	**Systems of investigation and penalties**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(25) (inserting new Article 30(2))	**CAI** We are supportive of this Member State Option allowing Member States not to lay down rules for administrative sanction for infringements which are already subject to national criminal law. We believe that any regime regarding sanctions should be proportionate and if an infringement is already subject to criminal law it should not have an additional civil sanction imposed. **CPA Ireland** Yes, we would be of the opinion that these administrative sanctions should be provided for even where criminal sanctions exist.

In practical terms using the example whereby a current member of one of the Recognised Accountancy Bodies who does not hold an auditing certificate signs an audit report, which represents a breach of the companies acts – often the ODCE does not take such prosecution if disciplinary action is taken by CPA. Such a choice often results in a more satisfactory outcome.

ACCA

Administrative sanctions should be available, although there should be some flexibility in their application to ensure sanctions are proportionate. The performance of an audit includes a considerable amount of professional judgement and the exercising of professional scepticism. Trying to prove non-compliance to a criminal standard of proof would be extremely difficult. The member state option should allow administrative sanctions even where there are criminal sanctions available. A number of recent cases taken by ODCE have resulted in derisory fines being applied by the court, fines that would be small fractions of what the same person might expect from a similar action taken by a professional body. The dual regime of both sanctions by a competent authority and the option for ODCE to take a criminal prosecution should they deem the matter to be serious enough, as is the existing situation, is more appropriate. In theory this leaves the defendant open to "prosecution" twice for the one crime, in practice however, ODCE rarely if ever take a prosecution if the matter has been dealt with by a professional accounting body. In the circumstances we believe this option should be taken.

PwC

We believe that the existing regime of sanctions should continue.

KPMG

We support this Option allowing Member States not to lay down rules for administrative sanction for infringements which are already subject to national criminal law.

We believe that any regime regarding sanctions should be proportionate and if an infringement is already subject to criminal law it should not have an additional civil sanction imposed.

EY

We believe the existing national criminal law regime in Ireland is sufficient and see no reason why additional sanctions should be provided for in law for offences already dealt with in law.

	Deloitte We believe that it is appropriate for Ireland to avail of the option available to the member states in this Article as Irish law has already implemented significant sanctions in law which are fair and equitable. Where appropriate we believe that Ireland should avail of the member state option and retain the existing sanctions set out in the law rather than replace them with new administrative sanctions set out in the directive. **Mazars** This would appear acceptable to defer to national criminal law where rules for administrative sanctions for infringements apply. **IFIA** We have no observations on this point.
Directive 2006/43/EC – Article 30.3 NEW MS Option – Directive 2014/56/EU, Article 1(25) (inserting new Article 30(3))	**Central Bank** Yes to option. The ability to withhold certain information that could be damaging to the reputation or livelihood of an individual should be retained by the Competent Authority. **CAI** DJEI will be aware that the RABs already make full disclosure of measures and sanctions applied to statutory auditors and statutory audit firms. We are supportive of this Member State Option regarding the disclosure of personal data. In this regard, DJEI may wish to consult with the Office of the Data Protection Commissioner. **CPA Ireland** We believe that this member state option should be taken. This will allow for the flexibility in the approach to this article to ensure that a proportionate result is achieved. **ACCA** The option should be taken. Disclosure of personal details of auditors subject sanction should be the norm, but in exceptional circumstances it should be possible to withhold the detail. Exceptional circumstances would include

	where disclosure would prejudice the rights of a third party or unreasonably interfere with their privacy. **PwC** We believe that personal data should be withheld. **KPMG** The Department will be aware that the RABs already make full disclosure of measures and sanctions applied to statutory auditors and statutory audit firms. We support taking this Option regarding the non-disclosure of personal data. In this regard, the Department may wish to consult with the Office of the Data Protection Commissioner. **EY** We believe that it would be important in the context of personal protection reasons to take this option. **Deloitte** We believe that the protection of personal information is important and therefore believe Ireland should avail of this member state option and legislate that disclosure of sanctions shall not contain personal data. **Mazars** It would appear acceptable that MS have the option of retaining personal data. Where sanctions imposed include withdrawal of approval we would consider that the identity of that person should be made available publicly. **IFIA** We have no observations on this point. We consider it to be a legal matter.
Article 30a	**Sanctioning powers**
Directive 2006/43/EC	**CAI** New Articles 30a to 30f reference in many places the role and functions of the ‘competent authority’ or ‘competent

NEW MS Option - Directive 2014/56/EU, Article 1(25) (inserting new Article 30a(1)	authorities'. We have highlighted in our covering letter that we believe the concept of multiple 'competent authorities' as provided for in SI 220 remains possible, certainly as it applies to the Recognised Accountancy Bodies. It is with this caveat we have responded to Articles 30a to 32. We believe the simplest approach to the issues raised in the DJEI consultation is for the particular 'competent authority' to 'take and impose' the administrative measures and sanctions envisaged in this Article. For PIE auditors/audits, this responsibility should rest with IAASA. On the assumption that similar responsibilities will remain with the RABs for non-PIE auditors/audits, then such powers can be given to these bodies. The measures/sanctions detailed in points (a) to (f) of the Article are, in our view, sufficiently comprehensive. **CPA Ireland** We favour the ability to designate more than one Competent Authority – such as the RABs to do both. The current operational procedures of the RAB's would lend themselves well to such a designation. The operation of IAASA in a supervisory capacity works well at the moment. It would be considered prudent to provide for additional powers to allow for flexibility in the regime. **ACCA** The current scenario of effectively RABs being designated as competent authorities to administer and impose sanctions is working and should continue to be the requirement. IAASA as the competent authority with ultimate responsibility, would enable it to impose sanctions on public interest cases. In addition, professional bodies hold their members accountable for rules and regulations that extend far beyond just audit and are also above the minimum legal requirements. A case against a member is rarely a pure audit case and may also cross national borders, dividing the competent authority for this would be legally difficult and add unwarranted complexity. IAASA already supervises the disciplinary process in professional bodies and has shown a willingness to intervene in cases where they were not conducted to IAASAs satisfaction. The current system is working and does not need change, except that IAASA should take action in cases where there is a clear public interest.

PwC
We believe that it is for IAASA and the recognised supervisory bodies to agree how this aspect of the regulatory framework will operate in respect of public interest entity audits.

KPMG
New Articles 30a to 30f reference in many places the role and functions of the 'competent authority' or 'competent authorities'. Clarification is needed as to whether RABs will continue to be designated as competent authorities and whether the concept of multiple 'competent authorities' as provided for in SI 220 remains possible, as it applies to the Recognised Accountancy Bodies.

We believe the simplest approach to the issues raised in the consultation document is for the particular 'competent authority' to 'take and impose' the administrative measures and sanctions envisaged in this Article. For PIE auditors/audits, this responsibility should rest with IAASA. In addition, we believe it would be preferable that IAASA, as the State agency, have responsibility for all aspects of the regulation of statutory auditors (both PIE and non-PIE) and that regulation of non-PIE audits be delegated back to the RABs. We believe this is the preferable approach because it would minimise the potential for duplication of audit regulation and enhance the consistency and efficiency of that regulation.

The measures/sanctions detailed in points (a) to (f) of the Article we believe are sufficiently comprehensive.

EY
We would support the list of sanctions as currently presented and would not have any additional measures to propose for inclusion.

We believe it is appropriate for the "taking and imposing" of the sanction to rest with the same competent authority, whether IAASA or the RAB. We can see of no valid reasons or benefits in separating the functions which would relate to one case. It would appear to be most practicable and effective for both to be carried out by the one authority.

Deloitte
The directive sets out comprehensive sanctioning powers which should be implemented as included in the directive. We therefore do not believe that Ireland needs to avail of the member state option set out in Article 30a(1).

	Mazars IAASA already has the power to impose sanctions on members where there is a breach of the professional body's standards. The words <u>at least</u> provides for the option to include any additional breaches/sanctions not included in (a) to (f) which appears to allow each MS the option to include non-listed breaches/sanctions. We consider that it is important from a public confidence perspective that the responsibility for monitoring PIE audits is transferred away from the accountancy bodies to IAASA and that IAASA has the sanctioning powers referred to above. We would consider that the competent authority, IAASA in Ireland, would impose both administrative measures and sanctions. **IFIA** We have no observations on this point.
Directive 2006/43/EC <u>NEW</u> MS Option – Directive 2014/56/EU, Article 1(25) (inserting new Article 30a(3))	**CAI** As per our response in the paragraph immediately above. **CPA Ireland** As above, it would be considered prudent to provide for additional powers to allow for flexibility in the regime. **ACCA** While repetitious, it seems prudent to allow the competent authority sanctioning power beyond that prescribed. **PwC** We believe that it is for IAASA and the recognised supervisory bodies to agree how this aspect of the regulatory framework will operate in respect of public interest entity audits. **KPMG** As per our response in the paragraph immediately above. **EY** As noted in our response above, we would not propose further measures for inclusion in the sanctions list.

	Deloitte The sanctions set out in Article 30a(1) are comprehensive and we have not identified any other sanctions which should be available to the competent authority. We therefore do not believe that the member state option should be availed of by Ireland. **Mazars** We would consider this option acceptable as it would align with other sanctioning powers (not specifically listed above) already conferred on the competent authorities (e.g. IAASA) here in Ireland. **IFIA** We have no observations on this point.
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(25) (inserting new Article 30a(4))	**CAI** In the interests of efficiency, consistency of interpretation, and costs we believe that these functions should vest in a single 'competent authority', IAASA, in the case of PIE auditors/audits. We see no merit or logic in dividing PIE regulatory and supervisory responsibilities among a range of agencies or competent authorities. **CPA Ireland** This derogation may need to be taken to allow for the effective functioning of the RAB's. **ACCA** It is not fully clear what the derogation is allowing: The MS appears to be allowed a different supervisory authority (presumably to include accounting bodies) to impose sanctions for breaches of the Regulations. Currently most of 20(2) is regulated by the Central Bank and the rest is regulated by IAASA. **PwC** We believe that it is for IAASA and the recognised supervisory bodies to agree how this aspect of the regulatory framework will operate in respect of public interest entity audits.

	KPMG As outline in our response to the Option under Article 30a in the interests of efficiency, consistency of interpretation, and costs we believe that these functions should vest in a single 'competent authority', IAASA, in the case of PIE and non-PIE auditors/audits. We believe there is no merit or logic in dividing PIE regulatory and supervisory responsibilities among a range of agencies or competent authorities or not having a single authority responsible for the regulation of all statutory audits. **EY** We believe the only public oversight body should be the regulator over the profession and know of no reasonable justification for spreading this power to other authorities. **Deloitte** We believe that the competent authority should supervise the implementation of the Directive and the implementation should not be delegated to entities supervising public interest entities. The provisions of the Directive and the related Regulations are specific to audit and within the competency of the competent authority. We therefore do not support Ireland taking this member state option. **Mazars** We are unsure what other supervising authorities this could apply to. **IFIA** We have no observations on this point.
Article 30c	**Publication of sanctions and measures**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(25) (inserting new Article	**Central Bank** Yes to option. Sanctions that are subject to appeal ought to be disclosed publically, albeit clearly identified as being subject to appeal. Taking on of this option is likely to reduce the incidence of appeals on the basis that this will delay the publication of the outcome of the sanctioning procedure. **CAI**

30c(1))	We are not aware of what further or additional information might be relevant in terms of publication in these circumstances. We would not support publication in advance of all appeals processes being exhausted as we believe this could have adverse consequences in terms of breaches of human rights legislation and natural justice. **CPA Ireland** Whilst as a general rule sanctions subject to appeal should not be published until the appeal period has passed, there may be exceptional cases where it would be in the public interest to publish details of sanctions which are subject to appeal therefore the option to permit disclosure should be taken. **ACCA** The competent authority should be permitted to publish details of sanctions which are subject to appeal where it can be shown that an immediate public interest exists. The option to permit additional disclosure should be taken. **PwC** We believe that sufficient information regarding an administrative sanction should be published as to enable a reader to understand the circumstances giving rise to the sanction. **KPMG** In relation to concluded sanctions, we believe that further or additional information is not necessary in these circumstances. We do not support the publication in advance of all appeals processes being exhausted as we believe this could have adverse consequences in terms of breaches of human rights legislation and natural justice. **EY** We would not support the option to publish sanctions which are subject to appeal. This would appear to be inequitable given the finding has the potential to be overturned. Whilst it may invite frivolous appeals, which would only serve to defer publication, the law should protect fair process for those appeals which are not so motivated.

	Deloitte The directive provides that the competent authority shall publish on their official website any administrative sanction imposed for breach of the provisions of the Directive or of Regulation where all rights of appeal have been exhausted. We believe it is inappropriate on the grounds of natural justice to publish an administrative sanction which is subject to appeal. We therefore do not believe any member state option in Article 30c(I) should be availed in Ireland. **Mazars** It is already the practice in Ireland that all sanctions imposed are published on the competent authorities websites. There is also a full listing of sanctions (including personal data) published in Accountancy Ireland and on the CARB website. Publications subject to appeal should be disclosed but it should be stated clearly that the sanction imposed is subject to appeal. Non publication in this instance could promote more frivolous appeals in order to prevent or delay publication. **IFIA** We have no observations on this point.
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(25) (inserting new Article 30c(3))	**Central Bank** Yes to option. The ability to withhold certain information that could be damaging to the reputation or livelihood of an individual should be retained by the Competent Authority. **CAI** We are supportive of the Option not to publish information which constitutes ‘personal data’ and suggest DJEI consult with the Office of the Data Protection Commissioner should it be minded to require such. **CPA Ireland** This member state option should be taken. **ACCA** The competent authority should be able to withhold publication if there is a public interest in doing so or for the protection of individual’s rights.

	PwC We concur with the option to withhold personal data as defined. **KPMG** We support the Option not to publish information which constitutes 'personal data' and suggest DJEI consult with the Office of the Data Protection Commissioner should it be minded to require such. **EY** We would support the taking of this option for personal protection reasons. **Deloitte** We believe that the protection of personal information is important therefore believe Ireland should avail of this member state option. **Mazars** We do not consider it a breach of fundamental rights where personal data is disclosed in the case of publication. The public has a right to know where sanctions and measures have been imposed. **IFIA** We have no observations on this point.
Article 32	**Principles of public oversight**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(26)(d)	**CAI** The regulatory/supervisory framework established by the Companies (Auditing & Accounting) Act, 2003 has, for the most part, operated satisfactorily. The further underpinning of the 2003 Act by SI 220, implementing Directive 2006/43/EC further strengthened State oversight of the statutory audit. We have welcomed the current EU reform measures, particularly the transfer to the State (IAASA) of responsibility for the supervision of PIE auditors/audits as set out in Regulation 537/2014. Otherwise, we believe that the current oversight structure established by the 2003 Act and SI 220 continues to be

consistent with the Directive. This structure retains direct recognition in law (via SI 220) of the roles and responsibilities of the RABs and facilitates the delivery of a regulatory model that is proportionate and cost effective as regards non-PIE audits/audit firms with the State agency, IAASA, concentrating its efforts on areas of greatest public interest.

Our preferred Option will, we believe, require little by way of amendment to existing legislative requirements and result in the RABs being designated directly as 'competent authorities' under Article 32 responsible for those tasks set out in the Article.

Appropriate transparency and accountability regarding how RABs regulate statutory auditors and audit firms, with oversight exercised by IAASA and the current cost model will ensure that the burden on the State is kept to a minimum.

CPA Ireland
We believe that IAASA should be designated as the competent authority for the supervision of auditors of PIE's and the registration of third country auditors. We believe that the RABs are the appropriate bodies for designation as competent authorities to conduct the tasks of approval and supervision of the auditors of non PIE entities and that the supervisory arrangement that is currently in operation with IAASA is appropriate. We would perceive difficulties with a situation whereby IAASA is the sole competent authority with the RAB's being used as agents, under the direct control and supervision of IAASA. We believe that such a situation would be unduly cumbersome and result in additional costs being imposed which would not be of any benefit to non PIE's.

ACCA
ACCA would support the designation of the Recognised Accountancy Bodies as competent authorities to examine and qualify of all statutory auditors within their membership and the supervision of non PIE audits for audit firms registered with that body; and the designation of IAASA as competent authorities for the supervision of the conduct of auditors of PIEs and the registration of third country auditors. ACCA would find difficulty in supporting a situation where IAASA was the sole competent authorities and determined to use the Recognised Accountancy Bodies as agents, under direct control and supervision, in the implementation of their supervisory function.

PwC
We believe that there should be a single competent authority with certain functions delegated by that authority to

professional bodies as permissible, appropriate and as agreed between the bodies.

KPMG
We welcome the current EU reform measures, particularly the transfer to the State (IAASA) of responsibility for the supervision of PIE auditors/audits as set out in Regulation 537/2014.

As outlined above in regarding the Option with regard to Article 30a, we believe it would be preferable that IAASA, as the State agency, has responsibility for all aspects of the regulation of statutory auditors (both PIE and non-PIE) and that supervision of non-PIE audits be delegated back to the RABs. We believe this is the preferable approach because it would minimise the potential for duplication of audit regulation and enhance the consistency and efficiency of that regulation.

EY
We would support this option as it allows the recognised accountancy bodies to be recognised under article 32.

We welcome the supervision of auditors of Public Interest Entities moving from the recognised accountancy bodies to IAASA, something which brings Ireland into line with what had developed as best practice in other member states within the EU. We also support the continued performance of supervision of non-PIEs with the RABs, with relevant oversight by IAASA.

Deloitte
We believe that the competent authority should supervise the implementation of the Directive and this should not be delegated to other authorities or bodies. The provisions of the Directive and the related Regulations are specific to audit and within the competency of the competent authority. We therefore do not support Ireland taking this member state option.

Mazars
This MS option would appear reasonable and will support accountability in that only one competent authority should have the ultimate responsibility for public oversight.

IFIA
We would consider the Central Bank of Ireland to be the most relevant competent authority for Irish fund industry

	PIEs to carry out the tasks provided for in the Directive.
Article 36	**Professional secrecy and regulatory cooperation between Member States**
Directive 2006/43/EC NEW MS Option – Directive 2014/56/EU, Article 1(29)(d)	**CAI** While we are supportive of the principle of exchange of information underpinning this Article, DJEI will be aware that there exists already in Ireland a range of gateways permitting the exchange of information between regulatory and enforcement agencies in a range of legislation e.g. company law, financial services legislation, and in criminal justice legislation. It would seem sensible for an inventory of such existing requirements be taken before moving to implement further potentially duplicative and possibly conflicting requirements in this regard. **CPA Ireland** Agree that this option should be taken up. **ACCA** There should be sharing of information and this option should therefore be taken. **PwC** We agree that arrangements should be made to ensure that the competent authority for audit firms is empowered to communicate with supervisory bodies which have responsibility for regulation of industry sectors in accordance with an appropriate framework for transmission of information and professional secrecy. **KPMG** While we support the principle of exchange of information underpinning this Article, the Department will be aware that there are a range of mechanisms in place which permit the exchange of information between regulatory and enforcement agencies. These mechanisms are contained in a range of legislation e.g. company law, financial services legislation, and in criminal justice legislation. Before moving to implement further potentially duplicative and possibly conflicting requirements, it would be appropriate to take an inventory of the existing requirements in this respect.

	In addition while not directly related to this Option, we believe this is also an opportunity to take stock of the extant of auditor reporting duties in existing legislation (such as those contained in financial services legislation) and consider whether their sufficient benefit to the State given the impact on audit costs. **EY** To the extent that provisions are not already in place to allow for the reasonable and judicious transfer of information, we would not be strongly opposed to this member state option. However it would be critical to ensure that appropriate safeguards were in place to protect against breach of confidentiality or personal data privacy rights. **Deloitte** In the interest of the highest standards of regulation and open and transparent regulation we believe this member state option should be taken in Ireland to allow the competent authority to correspond with other supervisory authorities when necessary. **Mazars** This option would appear reasonable. **IFIA** We have no observations on this point.
Article 37	**Appointment of statutory auditors or audit firms**
Directive 2006/43/EC, Article 37.2 UNMODIFIED MS Option – Directive 2014/56/EU	**Central Bank** No to option. Permitting this option would be inconsistent with the requirements set out in Section 160 of the Companies Act, 1963. **CAI** We are not aware that the current methodology for appointment of statutory auditors/audit firms has been problematic. Indeed, the current regime has been carried over into the soon to be enacted Companies Bill.

We are supportive therefore of maintaining the status quo in this regard.

CPA Ireland
It is not considered necessary to take up this option.

ACCA
Other than allowing the Central Bank authority to remove auditors in financial institutions in specific circumstances, the appointment and removal of auditors should be a matter for the members at AGM.

PwC
We believe that the general meeting of the company remains the appropriate forum at which the auditor is appointed.

KPMG
We do not believe that the current methodology for appointment of statutory auditors/audit firms has been problematic. Indeed, the current regime has been carried over into the soon to be commenced Companies Act 2014.

Therefore we believe that maintaining the status quo is appropriate.

EY
We see no reason why the option should be taken as will add cost and time to consider and provide provisions for an alternative regime. Current and extant model works appropriately.

Deloitte
We believe that the current Irish system of appointing the auditors at the general meeting of the company, the model supported by the directive, is an appropriate mechanism for appointing auditors. This system does have a challenge when the role of auditor becomes vacant. Currently directors have the ability to fill a casual vacancy for the role of auditor. We believe this option needs to continue and therefore Ireland needs to avail of the member state option.

Mazars
We do not consider any changes necessary to the current system of appointing a statutory auditor or audit firm.

	IFIA We have not encountered any notable issues with the present arrangements for appointing statutory auditors at the general meeting of shareholders or members of the audited entity. As a result we do not see a pressing need to take this MS option.
Article 39	**Audit Committee**
Directive 2006/43/EC, Article 41.1 NEW MS Option – Directive 2014/56/EU, Article 1(32)(1)	**Central Bank** No to option. The Central Bank considers that an individual who is both independent of the company and who has the appropriate skills, experience and knowledge to chair the Audit Committee should not be required to be re-elected on an annual basis. **CAI** DJEI will be aware that there a number of Governance Codes applied in Ireland including the UK Governance Code issued by the FRC, and various sector specific codes published by the Central Bank. While all of these contain principles on membership of audit committees, experience required, tenure etc. none has seen fit to impose a requirement for annual election of the audit committee chairman. The frequency and method of selection of chairman of the audit committee is best left to the discretion of the boards themselves. **CPA Ireland** We do not have a strong view on this matter. Currently the UK Corporate Governance Code requires the appointment of the Chair by the board. Whilst this may be operating effectively we do see the merits in allowing the shareholders at the AGM appoint the Chair of the audit committee to further strengthen the role of the audit committee. **ACCA** A directly elected Chairman of the audit committee is not likely to have any material additional compliance cost for a company. It will allow shareholders hold the entity more accountable for Corporate Governance matters. ACCA on balance, would support taking this option.

PwC
We believe that as the audit committee is a sub-committee of the board, the constitution of the committee, including the chair, is a matter for the board to decide.

KPMG
There a number of Governance Codes applied in Ireland including the UK Governance Code issued by the FRC, and various sector specific codes published by the Central Bank. Each of these contain principles on membership of audit committees, experience required, tenure etc. none has seen fit to impose a requirement for annual election of the audit committee chairman.

We believe the frequency and method of selection of chairman of the audit committee is best left to the consideration of the audit committee itself in consultation with the board having regard to the views of shareholders.

EY
We see no reason why this option should be taken. It is not provided for in the various Codes on Governance that have been established by the FRC and the Central Bank of Ireland.

Deloitte
We believe that the provisions of the directive allow for the appointment of an audit committee which has sufficient competency and composed of a majority of independent directors and that the audit committee chairman be appointed by the audit committee. We believe this is adequate to ensure that the audit committee operates appropriately. We do not believe there is a need to have the chairman of the audit committee elected by the general meeting of the company. We would therefore suggest that Ireland does not implement this member state option.

Mazars
We consider that this MS option should be taken to ensure that the independence of the Chairman is protected.

IFIA
We consider that the requirements in respect of the appointment of the Chair of the audit committee should be in line with Central Bank of Ireland and ISE corporate governance requirements and the IFIA Corporate Governance Code as applicable.

BPFI
The Article provides that MS shall ensure that each PIE has an audit committee whose chairman is independent and is appointed either by its members or by the supervisory body of the entity. The Directive gives an option for a MS to require the chairman of the Audit Committee to be elected annually by the general meeting of shareholders.

While we are fully supportive of the requirement for the Chairman of the Audit Committee to be independent of the entity, we do not believe it is necessary for the option to require the Chairman of the Audit Committee to be appointed directly by the general meeting of shareholders.

Our members operate in accordance with Corporate Governance codes in Ireland and where relevant in the UK. The group of directors (the term may be different within each institution) is elected annually by the shareholders at the Annual General Meetings. These Directors are accountable to shareholders and are committed to high standards of governance designed to protect the interests of shareholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability.

The group of directors considers the independence of each appointed Director which includes the Chairman of the Audit Committee. We would not therefore consider it necessary for the Chairman of the Audit Committee to be separately elected at the Annual General Meeting and would be concerned that taking this option would add to the administrative burden for both the shareholders and the PIE.

This article provides that MS shall ensure that each PIE has an audit committee. However by way of derogation a MS may set aside the requirement for specific PIEs to have an audit committee. Ireland took this option in 2006 under Regulation 91(9) of SI 220/2010.

We would be in favour of Ireland continuing to take this option under the 2014 Directive.
- The definition of PIE is very broad and, for some our members, this has the potential to bring entities into scope which we would not consider significant enough to be covered by the requirement to have an audit committee including wholly owned subsidiaries of the group, and securitisation vehicles

- The requirement may impose a cost and administrative burden on certain entities which fall within the definition of a PIE disproportionate to their size.

	BPFI fully supports any measures that can enhance public confidence in the audit of banks' financial statements, and by extension, the confidence in the banking industry in general. Against that, we need to be mindful of the potential impact of the proposed options and would urge careful consideration and consultation prior to finalisation of the adoption of the above options under the Regulation and Directive.
Directive 2006/43/EC, Article 41.1 AMENDED MS Option – Directive 2014/56/EU, Article 1(32)(2)	**Central Bank** Yes to option. The Central Bank favours the implementation of an Audit Committee which is separate from the Board as whole. However, as acknowledged in the Corporate Governance Code for Credit Institutions and Insurance Undertakings, in certain circumstances it might be appropriate for the entire Board to act as the Audit Committee. **CAI** We agree with DJEI's analysis that this Option has no particular relevance in an Irish context. **CPA Ireland** We do not currently see any compelling argument for taking this member state option. **ACCA** There are currently relatively few entities within scope of this possible derogation. It is an unnecessary complication in law for a relatively few in number of entities and the derogation should not therefore be taken. **PwC** Whereas we believe that a full board can undertake the functions of an audit committee, it is preferable to have a separately constituted audit committee do so. **KPMG** We agree with the analysis that this Option is not relevant in an Irish context. **EY** No comment requested here as not relevant to Ireland. **Deloitte**

	This option appears to us to permit the functions of an audit committee to be fulfilled by the board of directors as a whole where the entity is a smaller entity or has a reduced capitalisation which we believe may be appropriate for smaller PIE's. We believe , particularly in smaller entities where the directors are not executive directors (as would be the case in many SPV PIE entities in Ireland), the board of directors as a whole can appropriately fulfil the role of the audit committee. We would therefore suggest that Ireland avail of this member state option. **Mazars** This option appears not to be applicable in Ireland. **ISE** Yes, the ISE believes this option should be taken up so that it is available to entities should such a case arise. **IFIA** We consider that the structure and operation of Irish investment vehicles that are considered PIEs are fundamentally different in nature to those of listed industrial plcs. Irish fund industry PIEs operate purely for the purpose of pooling assets and use an outsource model with service providers fulfilling daily operational requirements such as calculation of NAV and reconciliation of positions held under the oversight of the Board of Directors who set the strategy and ensure appropriate governance structures are in place for the funds. As a result, most directors of PIEs are non-executive officers of the funds, this independence from the daily operations of the PIE means that a separately constituted audit committee is not required for fund industry PIEs. The operational model used in the funds industry already delivers appropriate segregation of duties between daily administrators and the board as well as being structured to provide appropriate oversight and supervision by the board of directors as a whole of those matters that are addressed by audit committees such as appointment of statutory auditors and review of financial information. Taking this option would avoid a proliferation of committees being required by fund industry structures which is not justified by their size, operational model or complexity.
Directive 2006/43/EC, Article 41.6 - see SI 220/2010, Reg. 91(9) AMENDED MS	**Central Bank** No to option. The Central Bank notes that this option was taken in the 2006 Directive (as adopted in SI 220 in 2010) however the new Directive widens the qualifying categories of PIEs. The Central Bank does not support taking this option as the requirement for PIEs to establish an audit committee is consistent with best practice as set out in the 2013 Corporate Governance Code for Credit Institutions and Insurance Undertakings ("the Code").

Option – Directive 2014/56/EU, Article 1(32)(3)	**CAI** We are supportive of Ireland continuing to avail of this amended Option, as it did when transposing Directive 2006/43/EC. DJEI will be aware of the competitive international environment in which collective investment funds operate. From the perspective of Ireland's international funds industry, it is important to maintain a level playing field with competing jurisdictions. DJEI will note that such entities are already subject to various corporate governance requirements by virtue of specific codes developed by the Central Bank. Continuing to avail of this Option is therefore appropriate. **CPA Ireland** It may be prudent to ensure that the imposition of this requirement is proportionate and to future proof the requirement to take this option. There are external parties such as the Central Bank who may have a view on this. **ACCA** This option should be taken again, certain types of entities do not need audit committees and it would not be in the shareholder or unit holders' interest to incur this cost. The exception would be (d) credit institutions not listed on a regulated exchange; these should continue to be required to have an audit committee because of their public interest nature. **PwC** We believe that PIEs that are subsidiaries of a parent PIE should be able to rely on a parent audit committee where it is demonstrated that the parent entity audit committee has performed the functions in respect of the subsidiary PIE as well as the group. We believe that PIEs that are UCITS or alternative investment funds should continue to be exempted from the obligation to have an audit committee. This exemption takes into account the fact that where those funds function merely for the purpose of pooling assets, the employment of an audit committee may not appropriate. UCITS or alternative investment funds, as well as their management companies, operate in a strictly defined regulatory environment and are subject to specific governance mechanisms, such as controls exercised by their depositary. It is important that management of the UCITS or alternative investment fund have the ability to decide if it is necessary to have an audit committee or not.

As most special purpose entities that fall within category (c) are consolidated under accounting rules the financial reporting activities will be subject to oversight by the sponsoring (i.e. parent) body's audit committee and a separate audit committee is not warranted.

We note that credit institutions are required to have an audit committee by the Central Bank Corporate Governance Code.

KPMG
We support Ireland continuing to avail of this amended Option, as it did when transposing Directive 2006/43/EC. Collective investment funds operate in a competitive international environment. From the perspective of Ireland's international funds industry, it is important to maintain our competiveness compared to competing jurisdictions.

The Department will note that such entities are subject to various corporate governance requirements contained in applicable codes published by the Central Bank. Therefore, we believe continuing to avail of this Option is therefore appropriate.

Additionally, we believe that there is an opportunity for the Central Bank to consolidate its various corporate governance requirements e.g. in the case of a listed credit institution, it is required to comply with the UK Corporate Governance Code, the European Banking Authority's Guidelines on Internal Governance (GL44) and the Corporate Governance Code for credit Institutions and Insurance Undertakings.

EY
We would support the continued taking of this option as it ensures a level playing field with other EU member states and in particular in respect of the Funds Industry In Ireland which could pose additional unnecessary costs and therefore competitive disadvantages compared to other member states, and also other jurisdictions outside the EU.

Deloitte
We have not identified any reason to change the position Ireland has taken in respect of the 2006 directive. Ireland operates in a competitive environment for financial services and foreign direct investment. Other member states with whom Ireland competes will avail of this exemption. We therefore support availing of this member state exemption in Ireland.

Mazars
We would consider that this option should be taken with the exception of subsidiary entities which would otherwise meet the definition of a PIE. We believe the definition of a PIE should include such subsidiaries and thus they should be required to have an audit committee. These entities are in Mazars' view PIEs and therefore should follow the same strong governance structures and regulation appropriate to all PIEs.

ISE
Yes, similar to the approach in transposing the original Directive, the ISE strongly believes that all of the exemptions in this Article should be availed of so that the audit requirements do not apply to these types of entities. In particular, we would highlight the following reasons:

a. It would be impractical and unreasonable to expect an Irish issuer which is a subsidiary and whose parent is already subject to the requirements at group level, to also have to comply.

b. In relation to UCITs and AIFs, the financial reporting and related risks of these entities are not comparable to those of other public interest entities. UCITs are highly regulated products that must comply with common European standards. Managers of AIF's must comply with a comprehensive set of compliance, risk, organisational & reporting requirements under Directive 2011/61/EU. Both UCITs & AIFs go through a rigorous authorisation process including close scrutiny of each of their service providers and are subject to specific governance mechanisms.

c. The risks in relation to asset backed securities are very different to those in relation to other public interest entities and therefore the same rationale for audit committees does not apply.

d. We believe that this exemption should be availed of as the risks faced by debt holders are different those faced by shareholders and therefore the same rationale for audit committees does not apply.

IFIA
This MS option derogation should be taken for the reasons set out above for all of the structures set out in the option, including both UCITS structures and AIF vehicles. This exemption takes into account the fact that where those funds function merely for the purpose of pooling assets, the employment of an audit committee may not be appropriate. UCITS or alternative investment funds, as well as their management companies, operate in a strictly defined

	regulatory environment and are subject to specific governance mechanisms, such as controls exercised by their depositary. It is important that management of the UCITS or alternative investment fund have the ability to decide if it is necessary to have an audit committee or not. **BlackRock** **A Public Interest Entity ("PIE") which is a subsidiary undertaking** The exemption is only permitted where the group audit committee is discharging the requirements in the legislation that would be imposed on a PIE's own audit committee. Accordingly, this exemption should be taken as it avoids any duplication that would otherwise occur where a PIE would have to create an audit committee in addition to one that already exists at the group level. **A PIE which is a UCITS/AIF** We support the exemption of undertakings for collective investment in transferable securities (UCITS) or alternative investment funds (AIFs) from the requirement to have an audit committee. We believe that the regulatory regime governing these funds is strictly enforced and is subject to specific governance requirements such as the appointment of an independent depositary. We do not believe the addition of an audit committee to this framework would create additional benefits for investors in these funds.
Directive 2006/43/EC, Article 41.5 AMENDED MS Option – Directive 2014/56/EU, Article 1(32)(4)	**Central Bank** Yes to option. The Central Bank notes it is a requirement of the Code that the Board shall establish an audit committee. However, as acknowledged in the Code, in certain circumstances it might be appropriate for the entire Board to act as the audit committee. **CAI** We are not aware of any compelling reason to avail of this Option at this time. **CPA Ireland** No – do not see any compelling argument to take up this option at this point. **ACCA** This option need not be taken.

	PwC Whereas we believe that other bodies such as another board subcommittee could undertake the functions of an audit committee, it is preferable to have a separately constituted audit committee. **KPMG** We believe there are no compelling reasons to avail of this Option at this time. **EY** We see no reason why the option might not be taken but since most PIEs will have audit committees it may not be relevant. **Deloitte** Where the equivalent functions of an audit committee are carried out by a body or bodies in an entity the objectives of requiring the audit committee will be met. Ireland operates in a competitive environment for financial services and foreign direct investment. Other member states with whom Ireland competes will avail of this exemption. We therefore do support availing of this member state exemption in Ireland. **Mazars** We would consider that this MS option should not be taken again as we believe for greater public confidence in the audit process all PIEs should have an audit committee in place. **ISE** Yes, the ISE believes this option should be taken up as it is reasonable to allow a PIE not to have an audit committee provided that it has a body or bodies performing equivalent functions to an audit committee. **IFIA** This MS option should be taken as it has direct application in the funds sector for example in Unit Trust vehicles where the structure is designed to operate with a Manager and a Trustee and there is no Board in place.
Directive 2006/43/EC NEW MS Option –	**Central Bank** No to option. The Central Bank considers that taking this option will would serve to undermine the effectiveness of the audit committee. The Code requires that the audit committee is composed of non-executive directors, the majority

Directive 2014/56/EU, Article 1(32)(5)	of directors being independent. **CAI** We do not believe this Option has particular relevance in an Irish context and see no reason to avail of it at this time. **CPA Ireland** Not at this point. **ACCA** This option should not be taken, if the audit committee is not independent, then the function might as well be performed by the full board of directors. **PwC** It is custom and practice in Ireland that members of an audit committee are also board members. Having regard to that, and the requirements of the UK Corporate Governance Code (that many Irish PIEs look to as a benchmark), we believe that the independence requirement is appropriate. **KPMG** We do not believe this Option is of particular relevance in Ireland, therefore we do not support adopting this option. **EY** It would seem appropriate to apply the same independence requirements on supervisory body constituted members as the audit committee, and in the public interest it would seem to be appropriate that the same terms would apply to both. **Deloitte** General principles for audit committees include that the majority of audit committee members are independent of the management. We have not identified any reason to support an audit committee not being independence of management. We therefore do not support availing of this member state exemption in Ireland. **Mazars** We consider this option should not be taken - all members of an audit committee should meet the independence

	requirements as outlined. **IFIA** We consider this option to be pragmatic and sensible.
Article 45	**Registration and oversight of third-country auditors and audit entities**
Directive 2006/43/EC, Article 45.6 - see SI 220/2010, Reg 117 <u>AMENDED</u> MS Option – Directive 2014/56/EU, Article 1(33)(d)	**CAI** This is primarily an issue for IAASA. However, we see no reason not to continue to avail of this Option. **CPA Ireland** It is essential that any auditors operating in this jurisdiction should be operating to the same standard – the International Standards on Auditing. Not familiar with the procedures for assessing equivalence, therefore no opinion is expressed on this matter. **ACCA** The option should be taken again. **PwC** We believe that a member state should be in a position to determine equivalence in such a situation, but would expect it to arise in practice. **KPMG** We believe this Option should continue to be availed of, as we see no compelling reason to change the position adopted upon implementation of the 2006 Directive. **EY** We see no reason not to continue with this option in place. **Deloitte** The directive empowers the Commission to decide on third country equivalence. The member state option set out in the consultation allows the member state to make decisions as long as the Commission has not taken any such

	decision. For the effective operation of the directive member states should be able to make decisions where the commission has not done so. Therefore Ireland should avail of this member state option. **Mazars** We would consider this option to be acceptable and practical, permitting a MS to assess equivalence in standards in a situation where the Commission has not done so. **ISE** Our comment in relation to Art 45 does not relate to the specific questions in the consultation on the Member State option but refers to paragraph 1 where it specifically states exemptions from its application for certain issuers exclusively of outstanding debt. While it is not explicitly set out in the text, the Commission previously clarified that this requirement to use a registered third country auditor in Art 45(1) does also not apply to third country companies falling under the definition of collective investment undertakings other than the closed-end type set out in Art 1 (2) of Directive 2004/109/EC. At that time we raised this point and it was included in the Irish transposition of the Directive (Regulation 113(2) of the Directive). Given the importance of this exemption, we consider it should remain in force in Ireland as it is necessary to provide clarity and certainty to market participants in the funds industry. **IFIA** This option should be taken in line with the measures taken under the 2006 Directive in the SI 220/2010.
Article 46	**Derogation in the case of equivalence**
Directive 2006/43/EC, Article 46.1 – see SI 220/2010, Reg. 119 UNMODIFIED MS Option – Directive 2014/56/EU	**CAI** This is primarily an issue for IAASA. However, we see no reason not to continue to avail of this Option. **CPA Ireland** It is essential that all auditors operating in the jurisdiction are subject to the same requirements for registration, public oversight, quality assurance, and investigation/penalties systems. Again not being familiar with the procedures for assessing equivalence, no opinion is expressed on this matter. **ACCA** The option should be taken again.

	PwC We do not see why third country auditors, who are subject to regulatory regimes and systems of quality assurance equivalent to those of home country auditors, should not be exempted, and that this option should be taken. **KPMG** We believe this Option should continue to be availed of, as we see no compelling reason to change the position adopted upon implementation of the 2006 Directive. **EY** We see no reason not to continue with this option in place. **Deloitte** This option was availed of when SI 220/2010 was implemented. We believe that this decision is still relevant and that Ireland should avail of the member state option. **Mazars** This option, on the basis of reciprocity, appears to be acceptable. **IFIA** This option should be taken in line with the measures taken under the 2006 Directive in the SI 220/2010.
Directive 2006/43/EC, Article 46.1 – see SI 220/2010, Reg. 119 NEW MS Option – Directive 2014/56/EU, Article 1(34)	**CAI** This is primarily an issue for IAASA. However, we see no reason not to continue to avail of this Option. **CPA Ireland** It is essential that all auditors operating in the jurisdiction are subject to the same requirements for registration, public oversight, quality assurance, and investigation/penalties systems. Again not being familiar with the procedures for assessing equivalence, no opinion is expressed on this matter. **ACCA** The option should be taken again.

PwC
We do not see why third country auditors, who are subject to regulatory regimes and systems of quality assurance equivalent to those of home country auditors should not be exempted, and that this option should be taken.

KPMG
We believe this Option should continue to be availed of, as we see no compelling reason to change the position adopted upon implementation of the 2006 Directive.

EY
We see no reason not to continue with this option in place.

Deloitte
This option was availed of when SI 220/2010 was implemented. We believe that this decision is still relevant and that Ireland should avail of the member state option.

Mazars
We consider that MS should rely fully on equivalence recognised by the Commission as per option 1.

In terms of practicality MS should also be able to rely on its own assessment of equivalence and on other MS authorities' assessments of third country systems, where the Commission has not taken a decision.

IFIA
This option should be taken in line with the measures taken under the 2006 Directive in the SI 220/2010.

Enhanced flexibility is needed as Ireland is a small open economy with significant external investors and outward migrations.

Article 47	Cooperation with competent authorities from third countries
Directive 2006/43/EC, Article 47.1 – see SI 220/2010, Reg. 109 AMENDED MS Option – Directive 2014/56/EU, Article 1(35)(a)(i)	**CAI** This is primarily an issue for IAASA. However, we see no reason not to continue to avail of this Option. **CPA Ireland** Noted absence of a definition of "inspection or investigation reports". However with regard to the principle of the transfer of audit working papers it would be considered appropriate to allow for the transfer of audit working papers. **ACCA** The option should be taken again. **PwC** We support arrangements that properly regulate cross border situations. **KPMG** We believe this Option should continue to be availed of, as we see no compelling reason to change the position adopted upon implementation of the 2006 Directive. **EY** We see no reason not to continue with this option in place. **Deloitte** We support Ireland implementing this member state option as it will allow co-operating with competent authorities from third countries. This co-operation is required to support both FDI and Irish businesses operating outside Ireland. Lack of such cooperation may create barriers to FDI. That being said we believe appropriate protocols agreed between the competent authorities in Ireland and the third country will be required to facilitate the operation of this cooperation. **Mazars** We would consider the inclusion of inspection or investigation reports as well as audit papers to be reasonable in the spirit of full cooperation.

	IFIA No observations on this point.
Directive 2006/43/EC, Article 47.4(e) - see SI 220/2010, Reg. 110 AMENDED MS Option –Directive 2014/56/EU, Article 1 (35)(b) and (c)	**CAI** This is primarily an issue for IAASA. However, we see no reason not to continue to avail of this Option. **CPA Ireland** It seems appropriate that this member state option remain in place with the indicated change. **ACCA** The option should be taken again. **PwC** We support arrangements that properly regulate cross border situations. **KPMG** We believe this Option should continue to be availed of, as we see no compelling reason to change the position adopted upon implementation of the 2006 Directive. **EY** We see no reason not to continue with this option in place. **Deloitte** We support Ireland implementing this member state option as it will allow co-operating with competent authorities from third countries. This co-operation is required to support both FDI and Irish businesses operating outside Ireland. Lack of such cooperation may create barriers to FDI. That being said we believe appropriate protocols agreed between the competent authorities in Ireland and the third country will be required to facilitate the operation of this cooperation. **Mazars** We would consider this option acceptable once all conditions are met.

	IFIA No observations on this point.
Article 52	**Minimum harmonisation**
Directive 2006/43/EC, Article 52 <u>UNMODIFIED</u> MS Option – Directive 2014/56/EU	**CAI** In the interests of achieving a level playing field among EU Member States and maintaining Ireland's competitive position, this is best achieved by remaining faithful to the requirements of the Directive with minimal 'gold plating' unless there is compelling evidence imposing further regulatory requirements on audit firms and companies. **CPA Ireland** Not considered necessary that this member state option be taken. **ACCA** We do not see any reason to impose more stringent requirements. **PwC** We are not aware of any need for introduction of any other requirements which could result in different regulatory regime for PIEs operating in Ireland when compared with other members states. **KPMG** We believe this option should not be taken, in the interests of achieving a level playing field among EU Member States and maintaining Ireland's competitive position. In our view, this is best achieved by remaining faithful to the requirements of the Directive with minimal 'gold plating' unless there is compelling evidence for imposing further regulatory requirements on audit firms and companies. **EY** We would oppose this option. Consistency will be critical across the EU in order to keep a level-playing field and to minimise the risk of increasing further the complexities with the Proposals. It also will be important to ensure that Ireland is not put at a competitive disadvantage with other European countries.

	Deloitte We believe in harmonisation and therefore do not believe in more stringent requirements being applied. Ireland is a smaller country within the EU and we should compete for investment on a regulatory level playing field – therefore we should maximise harmonisation and should not create any additional requirements which are more onerous than those in the directive. **Mazars** We do not consider this option should be taken. We do not see what potentially "more stringent requirements" there are that would necessitate this option. **ISE** The ISE believes we should not impose more stringent requirements in Ireland than those set out in the Directive as it is imperative that Irish businesses can remain competitive and should not be subject to a greater administrative burden or more costly measures than businesses in other jurisdictions. **IFIA** We do not believe this option should be taken as it reduces harmonisation and consistency across the EU

Issue	General Comments
	CAI See covering letter attached below. **PwC** We reiterate our comments in relation to the need to avoid unwarranted extension of the definition of public interest entities, so that only entities that are of genuine public relevance are subject to the increased regulatory requirements and costs. **KPMG** See cover letter below. **ISE** The ISE's main focus is on the implications for issuers that are admitted to our regulated market, the Main Securities Market, as these will all fall within the definition of a PIE and include equity, funds and debt issuers. We would ask that the DJEI does not adopt a one size fits all approach and, similar to the transposition approach for other EU directives, tailors it where necessary according to the different types of issuers (e.g. special purpose vehicles) and securities issued (e.g. equity securities, debt securities and investment funds). In addition, the ISE believes careful consideration needs to be taken when implementing this Directive to ensure that Ireland can continue to compete with other jurisdictions on a level playing field and that there are no additional unnecessary requirements introduced which would put Irish entities at a competitive disadvantage. It is important to consider the approach other jurisdictions are taking, so as to avoid more onerous requirements in Ireland (compared with other jurisdictions) unless there is a sufficiently robust regulatory rationale for doing so.

CAI Letter

This submission in response to the above consultation is made jointly by Chartered Accountants Ireland and the Chartered Accountants Regulatory Board.

While we have commented on the Member States Options individually in the templates provided by DJEI we have some overarching observations which DJEI might usefully consider when formulating its transposition proposals.

Many of the Options on which DJEI is consulting have been considered previously in the context of transposing Directive 2006/43/EC ('the 2006 Directive') via Statutory Instrument 220 of 2010 ('SI 220'). For many of these, we have stated in our responses in the template that we are unaware of any compelling new developments since enactment of SI 220 that would necessitate any change in the status quo.

Implementation of the Regulation and 2014 Directive (amending the 2006 Directive) is a complex challenge, made all the more difficult by the likely need to reconsider the provisions of the Companies (Auditing & Accounting) Act, 2003 ('the 2003 Act') which established the Irish Auditing & Accounting Supervisory Authority ('IAASA') and the current regulatory framework within which regulation and supervision of the auditing profession is conducted in Ireland.

However, the scope of the 2003 Act goes beyond statutory audit as it creates a regulatory and supervisory mechanism for those prescribed accountancy bodies and their members.

Similarly, SI 220, addressing regulation of statutory audit only, will also be impacted by the new requirements, not least because of the separate regime established by the Regulation for PIE audit firms.

Transfer of PIE Audit Supervision to IAASA

We welcome the finalisation of the above measures which are aimed at underpinning confidence in statutory audit. In particular, we note that the Regulation, focussed on auditors of public interest entities ('PIEs') will finally result in the implementation in Ireland of an independent quality assurance regime for this category of statutory auditor/audit firm. This measure has been supported by the audit profession in Ireland for quite some time and will see the Irish Auditing and Accounting Authority ('IAASA') finally assume responsibility for the supervision of auditors of PIEs as well as associated investigations and sanctioning.

In this regard, it would be useful to clarify what role in quality assurance of PIE audit firms, might remain for those professional accountancy bodies defined as Recognised Accountancy Bodies ('RABs') under SI 220 of 2010. While EU Commission Recommendation of 2008 on Quality

Assurance (2008/362/EC) has been interpreted as applying to quality assurance for audits of PIEs, Article 26(2) of the Regulation has been drafted differently to require that 'competent authorities' (in Ireland's case IAASA) '*…shall carry out quality assurance reviews of statutory auditors and audit firms that carry out statutory audits of public interest entities…*'. To date, our approach to the 'PIE audit transfer' has assumed that the RABs would retain their role with regard to supervision of non-PIE audit work conducted by the larger audit firms. However, as the language in the Regulation and Directive is imprecise and inconsistent, we would welcome clarification on this matter from DJEI. The approach finally adopted will ultimately influence the resource requirements not just of IAASA but of the RABs.

The meaning of 'competent authority'

The interpretation of the term 'competent authority' also has the potential to impact on the role of RABs. At present, SI 220 provides for multiple competent authorities each attributed with different responsibilities and obligations. The term 'competent authority' used without qualification in SI 220 means a RAB. On the other hand, 'competent authority with supervisory and other functions' is the term used in SI 220 to refer to IAASA.

While the Regulation and 2014 Directive retain the concept of 'competent authority', the only explicit application of this term appears to be to State agencies – for example, Article 20 of the Regulation references various authorities – primarily those responsible for financial regulation and prudential supervision.

The 2014 Directive, on the other hand, defines '*competent authorities' as 'authorities designated by law that are in charge of the regulation and/or oversight of statutory auditors and audit firms...*' In our opinion, this definition permits the Recognised Accountancy Bodies to continue to be 'competent authorities' given their responsibilities under the 2003 Act and SI 220. Article 32 of the 2014 Directive also references 'competent authorities' but then, in the context of possible delegation of non-PIE related activities, also refers to 'authorities or bodies'. As above, clarification is needed as to whether it is intended that RABs continue to be designated as 'competent authorities' under the new measures. Any change from the current legal framework may well have implications for their continued regulatory role as regards supervision of statutory auditors and audit firms. We would therefore welcome confirmation from DJEI as soon as possible that our interpretation in this regard is valid.

Role of Recognised Accountancy Bodies

The 2014 Directive, notwithstanding the need for clarification on the definition of competent authority versus other 'authority or body' (see in particular Article 32 of the 2014 Directive), has been drafted in a manner that continues to enable the Recognised Accountancy Bodies to perform a significant role in the regulation of statutory audit. To a large extent, as drafted, Article 32 facilitates a continuation of the framework established by SI 220, permitting the RABs to continue as 'competent authorities' or, alternatively 'other authorities or bodies' as referenced in that Article.

We remain supportive of the RABs continuing to have direct legal recognition and responsibility for supervision and regulation of those statutory auditors/audit firms licensed by them. While Article 32 permits an alternative approach of a State agency (IAASA) having responsibility for all aspects of regulation of statutory audit (PIE related and non-PIE related) with the possibility of delegating back to other bodies (RABs) specified tasks, we consider that this represents a significant dilution in the role and status of the RABs. We do not believe this to be in the public interest.

Maintaining competitiveness and providing maximum flexibility to PIEs

Unusually for a European Regulation, which normally would have direct application in Member States, Regulation 537/2014 contains a series of Options which will need to be considered by individual Member States. This means that, in spite of the EU desire to create a harmonised audit market throughout the Union, regimes will not be identical. PIEs will be subject to the Member State options adopted in their country of registration, so application issues may arise in cases where there are several PIEs in the same group but registered in different Member States. There will be similar implications when a PIE is part of a group with a non-EU parent. Undoubtedly, therefore, the Regulation in particular will impose additional costs and regulatory requirements on PIEs themselves and their auditors.

The optimal approach for achieving a harmonised application of the EU reforms throughout the EU is for Member States to implement those measures that are requirements of the Regulation and Directive without any additional 'gold plating'.

Similarly, in the interests of contributing to the maintenance of Ireland's competitiveness and attractiveness as a business location, we believe that implementation of the new EU measures (in particular those relating to mandatory audit firm rotation, provision of non-audit services) should be in a manner that is no more onerous than how these Options have been implemented by other Member States. In adopting such an approach, DJEI will be aware of existing safeguards and that those requirements in the Regulation and Directive which are additional together provide an appropriate response to the imperatives of safeguarding auditor independence, maintaining audit quality, and underpinning the regulation of PIE auditors.

Professional standards versus legal requirements

Many of the additional and detailed measures imposed by the Regulation and 2014 Directive– eg regarding independence, internal firm procedures, content of audit files, and the content of audit reports etc. are already well established in Ireland. Indeed, DJEI will be aware that Ireland, in common with the UK, has a complex mix of rules involving company law, ethical standards for auditors, auditing standards and corporate governance codes which, in many respects replicate those measures contained in the Regulation and 2014 Directive.

These standards/requirements, based on international equivalents, have been established independently of the auditing profession in Ireland and the UK by the Financial Reporting Council ('FRC'). IAASA enjoys 'observer status' on a number of the FRC's constituent bodies at which such requirements are developed.

We believe it is unnecessary, therefore, for Ireland to seek to embed in law much of the detailed requirements of the Regulation and 2014 Directive. Detailed processes and procedures should continue to be established as part of the existing standard setting process, especially given IAASA's statutory remit in this area, and underpinned, if required, by appropriate enabling legislation, similar to that already existing within SI 220.

Interaction between Ireland and the UK

Following on from our comments above, DJEI will be familiar with the common approach to financial reporting, auditing, and corporate governance that has existed between Ireland and the UK stretching back over a considerable time period. This has been particularly beneficial to companies operating in both jurisdictions and has been particularly important for those accountancy bodies recognised in both jurisdictions.

It is our understanding that the UK authorities will be consulting in the near future on their approach to the EU measures. We would encourage DJEI to have regard to this and to liaise with UK colleagues on implementation.

Recognising that size and scale of markets differ significantly between Ireland and the UK, it is in the interests of Irish business, particularly PIEs, and the auditing profession that these regimes remain as aligned as possible unless there exists a compelling reason to the contrary.

Possible implications for 2003 Act/structure of IAASA

The current structure of IAASA was established by the 2003 Act. Unlike the 2006 Directive and the current Regulation and 2014 Directive, which are focussed exclusively on statutory audit, the 2003 Act has a wider scope. The model it created requires IAASA to oversee and supervise how the 'prescribed' accountancy bodies regulate the totality of their membership.

IAASA is structured as a company limited by guarantee whose members include both prescribed and recognised accountancy bodies which in turn have the ability to nominate directors to the board of IAASA. DJEI may want to consider whether such a structure remains possible once the Regulation and 2014 Directive have been implemented. Indeed, there may be further issues it wishes to consider including how to ensure that the governance body of IAASA continues to include the necessary expertise in auditing and financial reporting. Ultimately, how IAASA is structured and funded will need to satisfy EU requirements.

We hope you have found our comments useful. We remain committed to working to ensure a smooth transition to the revised regulatory regime and are available to discuss any of the issues we have raised in our response at the convenience of DJEI.

KPMG cover letter

We are pleased to provide our comments and observations on the Department's consultation on the Directive. Separately you will have received a response from KPMG in relation to the consultation on the Regulation (EU)No. 53712014 ('the Regulation').

Our views on each of the Member States Options are set out in the response template provided by the Department. However, in addition we have some general observations which we believe should be taken into account when formulating legislation to translate the Directive into Irish law.

In broad terms, we believe that Irish implementation of the Directive should ensure that:
- Ireland does not add unnecessary' burdens to business operating in the State
- Ireland's implementation of the Directive maintains an appropriate level of consistency with that of the UK, given the extent to which Irish business operates in both jurisdictions; and
- Ireland does not introduce changes to the current audit regulatory regime that are not both necessary and justifiable in terms of benefits to Irish business.

Many of the Options contained in the Directive have been considered previously in the context of transposing Directive 20061431EC ('the 2006 Directive') via Statutory Instrument 220 of 2010 ('SI 220'). Therefore, we have stated in the response template to a number of the Member State Options that we are unaware of any compelling new developments since enactment of SI 220 that would necessitate any change in the status quo.

Ireland does not add unnecessary burdens to business operating in the State
As a result of the numerous options contained in both the Regulation and the Directive, the resulting audit regimes throughout the European Union will not be identical. The audit regimes of Member States will apply to PIEs in their country of incorporation, therefore application issue will arise in cases in which a group consists of several PIEs that are incorporated in different Members States. This undoubtedly, will impose additional cost and regulatory requirements on the PIEs themselves and their statutory' auditors.

Therefore, we believe it is important to implement the requirements of the Directive with minimal, if any, 'gold plating'. In addition, we believe that while it is desirable to maintain consistency with the UK we should exercise caution before following the UK should it choose to 'gold plate' the requirements of the Directive.

Ireland's implementation of the Directive maintains an appropriate level of consistency with that of the UK, given the extent to which Irish business operates in both jurisdictions.

In Ireland and the UK there has been a common approach to financial reporting, auditing, and corporate governance in place stretching back over a considerable number of years. This has been of particular benefit to entities operating in both jurisdictions and internationally and has enabled Irish business and its accountancy advisors to make sound and constructive responses to market needs that meet the best interests of the country's economy.

We understand that the UK authorities have published consultation documents on its approach to the EU measures. We would encourage the Department to have regard to this and recommend that the Department liaise with UK counterparts on implementation.

While the economies differ significantly between Ireland and the UK, it is in the interests of Irish business, particularly PIEs, and the auditing profession that the audit regimes remain as aligned as possible unless there exists a compelling reason to the contrary. As noted above we believe that 'gold plating' the Directive may be a compelling reason to the contrary.

Ireland does not introduce changes to the current audit regulatory regime that are not both necessary and justifiable in terms of benefits to Irish business.

We have three main areas of concern in respect of the changes to the current audit regulatory regime as follows:

- That regulatory' requirements for auditors continue to be contained in professional standards;
- That statutory' auditor / audit firm regulation reduce to a minimum any duplication of regulatory' effort; and
- That IAASA possesses the appropriate skills and experience.

We set out our concerns in respect of each of these in detail below.

Professional standards versus legal requirements

Generally, all of the additional and detailed measures imposed by the Regulation and the Directive e.g. regarding independence, internal firm procedures, content of audit files, and the content of audit reports etc. already exist in Ireland. Ireland, in common with the UK, has a complex and interlinked mix of rules involving company law, ethical standards for auditors, auditing standards and corporate governance codes which, in many respects, already provides for the measures contained in the Regulation and Directive.

These standards/requirements, based on international equivalents, have been established independently of the auditing profession in Ireland and the UK by the Financial Reporting Council (‘FRC’). IAASA enjoys ‘observer status’ on a number of the FRC’s constituent bodies at which such requirements are developed. We encourage IAASA to take an active role as an observer on the FRC’s constituent bodies upon which it sits as an observer in order to ensure that Irish priorities are taken into account in future development of those standards.

Therefore, we believe it is unnecessary that Ireland seek to embed in company law much of the detailed requirements of the Regulation and Directive. Detailed processes and procedures should continue to be established as part of the existing standard selling process, especially given IAASA’s statutory remit in this area, and underpinned, if required, by appropriate enabling legislation, similar to that already existing within SI 220.

Statutory Auditor /Audit Firm Regulation
The finalisation of the Regulation and Directive are aimed at underpinning confidence in statutory’ audit which we welcome. The transposition of the Directive into Irish law will necessitate a new regulatory structure for Statutory’ Auditors and Audit Firms. Under that structure the Irish Auditing and Accounting Authority’ (‘IAASA’) will assume responsibility for the supervision of auditors of PIEs as well as associated investigations and sanctions. However, that leaves the question of what body(ies) will be responsible for supervision of auditors of non PIEs. In this regard we are aware that there are complexities surrounding the interpretation of ‘competent authority’ and whether those bodies designated as Recognised Accountancy Bodies (‘RABs’) under the Companies (Auditing & Accounting) Act. 2003 (‘the 2003 Act’) may be considered competent authorities.

Article 32 permits an approach of a State agency (IAASA) having responsibility’ for all aspects of regulation of statutory’ audit (PIE related and non-PIE related) with the possibility’ of delegating back to other bodies (RABs) specified tasks, such as the supervision of all non-PIE auditors as well as the non-PIE audits carried out by PIE auditors. We believe this that is the most preferable approach as it would minimise the potential for duplication of audit regulation and associated costs, enhance the consistency of regulatory’ interpretation and be the most efficient regulatory model.

However, whatever approach is taken we consider it essential that the process avoids duplication of regulatory effort.

IAASA‘s skills and experience
We would recommend that the Department takes the opportunity of the Directive’s implementation to consider the balance of skills and experience of IAASA’s Board and staff In particular, to ensure that all stakeholder views are appropriately represented. Apart from ensuring that

EU expectations and requirements are met, we believe that it is essential to the future success of Irish enterprise that the governance body of IAASA includes the appropriate experience and expertise in financial reporting, corporate governance and auditing matters.

In addition, while recognising that the ultimate cost of regulation of PIE auditors will fall directly on the profession, it is extremely important that IAASA is sufficiently resourced and adequately funded to be able to deliver audit inspections and reporting a level of quality comparable to other international regulators.