Audit Regulation (EU) No 537/2014

Collated Responses

Article 2	Scope
MS Option - Article 2.3	**CB** Yes to the option. The Central Bank of Ireland ("Central Bank") is of the view that the option should be retained for completeness and future proofing however, it is likely to have limited / no application in Ireland given the absence of co-operatives and savings banks. In relation to the reference to an entity being "required or permitted under national provisions to be a member of a non-profit-making auditing entity" our understanding is that this would also have limited / no application in Ireland however the Central Bank would welcome clarification as to whether this would be the case. **CAI** We agree with the analysis of this MS Option by DJEI. This issue does not appear to be relevant in an Irish context. **ACCA** ACCA agrees that this option does not appear to be applicable to Ireland. **PwC**

	We agree that the MSO does not appear to have application in Ireland. **KPMG** We agree that this Member State option does not appear to be relevant to Ireland. **EY** No comments sought as not relevant to Ireland. **Deloitte** We do not believe this member state option is applicable to Ireland. **Mazars** This MS option does not appear to be applicable in Ireland. Should it prove to be applicable, we consider that the derogation should not be sought for entities which would otherwise be considered to be PIEs**.** **IFIA** We agree that this MS option does not appear to be applicable to the Irish market **BlackRock** We agree, this Member State option does not appear to be applicable in Ireland.
Article 4	**Audit Fees**
MS Option - Article 4.2	**CB** No to both options. A) The Central Bank considers 70% to be an appropriate level of cap on as it enhances auditor independence from the entity by limiting the extent to which this type of fee income is available to audit firms. Reducing the cap could potentially restrict the availability of audit firms to provide non-audit services to firms in a smaller economy (for example Ireland) and potentially increase the cost to firms. B) The Central Bank does not support including an option to allow the statutory auditor to be exempt from the 70% cap on non-audit services for a period of 2 years on an exceptional basis as it could set a precedent for avoiding the 70% cap by both entities and audit firms.

	CAI SI 220 has already established a framework for adherence by auditors to standards and requirements addressing auditor independence. Regulation 537/2014 constitutes a comprehensive package of measures aimed at underpinning auditor independence, providing greater transparency on the role of audit, and strengthening the regulations of auditors of PIEs through State delivery of regulation and supervision. Taken as whole, we believe the measures in the Regulation of themselves (caps on fees for non-audit services ('NAS'), restrictions on the nature of NAS that may be provided by auditors, mandatory audit firm rotation) provide a sufficient and appropriate framework to achieve the above objectives without the need to for additional 'gold plating' by Member States. Those most impacted by these measures, PIEs themselves, will look to implementation of these measures in a manner which keep associated costs to a minimum and provide the necessary competitive environment to conduct business efficiently. Fees payable to auditors and the potential impact of non-audit fees on auditor independence is a particular issue addressed in Ethical Standards for Auditors issued by the Financial Reporting Council ('FRC') and which are applicable to statutory auditors/firms in Ireland & the UK. As regards the level of the cap (70% or less – averaged over a 3 year period) that Member States may apply to fees for non-audit services, it is our understanding that the FRC will be considering further and will be consulting separately. However, it is our position that the cap of 70% should not be reduced further. The combination of the cap, new restrictions on non-audit services, and the strengthened role of audit committees will provide sufficient safeguards in respect of auditor independence. We also believe it makes sense to permit exemptions from this requirement subject to the agreement of the competent authority. It is not unusual for the auditor to be required to carry out additional work of a non-audit and non-routine nature – which may result in fees exceeding the cap – eg unanticipated due diligence, special investigations, responding to requests from regulators, mergers, and IPOs. The fact that this temporary exemption

	is subject to competent authority approval provides the appropriate the safeguard. Measures elsewhere in these proposals provide the necessary transparency. **CPA Ireland** It is not considered necessary to allow for the dilution of such a cap for specific situations. This would create future uncertainties around the matter for stakeholders. **ACCA** A cap of 70% on non-audit services is appropriate with no special exemptions allowed. **PwC** a) We do not believe that the 70% cap as set out in the Regulation should be lowered in Ireland. An entity's need for permissible non-audit services will vary as a result of its lifecycle, with additional work required from its auditor as it grows and raises capital, often imposed via regulatory reporting requirements (e.g. Stock Exchange rules). Audit Committees need to have appropriate scope within which to engage audit firms for such services and have demonstrated an ability to ensure that the needs of auditor independence, both actual and perceived, are taken into account in using the auditor to provide these services, including those services where there is an expectation or even requirement that they will be provided by the auditor. b) We believe that the two year exceptional derogation, which will be subject to approval of and monitoring by IAASA as the competent authority, is necessary to take account of the potential need to engage audit firms to meet independent reporting obligations on major transactions and capital raising. It is not practicable or in some cases permissible that such work be undertaken by another firm, and in some cases the level of work and fees will be similar to that of the audit of a company's financial statements, hence the need for appropriate arrangements to facilitate the proper completion of such work. As a result, we believe that the two year derogation is, at a minimum, required. **KPMG** The Department will be aware from previous submissions from this firm that we believe the most effective safeguard to ensure the independence of the auditor is through the development of an appropriate list of permitted/prohibited non-audit services, monitoring and approval of non-audit services by the Audit Committee and the transparency associated with the disclosure of all fees paid to the audit firm in the financial statements. Accordingly, we do not believe that the application of a cap will play any meaningful role in the enhancement of

	auditor independence. We acknowledge that the EU have settled on a non-audit fee cap of 70% of the average of fees paid in the last three consecutive financial years for the statutory audit of the audited entity (including its parent, controlled entities and audit of the consolidated financial statements) for certain permitted non-audit services . However, we do not believe that it is appropriate that this cap of 70% should be reduced. The Department will be aware of the significantly reduced list of permitted services which a Public Interest Entity (PIE) may purchase from its auditor as a result of the restrictions in the Regulation. We believe this is a much more effective way to restrict the provision of services which the auditor can provide. In particular, a number of the services covered by the narrow definition of permitted non-audit services are those that are customarily performed by the statutory auditor as an integral part of the audit. The provision of such services does not generally constitute a threat to independence because such services are directly related to the audit. There is no reason why permissible non-audit services that do not impair auditor independence should be further limited beyond the existing 70% cap. Audit Committees will continue to carefully monitor and review the services provided by the statutory auditor. The fees from such services will continue to be fully disclosed in Annual Reports, which should significantly address any perceived independence concerns that stakeholders may have. We also believe that it is essential to minimise divergence across the EU. Practical concerns have been identified as to how the 70% cap will be both applied and monitored by both the statutory auditor and the Audit Committee. To introduce a different percentage would add to the complexity. Consistent with our overall response to many of the Member State options, we believe that the Department should adopt maximum flexibility in its application of the Member State options. Accordingly, it is not inconceivable that a situation could arise where an auditor, fulfilling a role of Reporting Accountant in conjunction with a significant capital markets transaction, such as an acquisition, merger or IPO, could encourage a situation where fees from audit related services may for absolutely appropriate reasons, exceed the cap of 70% in a particular year. Accordingly, it is in everyone's interest, including the Audit Committee, Regulators and stakeholders that this work, which is viewed by capital markets as an extension of the role of the auditor, should continue to be permitted. We would therefore encourage the Department to retain the flexibility

intended in this MS option and avail of the MS option to allow the exemption in respect of the 70% cap on non-audit fees for a maximum two year period on an exceptional basis.

EY
We would not support a lowering of the 70% cap. There is no reason why permissible non-audit services that do not impair audit independence should be further limited beyond the existing 70% cap. There are effective checks to safeguard independence such as audit committee approval, public disclosure and independent oversight.

It is also essential to minimise divergence across the EU and there are already practical concerns being raised as to how the cap will be applied and monitored by both the statutory auditor and the audit committee. To introduce a different percentage than the 70% will add to this complexity.

We would recommend that the member state option to allow, on an exceptional basis, an exemption for a maximum of two years be taken as this provides flexibility. This would allow the provision of permissible services which may be key to the company and most optimally provided by the auditor.

Approval by the competent authority will provide an appropriate check over the exemption being granted.

Deloitte
We believe that a cap below 70% is not necessary in Ireland. Audit committees should, within the restrictions in the regulation, make decisions on the appropriate services to be provided by the statutory auditor. To reduce the cap further would limit audit committees choices to the extent that they may be limited from obtaining certain services from the auditor which are best provided by the auditor given the knowledge and experience of the auditors. We therefore believe this member state option should not be availed of in Ireland.

Mazars
(a) We consider the non-audit services threshold of 70% should be lower for PIEs. We would suggest a limit in the range of 30% to 40% of audit fee to be more appropriate to ensure that independence is maintained, both in terms of actual independence and perceived independence. We also consider that the higher threshold would impact pricing of audit services. We also consider a non-audit services threshold of 30% to 40% to be more appropriate given that a survey, based on the accounts of the top 6 PLCs (including a financial institution) in Ireland, showed that the non-audit services threshold (including parent and

subsidiaries in RoI and Overseas) appears to be no more than an average of **46%** (over last 3 years). The levels vary between 12% to 74%, which reinforces the argument that companies can opt for other providers for their services if they so wish.

(b) We do not consider there to be any apparent or convincing rationale that would require such non-audit work only to be done by the auditor and thus do not see any requirement for such an exemption.

IFIA

The cap of 70% of three year average for non-audit services is appropriate and we do not believe that Ireland should impose a cap of a lower order.

Ireland should avail of the MS option to allow the exemption in respect of the 70% limit on non-audit fees for a maximum two year period on an exceptional basis.

Scenarios can occur where timing problems can arise such that a statutory auditor may be required to carry out a particular non-audit service late in the year (e.g. mandated exercise required by the Central Bank of Ireland) and the fees for this unforeseen service when added to those services provided earlier in the year would breach the 70% cap. The MS option in relation to Article 4.2 is a pragmatic measure that addresses this scenario.

We believe that not taking this option runs the risk of putting Ireland at a competitive disadvantage to other significant fund jurisdictions who provide for this limited exemption. If the exemption is not taken by Ireland, there is a risk that Irish firms will lose out on competitiveness against firms in other countries who are in a position to provide such services. Given the international nature of the funds sector overseas firms may be a position to take work from Irish audit firms and complete projects outside Ireland that could/should be completed locally were the MS option available here. The loss of this work could negatively impact local employment in the audit sector.

Limiting the exemption to a two year period allows an appropriate amount of time for a company to determine a suitable plan of action to bring the ratio of non-audit to audit fees back into line with the 70% limit of the Regulations, without jeopardising the completion of strategic projects by audit firms who have the best knowledge of the PIE's operations.

Extenuating circumstances can arise whereby local audit fees for Irish Investment Management vehicles remain stable over a number of years but given the international nature of their investor and asset base exercises in the areas of investor reporting to meet international tax regulators requirements or IT system developments to meet

new Regulatory requirements (e.g. AIFMD) can result in significant once-off non-audit service requirements. Provision of such services by audit firms may be the most cost effective and appropriate solution for Audit Committees and the option to take an exemption from the 70% rule for a period of two years allows Audit Committees apply corporate governance in the best interests of the PIE while ensuring that non-audit services with fees in excess of 70% of audit fees cannot be a maintained position for a prolonged period of time, which is in line with the intentions of the EU Directive.

BPFI

The Regulation imposes a cap of 70% on non-audit services income based on the average of the total audit fees for the previous three consecutive years. An option exists which allows Member States (“MS”) to impose a cap of a lesser order of magnitude than 70%.

The area of non-audit services is already an area of significant focus and public disclosure. BPFI members have clear policies on non-audit services and this matter receives on-going oversight through relevant Audit Committees and disclosure in Financial Statements.

While agreeing with the principle of a restriction on the provision of certain non-audit services by the auditor, certain non-audit service are required and our members do not believe that adoption of a more stringent limitation on non-audit services by reference to percentage of audit fee would be an appropriate measure:

- As organisations that are active in the Capital Markets, BPFI members have an on-going need for interim and working capital reviews which need to be undertaken by external auditors.

In a highly regulated sector such as banking, regulators frequently request independent reviews and reports by external auditors which the proposed cap might adversely impact.

- A more stringent cap on non-audit services could require our members to engage other Accounting or Professional services firms for specific non-audit work which could lead to longer and more costly assignments.

- Adopting a more stringent limit on non-audit services than that specified in the Regulation may result in different rules across the EU and may result in Irish PIEs being required to follow different rules from those in other parts of the EU.

BlackRock
(a) We believe that the cap of 70% on non-audit services should not be reduced. Audit firms are currently subject to performance and ethical standards to ensure permissible non-audit services do not introduce independence conflicts. Additionally, a reduced cap could support the creation of pure audit firms' which we do not support on the grounds that we have concerns that such firms may not be able to attract staff of a suitable quality because of the lack of opportunity offered by audit only firms compared to multidisciplinary firms, with a consequent adverse impact on audit quality.

(b) We would be supportive of Ireland availing of the exemption from the stipulated threshold on an exceptional basis for a maximum period of 2 years, which we do not believe should be reduced. The exemption provides Public Interest Entities ("PIEs") the flexibility to engage permissible non-audit services to maximise the efficiency of using the knowledge of statutory auditor without compromising independence and to accommodate unusual events and transactions that prompt the unavoidable use of the auditor.

SmurfitKappa

a) We do not believe that the 70% cap should be reduced in Ireland. An entity's need for allowable non-audit services is influenced by its growth pattern (e.g. transaction requirements as a company grows may mean that auditors are required to undertake certain work to comply with Stock Exchange rules). Audit Committees must have the ability to engage audit firms for such services and are able to manage auditor independence in doing so. In most cases it is either impossible or impractical to employ another firm.

b) The two year derogation (from the 70% cap) is needed to take account of exceptional situations where regulatory or other requirements require that auditors undertake other work, for example on prospectuses and the fees for such work is in excess of the 70% arbitrary threshold. Without this derogation companies may not be able to raise capital efficiently.

Aer Lingus

a) The 70% cap should not be reduced. Existing rules prohibit services that are deemed to impair an auditor's independence. In some instances it is more efficient to use a company's auditor to provide certain services: in other instances it is required. The nature of the services may vary and the fee levels accordingly. Arbitrary caps take no account of these factors and a reduction in the cap will make matters more difficult, for example when acquisitions or other market transactions impose reporting requirements on auditors of

	PIEs. Audit Committees must have the ability to appropriately engage audit firms for such services and manage auditor independence. b) The two year derogation (from the 70% cap) is needed to take account of exceptional situations where regulatory or other requirements require that auditors undertake other work, for example on prospectuses. Without this derogation companies may not be able to raise capital efficiently or deal with situations where an auditor is required to undertake additional reporting.
MS Option - Article 4.4	**CB** No to option. The requirements contained in Article 4.2 and 4.3 are sufficient in our opinion. The Central Bank does not agree that more stringent powers should be imposed nor does it consider that a two year exemption should be provided for (or a period less than that, for example for one year) on the basis that this could set a precedent for avoiding the 70% cap by both entities and audit firms. **CAI** This is a further example of an issue already being addressed by the Ireland/UK framework. Fee levels are currently addressed in Ethical Standard for Auditors 4 'Fees, remuneration and evaluation policies…' ('ES 4'). ES 4 restricts fees that can be earned from listed entities to 10% of the annual fee income of an audit firm and so Ireland has already a more restrictive regime than permitted by the Regulation. It is unnecessary, therefore, for specific legislation in this regard. **CPA Ireland** Not considered necessary to provide for a two year exemption or a period less than that. **ACCA** Please refer to the point made in the covering letter to this submission on aligning this equipment with the UK FRC. It is the view of ACCA that where a fee regularly exceeds 10% of the practice income from any one client or connected clients that this would impinge on the practice's independence and objectivity or be seen to impinge on the practice's independence and objectivity and should not be allowed, irrespective of the views of the audit committee. When the total fees received from an entity in each of the last three consecutive financial years are

more than 10 % of the total fees received by the statutory auditor or the audit firm or, where applicable, by the group auditor carrying out the statutory audit, such a statutory auditor or audit firm or, as the case may be, group auditor should not seek reappointments as auditor for a fourth year. In the case of non-Public Interest Entity audits, the 10% threshold referred to above should be increased to 15%.

PwC
We do not consider that Ireland should impose more stringent requirements than the 70% threshold specified in Article 4. Departing from the 70% threshold of Article 4.2 would adversely impact on regulatory convergence throughout the EU without having any appreciable impact on audit independence. In our view Audit Committees are best placed to assess the type, scope and extent of non-audit services that may impact on independence.

KPMG
We note that the questions posed in the Consultation appear to relate to Article 4.2 rather than Article 4.4.

Responding to the Member State option in Article 4.4, we do not believe that it is necessary to set out a more stringent requirement within the 15% limit set out in the Regulation. The Department will be aware that Ethical Standard 4 (ES4), issued by the Auditing Practices Board (APB), which applies to all PIE auditors in Ireland, effectively limits the amount of fees that may be received by an auditor from a PIE client at between 5 and 10% of total fees received by the statutory auditor.

Paragraph 35 of ES4 sets out the following:
Where it is expected that the total fees of both audit and non-audit services receivable from a listed audited entity and its subsidiaries audited by the audit firm will regularly exceed 5% of the annual fee income of the audit firm or part of the firm by reference to which the audit engagement partner's profit share is calculated but will not regularly exceed 10%, the audit engagement partner shall disclose that expectation to the Ethics Partner and to those charged with the governance of the audited entity and consider whether appropriate safeguards need to be applied to eliminate or reduce to an acceptable level the threat to the auditor's objectivity and independence.

The operation of this and subsequent paragraphs of ES4 mean that effectively a much lower limit than the fee % envisaged by the Regulation already applies. Nevertheless, we do not think it appropriate to legislate to reduce this level permitted in law below the 15% that is permitted in the Directive.

	Consistent with our response above, we do not believe that it is necessary or appropriate to limit the exemption period referred to in the Article to less than the two-year period set out therein. **EY** We would not support this option providing for more stringent requirements being applied and recommend that this option be avoided in order to keep a level playing field and to ensure no loss of competitiveness for Ireland. The APB Ethical Standards for auditors applied both in Ireland and the UK currently prescribes a threshold of 10% for fees earned from listed clients. If this option is taken, it risks reducing flexibility and could create a costly patchwork of rules across member states. **Deloitte** We believe that the 15% limit provided in the regulation is sufficient to protect the independence and objectivity of statutory audit firms. Therefore we believe this member state option should not be availed of in Ireland. **Mazars** We consider that there is no reason why this exemption period should be any longer than 1 year as this should be sufficient time to resolve the issue of receiving PIE audit fees in excess of 15% of total audit fee income. **IFIA** The various accounting bodies have their own Ethical Guidance on fee limits e.g. Chartered Accountants Ireland imposes a more stringent limit of 10% on total fees received from a PIE as a percentage of a statutory audit firm's fees. We do not see any basis for applying more stringent requirements than those set out in the Article. We would note that the lower the limits placed on total fees earned by firms from individual PIEs, the more this will limit the ability of smaller audit firms to service PIEs with the knock on implications for the choices available to PIE Audit Committees. For the same reasons set out above we do not believe that the MS option to limit the exemption period in question for less than two years should be taken.

	BlackRock We believe the rules surrounding audit fees in Article 4 are sufficiently stringent, and therefore would not propose any further strengthening of these requirements, for the reasons detailed in respect of Article 4.2 above. **SmurfitKappa** Audit Committees are best placed to assess the type, scope and extent of non-audit services that may impact on independence and decide what to use the auditor for in terms of other services. **Aer Lingus** Audit committees are best placed to assess the type, scope and extent of non-audit services that may impact on independence.
Article 5	**Prohibition of the provision of non-audit services**
MS Option - Article 5.2	**CB** Yes to option. The Central Bank agrees that the availability of this option would "future proof" the existing provisions by providing that non-audit services not currently on offer, which might be developed at a time in the future and which had the potential to inhibit auditor independence, could be covered by this provision. **CAI** As with our responses above, Ireland's existing Ethical Standards framework already addresses the provision of non-audit services. This framework is sufficiently flexible to permit the FRC to reconsider and revaluate when necessary existing prohibitions. To the extent that Ireland continues with the current standard setting framework in place for Ireland and the UK, then this issue will be considered further by the FRC. However, we believe that the approach to restrictions on the provision of NAS as set out in the Regulation essentially amounts to a ban on the provision of most NAS with the exception of those that are audit related. When it comes to practical implementation of this Article Member States, there exists already considerable scope of different interpretations and therefore inconsistent application across the EU, causing difficulties for Audit Committees of PIEs As discussed earlier in our response, we believe the Regulation contains a comprehensive set of measures aimed at achieving the EU's stated objectives for audits of PIEs. For individual Member States to add additional

prohibitions to an already comprehensive and restrictive list will cause further regulatory divergence and fragmentation, resulting in more regulatory complexity across the Single Market. The burden of such divergence will be most Keavy on those PIEs operating in various Member States with different restrictions on provision of NAS.

The most efficient way of achieving consistency and a level playing field is to respect the comprehensiveness of the list of prohibited NAS as established by the Regulation. We are not supportive, therefore, of this list being added to.

CPA Ireland
Any consideration of an option to prohibit services other than those listed in paragraph 1 (of Article 5) should be taken carefully. There is a fear that such a take up of the option would result in further divergence and fragmentation resulting in more regulatory complexity across Europe. However it may be prudent to take such an option to provide for circumstances in the future for services not yet envisaged.

ACCA
Please refer to the point made in the covering letter to this submission on aligning this requirement with the UK FRC.

A PIE should be entitled to source their consultancy services wherever they want; but choosing to obtain these services from their auditors either reduces, or could be seen to reduce, the perceived independence of the audit services provided to the shareholders. However, an auditor may be able to provide some of these non audit services cheaper or to a higher standard than a wholly independent person. ACCA believes that the PIE should be free to choose to obtain the services from their auditor, but that they be required to obtain formal approval from their audit committee and that the audit committee report to shareholders on why the auditors were chosen and what safeguards were put in place to protect the auditors independence and objectivity.

PwC
In our opinion, there is no basis for Ireland to invoke this option. International consistency in the regulatory area is important so as to avoid a costly patchwork of rules. The International Ethics Standards Board for Accountants (IESBA) is an independent standard-setting body that develops an internationally appropriate Code of Ethics for Professional Accountants (the Code). This Code includes at Section 290 both a conceptual framework for

independence – including independence of mind and independence in appearance – and detailed requirements in relation to prohibited services provided to PIEs. The services listed in the Code generally correspond to the services listed in Article 5.1 of the Regulation. If Ireland exercises its option and adds to the list of prohibited services, this will result in greater inconsistency internationally and increased burdens (and costs) on PIEs based in Ireland. Any variation in the list of prohibited services across the Member States will detract from the effectiveness of the Single Market. The Department's Consultation document seems to envisage a generic prohibition based on the wording of the Regulation to exclude services that, although not listed in the Regulation, may be considered to represent a threat to independence. We do not favour such a generic provision, not least because of the existence of the independence framework in the Code. The independence considerations in provision of non-audit services not currently on offer which might be developed in the future are comprehensively dealt with in paragraph 290.100 of the Code, which provides as follows: "Paragraphs 290.102 to 290.228 describe specific circumstances and relationships that create or may create threats to independence. The paragraphs describe the potential threats and the types of safeguards that may be appropriate to eliminate the threats or reduce them to an acceptable level and identify certain situations where no safeguards could reduce the threats to an acceptable level. The paragraphs do not describe all of the circumstances and relationships that create or may create a threat to independence. The firm and the members of the audit team shall evaluate the implications of similar, but different, circumstances and relationships and determine whether safeguards, including the safeguards in paragraphs 200.12 to 200.15, can be applied when necessary to eliminate the threats to independence or reduce them to an acceptable level."

We are not, therefore, aware of the need, at this stage, to explicitly affirm a Member State's intention to consider in the future any new services that evolve in the context of their impact on auditor independence and caution against any actions that may create the impression that the regulatory environment is subject to change.

KPMG
The list of prohibited services set out in Article 5.2 of the Regulation can be broadly interpreted to imply an almost complete restriction on any services provided by the auditor that are not directly linked to the audit. The list is very comprehensive and will result in significantly more restrictions placed on EU PIE auditors than currently exist under International Standards on Auditing, is significantly more restrictive than those imposed by the SEC in the US and than those of our major trading partners outside of the EU. Accordingly, we do not believe that it is necessary or appropriate to further extend this list of prohibited services. Indeed, the list of prohibited services could be interpreted to include certain activities which are expected by the capital markets to be provided by the

Auditor and are therefore already so restrictive that it will prove very difficult to implement in practice. The Department should also be aware of the very significant reduction in the level of non-audit services provided by auditors to PIEs over the last number of years, as Audit Committees have become more active in responding to stakeholder concerns about the perceived threats to independence by the provision of such non-audit services.

We believe that the new list of prohibited services is such that it has already significantly reduced the ability of the Audit Committee to exercise its discretion in deciding what is appropriate to purchase from the auditor and believe that a further restriction is neither warranted nor appropriate and may put Ireland at a competitive disadvantage in the market. Therefore, we are firmly of the view that this MS Option should not be taken.

To the question of "future proofing" set out in the consultation, we do not believe that this is operable. The Regulation appears to require Member States to communicate the list of specific services which they would wish to prohibit so it is not clear how such additional prohibitions could be put in place in advance of the new services being identified.

EY

We would strongly oppose further prohibitions of non-audit services. Whilst we support prohibiting auditors from providing non-audit services that compromises auditor independence, we also believe that provision of permitted serves improves audit quality.

We would recommend that this option should not be taken as the new prohibited list of non-audit services is already more strict than the equivalent requirements at international level as well as those applied by firms, including our own network partners, operating outside of the EU.

Audit committees will continue to provide independent oversight over the procurement of permissible non-audit services. The existing checks and balances in the system (pre-approval, disclosure, financial limits) provide strong ex-ante safeguards. Independent inspections of statutory audits by the competent authorities include ex-post assurance on auditor independence and the appropriateness of non-audit services supplied.

As the audit market is constantly evolving, if new service offerings are developed in the future and these create threats to independence, then the option could be considered as appropriate to for the new and specific service on offer and assuming the safeguards and oversight are insufficient to protect against those threats.

It will also be important to minimise divergence across the EU We believe that any non-audit service prohibitions that exist be consistent around the world and aligned where possible with the International Standards Board for Accountants (IESBA) Code of Ethics.

Deloitte
We believe that the list of prohibited non audit services provided in the regulation is comprehensive. We therefore we believe this member state option should not be availed of in Ireland.

Mazars
We accept the list of services currently outlined and do not consider any additional non-audit services that need to be added. We do however consider that a point to note here relates to the application of the prohibition, and supervision and ensuring compliance with the list of prohibited services.

IFIA
We do not believe that there are currently non-audit services being supplied outside those listed in Article 5.1 which should be prohibited.

We believe that following the prohibitions set out in Directive maximises consistency across the EU and we have not identified a pressing issue in the Irish funds industry with respect to the level of non-audit services being provided to funds.

PIE Audit Committees are best placed to determine the non-audit services required by the entity and the most appropriate firm to provide those services and they should have the option to appoint the statutory audit firm in these circumstances. As such the funds industry would not like to see additional services to be prohibited under the Regulation over and above those included in the Directive.

As noted previously, given the open Irish economy and the international nature of the funds sector, there is an increased ability for non-Irish professional service providers to tender for work that may relate to operations primarily run from Ireland. Taking the MS option to extend the list of prohibited services set out in Article 5 could put the Irish audit industry at a potential competitive disadvantage to other jurisdictions such as Luxembourg who we understand do not intend to extend the scope of prohibited services beyond those included in the proposals

	issued at an EU level. There is evidence in the marketplace already that there has been a significant reduction in non-audit services being provided by statutory audit firms since 2008. Changes in disclosure requirements in the financial statements of PIEs has also ensured that there is transparency with respect to the level of non-audit fees being earned by statutory audit firms. **BlackRock** We do not consider that any further non-audit services should be added to the prohibited list. We believe there are other safeguards in place to mitigate threats to independence such as all non-audit services requiring approval from the Audit Committee after having assessed the threats and safeguards to auditor independence. Further, the list of prohibited services in Article 5 is more extensive than the rules currently in place internationally. **SmurfitKappa** We need to understand the regulatory environment in which we operate and that is best achieved through consistency throughout Europe. We don't favour the addition of any other restricted services in Ireland as auditing standards and the Regulation already deal with those services that are considered to represent a threat to independence. **Aer Lingus** We do not believe that any other services should be added in Ireland as auditing standards and the Regulation already deal with those services that are considered to represent a threat and adding to the list for Irish entities creates inconsistency and confusion.
MS Option - Article 5.3	**CB** Yes to option. The Central Bank is of the view that the option to allow the specific non-audit services identified should be included subject to meeting the requirements set out in 5.3. The hurdles identified in the text are considered to be high and should prevent the auditor from taking on such engagements in most circumstances. **Irish Tax Institute** There are circa 1,000 PIEs in Ireland and fewer than 100 are traditional listed companies or domestic banks/insurance companies. The balance (900 PIEs) is made up of international entities that may well potentially

	migrate to another jurisdiction if we implement this legislation in a way that is disadvantageous to Ireland. The Member States have the option to permit tax services provided that they have no direct or have immaterial effect on the financial statements. Such services are permitted in the US and other jurisdictions. We should keep our rules closely aligned with the US, a major source of our Foreign Direct Investment. It is expected that a number of competitive jurisdictions will elect to exercise the option in Article 5.3. We should avoid the scenario where Ireland is unnecessarily disadvantaged by our failure to exercise a similar option. Moreover, the regulatory burden on business is already quite onerous particularly in the area of funds, securitisation vehicles and captive insurance, and we should not add to that unnecessarily provided safeguards are in place to ensure the independence of the audit process. We have set our views in more detail below. It is our recommendation that Ireland exercise the option in Article 5.3 which permits the provision of certain tax services. Exercising the option will ensure that the list of permitted non-audit services is more aligned with the IESBA Code of Ethics, thus facilitating a more uniform regulatory environment for international business generally. It is important that Ireland does not detract from its competitive stance by introducing a more restrictive regulatory environment for doing business as compared with international norms. Our recommendation centres on two key points; (1) the safeguards which are currently in place to assess whether non-audit services (including tax services) are permissible (2) Ireland's competitiveness. 1) Safeguards Currently in Place in Ireland and Elsewhere We believe that Audit Committees of PIEs, by assessing the type, scope and extent of non-audit services, are best positioned to safeguard independence in relation to the provision of non-audit services (including tax services). The Audit Committee is the front line of corporate governance and acts to protect the interest of shareholders and other key stakeholders. A core function of the Audit Committee is to ensure the the independence of the external audit. Many Irish PIEs are headquartered or have parent companies in the US which are listed on US stock exchanges. In such cases, companies must adhere to SEC independence rules regarding the provision of non-audit services (including tax services). Under SEC independence rules, audit firms are permitted to provide certain non-audit services (including tax services) to SEC restricted companies, subject to approval and supervision by the Audit Committee. Should Ireland exercise the option to permit tax services it will have a regulatory regime that is more closely aligned with the US which is of significant importance given that it is the source of most of Ireland's Foreign Direct Investment. If the option is not exercised it will result in US groups having to deal with a regulatory structure that differs significantly from that in their home location. This could

impact investment decisions on where to establish operations in favour of competing jurisdictions within the EU which have exercised the right to permit tax services. Exercising Article 5.3 will put Ireland in the best position to continue to attract Foreign Direct Investment to Ireland.

2) Ireland's Competitiveness
Ireland is regarded as a competitive hub for international business, particularly in the Financial Services and Multinational sectors. The appointment of a single professional firm to undertake audit and non-audit services (including tax services) facilitates improved efficiencies as one firm can leverage from information sharing, familiarity with financial systems and business background.

Maintaining competitiveness is particularly relevant for the circa 900 international PIES which are located in Ireland most of which are listed funds, listed securitisation companies or captive insurance or reinsurance companies. Fund promotors generally use the same audit firm for their international funds and it is important that Ireland allows fund promotors to select service providers on the same basis as in competing jurisdictions, particularly competing jurisdictions within the EU which are expected to exercise the option to permit tax services. In relation to listed securitisation vehicles, the promotors of these companies typically appoint a single professional services firm to perform audit and tax services. Given the large numbers of companies involved there are significant cost efficiencies that are realised from a single provider. Similarly there are over 100 captive insurance or reinsurance companies in Ireland and the performance of the audit and the provision of tax services by a single professional services firm contributes to the efficiency of this sector also.

Irish plcs compete internationally and are as likely to operate outside as inside the EU. They can operate in overseas markets outside the EU where their competitors may use a single professional services firm for audit and tax services subject to Audit Committee approval. Similarly their competitors can be in EU countries which will exercise the option to permit tax services. Unless the option to permit tax services is exercised Irish plcs could be at a competitive disadvantage from a number of perspectives.

CAI
Consistent with our responses above, we believe that it is appropriate for Irish companies to be afforded the maximum flexibilities afforded by Article 5.3 in accordance with the safeguards detailed in that Article.

While there may be some interpretational issues to be addressed in availing of this Option, the provision of such

	NAS will be subject to approval by the audit committee – an appropriate and proportionate safeguard. **CPA Ireland** It may be prudent to provide for the option as it may be advantageous to business in Ireland. ACCA ACCA believes that sufficient controls and safeguards can be put in place and therefore would support the option being allowed on the basis set out, which includes consideration by the audit committee and reporting to shareholders. **PwC** We believe that the provision of certain tax and valuation services, provided they have no direct or have immaterial effect on the audited financial statements, should be permitted. In the event that this option is taken any tax services that have a direct or material impact, such as tax structuring, would be prohibited. We believe that this member state option ensures that the EU Regulation list is brought closer to the IESBA Code of Ethics and this is important in ensuring a consistent regulatory framework for increasingly global business. The extent to which there is divergence among Member States and between Member States and third countries that are significant locations of inward/outward investment will increase complexity and costs of doing business. Our reasons for this recommendation are best discussed by reference to the five very different categories of PIEs that operate in Ireland. While there is some overlap between these categories, most PIEs can be readily assigned to a dominant category. **(1) Irish plcs –** These compete internationally (generally through subsidiary companies in each country) and are as likely to operate outside as inside the EU. Their competitors can be listed outside the EU or in EU states which could potentially avail of the Option provided at Article 5.3. Not allowing Irish plcs to access the Option provided at Article 5.3 could put Irish plcs at a disadvantage from an operational and cost perspective versus their competitors who are not subject to the non-audit service restrictions. Outside the EU, the norm for non-audit services provided by an audit firm is that they are subject to approval and monitoring by the audit committee. The audit committee is the shareholders' representative charged with governance and its role includes ensuring the effectiveness and independence of the external audit. It is not appropriate for Ireland to deviate from this international corporate governance norm, particularly as to do so would increase both complexity and costs for

business and would increase the risk of a regulatory patchwork within the EU.

(2) Listed funds (Undertakings for Collective Investment in Transferable Securities – UCITS and non-UCITS - Qualifying Investor Alternative Investment Funds) – These are PIEs to the extent that they are listed in the EU. This sector administers €2.9 trillion held in over 12,900 investment funds and employs 12,000 people in Ireland. Our firm is a specialist in this sector and employs over 400 asset management specialists performing audit and tax services for clients in this sector over all the main product types such as UCITS, Exchange Traded Funds, Alternatives and Money Market Funds. More than 850 fund promoters from over 50 countries have chosen Ireland as their international hub. Irish funds distribute to over 70 countries worldwide in all the main regions: Asia Pacific, the Americas, Middle East, Africa and Europe. Our analysis under this heading has 3 elements (a) Current practice in this sector is for the fund promoter to appoint a single professional services firm to audit and provide appropriate non-audit services to all the funds under management. This increases the cost effectiveness of the services provided. The fund promoters operate internationally and Ireland competes with other locations inside and outside the EU to be the location from which the funds operate. Within the EU, the chief competitor location is Luxembourg, which we understand is likely to exercise its option under Article 5.3. Outside the EU, Ireland competes with other international financial services centres as a location for fund administration and domicile. Fund promoters generally use the same audit firm for all their international funds and in order to preserve Ireland's competitive position in this sector, it is important for Ireland to allow fund promoters to select service providers for permitted non-audit services on the same basis as in competing jurisdictions, particularly competing jurisdictions within the EU. (b) Many fund promoters are headquartered in the US and have listings on US stock exchanges which means that they are subject to SEC independence requirements in relation to non-audit services provided by their audit firm. Broadly speaking, the SEC independence requirements allow the provision of appropriate non-audit services (including tax services) by an audit firm, subject to approval and monitoring by the audit committee. The exercise of the option to permit appropriate non-audit services will ensure that Ireland's requirements are aligned as close as possible to those applying in the US, and will provide the best chance for US fund promoters to have a consistent approach across their business internationally. The alternative is that US fund promoters will have to deal with a regulatory framework which is different from that applying in their home location (the US), which may influence the decision on where to locate new operations in favour of other competing financial centres in the EU which have exercised the option to permit non audit services. As stated above it is expected that Luxembourg will exercise the option to permit non-audit services. (c) The growth of Ireland into a major international centre for fund administration activities has provided the opportunity for Ireland to develop centres of excellence (COEs) to service the funds industry. One such COE is the provision of international tax reporting and

	compliance services encompassing advice to the fund promoter on the tax consequences of investing in a range of locations, together with the provision of advice and data to the (non-resident) fund investors to facilitate making tax returns, payments and other required disclosures in their home location. Our firm has developed an international tax reporting and compliance COE which has been influential in assisting non-Irish fund promoters understand the advantages of doing business in Ireland compared with competing locations such as Luxembourg and the UK. Typically the COEs providing these services and with which we compete are located in the leading global financial centres. In the event that non audit services are prohibited, it is very likely that this international tax reporting and compliance work currently carried out in Ireland will move to a non-Irish firm and thereby take the work entirely outside Ireland. (**3) Listed securitisation companies**, which are PIEs because of their listing. They are subject to taxation in accordance with the securitisation regime of section 110 TCA 1997. It is estimated that there are approximately 1,600 securitisation companies based in Ireland, typically managed by a third party service provider. Their position is analogous to that of the listed funds described above and the analysis set out at 2(a) above for listed funds is equally applicable. In particular the promoters of these companies typically appoint a single professional services firm to perform the audit and provide tax services. There are significant cost efficiencies realised from a single provider particularly given the large number of companies involved and this contributes to Ireland's competitive offering as a location for securitisation companies. **(4) Credit institutions and Insurance undertakings** – Where these do not fit into the Irish plc category described above, they are generally subsidiaries of credit institutions and insurance undertakings established outside Ireland, either inside or outside the EU. Given the ever-increasing complexity of the regulatory environment in which credit institutions and insurance undertakings operate, consistency of rules internationally is important. The objective for regulating non-audit services provided to Irish credit institutions and insurance undertakings with non-Irish parents should be to conform to international norms, which is regulation and monitoring by the audit committee of the parent undertaking. For non-Irish parented credit institutions and insurance undertakings, the optimal result from an EU-wide perspective would be for each Member State to exercise the derogation provided by Article 5.3. Significant numbers of non-Irish credit institutions and insurance undertakings operate here, contributing to the importance of the international financial services sector in Ireland in terms of employment and output. Taking the derogation permitted by Article 5.3 is particularly desirable in relation to credit institutions and insurance undertakings, since this would conform the regulatory position with the international norms that operate in the major capital markets locations. If Ireland does not exercise its option to permit the derogation, credit

	institutions and insurance undertakings may use their audit firm for some or all of the scheduled non-audit services in all other countries in which they operate. As set out above for listed funds, although an Irish firm other than the auditor could be appointed to perform the non-audit services for these entities, it is also entirely possible, given the international nature of these businesses, that these services could be performed by a non-Irish firm, thereby taking the work entirely outside Ireland. Credit institutions and insurance undertakings in Ireland are also subject to supervision by the Central Bank of Ireland (CBI). In this regard, assessing audit independence and the effectiveness of the audit process is a responsibility of the audit committee of the entity, required by the CBI in its Corporate Governance Code for Credit Institutions and Insurance Undertakings (2010). The Code requires an annual compliance statement by the supervised institution, which confirms compliance or reports material deviation together with background and remedial action. **(5) Captive insurance and reinsurance companies** – these are a sub-set of insurance undertakings, and therefore PIEs. Ireland is home to more than 100 captive insurance and reinsurance companies, overwhelmingly insuring and reinsuring risks of non-Irish groups (which could be financial services businesses but are more likely to be industrial or commercial groups) of which they are a member. The financial results of a captive insurance or reinsurance company are consolidated with the results of its parent and its audit is performed by the auditor of the parent group. As with the investment funds and securitisation companies discussed above, a blanket prohibition on non-audit services would impair Ireland's competitive position as a location for these companies. The performance of the audit and the provision of tax services by a single professional services firm contribute to the cost effectiveness of Ireland's offering in this sector. International groups establishing captive insurance companies will determine their policy for the provision of non-audit services internationally by reference to the rules in their country of incorporation. The international norm in this regard is for the audit committee of the parent company to regulate and monitor this matter. **KPMG** Consistent with our previous comments, we believe that the options set out in this Article should be taken by Ireland. It is important to note that the derogation that is available to permit the provision of tax and valuation services is subject to three overarching restrictions, namely that they have no direct or have immaterial effect on the audited financial statements; that the estimation of any effect on the audited financial statements is comprehensively documented and explained in the additional report to the Audit Committee referred to in Article 11; and that the provision of such services is still governed by the overarching principles of Independence laid down in Directive 2006/43/EC. We believe that the significantly restricted list of permitted services set out in the

	Regulation means that any remaining concerns or perceptions amongst stakeholders in relation to the provision of non-audit services by the Auditor have been substantially addressed and mitigated. Accordingly the minimal amount of flexibility that is provided by this option is designed to allow the Audit Committee to permit the Auditor to provide certain tax and valuation services where they believe that the independence of the Auditor is not impacted. Historically many companies have chosen their audit firms to provide certain tax services because their audit firm has a unique understanding of their business. For most companies, other than management, the audit firm has the most thorough understanding of the firm's accounting records, accounting methods and business risks and operations. This knowledge base can be very valuable to the company and its Audit Committee in the normal cycle of tax planning, compliance and tax audit assistance. Moreover this connectivity maintains the important link between business purpose and tax planning which is as important for tax Regulators as it is for other stakeholders. We believe that the most effective safeguard to independence is the principle that audit firms should not provide material tax planning to their PIE audit clients where the tax analysis is likely to be challenged by the tax authorities. A strong and effective Audit Committee is the best enforcer of this policy. This currently works very effectively in countries such as Ireland where the majority of PIEs have well-developed Audit Committees. We understand also that in most jurisdictions across Europe it is intended that this Member State option will be taken on the premise that business should not be put at a competitive disadvantage by prohibiting the provision of any tax and valuation services by the auditor, even those that are immaterial to the financial statements. This is of particular relevance in the Funds sector where there are certain tax compliance services, primarily in relation to the completion of tax withholding returns for example, which are routine in nature, and not material to the financial statements and are routinely provided by the Auditor. Generally for funds, this is almost the only non-audit service provided by the Auditor as they rarely have a need for a professional relationship with another accounting firm. Accordingly Ireland would be at a significant competitive disadvantage by restricting the Funds sector from using its auditor to provide such tax services which do not provide any threat or perceived threat to the independence of the auditor. It is important too that we consider unintended consequences that could result from the application of the prohibition on the provision of tax services in the Regulation. Many PIEs use, or have used, their audit firm for tax services. In the event that the option was not taken, and the tax authorities were to raise questions in relation to open years in respect of which tax services were provided, the audit firm could not provide any assistance to the

	PIE in responding to the tax authorities on their queries. Currently, tax authorities can query/investigate returns dating back up to ten years, therefore, we believe it very important that even if generally tax services were to be prohibited prospectively, it is essential that we take this option which would permit the audit firm to provide assistance in relation to tax advice which it has given in the past. **EY** We would support this option and recommend that this be availed of and to allow all of these non-audit services set out. Exercising this option brings the list of prohibited non-audit services closer to the IESBA Code of Ethics in the area of tax and valuations. The range of taxation and valuation services set out in points (a)(i), (a)(iv) to (vii) and (f) can be conducted without compromising auditor independence and are services of value to companies. The requirements outlined in (a), (b) and (c) are sufficient to safeguard auditor independence and provide oversight over the provision of such services. We believe it improves audit quality for auditors to be able to provide certain non-audit services to the companies we audit, and which are provided with the safeguard of being at the audit committee's discretion. **Deloitte** We believe, where the services are not material to the financial statements, the exemption to the service set out in Article 5.1of the regulation as outlined in Article 5.3 will not impair the auditors independence. The exemption set out in Article 5.3 does allow the audit committee flexibility within the context of the exemption set out in the Article. We therefore believe this member state option should be adopted by Ireland. **Mazars** We are not in favour of any derogation. In these situations there should be clarity around the enforcement of supervision and any instances that put independence at risk should be eliminated. **ISE** Yes, the ISE believes this option should be availed of to allow all of the non-audit services in question to be provided on the basis the specific requirements set out are complied with, as we are of the view that this is reasonable approach and provides some flexibility for the audited entity and is no threat to independence.

	IFIA We do believe that the option should be availed of to allow the non-audit services in question to be provided subject to meeting the specified requirements and all of the non-audit services should be permitted. The cost of engaging non-audit firms to perform the specified procedures may be higher and if Ireland does not take the MS derogation option set out in Article 5.3, it may result in an increase in the expense ratios of Irish funds compared to their EU equivalents in jurisdictions where this option is taken. Such an outcome would have a detrimental effect on the competitiveness of Irish Funds compared to their EU competitors in other countries. As noted in relation to Article 4.2 above, not taking this exemption increases the risk of audit services being lost to the Irish market and delivered by audit firms in other jurisdictions that do avail of this exemption with possible negative knock on consequences for employment. **BlackRock** We support this Member State option as it is appropriate to allow the provision of all these services where they have no direct or have an immaterial effect, separately or in aggregate on the audited financial statements. We believe that where these conditions are met the Audit Committee should be empowered to monitor and approve such services without regulatory restrictions. Also, audit firms are already subject to performance and ethical standards to ensure that non-audit services do not introduce independence conflicts. The definition could benefit from further clarification most importantly that the service relating to investor tax reporting that is required to distribute Irish domiciled investment funds in other EU countries is permitted. **SmurfitKappa** We believe that the provision of certain tax and valuation services, provided they have no direct or have only immaterial effect on the audited financial statements, should be permitted. In certain limited situations, it may be appropriate that auditors provide certain tax and valuation services and this should be permitted. Such services are permissible under many jurisdictions and regulations and additional restrictions in Europe will adversely impact on investment decisions. Audit Committees already approve and monitor the provision of such services to ensure that they do not impact on auditor independence and can continue to do so if they are permitted.

	Aer Lingus The provision of certain tax and valuation services, provided they have no direct or have only immaterial effect on the audited financial statements, should be permitted. In certain limited situations, it may be appropriate that auditors provide certain tax and valuation services and this should be permitted. Such services are permissible under many jurisdictions and regulations and additional restrictions in Europe will adversely impact on investment decisions. Audit Committees already approve and monitor the provision of such services to ensure that they do not impact on auditor independence and can continue to do so if they are permitted.
MS Option - Article 5.4	**CB** No to option. The Central Bank does not consider that stricter rules are needed with regard to the non-audit services it may provide to an audited entity. **CAI** Consistent with our responses above, we do not believe that it is appropriate for a small open economy such as Ireland's to provide for rules or requirements that potentially impact on its attractiveness to business. The package of measures contained in the Regulation as a whole are a sufficient and appropriate response to strengthening auditor independence and transparency on the awarding of NAS to the statutory audit firm. Should a compelling reason arise in the future suggesting that a more strict approach be adopted, then this option can always be adopted. **CPA Ireland** Not considered necessary to provide for such an option. **ACCA** The rules set out are adequate. **PwC** Taking this option is likely to impose stricter rules on Irish PIEs than on those in other jurisdictions who will not take this option. This will result in an operational disadvantage for Irish PIEs who would possibly incur higher costs engaging a firm other than its statutory auditor to perform services that competitor PIEs in other countries

	will be able to source from their statutory auditor. Any options that increase the cost base of PIEs and put them at a competitive disadvantage to PIEs in other EU jurisdictions should not be taken. **KPMG** Consistent with our approach to the options available under Article 5.3, we do not consider that any stricter rules setting out conditions under which the audit firm may provide non-audit services, other than those set out in paragraph 1 of this Article, are appropriate. **EY** We oppose the taking of this option. If a non-audit service is not prohibited, we see no reason why national law needs stricter rules for permissible services. These do not impair auditor independence and can provide significant value to companies. Permissible non-audit services are already subject to good corporate governance measures including audit committee oversight and approval, public disclosure and are capped at 70% of the audit fee. These safeguards are more than sufficient. Additional rules will only create cost, red tape and reduce flexibility for companies. **Deloitte** Given the view set out above we do not believe stricter rules are required. **Mazars** We do not consider there to be any situations arising that would give rise to the establishment of stricter rules. **ISE** No, the ISE believes stricter rules should not be imposed in relation to setting out these conditions as we consider entities should not be put at a disadvantage by being subject to more onerous requirements than in other jurisdictions. **IFIA** We do not consider that this option should be taken to require stricter rules setting out conditions under which the

	auditor, audit firm or a member of a network to which either of these is a member may provide non-audit services other than those set out in paragraph 1 and/or arising from invocation of the option at paragraph 2 to the audited entity, to its parent undertaking or to its controlled undertakings. As noted already in this response, taking this option is likely to impose stricter rules on Irish PIEs than on those in Luxembourg and other jurisdictions who we understand are not going to take this option. This will result in an operational disadvantage for Irish funds who would possibly incur higher costs engaging a firm other than its statutory auditor to perform services that competitor funds in other countries will be able to retain their statutory auditor for. Any options that increase the cost base of Irish funds and put them at a competitive disadvantage to PIE funds in other EU jurisdictions should not be taken. Taking this option would put the Irish audit sector at a competitive disadvantage to audit firms in other countries who do not take the MS option. **BlackRock** We consider that the current list of prohibited services to be sufficiently comprehensive and therefore do not support member states establishing stricter rules.
Article 10	**Audit Report**
MS Option - Article 10.2	**CB** 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** Detailed requirements regarding the content of audit reports are currently set out in auditing standards and

	underpinned by company law requirements (domestic and EU based). It is important that appropriate flexibility is afforded to Standard Setters which permits the content of audit reports to evolve in response to stakeholder needs - shareholders, markets, regulators. Recent enhancements to reporting by auditors in Ireland and the UK have been well received by such stakeholders. The IAASB will soon follow this lead when it issues its own similar enhancements to auditors' reports on financial statements of PIEs. So we are supportive of legislation permitting future enhancements to auditor reporting within the context of the requirements of auditing standards, solely to permit this to take place within the international standard setting process. However, we would not support unilateral action by Member States that sought to impose different or additional requirements to those required by EU and/or international standards, adding further complexity and, indeed, confusion for users of financial statements. **CPA Ireland** It is considered appropriate to take up this option to provide flexibility to the future development of the audit report. There may be future developments in company law etc that may require consideration in the audit report. **ACCA** We believe that Ireland should take up this option to allow for flexibility. The matters set out in Article 28 Of Directive 2006/43/EC are the bare minimum and less than currently required under Irish Law. The other matters in Irish law that are currently not in Article 28, such as the matters in CA 1990, S193 (4B) and CA 1983 S40 may also need to be included. However, any additional requirements should only derive from the international standard setting process. The law should also include a catch all future proofing "…and any additional requirements of auditing standards." Either defining these auditing standards as APB (FRC) International Standards on Auditing (UK & Ireland) or IAASB ISAs upon which the FRC standards are based or being silent on the definition of "auditing standards" and allowing the auditor in their standard audit report to define the auditing standards that they use; as they currently do. **PwC** The format of the auditor's report has changed significantly in the last year, with new style audit reports for Irish entities whose shares are listed on the Irish Stock Exchange's Main Securities Market. There is considerable

	overlap between the content of these new style audit reports and the additional reporting requirements set out in the Regulation, and we do not believe that there is a need at this stage to extend the content requirements of audit reports as set out in the Regulation. We are not aware of the need, at this stage, to explicitly affirm a Member State's intention to extend the content of statutory audit reports as needs evolve and we defer to DJEI to determine if it is required. We caution against any actions that may create the impression that the regulatory environment is subject to ongoing change, with the consequential potential impact on inward investment. We also believe that it is important to ensure consistency across EU capital markets, and country specific additional requirements run contrary to this aim. **KPMG** The Department will be aware that in the last year there have been significant developments in relation to the content of the audit report on the larger listed entities. These developments have been driven by the FRC Corporate Governance Code (FRC Code), and supplemented by International Standards on Auditing (ISA 700 'The independent auditor's report on financial statements') and on occasion have been adopted voluntarily by certain PIEs and their auditors. The contents of these expanded audit reports are largely consistent with the information that is required in Article 10.2 and are seen as a significant development in responding to shareholder concerns about the level of transparency of the work of the auditor. We consider that in many respects the requirements set out in Article 10.2 go even further than that required currently by ISA 700 and the FRC Code. Accordingly at this juncture we do not believe that it is appropriate to require any additional requirements in relation to the content of the audit report. It is preferable for Member States to allow the market to adapt to the new requirements of the FRC Code and ISA 700 before seeking to expand the requirements further. In addition, the IAASB continues to carry out important work in relation to transparency and we should be encouraging closer alignment between EU and International standards. This process is not facilitated by member States adding further requirements at national level above and beyond what is agreed at EU level. One cannot rule out the possibility that the market, in due course, will become familiar with the expanded reporting required by Article 10.2 and expectations may increase further in the future as a result. However, we believe at this stage it is not reasonable to speculate as to what these increased expectations might be, and, therefore, not appropriate to legislate on what further developments may warrant increased reporting in the future. Our view is that this MS Option should not be taken. **EY** We would oppose the taking of this option. EY supports efforts to reaffirm the relevance of the audit, including

	enhancing the auditor's report. We also believe that comparability is vitally important for global investors. As the content of the Audit Report is already quite detailed and has been considerably expanded following revision of the audit report requirements by the FRC, and which is broadly consistent with the IAASB proposal, it is preferable for all Member States to allow the market to adapt to this requirement before seeking to expand it further. We believe it is therefore not necessary to implement this option at this stage. As there is no specific time limit by when these options must be implemented, Ireland can always revisit this question if there is a clear need to expand the content of the Auditors Report in the future. It is also important that the EU acknowledges the important work being carried out at International level by the IAASB. We would encourage closer alignment between EU and International standards. That process is not facilitated by Member States adding further requirements at national level above and beyond what is agreed at EU level. **Deloitte** Additional requirements are already laid down in Irish law in respect to the Irish audit opinions. All the additional requirements were implemented to address specific issues at the time they were implemented. These additional requirements should be retained, unless there is good and fair reason for eliminating them. Therefore we believe that this member state option should be availed of. **Mazars** We consider that it is good to have the option to add additional content to the audit report as it is always possible that new requirements could be proposed in the future. Any additional content should be considered and introduced in appropriate consultation with the relevant Professional Bodies. **IFIA** We do not believe that this MS option should be taken. Regulations with respect to audit reports should be the same across the EU for consistency and comparability in the same way that International Financial Reporting Standards provide consistency in financial reporting practices. As the investor base of Irish funds is international in nature, they expect and value consistency of reporting, any tailoring of audit reports for Irish PIEs would be unhelpful in this regard.

	BlackRock We consider the requirements of ISA 700 (UK and Ireland) and the content of the audit report required therein to be sufficient.
Article 11	**Additional report to the audit committee**
MS Option - Article 11.1 (para 1)	**CB** No to option. The Central Bank is of the view that it should be at the discretion of the audit committee as to what information as provided by the audit firm is shared with the wider Board. As set out in the Code on Corporate Governance for Credit Institutions and Insurance Undertakings it is the Central Bank's view that the sharing of this information is vital for good corporate governance. Given that the financial statements are approved by the Board (on recommendation by the Audit Committee) it is expected that this information would be shared as a matter of course. **CAI** While we have no principled objection to this Option, it would appear that this particular Option is of more relevance to those Member States which have a two tier board structure. Ireland, like the UK, has a 'unitary board' regime. We are unclear, therefore, what additional benefits would arise by availing of this in an Irish context. **CPA Ireland** It is considered appropriate to take up this option. The Central Bank may be appropriate for consideration as a prescribed third party. **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 should be taken require such a report which could include a nil report. There is already a requirement to report certain matters to those charged with governance (the so called management letter) and for Central Bank Regulated entities these reports are shared with the Central Bank. Formalising these reports, including nil reports, would put these reports on a statutory basis and encourage more formal engagement by

	management with control weaknesses identified during the audit and formally record any unadjusted errors. A formal report would be of assistance to IAASA in the performance of their transparency directive functions. **PwC** We believe that it is for the entity's board to determine the appropriate internal governance arrangements, having regard to best practice and the particular circumstances. Where an entity has an appropriately constituted audit committee, we believe that it is a matter for the audit committee to determine whether the report of the auditor to the audit committee should be circulated to the full board. **KPMG** Our reading of Article 11.1 is that it is designed to cater for instances where there is an administrative or supervisory body of the audited entity, as opposed to the Board of Directors, as are the case in Irish Law. Our understanding is that Audit Committees are generally viewed as a sub-committee of the Board and so any reports which we issue to the Audit Committee are also made available to the Board, if they so desire. Our understanding therefore is that the Board of Directors has complete access to all of the reports presented to the Audit Committee and therefore there should be no requirement to legislate that this report be submitted to the Board, as it already has complete access to it. **EY** We would not oppose this option being taken. **Deloitte** There are cases where current Irish law requires the auditors to provide such reports to the Central Bank of Ireland. We therefore believe that Ireland must avail of this member state option, but only for those entities whom the requirement already applies and not to all PIE's – some of whom are not regulated by an administrative or supervisory body envisaged by the regulation. **Mazars** We do not consider that this option is required as Auditors already submit these reports to the relevant administrative and supervisory bodies. **IFIA**

	At present, auditors of Irish regulated funds (both public interest and non-public interest) are required to provide the relevant supervisory authority (Central Bank of Ireland) with copies of the communications to those charged with Governance in respect of the findings of the audit. As such we do not see this MS option as a change from current requirements implemented in Ireland. **BlackRock** We would support the submission of an additional audit report to the administrative or supervisory body of the audited entity, as this would support the ability of such a body to supervise. **Revenue** The submission of the additional audit report would have limited value for the Revenue Commissioners, but could be useful to other bodies. We would have concerns with regard to the additional costs being put on the entities and the additional compliance burden.
MS Option - Article 11.1 (para 2)	**CB** Yes to option. The Central Bank is of the view that this option should be taken to ensure consistency with existing national legislation in line with the requirements of Section 27C of the Central Bank Act, 1997 (Report to be provided to the Central Bank). **CAI** Likewise, we have no principled objection to availing of this Option subject to third party disclosure taking place within a legal framework which provides appropriate protection/safe harbours in respect of the statutory auditor or audit firm. However, we would point out that in Ireland, auditors of PIEs regulated by Central Bank already have extensive reporting obligations to the regulator – including reports made to audit committees. So it is not clear to us that this Option is necessary in an Irish context and might actually cause confusion rather than address a specific problem. **CPA Ireland** It is considered appropriate to take up this option. The Central Bank may be appropriate for consideration as a

	prescribed third party. **ACCA** The audit committee should be required to disclose on request, the report to the statutory authority responsible for monitoring the audits of PIEs (i.e. IAASA) and the statutory authority responsible for monitoring the transparency Directive (also IAASA) and the Central Bank where the entity is regulated by the Central Bank under any statute. **PwC** It is already practice that audit committee reports are made available to certain third parties (e.g. supervisory bodies), and this is already provided for in existing legislation (for example, under Section 27C of the Central Bank Act 1997 as amended by the Central Bank and Financial Services Authority of Ireland Act 2004 (Revised Jan 2008) post audit reports are already provided to the Central Bank). We believe that any additional reporting should be provided for in a similar manner, which takes account of the rights and responsibilities of auditors and the receiving supervisory body. As a consequence, we do not see it as a matter requiring a decision on the grounds that it already applies. **KPMG** It is not clear what this option is intended to achieve as we are not aware of any instances under Irish law where Audit Committees are required to disclose the additional report to any third parties. The Department will be aware that there are significant additional reporting responsibilities by auditors of regulated financial institutions which require that Audit Committee reports such as this are made available to the Regulator. However, the requirement to do this is already established both in International Standards on Auditing and in Central Bank Regulations, so we do not see that any additional legislation is required to achieve this objective. Therefore, we do not believe it is necessary to adopt this MS Option. **EY** We are unsure of the benefit of extending this to other third parties, and believe this creates a significant risk of undue reliance on the report by those third parties, and on this basis we would oppose the option. Existing law in Ireland provides that auditors of regulated financial service providers submit a copy of their year-end report presented to the Audit Committee to the Central Bank of Ireland ("CBI"), and to do so within one month of the audit opinion signing date. We believe that this is sufficient in terms of relevancy of recipient and timing,

	and which has all the relevant protections and limitations embedded within extant law. If this option were to be taken to expand this to other third parties, which we would discourage, similar protections and limitation which apply under existing financial services legislation would have to be provided. **Deloitte** See above. Where appropriate the law should permit the audit committee to disclose the report to third parties as required by applicable law, if any. **Mazars** We are not sure who the prescribed third parties would be and therefore the benefit of this option is unclear. **BlackRock** We are not aware of other third parties to whom this additional audit report should be disclosed. **Revenue** We consider that this option should be taken. The information might be useful in determining 'going concern' issues and may be useful in determining valuation of assets. It could also be useful in the assembly of information in relation to employee rights. We consider the additional report might be useful for the Revenue Commissioners, the Central Bank and NERA.
MS Option - Article 11.2	**CB** Yes to option. The Central Bank is of the view that this option will provide for possible future developments and the identification of additional requirements in the future. **CAI** Consistent with our responses above, the best way of ensuring a level playing field and promoting consistency is to transpose these requirements as per the Article which are comprehensive and are consistent with existing auditing standards addressing this issue. We therefore see no need to impose additional requirements.

	CPA Ireland To ensure that this section is future proofed it is considered appropriate to avail of this option. This will enable changes in company law and the Corporate Governance Code to be included. **ACCA** The content of the report to those charged with Governance is already set out in auditing standards. No further statutory requirements are required. **PwC** The Regulation sets out certain mandatory items for inclusion in the auditor's additional report to the audit committee of a PIE. We note that auditing standards impose content requirements in relation to audit committee reports, which in certain instances go beyond that now required by the Regulation. We do not favour additional prescription as it is important both to ensure consistency of regulation across the EU and also to allow audit committees and auditors certain judgement on inclusion of additional items. **KPMG** We consider that the requirements of Article 11.2 in relation to the additional report to the Audit Committee are very comprehensive and we are not aware of any additional matters which should be brought to the attention of the Audit Committee. The Department should be aware that there are already significant reporting obligations imposed by International Standards on Auditing on the content of the auditor's report to the Audit Committee, which are all-encompassing and cover most of the matters set out in Article 11.2. International Standards on Auditing therefore already impose a significant duty on auditors to report all matters of significance and it is therefore difficult to imagine that there are any other specific matters which are required to be reported in addition to those already required and the comprehensive list already set out in Article 11.2. Therefore, we do not believe it is necessary to adopt this MS Option. **EY** It is not necessary to implement this option at this stage. As the content of the ARAC is already quite detailed and as this is a new requirement across the EU, it would be preferable for all Member States to allow the market to adapt to this requirement before seeking to expand it. Consistency in reporting is preferred.

	As there is no specific time limit by when these options must be implemented, Ireland can always revisit this question if there is a clear need to expand the content of the Additional Report to the Audit Committee ("ARAC") in the future. **Deloitte** At this point of time we see no reason to extend the listing of the content for the additional report to the audit committee. All information required to be provided to the audit committee is already addressed in auditing standards and the regulation. We therefore believe this member state option should not be availed of in Ireland. **Mazars** The report given to the Audit Committee is extensive and provides a clear understanding to the Committee in terms of accountability and transparency of the statutory auditor. We do not consider any additional requirements are needed as of now. The legislation should be drafted to permit future requirements to be easily added – for example integrated reporting, sustainability reporting and so on. **IFIA** We do not believe that the MS option to prescribe further requirements in respect of the content of the additional report to the Audit Committee should be taken. Regulation across the EU should be consistent. Auditors are already required to report any material matters in respect of the Audit to those charged with governance. **BlackRock** BlackRock consider the list of matters as detailed in the Regulation that are required to be included in the additional report to be sufficient.
Article 12	**Report to supervisors of public interest entities**
MS Option - Article 12.1	**CB** No to option. The Central Bank does not support the option to require this information to be made available to the relevant competent authority also, given that it may not be in a position to act on matters relating to material

	breaches of laws, material threats or a refusal to issue an audit opinion. Yes to option. In our view the Regulation should be transposed consistently with the modification proposed to be introduced to Regulation 52 of the EU (Capital Requirements) Regulations 2014 (S.I. No. 158 of 2014). This will also enable requests for additional information depending on future developments. **CAI** The Member State Option in this Article relates solely to requiring additional information by Member States. Central Bank legislation in Ireland already imposes wide ranging reporting obligations on auditors. Again, in the interests of ensuring consistency between Member States, avoiding the imposition of additional requirements provides the optimal solution. It should be noted also that other extant legislation in Ireland already addresses wide ranging reporting obligations on statutory auditors beyond the financial sector eg the Companies Acts (to ODCE), and various Criminal Justice Acts in respect of theft and fraud and suspected money laundering. **CPA Ireland** It would appear appropriate to take up this member state option to provide for flexibility. **ACCA** No additional matters need be reported. This reporting requirement here are similar in nature to one already existing in S27B of Central Bank Act 1997 as inserted by The Central Bank and Financial Services Authority of Ireland Act 2004; the statutory duty report. **PwC** This requirement already applies in certain sectors whereby auditors have reporting obligations to supervisory body and we see no reason why this requirement should not continue, as is prescribed by national law. As a consequence, we do not see it as a matter for decision and that it should be determined on a sector by sector basis through the legislative framework for that sector. For example, Section 35 of the Insurance Act 1989 requires auditors of insurance companies to report to the financial regulator. Auditors of investment firms are obliged to report under section 33 of the Investment Intermediaries Act 1995, regulations 7, 8 and 9 of the Supervision of Credit Institutions, Stock Exchange Members Firms and Investment Business Firms Regulations 1996 and Regulation 144 of the European Communities

	(Markets in Financial Instruments) Regulations 2007. Auditors of banks are required to report under section 47 of the Central Bank Act 1989 and regulations 7, 8 and 9 of the Supervision of Credit Institutions, Stock Exchange Members Firms and Investment Business Firms Regulations 1996. Auditors of UCITS are required to report under regulation 85 of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003. Moreover, the mechanism for such reporting is catered for in professional standards that apply to auditors and audit firms in M46 issued by CCAB-I. **KPMG** The Department will be aware that there are already extensive reporting duties imposed on statutory auditors of regulated entities to report to those responsible for financial markets supervision. These requirements are set out both in International Standards on Auditing and in Central Bank of Ireland Regulations and Directives. In our view, the effective existing reporting requirements together with additional reporting requirements set out Article 12 are sufficient to ensure that any information which comes to the attention of the auditor which would be useful to such Regulators is promptly reported. Therefore, we do not consider that it is a requirement to legislate for any other additional information to be reported. We do not believe it is necessary to adopt this MS Option. **EY** We would not support this member state option being taken. Auditors of entities regulated by the CBI already adhere to extensive requirements provided for in Irish legislation and which requires that auditors report to the CBI under specified prescribed enactments and which includes at least those provisions set out in Article 12.1. We therefore oppose the current list in Article 12 being expanded to ensure consistency, and a level playing field for auditors of financial services providers throughout the EU. **Deloitte** At this point of time we see no reason to extend the listing of information to be provided. We therefore believe this member state option should not be availed of in Ireland at this point of time.

	Mazars No additional information required. **IFIA** There are already detailed Auditor Protocols in place in respect of the access the Central Bank of Ireland can have to the auditors of Irish regulated funds including PIEs. We do not believe that further measures in this regard are necessary. **BlackRock** We would support this option in order to enhance regulation and supervision. **Revenue** We did consider that this option should be taken, but it would probably be more appropriate to other bodies such as Department of Finance to reply to questions. We consider it is not a Revenue matter.
Article 15	**Record keeping**
MS Option - Article 15	**CB** Yes to option. The Central Bank recommends a period of 6 years is imposed rather than 5 years as that would align to the proposal in Section 285 of the Companies Bill, 2012. **CAI** Current CAI Audit Regulations require records to be maintained for a minimum of 6 years – in line with the statute of limitations. We see no compelling to depart from this period of time. **CPA Ireland** Not considered necessary to provide for further time period. The five year period meets with the requirements of International Standard on Quality Control 1. **ACCA** ACCA has no preference and would support the suggested DJEI choice of 5 years, although a 6 year maximum, in keeping with the statute of limitations may be more appropriate.

	PwC We believe that auditors should keep such documentation in line with the existing documentation retention requirements set out in national law. **KPMG** It is our current understanding that existing Irish law requires all statutory auditors to retain audit workpapers for 6 years from the date of signing of the audit opinion. On this basis it appears that the current Irish legislation is stricter than Article 15 and, therefore, it is presumed that this option will be taken to ensure that the longer period currently required continues under Irish law. **EY** In Ireland, the legal requirement is based on the statute of limitation which is 6 years and so there is no reason to adopt a longer period than this. We would recommend that this option be avoided on the basis that it could lead to inconsistency between different regulators and member states. **Deloitte** We have not identified any reason to extend the period audit firms should be required to keep documentation beyond the 5 year period set out in the regulation. We therefore believe this member state option should not be availed of in Ireland at this point of time. **Mazars** Auditors' current practice for retaining records is 6 years (as per the Companies Act 1990) plus 1 year to cover any overlap periods. It would appear to make sense to align the retention period for record keeping with the statutory requirement. **IFIA** The current Irish requirement in this regard is six years and therefore there is no need to take any specific MS option.

Article 16	Appointment of statutory auditors or audit firms
MS Option - Article 16.7	**CB** Yes to option. The Central Bank considers that this option should be included for "future proofing" purposes. However the Central Bank does not recommend that this option should be made mandatory, as its implementation could be very complex and costly to operate in practice. Therefore, individual PIEs should be left to decide whether to implement this on a case by case basis depending on their individual facts and circumstances consistent with past practices. **CAI** In our submission on the EU Green Paper 'Audit Policy: Lessons from the Crisis' in 2010, Chartered Accountants Ireland was not supportive of the concept of mandatory 'joint audit'. Our position has not changed in this regard. Joint audits remain possible under existing legislation and this will continue to be the case on transposition of Regulation 537/2014 and Directive 2014/56/EU. We are not aware of any compelling evidence in support of this option and believe discretion as regards joint audit should remain with the audit committees of audited entities. **CPA Ireland** Cannot see any compelling reason to take up this option. **ACCA** ACCA sees no reason to take this option. **PwC** We do not favour this provision. Joint audit is already permitted in Ireland, but not generally used. It is our view that this is due to concerns about audit quality when audit responsibility is shared between two firms. Shareholders and audit committees should be free to appoint the best audit firm (or firms) to suit their requirements, and not be subject to constraints. **KPMG** It would appear that this option gives Member States the ability to require the appointment of joint auditors (or at least more than one auditor) to public interest entities in certain circumstances. Currently auditing standards do not restrict the ability of an Audit Committee to appoint joint auditors, nor would such practice be restricted in any way

	by legislation. However, it is readily apparent from the almost complete absence of any joint audits in the UK and Irish PIE market that Audit Committees see little merit in such arrangements and indeed believe that the risks and costs inherent in appointing joint auditors significantly outweigh any perceived benefits. On the basis that there is nothing currently preventing the appointment of more than one auditor under Audit Regulation or law, and in the absence of any compelling reason to require the appointment of joint auditors, we do not believe that there is any compelling argument for taking this option. We are aware that France is the only EU country that mandates joint audits and that it is not popular with French corporates, who generally do not appoint joint auditors for their overseas affiliates. Denmark did have a similar joint audit requirement up to 2005 but repealed it under pressure from the business community. **EY** We would discourage this option being taken as there is nothing to prevent a company choosing to have a joint audit if it so decides. This does not need to be mandated by law. France is the only Member State in the EU that mandates the use of joint audit. It is not popular with the large corporate community in France. Many large French companies that are required under French law to appoint joint auditors domestically do not choose to appoint joint auditors in their foreign operations. Denmark had joint audit in their law only to repeal it in 2005. Today, only around 5 listed companies in Denmark chose to have a voluntary joint audit. Joint audits increase audit costs by, on average, 20% based on research performed by the French professional body (i.e., the CNCC). Joint audits also further reduce the available choice of statutory auditor at the upper end of the statutory audit market. The additional costs are the primary reason why Denmark removed the mandatory joint audit requirement in 2005. Academic research performed in 2010 by Claus Holm and Frank Thinggaard of Aarhus University found that the reduction in fees when a company moved from joint audit to sole audit was, on average, 25%.

	Deloitte This article appears to be designed to allow member states deciding to allow or require joint audits. Much of the literature available points to the challenge to audit quality from joint audits. As there is no persuasive material supporting joint audits as adding to quality we believe this member state option should not be availed of in Ireland at this point of time. **Mazars** We would suggest that the minimum number of auditors for a PIE should be set at two. The appointment of more than one statutory auditor or audit firm by PIEs would support the exercise of professional scepticism and will increase audit quality. It can be seen that where Joint Audits are already mandated for listed companies in European countries there is greater competition amongst a larger number of audit firms. Mazars believes that the additional benefits in terms of greater independence and greater audit quality along with greater competition far outweigh any additional costs associated with Joint Audits. We also consider that the additional assurance offered by the "four eyes principle", by reciprocal review, and greater technical expertise and debate on issues clearly outweigh any additional costs. Research undertaken by Mazars on group audit budgets of major listed companies shows that there is no meaningful difference in the audit fees of PIEs between France where Joint Audit is common and other European Union countries. Mazars found in a study of 2 large listed groups ranking in the middle of the CAC40 Index that additional costs relating to Joint Audit ranged from 2.5% to 5%. In practice most of any additional cost is borne by the audit firms involved. Mazars contends that Joint Audit will open up the market and offer credible choice for all companies. In addition there is also merit, where incoming and outgoing auditors act as Joint Auditors over a transitional period, in that the arrangement mitigates any risks to audit quality that could arise due to the incoming auditor's relative lack of knowledge of the clients business at the start of a new engagement. This view was also endorsed by EGIAN. "*The joint audit of large public interest entities, where one of the auditors is not a dominant player, will lead to a reduction in concentration and provide protection to large listed companies against the risk of a dominant player leaving the market unexpectedly. The joint auditors are jointly responsible for the opinion on the PIE's group financial statements as a whole and thus it brings the merits of the 'four eyes' principle with additional scrutiny of*

	complex issues arising on the audit." ***EGIAN (European Group of International Accounting Networks and Associations.) 2012*** **IFIA** We understand that this option is to facilitate existing joint audit requirements in other EU jurisdictions and as such does not need to be taken as a MS option by Ireland. **BlackRock** BlackRock do not support joint audits, which would duplicate efforts and result in additional costs. To the best of our knowledge, joint audits have not resulted in better audit quality and may reduce audit quality because of the inherent difficulty in coordinating complex, global engagement and the potential risks associated with overlapping responsibilities between two auditor firms. In addition, management would spend additional time communicating issues and responding to duplicative procedures. However, in order to retain flexibility going forward the option should be taken but only used in exceptional circumstances.
MS Option - Article 16.8	**CB** No to option. The Central Bank considers that the audit committee is best placed to recommend the appointment of auditors, which are in turn approved by the shareholders, as they are tasked with the oversight of the external auditors. Extending this authority to the nomination committee could cause confusion and possible differences of opinion which would not necessarily be of benefit to the firms. Additional criteria would need to be developed if this option were taken to ensure greater clarity of role. **CAI** In our experience, all PIEs are likely to have Audit Committees so we are not aware that this option is particularly relevant in an Irish context. **CPA Ireland** No view on this matter. **ACCA** It would be important to take this option. Some entities may have such committees at present and should Credit

	Unions become PIE's they have a "nomination Committee" for this purpose. **PwC** We do not see why a nomination committee that performs the functions of an audit committee in line with legal obligations and best practice should not be permitted. **KPMG** In most developed capital markets over the last twenty to twenty-five years, the role of the Audit Committee has developed very significantly and is now seen by stakeholders and Regulators as being a very critical part of the overall governance infrastructure within PIEs. All governance codes, such as that promulgated by the FRC and adopted in Ireland, have set out very clear requirements for the terms of reference of the Audit Committee and also its makeup, particularly in terms of auditing and accounting expertise. We would consider it a retrograde step if any of the tasks which are currently within the remit of an Audit Committee should be capable of being delegated to a Nominations Committee. We are not aware of any instance in Ireland where there is any rationale or preference for the Nomination Committee to take on any of the roles currently carried out by the Audit Committee and therefore would argue against taking this option. We strongly support the view that Audit Committees play an essential role in overseeing all aspects of the external audit and believe that this role should continue to be performed by the Audit Committee only. We do not believe it is necessary to adopt this MS Option. **EY** We have no particular concerns with this option being taken on the basis that there is no cross border effect however we are unsure as to applicability of this in Ireland. **Deloitte** This exemption is not applicable to Ireland as currently the board of directors will recommend to the general meeting of the company the appointment of auditors. The general meeting of the company appoints the auditors. We therefore believe that the member state option allowing a nomination committee to make recommendations in respect to auditor appointment to the general meeting is not relevant for Ireland. **Mazars** We do not see any instances where this option would be required and are thus unclear as to the benefit of such an option.

	IFIA We believe that it is appropriate to take this MS option as it provides flexibility in respect of Corporate Governance arrangements while maintaining essential governance requirements. **BlackRock** We support the adoption of this option to adapt to the governance structure of certain PIEs.
Article 17	**Duration of the audit engagement**
MS Option - Article 17.2(a)	**CB** No to option. The Central Bank does not agree with the option to require that the initial engagement period be for a period of greater than one year on the basis that it could cause potential issues should a firm decide to remove an auditor after the first year or should the auditor wish to resign. Subject to Section 383 of the Companies Bill, 2012 (and extant Companies Act legislation) the auditor holds office from Annual General Meeting ("AGM") to AGM each year. Therefore, extending the initial period beyond that time will conflict with these provisions and could be onerous to apply in practice. **CAI** In Ireland, auditor appointments are currently renewed annually at a company's agm. We are not aware of any compelling reason for this practice to change. **CPA Ireland** It may be appropriate to take this option to provide for the future proofing of the legislation. **ACCA** Please refer to the point made in the covering letter to this submission on aligning this requirement with the UK FRC. The initial engagement period should be for one year, any period in excess of this should be put to shareholder approval. However, it is conceivable that in special circumstances a longer period might be necessary and therefore the member state option should be taken but the longer period be granted after an application and the

	approval of the supervisory authority (IAASA). **PwC** We believe that the audit committee should determine the duration of the audit engagement as part of the process of appointing the auditor. Mandating minimum durations in excess of one year may provide more security of tenure for the statutory auditor and also help to create an environment that gives the auditor an opportunity to gain deeper audit knowledge and experience of the client. However, it is important that the audit committee and other governance functions of the PIE are able to determine the tenure of the audit firm, and they should have the ability to exercise choice without limitation in selecting the statutory auditor and determining the term of such appointment. **KPMG** Irish Company Law currently requires that the auditor expresses his willingness to continue in office, or is appointed annually. Therefore, as to the initial appointment of the auditor, the appointment will ordinarily continue on a year by year basis assuming that both parties are satisfied for it to do so. However in respect of PIEs, most auditor appointments have taken place after a tender process and are generally in respect of a fixed period, usually three to five years. In these instances, while the appointment will ordinarily continue for this fixed period, the contract is generally voidable by either party should a desire to change arise. The availability of the option in Article 17.2 (a) is to ensure that the auditor is appointed for a minimum number of years greater than one. Objectively the arguments in favour of such a proposal are to ensure that an auditor cannot be removed and therefore should guarantee some security of tenure. There may be a perception that such security would in some way enhance audit quality and ensure that the auditor is more likely to be more robust and challenging in the execution of their tasks. However, there is potentially equal risk to the downside, in a situation where the Audit Committee is not satisfied with the quality of the auditor or for other reasons wants to terminate their relationship early. We believe on balance that the Audit Committee's overarching responsibility for the appointment and removal of the auditor is the best guarantee of audit quality and therefore believe that it is not necessary to legislate for something that the Audit Committee is best positioned to decide on. We therefore do not consider that there is merit in guaranteeing an audit appointment for a minimum number of

	years and that it should be left to the Audit Committee to decide on all matters to do with the tenure of the auditor, in the best interests of the PIE and its shareholders. **EY** We would not support this option. Under current Irish law, companies are required at each general to appoint an auditor who acts until the conclusion of the next general meeting. There is no reason to change this and would propose that the initial engagement period continue to be one year. Very few member states currently require a statutory auditor to be appointed for a period other than one year. To our knowledge only Italy (9 years), France (6 years) and Belgium (3 years although this is now likely to change) have established a mandate greater than one year. The reasons for this are largely historical and reflect a perception that a longer mandate helped reinforce auditor independence. Today, there are other, more effective ways to preserve auditor independence. A one-year initial engagement period also provides maximum flexibility when combined with the requirement for partner rotation up to every 7 years, an initial maximum engagement period of up to 10 years and a possible extension of that period by up to a further 10 years (see below). **Deloitte** We do not believe it is necessary to avail of this member state option in Ireland. **Mazars** We do not consider any need for the initial engagement period to be any longer than the established norm of 1 year with the choice for subsequent renewal remaining with the individual parties. **IFIA** We do not see any particular advantage to availing of the option to require an initial engagement be for a period greater than one year. An audit appointment term of more than a year would give the auditor an opportunity to gain a deeper understanding and experience of the client, however, we believe that it is appropriate for the Audit Committee to retain the power to appoint, retain or change a PIE's statutory auditor on an annual basis. Requiring PIE Audit Committees to appoint auditors for more than one year would potentially limit their ability to

	act in the best interests of investors if there was an audit quality or other issue in year one. In the context of the Irish funds industry, taking this option would result in the boards of non-PIE funds having more power to change auditor after the initial year of engagement than the Audit Committee of a PIE, which does not seem a logical outcome. **SmurfitKappa** We believe that the audit committee should determine the duration of the audit engagement as part of the process of appointing the auditor. **Aer Lingus** The audit committee should determine the term of the audit engagement as part of the process of appointing the auditor, subject to overall restrictions.
MS Option - Article 17.2(b)	**CB** Yes to option. The Central Bank agrees with the option of allowing a rotation period of less than 10 years in order to ensure a high degree of independence is maintained between audit firms and their respect PIE clients. **CAI** Throughout the negotiation of the EU Regulation, mandatory audit firm rotation (‘MAFR’) was perhaps the most controversial and hotly debated proposals. A consistent theme throughout our response to this consultation has been the need for Ireland, particularly in the context of its position as a small open economy, to implement the EU Audit Reforms in a manner that provides as much flexibility for Irish corporates and contributes to the best chance of a achieving a level playing throughout EU Member States. For statutory audit firms, and companies, switching audit firms, whether voluntary or because of a legislative requirement, is an expensive process in terms of tendering costs, time costs associated with adjusting to new audit firms etc. Disruption due to different rotation timeframes could lead to additional audit procedures and inefficiencies in the coordination of audits with potential adverse effects on quality and costs of audit. In this regard, we are supportive of Ireland availing of the maximum periods provided by this option – 10 years

	maximum duration, with the option to extend by a further 10 years subject to a competitive tendering process. Such maximum flexibility on MAFR periods will allow parent companies and their subsidiaries in different EU Member States to more easily comply with one another's respective national maximum duration requirements. In any event, audit committees will always have discretion to terminate an audit contract for bona fide reasons in advance of the maximum period being reached. **CPA Ireland** We support the 10 year engagement period (with option for additional 10 years). **ACCA** ACCA supports a 10 (+10 with public tendering) year engagement period but with initial engagements done without shareholder approval to be for 1 year but extendable on application and the approval of the supervisory authority (IAASA). **PwC** We believe that it is important to avoid inconsistent application of rules across the EU, and the best way to ensure that in this regard is to align the initial period with the 10 year recommendation in the Regulation. This will also help to avoid different rotation periods for groups with multiple PIEs within the EU. We are not aware of any reason why a shorter period is required. It is important that Ireland provides a competitive business environment. It is in Ireland's best interests that our regulatory environment is consistent with that applying in competitor locations, hence it is essential that this option is not taken and that that maximum initial audit rotation period is maintained at 10 years. This option is particularly important for funds that are PIEs. It is important to highlight that fund structures are significantly different from other entities that are PIEs. Funds are organised and managed in a very different way. Funds have no direct employees (except for the board of directors), and all functions are outsourced to various service providers such as investment management, custody, administration and transfer agency. Funds are subject to the strict regulatory requirements of the Central Bank, as are its service providers. Funds are listed to enhance the marketing appeal of the funds but unlike other entities admitted to trading on regulated markets, the admission to trading of a fund is not the means by which a fund raises capital.

	Funds are set up by fund promoters or investment managers, and each investment manager will have multiple fund structures, which may include multiple PIE and multiple non-PIE fund structures, with multiple boards of directors for each structure and these structures are set up in multiple EU and non-EU countries. Fund managers may find themselves constantly dealing with mandatory firm rotation each year which would be particularly cumbersome. Each structure will be set up at different times (different years) and will therefore fall into different mandatory firm rotation periods. The investment manager can also very easily set up funds in a number of different jurisdictions, and under the UCITS regulations can easily re-domicile funds to other jurisdictions, even after they have been set up, for regulatory and other reasons. For larger more complex fund structures with multiple service providers and complex derivative investments, audit risk is at its highest in the first few years of the transition of auditor. A practical example would be that an investment manager, with multiple complex PIE and non-PIE fund structures across multiple jurisdictions and with multiple boards of directors, will be faced with mandatory firm rotation rules in multiple Member States. For fund audits (in most cases) it is generally more efficient and a better cost saving for shareholders to have one auditor for all funds, as economies of scale play a major role for fund audits, both for the preparer of the financial statements and the auditor. Giving investment managers the flexibility of a mandatory firm rotation period of 10 years means that they would be in better position to be able to plan far more effectively the mandatory firm rotation process. It would mean that they could link up the mandatory firm rotation process across multiple jurisdictions. It is extremely important that the board of directors and the investment manager have the maximum flexibility in Ireland to appoint the most qualified auditor to all their fund structures. This means giving the maximum flexibility in deciding the length of duration of the audit engagement. It is also extremely important that Ireland remains the most competitive for business by putting in place a regulatory environment that allows maximum flexibility and gives investment fund managers and board members the confidence to do business in Ireland and continue to set up new fund structures in Ireland. **KPMG** We are supportive of the provision in the Regulation which allows an initial period of appointment of ten years, with an ability to renew for a second ten year period in the event of a full public tender being carried out. We do not consider it appropriate to take the option to require this initial, or additional, period to be less than ten years. The Department will be aware of the many arguments put forward during the negotiation of the Regulation in

	relation to an appropriate term of appointment and the strong views which were put forward by the profession, primarily motivated by concerns over audit quality, which would arise in the event of short audit appointments. The primary reasons we do not think it is appropriate to take the option to have an initial or second appointment period for less than ten years are as follows: The PIEs, which are the subject of this Regulation, are the largest and most complex public companies in Ireland, many of which have significant global operations. There is significant initial investment by the Auditor in developing a complete understanding of the risks in the audited entity and to ensure that he has the appropriate skills, knowledge, understanding and global team to deliver a high quality audit to the expectations of the Audit Committee. Clearly it is appropriate to strike a balance between ongoing appointments in perpetuity on the one hand and continuous change on the other; and we believe that ten years offers an appropriate balance. An auditor who is in situ for a number of years develops a deeper understanding of the business and its risks and also a deeper relationship with the Audit Committee which allows him to deliver a better quality audit. It would appear that ten years has been chosen to also coincide with the requirement under Auditing Standards to rotate the engagement partner and EQCR partner every five years. Thus, appointing an auditor for ten years allows two five-year terms to be completed by two engagement partners before the audit is tendered or rotated. It is our experience that Audit Committees are very conscious of the requirement to minimise unnecessary disruption of engagement teams to ensure a consistent delivery of high quality audits. The completion of two five-year terms by the audit firm provides the security that Audit Committees expect and gives them the certainty to plan for rotation or tendering after ten years. The current manageable scale of audit tendering and market activity means that whilst an ability to win new clients is important, more focus is today placed on the quality of audit delivery. The first few years of a new audit relationship can present a higher level of audit risk. Audit firms are aware of this heightened risk and take steps to reduce it. Particularly in the case of large and complex audits where significant effort is required to both pitch for the audit and to mobilise global teams, shortening the initial appointment under law to less than ten years could potentially make these audits less attractive to global audit firms. Such firms may be less likely to direct key resources to the tender process to ensure there is an appropriate level of competition when tenders arise. Any decision to change auditors must balance the desire for change with the resulting loss of accumulated knowledge. Audit Committees are very conscious of the need to strike this balance, as well as factoring the right

	time to change auditor, and this can vary widely among entities. A short mandatory rotation or tender period makes it very difficult to get this balance right and will mean that accumulated knowledge, particularly on large engagements involving global teams from the audit firm, will be lost. This accumulated knowledge includes awareness of the strengths and weaknesses of members of management and historical accounting positions which can improve overall audit quality. We would also reiterate that if the maximum period in the Regulation is set at ten years, it is up to every Audit Committee to choose a shorter period if they deem fit. We strongly believe that the Audit Committee is always best positioned to determine on matters to do with the appointment, tenure and remuneration of the auditor and therefore believe that it should be the Audit Committee rather than legislation that is best positioned to decide on any shorter period if that is appropriate. It is also important to bear in mind the impact of the very significant reductions on non-audit services which the auditor can provide under the Regulation and its impact on auditor tenure. In effect, the prohibitions on non-audit services mean that is inevitable that most large public listed companies will have significant non-audit relationships with firms other than their auditor. To require an audit tender or rotation after a period shorter than ten years would potentially require other audit firms to also be in a position to be independent and therefore to restrict the non-audit services that they can provide to the audited entity. The interplay of independence requirements, coupled with more frequent audit tendering or rotation, will further restrict the choice that the entity has for the provision of such non-audit services. It is our current understanding that all EU Member States, other than those that currently have a maximum period of less than ten years, will allow for an initial period of ten years as set out in the Regulation. From a competitive standpoint and particularly having regard to the significant number of PIEs Ireland has that are investment funds, we do not consider it to be in Ireland’s best interest to have a shorter period than that taken by substantially all other EU Member States. In addition, if Member States start opting for different periods, this will present significant problems for large multi-nationals that are likely to have subsidiaries in other Member States that also qualify as PIEs and will be particularly acute in the insurance and banking sectors where every EU subsidiary will be a PIE. **EY** We would strongly oppose this option. The initial maximum engagement period should be extended to 10 years.

The vast majority of Member States are likely to opt for a 10 year maximum. If Member States start opting for different periods, this will present massive problems for large multi-nationals that are likely to have subsidiaries in other Member States that also qualify as PIEs. This will be particularly acute in the insurance and banking sectors where every EU subsidiary will be a PIE.

It also provides the greatest degree of flexibility to companies at the least cost. Based on European Commission data, the cost of tendering every PIE audit across the EU is in excess of €16 billion. That is €1.6 billion a year spread over a ten year period. If the Member States were to choose a period of, say, 8 years that would represent additional annual costs of around €400 million.

Deloitte
The regulation sets maximum periods for auditor appointment which was arrived at after significant consideration across the EU. We do not believe that it would be appropriate to reduce the period below the 10 years set out in the directive. Audit committees retain the ability to consider auditor independence and potential changes of auditor in a shorter time table if they believe it is necessary. We believe that Ireland would be best served by implementing the directive requirement in this area without amendment. We therefore believe that Ireland should not avail of this member state option.

Mazars
We would consider that a shorter period of 7 years for the initial engagement is more appropriate as it would be aligned with the current practice for partner rotations. There is a perception that 10 years with one firm plus an additional 10/14 years as provided for is too long with the same firm. The financial crisis in Ireland has led to a loss of public confidence in Irish financial institutions' corporate reporting and in the Irish audit profession. In order to restore public confidence in both financial reporting and the audit profession together with the fact that Ireland has an inordinately high number of PIEs (currently 2000) we believe that Ireland should be seen to lead in terms of strong regulations. In this regard we would see shorter engagement periods as further strengthening auditor independence and reinforcing governance.

ISE
No, the ISE does not believe this option should be availed of. It is particularly important for PIEs that are present in a number of Member States that these requirements should be aligned so that they are not subject to different rules in different jurisdictions, and do not have to make changes more frequently than is necessary. Therefore we believe

	the period should not be less than 10 years. **IFIA** We believe the ten year maximum duration of renewed engagements for PIEs is appropriate. It is important that Ireland provides a flexible business environment and this is particularly important for the funds industry. It is in Ireland's best interests and in the interests of the funds industry to allow maximum flexibility, hence it is essential that this option is not taken and that that maximum initial audit rotation period is maintained at 10 years. Firstly it is important to highlight that fund structures are significantly different from other entities that are considered PIEs. Funds are organised and managed in a very different way to other entities. Funds have no direct employees (except for the board of directors) and all functions are outsourced to various service providers such as investment management, custody, administration and transfer agency. Funds are subject to the strict regulatory requirements of the Central Bank, as are its service providers. Investment fund groups often have PIEs in multiple jurisdictions and deviation from 10 years across a range of countries would lead to inconsistent auditor tenders and rotation timings across multiple products and boards within the one group. In addition, many fund structures are constituted outside the EU and will not be subject to this Regulation. It is likely that a funds group would default its audit rotation to the earliest set limit applicable in the jurisdictions in which it has PIE vehicles. As a small open economy, highly dependent on FDI including the promotion and administration of Irish fund PIEs, it would not be appropriate or proportionate for Irish requirements to force groups with operations in multiple jurisdictions to conform to stricter Irish requirements. Imposing such requirements may influence managers and promoters decisions on where to locate funds and under the UCITS regulations can easily re-domicile funds to other jurisdictions even after they have been set up for regulatory and other reasons. For larger more complex fund structures with multiple service providers and complex derivative investments audit risk is at its highest in the first few years of the transition of auditor. A practical example would be that an investment manager with multiple complex PIE and non-PIE fund structures across multiple jurisdictions and with multiple boards of directors will be faced with mandatory firm rotation rules

in multiple Member States. For fund audits (in most cases) it is generally more efficient and a better cost saving for shareholders to have one auditor for all funds. Economies of scale play a major role for fund audits. Giving investment managers the flexibility of a mandatory firm rotation period of 10 years means that they would be in a better position to be able to plan far more effectively the mandatory firm rotation process. It would mean that they could link up the mandatory firm rotation process across multiple jurisdictions which will ultimately deliver a benefit to the shareholders in the funds.

It is extremely important that the board of directors and the investment manager have the maximum flexibility in Ireland to appoint the most qualified auditor to all their fund structures. This means giving the maximum flexibility in deciding the length of duration of the audit engagement. It is extremely important that Ireland remains the most competitive for business by putting in place a regulatory environment that allows maximum flexibility and gives investment fund managers and board members the confidence to do business in Ireland and continue to set up new fund structures in Ireland.

The maximum duration of 10 years for the engagements referred to in the second subparagraph of paragraph 1 of article 17 should be allowed.

BPFI

The Regulation requires that Public Interest Entities (“PIE”) rotate their statutory auditors after a maximum period of 10 years. The MS can choose to extend this period for another 10 years if a public tender is carried out (in the case of a joint audit, the period is extended by 14 years). Member States have the option to make these time periods shorter.

The selection and oversight of appropriate external Auditors is one of the key functions of Audit Committees and one that enables Audit Committees to discharge their duty to the Boards and Shareholders of our members. We would be in favour of Ireland adopting the option to extend the period for another 10 years if a public tender is carried out.

- We note that the UK Corporate Governance Code 2014 includes a provision that all FTSE 350 firms should put the audit engagement out to tender at least every 10 years.

- In addition, we note that the UK’s Competition and Markets Authority (“CMA”) has, in October 2013, issued an

order which requires for mandatory tendering of the audit engagement every ten years. This order applies to any company formed under the UK Companies Act 2006 and which are FTSE 350 firms.

- We believe the adoption of this option by Ireland would ensure consistency with the 10 year period recommended or required by the FRC and the CMA as set out above.

However we believe that Ireland should not avail of the option to require for mandatory Audit Firm ("Firm") rotation after a shorter period than the required ten years. We would be concerned that this option could negatively impact on audit quality and we would also question whether the perceived advantages of rotation might be outweighed by the relative disruption and cost of this approach.

- Rotating the Firm more frequently than required by the Regulations (i.e. 10 years) would increase the overall cost of audit. Firms taking on new audit assignments would require significant investment in knowledge generation and require a significant amount of senior management time to develop a baseline understanding of a company.

- In addition considering the requirements and recommendation of the CMA and FRC in the UK, as set out above, we would not be in favour of Ireland adopting the option to shorten the time period of a required tender as this will add to the complexity of requirements already in place and may result in different rules being applicable across the EU.

- A Group may include multiple subsidiary PIEs, potentially across more than one EU jurisdiction. Such a Group, or its subsidiary PIEs, may be required to change auditor on a more frequent basis than that envisaged by the Regulation. This may arise, for example, where PIEs are in existence for different periods and therefore the rules impact them at different times. A 20-year rotation period (including a mandatory tender after not more than 10 years) would give such a Group a suitable period in which to align the rotation for its entire subsidiary PIEs in the same year.

BlackRock

BlackRock supports setting the maximum duration for audit tendering at 10 years. We believe that audit risk is highest during the first few years after an auditor transition. Setting the duration to a shorter period of time would not, in our view, allow an audit firm to develop institutional knowledge or gain an in-depth understanding of areas of greater risk. In addition, a shorter duration would lead to a reduced incentive for audit firms to invest in the audit

	relationship resulting from the cost of tendering which would ultimately be passed to investors. **SmurfitKappa** We believe that it is important to avoid different application of rules across the EU which could result in different rotation periods for groups depending on jurisdiction. We are not aware of any reason why a shorter maximum initial period (from the 10 year limit set out in the Regulation) is required. **Aer Lingus** It is vital to avoid different application of rules across the EU which could result in different rotation periods for groups depending on jurisdiction. We are not aware of any reason why a shorter maximum initial period (from the 10 year limit set out in the Regulation) is required.
MS Option - Article 17.4(a) + (b)	**CB** No to option. From the perspective of a maximum duration the Central Bank favours a mandatory auditor rotation period of less than 10 years. It is our view that allowing the incumbent auditor to re-tender for the engagement after the mandatory rotation period has expired is too long a period over which to maintain a high degree of auditor independence. In addition joint audits are not common in Ireland and therefore the decision not to take the option to extend to a maximum period of 24 years should not cause an issue. **CAI** We have responded to 17.4(a) in the immediately preceding paragraph. With regard to 17.4(b), we see no reason why this option might not be availed of. Ultimately, the choice as to whether to appoint joint auditors is one for the audited entity, and specifically its audit committee. **CPA Ireland** Consider it appropriate to allow for extension of maximum durations to 20 years and 24 years as provided for. **ACCA** ACCA supports a 10 +10 year engagement period with public tendering, extended to 24 years for joint audits. **PwC** We believe that it is important to adopt the 10 year extension on tender permitted under Article 17.4(a). We believe

	that a competitive tender process after 10 years in which the incumbent auditor is permitted to participate is an appropriate measure to guard against any perception of closeness between management and the auditor, yet enables an audit committee to continue with an audit firm if that firm is clearly best placed to provide audit services. We also believe that it is important to ensure that the regulatory framework for PIE entities in Ireland is consistent with that of other EU jurisdictions. We note that many PIEs choose a home jurisdiction and that to ensure that Ireland maximises its inward investment opportunities it is important that our regulatory regime does not place the country at a disadvantage. Allowing the current auditor to participate in the first tender at the end of the initial maximum term will mean a more competitive tendering process. Firstly, it will mean that more auditors can be included in the tendering process. Secondly, it means that the audit committee can independently assess which auditor has more experience, and they can compare the incumbent auditor with other auditors in the tendering process, which will help to ensure that the most efficient, cost effective and best quality audit is being provided to the entity. A practical example of a significant issue for funds if a MS does not take the option to extend the maximum period with a competitive tender, is that the fund could be severely restricted in choice of auditor because of the international connections with the investment manager. It is common that some audit firms are already restricted from participating in audit tenders due to independence reasons (for example the audit firm's pension fund could be invested in the fund that is the PIE, or the audit firm may have been selected internationally by the investment manager to provide restricted non-audit services to the fund). It is often the case that large international fund managers have designated an audit firm to provide non-audit services only. All these factors ultimately limit the auditor choice available to the entity. There is also the significant impact of article 41.3 that needs to be considered, particularly for funds. It is vital to allow the maximum duration to be extended to the maximum of 20 years where there is a public tendering process, and to indicate early the take up of this option in order to avoid a 'cliff effect' for a significant number of funds set up in the years 2003 to 2006. To prevent audit committees from being forced into taking unnecessary costly action that may negatively impact both the business and the shareholders, it is extremely important to confirm planned implantation of this MS option as soon as possible in order. We do not favour an 14 year extension on appointment of joint auditors, which the Article as currently drafted

	suggests can be achieved without a tender process at year 10 and could result in one firm in place for 24 years without a tender. We believe that firms should be free to choose to appoint joint auditors on the same terms as they can chose a single audit firm, and that decision should be left to audit committees and shareholders, without any perceived incentive for a regime that studies suggest results in increased audit costs and reduced quality. **KPMG** We consider that this is a critically important option for Ireland to take which would allow auditor appointment for a second period of up to ten years in the event of a public tendering process taking place. All of the arguments which we have set out in our response to Article 17.2 (b) above are equally relevant in our rationale for the adoption of this option. The risks to audit quality which would arise from frequent auditor change we believe are instrumental in allowing Audit Committees to appoint, if they consider it appropriate, the incumbent auditor for a second period of ten years. In addition, in considering the appropriateness of a second period of ten years the Department should be mindful of the prospective effects of the other aspects of the Regulation, particularly on the restriction of non-audit services but also on the increased statutory responsibility on the Audit Committee for all matters to do with the appointment of the external auditor. As we have stated above, we believe that the Audit Committee is best positioned to deal with all matters pertaining to the appointment of the auditor. Permitting the Audit Committee to appoint the auditor for up to twenty years if they consider it appropriate is the best way to ensure audit quality is protected. One particular reason to permit a second 10 year period is to deal with what, on any rational analysis, would appear to be an anomaly in the wording of the Regulation. The EU Commission has stated in an Interpretation of the Regulation that there is no transitional relief available to PIEs where the auditor's tenure reaches 10 years on or after June 2016. Any PIEs in this position will therefore be required to rotate their auditor in June 2016 or at the date thereafter when their tenure hits ten years. This is entirely inconsistent with the transitional relief which is available to other PIEs where the auditor's tenure will be longer in June 2016 and who will not need to rotate until 2020 or 2023 by virtue of the transitional relief provisions. Assuming this EU interpretation is correct, it is then critically important that the MS option is available which would, subject to the necessary re-tender, permit the auditor to be reappointed for a further 10 years from June 2016. In summary, the arguments for the adoption of a second period of ten years are very similar to those set out above in support for an initial 10 year appointment**:** The PIEs, which are the subject of this Regulation, are the largest and most complex public companies in Ireland, many of which have significant global operations. There is significant initial investment by the Auditor in

	developing a complete understanding of the risks in the audited entity and to ensure that he has the appropriate skills, knowledge, understanding and global team to deliver a high quality audit to the expectations of the Audit Committee. Clearly it is appropriate to strike a balance between ongoing appointments in perpetuity on the one hand and continuous change on the other and we believe that ten years offers an appropriate balance. An auditor who is in situ for a number of years develops a deeper understanding of the business and its risks and also a deeper relationship with the Audit Committee which allows him to deliver a better quality audit. It would appear that the initial and additional ten years has been chosen to also coincide with the requirement under Auditing Standards to rotate the engagement partner and engagement quality control review partner every five years. Thus, appointing an auditor for ten years allows two five-year terms to be completed by two engagement partners before the audit is tendered or rotated. The interpersonal familiarity threat of the signing partner with the entity is addressed by this periodic change in partner at little cost while maintaining the accumulated knowledge of the entity held within the audit firm and facilitating a fresh look at the audit. It is our experience that Audit Committees are very conscious of the requirement to minimise unnecessary disruption of engagement teams to ensure a consistent delivery of high quality audits. The completion of two five-year terms by the audit firm provides the security that Audit Committee expect and gives them the certainty to plan for rotation or tendering after ten years. The current manageable scale of audit tendering and market activity means that whilst an ability to win new clients is important, more focus is today placed on the quality of audit delivery. The first few years of a new audit relationship can present a higher level of audit risk. Audit firms are aware of this heightened risk and take steps to reduce it. Particularly in the case of large and complex audits where significant effort is required to both pitch for the audit and to mobilise global teams, shortening the initial appointment under law to less than ten years could potentially make these audits less attractive to global audit firms. Such firms may be less likely to direct key resources to the tender process ensure there is an appropriate level of competition when tenders arise. Any decision to change auditors must balance the desire for change with the resulting loss of accumulated knowledge of the audited entity held by the audit firm. Audit Committees are very conscious of the need to strike the right balance. A short mandatory rotation or tender period makes it very difficult to get this balance right and will mean that accumulated knowledge, particularly on large engagements involving global teams from the audit firm, will be lost. This accumulated knowledge includes awareness of the strengths and weaknesses of members of management and historical accounting positions which can improve auditor scepticism and overall audit quality.

	We would also reiterate that if the maximum period in the Regulation is set at ten years, it is up to every Audit Committee to choose a shorter period if they deem fit. We strongly believe that the Audit Committee is always best positioned to determine on matters to do with the appointment, tenure and remuneration of the auditor and therefore believe that it should be the Audit Committee rather than legislation that is best positioned to decide on any shorter period if that is appropriate. Compulsory rotation of an audit firm is a significant incursion into the Audit Committee's and shareholders' right to appoint and retain their statutory auditor of choice. It is also important to bear in mind the impact of the very significant reductions on non-audit services which the auditor can provide under the Regulation and its impact on auditor tenure. In effect, the prohibitions on non-audit services mean that is inevitable that most large public listed companies will have significant non-audit relationships with firms other than their auditor. To require an audit tender or rotation after a period shorter than ten years would potentially require other audit firms to also be in a position to be independent and therefore to restrict the non-audit services that they can provide to the audited entity. The interplay of independence requirements, coupled with more frequent audit tendering or rotation, will further restrict the choice that the entity has for the provision of such non-audit services. It is our current understanding that all EU Member States, other than those that currently have a maximum period of less than ten years, will allow for an initial period of ten years as set out in the Regulation. From a competitive standpoint and particularly having regard to the significant number of PIEs Ireland has that are investment funds, we do not consider it to be in Ireland's best interest to have a shorter period than that taken by substantially all other EU Member States and that there is maximum convergence around a "10 plus 10" model. In addition, if Member States start opting for different periods, this will present significant problems for large multi-nationals that are likely to have subsidiaries in other Member States that also qualify as PIEs and will be particularly acute in the insurance and banking sectors where every EU subsidiary will be a PIE. Allowing the current auditor to participate in the public tender process after the end of the initial maximum term of 10 years will result in a more competitive tender process. More firms will be in a position to participate in the tender process resulting in more choice for PIEs and a better outcome in terms of quality and cost. In relation to paragraph 4 (b) of the Regulation which provides for this period to be extended for up to twenty-four years in aggregate in the event of the appointment of joint auditors, we consider there is little demand for this in the

	marketplace as joint audit is something which is still extremely rare both in Ireland and the UK. It would appear that this option only exists to respond to pressure from certain countries (in particular France) where joint audit is mandatory and therefore has little commercial appeal in Ireland. Therefore we would not see any strong support for the adoption of the option to extend to twenty-four years in the case of joint audits. **EY** We support and would strongly encourage the taking of this option. An additional extension should be permitted providing a PIE has complied with the tendering requirements of Article 17.4(a). Compulsory rotation of an audit firm is a significant incursion into the shareholders' right to appoint and retain their statutory auditor of choice. As such, a company should be allowed the maximum flexibility in this area. For this reason, the further period should be set at the maximum of 10 years. Again, a significant majority of Member States are planning to permit such an extension. It is therefore important to encourage maximum convergence around a "10 plus 10" model. Having to change a statutory auditor is a complex, costly and time-consuming exercise. There is also significant empirical evidence to show that audit quality suffers in the early years of an audit relationship. For these reasons the most flexible approach is justified. As explained in the response to Article 16.7, joint audit is a sub-optimal policy tool. As such, it does not need to be incentivised through an additional 4-year extension. **Deloitte** The audit market has already changed with PIE's tendering or planning to tender their audits often with subsequent change of auditor. We believe that audit committees should be permitted to propose reappointment of auditors for a second period of 10 years after tendering and that Ireland should avail of the member state option in Article 17.4(a) to extend audit mandates for a second 10 year period. We understand that it is likely that the majority of other member states will adopt this member state option. We believe that Ireland maintain a comparable position to other Member states if it takes this option. Joint audits, the subject of the exemption set out in 17.4(b) in our opinion and experience do not support audit quality. In our view joint audits result in increased cost and creating challenges to coordinate the work between two or more audit firms. This is supported by statements and the position of the Financial Reporting Council during the development and agreement of this regulation by the EU. We therefore do

	not believe Ireland should avail of the member state option in Article 17.4(b). **Mazars** We would consider the extension to 20/24 years as too long. Again in terms of strengthening auditor independence it would be perceived to be too long with the one firm. An additional 7 years/ 7 years plus 4 in the case of Joint Audit would appear more appropriate to align with current partner rotation periods. We agree with the suggestion of an additional 4 years in the case of Joint Audits as this recognises the benefits of Joint Audit and reinforces the argument for more Joint Audit as outlined above under Article 16.7. **ISE** Yes, the ISE believes these options should be taken up as it provides flexibility for issuers to have the choice of extending the engagement. a) In relation to the public tendering process, we are of the view that the initial 10 year period, should be extended to 20 years. b) In relation to joint audits, we agree that the initial 10 year period should be extended to 24 years. **IFIA** Ireland needs to remain attractive to international fund promoters by being open, transparent and flexible for business in all matters, including creating a regulatory environment that facilitates product developments while protecting investor interests. To help encourage a business environment like this Ireland needs to allow the maximum engagement duration to be extended to the maximum duration of 20 with a tender. As already discussed above this will give the investment manager and board of directors or audit committee maximum flexibility in selecting the most qualified auditor. Allowing the current auditor to participate in the first tender at the end of the initial maximum engagement duration would mean a more competitive tendering process. Firstly it would mean there are more auditors included in the tendering process, this would give the investment manager and board of directors or audit committee more choice. Secondly it means the investment manager and board of directors or audit committee can independently assess which auditor has more experience, they can compare the incumbent auditor with other auditors in the tendering process, this will ensure that the most efficient, cost effective and best quality audit is being provided to the fund and its shareholders.

	A practical example of a significant issue for funds is where a member state does not take the option to extend the maximum period with a competitive tender is that the fund could be severely restricted in its choice of auditor because of the international connections with the investment manager. It is common that some audit firms are already restricted from participating in audit tenders due to independence reasons (for example the audit firms pension fund could be invested in the fund that is the PIE or the audit firm has been selected internationally by the investment manager to provide restricted non-audit services to the fund). Investment managers make business decisions in other jurisdictions and these decisions can impact the independence of the audit firms on the local fund structures. It is often the case that large international fund managers have designated an audit firm to provide non-audit services only. All these factors ultimately limit the auditor choice available to the board of directors. The maximum duration referred to in the second subparagraph of paragraph 1 of article 17 should be extended to the maximum duration of 20 years where a public tendering process takes effect upon the expiry of the maximum duration referred to in the second subparagraph of paragraph 1 of article 17. There is also the significant impact of article 41.3 that needs to be considered. It is vital to allow the maximum duration to be extended to the maximum duration of 20 years where a public tendering process has taken place and to indicate early the take up of this option in order to avoid a 'cliff effect' for a lot of funds set up in the years 2003, 2004, 2005 and 2006. To prevent investment managers and boards of directors or audit committees from being forced into taking unnecessary costly action that may negatively impact their business and the shareholders in their funds it is extremely important to confirm planned implementation of this member state option as soon as possible. While joint audits are not a common occurrence in the Irish Funds sector, we do note that two of the most problematic issues with joint audits are duplication of efforts by the audit firms and the increased cost of this approach. While we do not see the incentive for joint audit, management of the PIE company (the audit committee or the board of directors) are in the best position to determine the audit firm and they should have the ability to exercise choice without limitation in selecting the statutory auditor or auditors. **BlackRock** BlackRock supports the extensions proposed when public tenders are held as we consider that risk is increased during the transition given the loss of institutional knowledge and in-depth understanding of areas of greater risk. In addition there is increased start-up time and costs for new auditors which reduces the savings and investment returns for Europe's citizens and employers.

	SmurfitKappa We believe that it is important to adopt the 10 year extension on tender permitted under Article 17.4(a). We believe that a competitive tender process after 10 years, run by the audit committee, in which the incumbent auditor is permitted to participate is an appropriate measure to guard against any perception of closeness between management and the auditor, yet enables an audit committee to continue with an audit firm if that firm is clearly best placed to provide audit services. We also believe that it is important to ensure that the regulatory framework for PIE entities in Ireland is consistent with that of other EU jurisdictions. We note that many PIEs choose a home jurisdiction and that to ensure that Ireland maximises its foreign direct investment opportunities it is important that our regulatory regime does not place the country at a disadvantage. **Aer Lingus** It is important to adopt the 10 year extension on a tender permitted under Article 17.4(a). A competitive tender process after 10 years, run by the audit committee, in which the incumbent auditor is permitted to participate, is an appropriate measure to guard against any perception of closeness between management and the auditor, yet enables an audit committee to continue with an audit firm if that firm is clearly best placed to provide audit services. We also believe that it is important to ensure that the regulatory framework for PIE entities in Ireland is consistent with that of other EU jurisdictions. We note that many PIEs choose a home jurisdiction and that to ensure that Ireland maximises its foreign direct investment opportunities it is important that our regulatory regime does not place the country at a disadvantage.
MS Option - Article 17.7	**CB** Yes to option. Consistent with the internal rotation requirements which auditors are required to apply when conducting audits for clients that are subject to the US Securities and Exchange Commission ("SEC") the Central Bank would prefer to reduce this timeframe from seven (7) to five (5) years. This would ensure that there are at least two (2) audit rotation periods within the ten (10) year maximum duration proposed under Article 17. **CAI** While SI 220 currently provides for a 7 year rotation period, in effect in Ireland and the UK more onerous

	requirements are already in place by virtue of the Ethical Standards issued by the FRC. Ethical Standard 3 requires partner rotation after 5 years. We see no reason to amend this period at this point in time. **CPA Ireland** Not considered necessary. **ACCA** This option does not need to be taken, the matter is adequately dealt with in ethical standards. **PwC** Audit partner rotation is also addressed in the IESBA code which sets a 7 year limit on tenure, consistent with the EU Regulation. We note that auditing standards in Ireland and the United Kingdom require a 5 year rotation period (which can be extended to 7 years) for listed companies. We believe that it is important that company law and auditing standards are aligned and that this is best achieved through maintaining the 7 year limit as set by the Regulation. **KPMG** The Department will be aware that under International Standards of Auditing (UK & Ireland), the maximum period that an engagement partner may serve is five years, which is less than the seven years set out in the Regulation. Therefore we believe that this Member State option should be taken to ensure that audit partners will continue to rotate every five years as is currently the case. **EY** We would not be supportive of this option. In the very largest Member States where the audit profession is equally large, a partner rotation period of less than 7 years may be considered. But in smaller Member States, partner rotation can be a significant practical challenge. This is particularly acute in some of the most complex industries (e.g., banking, insurance, energy and telecommunications) where sector-specific skills are essential to performing a quality audit. Despite the concept of the Internal Market, there are important barriers that prevent the free movement of Key Audit Partners across national borders (not least being the existence of 24 official EU languages). As such, a 7-year

	partner rotation period should be supported. This is consistent with International Standards. **Deloitte** Audit partner rotation is addressed in the IESBA code. This is an international standard linked to international auditing standards issued by IAASB. If the Commission adopt the international auditing standards issued by IAASB the IESBA code will become effective. The IESBA code is also the basis code of ethics which most accounting bodies base their code of ethics against. The IESBA code requires key audit partner rotation after 7 years. The FRC Independence Standards for Auditing require rotation after 7 years except for listed companies (only subset of PIEs) which require audit partner rotation after 5 years. We believe that the law adopted in Ireland should be consistent with the IEBSA code and require PIE rotation after 7 years and therefore Ireland should not avail of this member state option. **Mazars** We agree with the MS having this option as it would facilitate remedial action if any is required on a more-timely manner. **IFIA** This member state option should not be taken. There are already rules issued by the International Ethical Standards Board for Accountants on key audit partner rotation, taking this member state option would result in different rules applying in different countries. If the option is taken but not invoked, it creates uncertainty with respect to the position and removal of key audit partners from PIE engagements which would not exist in jurisdictions where the option was not taken. **BPFI** The Regulation requires that the Key Audit Partner responsible for the audit of a PIE ceases their participation on the audit not later than seven years from the date of their appointment. By way of derogation, the regulation gives each MS an option to require key audit partners to step down ahead of the permitted seven year period. It is not clear from the regulation whether this option, if taken, would require the key audit partner to step down before the permitted seven years or would allow the MS to invoke this option in specific cases where there was a

	reason for doing so. We believe that before a decision can be made on whether to avail of this option, some further clarity is required. While agreeing on the principal of required rotation of the Key Audit Partner we would not be in favour of requiring rotation before the end of the permitted seven years. We are concerned that, as with the mandatory rotation of the Firm, the perceived advantages might be outweighed by the relative disruption and cost. We believe that the period of seven years provides an appropriate balance between requiring the necessary fresh look and the need for continuity of key individuals.
Article 20	**Designation of competent authorities**
MS Option - Article 20.2	**CB** Yes to option. The Central Bank considers that there needs to be clarity and consistency with regard to the designated competent authority and our view is that the Irish Auditing and Accounting Supervisory Authority ("IAASA") should fulfil this role on matters relating to auditing and accounting. **CAI** It is not clear to us what, if any, issue this Option is trying to address. Given that Articles 17, 18, and 19 of the Regulation are matters of law, we agree with DJEI's analysis that the relevant competent authority for 'enforcing' compliance in Ireland is the ODCE. On the other hand, on the assumption that IAASA will remain the 'ultimate' competent authority for the supervision of the audit profession, it will want to retain appropriate oversight for the operation of these provisions. **CPA Ireland** Consider it appropriate that IAASA are the appropriate authority for these tasks. **ACCA** ACCA would support the designation of the Recognised Accountancy Bodies as competent authorities to register and supervise all statutory auditors within their membership and monitor non PIE audits of the audit firms registered with that body; and the designation of IAASA as competent authority for the monitoring of PIE audits and the registration of third country auditors. ACCA would find difficulty in supporting a situation where IAASA was the sole competent authority 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 this is a matter for the competent authority to comment on, but would expect that there are efficiencies in ensuring that, where possible, a single competent authority is responsible for the audit market place, inter alia, in the interests of cost and consistency. **KPMG** We believe that the Central Bank of Ireland and IAASA's current role as competent authorities for relevant PIEs should be retained and that these authorities should have responsibility for ensuring that all of the provisions of the Regulation are complied with. **EY** We see no reason to change the current model whereby IAASA oversee these provisions relating to appointment of statutory auditors or audit firms by PIEs. On that basis we would suggest that this option not be taken. **Deloitte** We believe that the provisions of Title III should be applied by a single Competent Authority rather than a multiplicity of different competent authorities. To split this across multiple competent authorities is likely to result in inconsistent application and result in inadvertent non-compliance. We therefore recommend that Ireland does not avail of this member state option. **Mazars** We consider that the Financial Regulator and IAASA as designated are the most appropriate competent authorities. **IFIA** We believe that the Central Bank of Ireland and IAASA's current role and scope as competent authorities for relevant PIEs should be retained.

Article 24	Delegation of tasks
MS Option - Article 24.4	**CB** Yes to option. The Central Bank considers that it may be useful to include this option to future proof the legislation. It can be useful for the designated competent authority to have the ability to delegate certain limited tasks to ensure that they are able to fulfil their mandate on a timely basis. **CAI** Under this Regulation, responsibility for quality assurance reviews of statutory auditors and audit firms who carry out audits of PIEs will transfer to IAASA. At present, this function is carried out by the appropriate Recognised Accountancy Bodies in Ireland. The delegation of those tasks relating to 'sanctions and measures' relating to quality assurance reviews or investigations of statutory audits of PIEs is only permissible to another authority or body where the majority of persons involved in the governance of the authority or body concerned is independent from the audit profession. The nature of the Recognised Accountancy Bodies is somewhat complex. While separate functions do exist within the RABs to facilitate the required independent delivery of regulatory functions in a manner that complies with existing legislation and which meets the current requirements of State regulatory bodies, the governance of the bodies is such that this is unlikely to meet the criteria (requiring complete independence) set out in this Article for such delegation to take place. Therefore we do not believe this is a realistic option available to Ireland. **CPA Ireland** No view expressed on this matter. **ACCA** We would support the delegation as set out in the answer at 20.2 above. **PwC** We believe that it is a matter for the competent authority and the professional bodies that between them authorise and regulate auditors, to determine which functions should be performed by either party and which tasks should therefore be delegated by the competent authority to the professional body.

	KPMG We believe that the existing competent authorities i.e. Central Bank of Ireland and IAASA fulfil this role and we do not see this as a realistic option. However, depending on the interpretation of PIE auditors, we believe that further discussions will be required to establish whether CARB/CAI will be permitted to have an ongoing role in the oversight of PIE auditors in respect of their non-PIE audits. **EY** We are indifferent as to whether this option be taken however believe it has more relevance and practical operability in other member states where such delegation of functions would be feasible and enabling compliance with the requirements of para 4 relating to the authority or body being independent of the audit profession. **Deloitte** We do not support the delegation of authority from the competent authority to other bodies. We therefore recommend that Ireland does not avail of this member state option. **Mazars** We understand that this option is already in operation in Ireland in that IAASA is already designated as the most appropriate competent authority to support and enhance public confidence in the accountancy profession through effective, independent supervision and where appropriate statutory enquiry and investigation. **IFIA** We believe that the existing supervisory authorities i.e. IAASA /Central Bank of Ireland fulfil.
Article 28	**Transparency of competent authorities**
MS Option - Article 28	**CB** Yes to option. The Central Bank considers that it is important for competent authorities to be transparent in relation to the work they undertake and particularly in relation to the findings associated work on quality assurance systems. Such transparency has the effect of enhancing confidence in the overall robustness of the regulatory system. **CAI**

We have found it difficult to identify further information which we believe IAASA should publish. However, in the interests of flexibility we see no reason not to avail of this Option.

CPA Ireland
It may be prudent to take up this option to future proof the legislation.

ACCA
ACCA would support an additional provision allowing the competent authority to publish details of their activities including the names of individual audit firms or companies (under the transparency Directive) to be published (i.e. amending S31 of Companies (Auditing and Accounting) Act, 2003).

PwC
We are not aware of any particular need to extend the provisions beyond those set out in the Regulation.

KPMG
We believe that IAASA already fulfils this requirement and do not believe that it is necessary to mandate additional transparency requirements on IAASA by adopting this MS option.

EY
We are not aware of anything additional that might be added to the list of items to be published, however as the DJEI has itself noted, given this is an enabling provision it may be prudent to take the option.

Deloitte
We believe that the level of reporting set out in the regulation is sufficient at this point to ensure transparency of the competent authority. We therefore recommend that Ireland does not avail of this member state option.

Mazars
We consider that the reporting as is to be adequate.

IFIA
We believe that IAASA fulfils the role required by Article 28.

MS Option - Article 28(d)	**CB** Yes to option. In relation to point (d) regarding information on the findings and conclusions of inspections, the Central Bank do have reservations over the publication of information regarding individual inspections given the potential legal and reputational issues which may arise. Therefore the Central Bank recommends the adoption of a model that is similar to that employed by the Financial Reporting Council (FRC), in the UK, whereby the information regarding individual inspections is discussed with the members of the relevant Audit Committee. Under this model, an overview of the performance of the individual firms would be made available to the public and a private report would be available to the individual audit clients. Such reports may typically contain sensitive client specific information which might not be appropriate to make publically available. **CAI** We recognise that it is now standard practice in certain EU Member States for the outcomes of regulatory inspections of statutory auditors and audit firms to be published. While we are supportive of this practice, it is worth point out that reaching this current practice in those Member States has been very much an iterative process over a number of years to facilitate appropriate awareness of approaches and gradings. What is not clear to us is whether the Option in 28(d) refers to publication of individual findings on an audit by audit basis or whether this relates to publication of individual firm reports. Clarification of this point is essential. Should publication be interpreted as being the former, significant legal issues may arise from the possibility of such publication influencing market movements. An appropriate system of safeguards is likely to be needed. **ACCA** See the answer above. This type of information is currently published in the UK in respect to audit quality, but ACCA would support the extension of the publication to matters related to the implementation of the Transparency Directive (accounting disclosure issues) **PwC** We do not believe that individual inspection reports should be made public and note that this is not the practice in other jurisdictions (e.g. PCAOB in the US). We believe that due regard must be had for the confidentiality concerns about individual audited entities, and that aggregate reporting, as is the case in many jurisdictions, provides the public with confidence on the regulation of and conduct of auditors yet balances this with other considerations.

We are supportive of efforts by groups such as IFIAR and the European Audit Inspection Group to promote greater consistency in the way inspections are conducted and the results are reported.

KPMG
We acknowledge that market practice in certain other EU countries is that the overall results of firm inspections are published. However, as IAASA will assume these responsibilities without any prior experience in June 2016, we believe that it would be more appropriate for IAASA to have a number of cycles of inspections completed prior to moving to public reporting. This would allow time for IAASA, the firms and indeed the public, to develop a better appreciation and understanding of the inspection regime and the grading mechanism.

EY
Transparency of the performance of audit firms by publication of inspection reports has become practice in recent years, but not in all member states. We are not supportive of options where it does not provide a level playing field among Member States.

Any decision by the DJEI to take this option should carefully consider any related legal and confidentiality issues with making such information available in the public domain. In this regard the public reporting criteria intended by the EU Commission should be clarified by DJEI.

We would also highlight the work of IFIAR and the European Audit Inspection Group (EAIG) which we support, and which promotes greater consistency in the way inspections are conducted and the results reported.

Deloitte
We believe that the level of reporting set out in the regulation is sufficient at this point to ensure transparency of the competent authority. We therefore recommend that Ireland does not avail of this member state option.

Mazars
We do not see a clear benefit to the publication of individual reports. It is important that the results of such reviews are available so that all parties can improve standards.

IFIA
The IFIA does not have a particular view in this regard, it appears to be a legal matter for the audit sector. We

	would expect the publication format for reports on inspections to be determined by the relevant inspectors.

Issue	General Comments
	CAI See covering letter attached below. **ACCA** Cover letter - There are some overarching matters that I would draw to your attention. **Alignment with the UK FRC** To date, the accounting, auditing and ethical requirements in force in Ireland and the UK have been based on international standards, as adapted by the UK Financial Reporting Council (FRC). This arrangement has worked well in the past and we would urge that it be maintained in the future. We therefore believe that, notwithstanding any comments included in our responses, the DJEI, the Irish Auditing and Accounting Supervisory Authority (IAASA) and the UK FRC should work together to ensure that Ireland and the UK implement the directive and regulation in exactly the same way. **Public Interest Entities** We welcome the transfer of the responsibility for inspecting Public Interest Entity (PIE) audits and investigating matters in which the public has an interest, to IAASA, as it will promote greater public confidence in the auditing profession and the reliability of financial statements. **Competent Authorities** Notwithstanding our comments above on the transfer of responsibilities to IAASA, we believe that the Recognised Accountancy Bodies have an important role in the regulation of the profession and, in particular, the inspection of non-PIE audits.

We believe that it is necessary for the Recognised Accountancy Bodies to continue to remain competent authorities to meet their responsibilities under the new regime. We believe that removing their statutory responsibilities could adversely impact their contribution to effective regulation. We do not, therefore, agree that IAASA should be the sole competent authority.

PwC
A significant number of PIEs in Ireland are mobile and are free to locate in any jurisdiction. They have regard to regulatory regimes and cost in determining location decisions. Ireland competes for this inward investment business and it is therefore important that our regulatory regime is robust and appropriate, yet does not place the country at competitive disadvantage vis a vis other jurisdictions that Ireland competes with, in particular other EU jurisdictions who will be addressing the member state options in respect of their own regulatory regime.

It is also important to avoid a patchwork application of corporate governance across the EU, given the global and mobile nature of capital, and the fact that many PIEs operate on a cross border basis. The best way to achieve both these aims is by ensuring member state options do not impose additional restrictions.

We note the confusion that currently prevails around the application of Article 41.3 on audit tenure for entities whose auditors were appointed after 16 June 2003, in particular between 17 June 2003 and 16 June 2006, and we believe that clarification is required to enable audit committees, management and auditors to effectively plan for transition to the new rules on tendering and rotation. Moreover, we note that in its interpretation of Article 41.3, the EC believes that PIEs who have undertaken an audit tender in the period since 16 June 2006 may be forced to undertake an audit tender earlier than those PIEs whose last tender was more than 13 years before the date that the Regulation becomes effective. This interpretation puts those entities at a disadvantage and is counterintuitive to the phasing based on tenure that seems to have been the objective of the Regulation.

In particular, the current interpretation and application of Article 41.3 will have a severe impact on PIE funds that were set up between 2003 and 2006. The current guidance from the EC on the application of article 41.3 is that without the MS option to extend the maximum duration with a competitive tender then these funds must appoint a new auditor before the 2016 audit. If there is the MS option to extend the maximum duration with a competitive tender, then the tender will need to be completed in 2016.

	This is putting PIE funds set up between 2003 and 2006 at a significant competitive disadvantage compared with funds that were established earlier than 2003 or later than 2006. As at October 2014, there are in total 325 Irish domiciled funds listed on the Irish Stock Exchange (1568 funds and sub-funds). Large fund complexes, international investment managers and businesses need to plan strategies well in advance, and are currently planning for the application of the Regulation. For investment managers with funds that fall into this category, they are being forced in advance of competitors to incur the costs associated with an audit tender, and this may negatively impact their business and the shareholders in their funds. Further consideration should be given to the significant impact this is having on a number of PIE funds, and clarification should be given as soon as possible on the intention to apply the MS option to extend the period if that is the case. Finally, we reiterate that in a number of instances DJEI notes that although a member state option may be invoked without necessarily being taken (i.e. Article 5.2 where a member state may add additional services to the prohibited list and although services being currently provided may not cause concern, services to be provided in the future may) and we caution against actions which may create uncertainty about the regulatory framework and potential changes. A lack of clarity or uncertainty about the regulatory regime is likely to deter investors looking to locate PIE entities in this jurisdiction. Cover e-mail – In responding to the various options we have been influenced by four guiding principles: - that we are supportive of those options that enhance audit quality in the PIE sector; - that a consistent corporate governance framework operate throughout the EU, through consistent application of options; - that Ireland's competitive position is not undermined by inadvertently making the regulatory environment here more restrictive or less certain when compared with competitor jurisdictions, and - that the role of the audit committee in managing the relationship with a PIE's auditors, on behalf of the shareholders and other stakeholders, be supported. Ireland is early in consulting on member state options and while very welcome, especially if followed through in terms of giving clarity to business, it is important that due regard be had to expected actions by other member states. Many of the Irish PIEs that will be affected by this legislation are mobile entities and can chose a location

	of domicile. In deciding on where to locate, PIE entities will take account of regulatory cost. It is important that an appropriate balance be struck, that unwarranted regulation is avoided and that Ireland is not disadvantaged. The ongoing efforts of the coalition government in the UK to reduce the regulatory cost to business (through the two out, one in programme) and efforts in Luxembourg to ensure that only entities that are of genuine significant public relevance are subject to PIE regulation are examples of actions we need to mark as a competitor location. In our own firm we are acutely aware of this in our work in promoting Ireland as a location for inward investment and in the growth that we and other professional servicer providers have experienced as a result of this inward investment. **ISE** The ISE's main focus of this consultation 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. These 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 considering Member State options in this Regulation 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. **IFIA** The funds industry is fundamentally an international market place, we believe that Ireland should not take any member state options under the Audit Regulation that reduce our competitive position versus other fund centres in the EU. Doing so would run counter to the stated strategic objective of the Government to support the development and growth of the Irish financial services sector, of which the funds industry is a key part. The current interpretation and application of article 41.3 of the regulation will have a severe impact on PIE funds that were set up between 2003 and 2006. The current guidance from the EC on the application of article 41.3 is

that without the member state option to extend the maximum duration with a competitive tender then these funds must appoint a new auditor before the 2016 audit. If there is the member state option to extend the maximum duration with a competitive tender then the tender will need to be completed in 2016.

This is putting PIE funds set up in this timeline at a significant competitive disadvantage to funds that have been established earlier than 2003 and later than 2006. As at October 2014 there are in total 325 Irish domiciled funds listed on the Irish Stock Exchange (1568 funds and sub-funds). Large fund complexes, international investment managers and businesses need to plan strategies well in advance and are currently planning for the application of audit regulation (EU) No 537/2014 in 2016. For investment managers with funds that fall into this category, they are being forced in advance of other competitors to take unnecessary drastic action regarding the auditor selection which may negatively impact their business and the shareholders in their funds.

Further consideration should be given to the significant impact this is having on a number of PIE funds and clarification should be given as soon as possible on the intention to apply the member state option to extend the period if that is the case.

BlackRock

The Regulation sets out transitional provision with regard to the application of the mandatory firm rotation requirement which is calibrated to the duration of ongoing engagement between PIEs and their statutory auditors. The Q&A issued by the European Commission on 16 June 2014 outlines two scenarios to avoid a "cliff-edge" effect on the audit market when the new rules apply. It would be helpful if these transitional provisions could be clarified during the transposition.

We would also welcome clarification on the application of the non-audit fee cap that is based on 3 years of date. It is our interpretation that the 3 year track record required should be post 2016.

In our view it would be beneficial to include a definition for the terms "statutory audit fees" and "non-audit fees".

"Other assurance services" are referred to in point 8 of the introductory text of the Regulation. It would be helpful to provide guidance as what services would be envisaged as "other assurance services". For example, listing rules may require auditors to review half yearly financial statements or circulars that form part of the capital raising

	process. Clarification would be welcomed as to whether prohibited non-audit services apply extra-territorially to any Audit Member Firm providing the services listed in Article 5 to an EU PIE? **Cover letter** BlackRock is one of the world's pre-eminent investment management firms and a premier provider of global investment management, risk management and advisory services to institutional and retail clients around the world. As of 30 September 2014, the firm manages €3.57 trillion across asset classes in separate accounts, mutual funds, other pooled investment vehicles, and the industry-leading iShares exchange traded funds. BlackRock appreciates the opportunity to provide comments to the Department of Jobs, Enterprise and Innovation on the above Public Consultation Paper. As financial statements preparers and users, we have a considerable interest in the impact of this legislation, particularly with regard to our investment funds based in Ireland and throughout Europe. We have set out our comments to your questions in the attached appendix. We have responded to the questions we consider relevant to ourselves as a corporate entity, and as an investor. Our overriding view is that any available option that restricts the audit committee's ability to determine the most qualified audit firm for specific services should be avoided. In this regard, we do not support amending the prohibited list under Article 5.2 of the Regulation. We believe that there are sufficient safeguards in place to mitigate threats to audit firm independence and to protect investor interests, where an audit firm may be engaged for such services. We do support the Audit Committee exemption available for UCITS and AIFs. These funds are subject to a well-established regulatory regime and additional specific governance requirements such as the appointment of an independent depositary. Further, in order to support the cross-border distribution of Irish domiciled investment funds, we believe that services such as investor tax reporting which are required by EU countries should be permitted to be carried out by the audit firm or a member of its network. Therefore, we would suggest that the DJEI clarify that investor tax reporting is not a prohibited service under this legislation with reference to Article 5.3.

We have concerns about any reduction being proposed to the 70% non-audit fee cap under Article 4.2 as we consider that there are existing safeguards regarding independence and this could result in the creation of "pure audit firms" which we do not support on the grounds that such firms would struggle to attract staff of suitable quality because of the lack of opportunity offered compared to multi-disciplinary firms. Accordingly, we believe that the cap of 70% under Article 4.2 should not be reduced.

Lastly, in order to mitigate the additional risk to a PIE resulting from auditor transition, and to allow the development of institutional knowledge, BlackRock supports the extensions permitted by Article 14 (a) and (b) where a public tender has been undertaken. Requiring rotation after 10 years reduces the competitiveness of the tender process and result in additional start-up time and costs for new auditors, which reduces the savings and investment returns for Europe's citizens and employers.

SmurfitKappa
We believe that in deciding on member state options DJEI should seek to ensure that there is consistency with other countries, that investment decisions and business costs are not adversely impacted and that there is a clear and well understood regulatory regime for statutory audits of PIEs, within Ireland and throughout Europe.

We note that there is confusion that currently prevails around the application of Article 41.3 on audit tenure for entities whose auditors have been appointed after 16 June 2003, in particular where the auditor was appointed between 17 June 2003 and 16 June 2006, and we believe that clarification is required to enable audit committees, management and auditors to effectively plan for transition to the new rules on tendering and rotation.

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Cover e-mail

Our recommendations reflect those decisions that we believe are necessary to provide a robust yet competitive framework for audit regulation. We compete for business with international companies, some of which are listed on other markets and subject to other corporate governance regimes. It is important that our regulatory regime does not act as an impediment to growth and job creation.

In particular, we are concerned about the impact of the transition rules on audit rotation. We carried out an audit tender in 2003 and became a PIE in October 2006, following Aer Lingus' IPO. We understand that we may be required to put our audit out to tender in the year ended 31 December 2015, but we understand that this view is not universally shared. It is patently unfair that entities that have tendered their audit 11 years ago and have only been a PIE for 7 and a half years when the rules were introduced should be compelled to undertake the cost and disruption of an audit tender process earlier than entities who have had auditors in place for 30 or 40 years. We understand that there is a strongly held opinion that the rules on rotation and tendering should be based on service from the date that the tendering rules apply, i.e. 2016, and we believe that this application would represent a fairer transition.

We are also concerned that the Department make clear its intentions regarding the ability of a company to reappoint its auditor for a second term. If we are to undertake a tender in the next year or two it is vitally important that we understand whether our choice is maximised and whether we can appoint our current auditor. We are of the view that a 10 year extension (on a tender) does not compromise auditor independence in any way and, provided that the audit committee and AGM are happy to continue with the current auditor, it minimises business disruption and cost. It is important that we have clarity on this issue as early as possible.

Revenue comment

In broad terms we did not see any issues of great concern to Ireland in the proposed Regulation/Directive. We have some concerns in relation to the additional compliance burden on business.

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.