

Appendices

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Appendix I

Review Group on Auditing – Invitation to Comment

The Tánaiste and Minister for Enterprise, Trade & Employment, Mary Harney, has decided to establish a Review Group on Auditing. The Group, establishment of which is in line with the recommendation of the DIRT Inquiry Report recently completed by a Sub-Committee of Dáil Éireann's Committee of Public Accounts, will be asked to conduct its work and make a final report by 31 May, 2000 in accordance with the following Terms of Reference:

- Whether self-regulation in the auditing profession is working effectively and consistently,
- Whether any new or revised structures and arrangements are necessary to improve public confidence, and if so, what form should they take.

The Group will be also asked to examine and report on those issues concerning the auditing profession which were raised in the DIRT Inquiry Report. These include:

- the role of the external auditor in providing other services to the same institution,
- the impact of other functions such as tax advice and consultancy on the external audit process,
- the determination of fees, bearing in mind shareholder interests,
- the relationships between an external auditor and the management that appoints and remunerates him,
- the statutory provisions on auditing in the Companies Acts and related codes,
- the role of the external auditor in ensuring compliance with statutory provisions,
- the possible role of the Central Bank in regard to management letters issued by external auditors to financial institutions,
- the possible strengthening of audit standards relating to financial institutions,
- the suitability of having joint auditors to financial institutions with one being appointed by the Central Bank,
- the possible introduction of a maximum term of five years for an auditor to a financial institution.

The Group will also be asked to examine and report on any matters directly related to the foregoing.

Pending settlement of the composition of the Group, it has been decided to invite all interested parties to make written submissions on one or more elements of the Terms of Reference. Each submission should clearly indicate which part of the Terms of Reference it is addressing. Having regard to the tight time frame set for the preparation of the Group's report, all submissions should be sent to Mary Solan-Avison at the Department of Enterprise, Trade & Employment, South Frederick Street, Dublin 2, to arrive no later than 31 January, 2000 (e-mail address:solanm@entemp.irigov.ie telephone: (01) 631 2652; fax: (01) 631 2834).

Please note that all submissions may be subject to release under the Freedom of Information Act, 1997.

Paul Haran
Secretary-General
Department of Enterprise, Trade & Employment
29 December, 1999

Appendix II

Source of Submissions to the Review Group on Auditing

1. Comptroller and Auditor General
2. Central Bank of Ireland
3. Revenue Commissioners
4. The Foundation for a New Independent Regulatory System for Accountants
5. Auditing Practices Board
6. Mr John Maher, Waterford Institute of Technology
7. Mr John McCallig, University College Dublin
8. Professor Edward Cahill, University College Cork
9. Institute of Certified Public Accountants in Ireland
10. Association of Chartered Certified Accountants
11. Institute of Incorporated Public Accountants
12. Association of International Accountants
13. Institute of Chartered Accountants in England and Wales
14. Institute of Chartered Accountants of Scotland
15. Institute of Chartered Accountants in Ireland
16. Institute of Internal Auditors
17. Chartered Institute of Public Finance and Accountancy
18. KPMG
19. Arthur Andersen
20. Deloitte & Touche
21. PricewaterhouseCoopers
22. Ernst & Young
23. Messrs J. O'Brien and W. Nolan
24. Mr Dermot O'Mahony, City Life
25. Mr Gearóid Costelloe
26. Irish Bankers' Federation
27. Chartered Institute of Management Accountants
28. Institute of Directors in Ireland
29. Irish Institute of Credit Management
30. Dublin Funds Industry Association
31. Fédération des Experts Comptables Européens (FEE)
32. Department of Enterprise, Trade and Employment
33. Financial Services Authority
34. Irish Association of Investment Managers
35. Mr Simon Quinn, Institute of Technology, Tralee
36. Irish Business and Employers Confederation
37. Department of Finance

Appendix III

Members of the Review Group on Auditing

- Chair: Senator Joe O'Toole, General Secretary,
Irish National Teachers' Organisation;
- Vice-Chairs: Professor Niamh Brennan, Michael MacCormac
Professor of Management, Department of Accountancy,
University College Dublin;
Ms Ann Fitzgerald, Secretary General,
Irish Association of Investment Managers;
- Members: Mr Joe Brady, Joseph G. Brady Insurances Ltd;
Mr Shay Cody, Deputy General Secretary, IMPACT;
Mr John Corcoran, Assistant Secretary,
Department of Enterprise, Trade and Employment;
Mr Brendan Dennehy, Institute of Incorporated
Public Accountants Ltd;
Mr Colm Dunne, Director of Audit,
Office of the Comptroller and Auditor General;
Mr Alan Farrelly, Institute of Certified Public
Accountants in Ireland;
Mr Robert Grier, Director/Secretary,
Irish Business and Employers' Confederation;
Mr Jim Kelly, Principal Inspector of Taxes,
Office of the Revenue Commissioners;
Mr David Leonard, Association of Chartered
Certified Accountants;
Dr Irene Lynch-Fannon, Head of Department of Law,
University College Cork;
Mr Conor O'Mahony, Assistant Principal,
Department of Finance;
Dr Liam O'Reilly, Assistant Director General,
Central Bank of Ireland;
Mr Terence O'Rourke, Institute of Chartered
Accountants in Ireland;
Dr James Stewart, Senior Lecturer in Finance,
School of Business Studies, Trinity College Dublin.
- Secretariat: Mr Paul Appleby, Department of Enterprise,
Trade and Employment
Ms Geraldine Hurley, "
Ms Mary Solan-Avison, "
Ms Nuala Moloney, "

Appendix IV

International Links of the Recognised Accountancy Bodies

	ICAI	ICPAI	ACCA	ICAEW	ICAS	IIPA
Recognised by DETE under the Companies Acts	●	●	●	●	●	●
Recognised by DTI under UK Companies Acts	●		●	●	●	
Members of CCAB-I	●	●	●			
Members of CCAB	●		●	●	●	
Members of FEE	●	●	●	●	●	
Members of IFAC	●	●	●	●	●	

Appendix V

Principal Statutory Provisions dealing with Auditors and Accounts Preparation under the Companies Acts, 1963 - 1999

- Sections 148 to 164 of the 1963 Act (No. 33 of 1963), together with the Sixth Schedule (as amended) thereto;
- Companies (Amendment) Act, 1986 (No. 25 of 1986) and the Schedule thereto⁹⁵;
- Part X of the Companies Act, 1990 (No. 33 of 1990) which revised and extended the 1963 Act provisions and which implemented Council Directive No. 84/253/EEC of 10 April, 1984 on the approval of persons responsible for carrying out the statutory audits of accounting documents;
- Companies Act, 1990 (Auditors) Regulations, 1992 (S.I. No. 259 of 1992) which made a number of amendments to the provisions of Part X of the 1990 Act;
- European Communities (Companies: Group Accounts) Regulations, 1992 (S.I. No. 201 of 1992) which implemented Council Directive No. 83/349/EEC of 13 June, 1983 on the co-ordination of national legislation on consolidated accounts;
- European Communities (Credit Institutions: Accounts) Regulations, 1992 (S.I. No. 294 of 1992) which implemented:
 - a) Council Directive No. 86/635/EEC of 8 December, 1986 on the annual accounts and consolidated accounts of banks and other financial institutions and
 - b) Council Directive No. 89/117/EEC of 13 February, 1989 on the obligations of branches established in a Member State of credit institutions and financial institutions having their head offices outside that Member State regarding the publication of annual accounting documents;
- European Communities (Accounts) Regulations, 1993 (S.I. No. 396 of 1993) which implemented:
 - a) Council Directive No. 90/604/EEC amending Directive No. 78/660/EEC on annual accounts and Directive No. 83/349/EEC on consolidated accounts as concerns the exemptions for small and medium-sized companies and the publication of accounts in ECUs;
 - b) Council Directive No. 90/605/EEC of 8 November, 1990 amending Directive No. 78/660/EEC on annual accounts and Directive No. 83/349/EEC on consolidated accounts as regards the scope of those Directives and
 - c) Article 11 of Council Directive No. 89/666/EEC of 21 December, 1989 on disclosures by branches;
- Part III of the Companies (Amendment) (No. 2) Act, 1999 (No. 30 of 1999) which exempts certain small companies from the requirement to have accounts audited.

⁹⁵ This Act does not however apply to unlimited companies, or in certain respects, to licensed banks and certain other companies in the financial services area.

Appendix VI

Membership of the Recognised Accountancy Bodies in 1999

1999 Reports of the Accountancy Bodies	ICAI ⁹⁶	ICPAI ⁹⁷	ACCA ⁹⁸	IIPA ⁹⁹
Total Number of Members world-wide				
(i) at the start of 1999	10,919	1,634	66,083	317
(ii) movement in numbers in 1999	+438	+173	+5,455	+13
(iii) at end-1999	11,357	1,807	71,538	330
Total Number of Members in Practice in the State at end-1999				
(i) Partners in Practising Firms	1,386	378	406	125
(ii) Employees in Practising Firms	1,094	297	706	103
Number of Registered Audit Firms at end-1999				
(i) Firms registered to sign audit reports for companies registered in the State	1,044	n.a.	789	n.a.
(ii) Firms (from (i)) resident in the State	800	n.a.	273	n.a.
Responsible Individuals (RIs) at end-1999				
(i) Members registered to sign audit reports for companies registered in the State	1,630	n.a.	n.a.	n.a.
(ii) Members (from (i)) resident in the State	1,243	n.a.	n.a.	n.a.
Registered Auditors (RAs) at end-1999				
(i) Members registered to sign audit reports for companies registered in the State	n.a.	378	1,271	125
(ii) Members (from (i)) resident in the State	n.a.	375	371	125

⁹⁶ The ICAI registers firms for audit. Those persons eligible and wishing to sign audit reports are designated as Responsible Individuals (RIs). Eligible persons who are not members of the ICAI become audit affiliates to gain RI status. The ICAI monitors the activities of all RIs in all firms to whom it grants Audit Registration.

⁹⁷ The ICPAI registers individuals only for audit.

⁹⁸ The ACCA registers individuals and firms for audit. Those persons eligible and wishing to sign audit reports are designated as Registered Auditors. The ACCA monitors the work of all Registered Auditors to whom it grants Audit Registration.

⁹⁹ The IIPA to date has only registered individuals for audit.

Appendix VII

Staff/Members involved in Monitoring, Investigations and Disciplinary Work

ICAI	ICPAI	ACCA	ICAEW	ICAS	IIPA
Quality Assurance 16 staff including 5 full time reviewers	Practice Review 3 full time 1 part time	Practice Regulation Department: 17 full time	Professional Standards Office (all aspects of regulation) 91 staff	Professional Authorisation and Legal Departments 16 staff	Practice Review 3 part time
JMU Additional staff is available if required.	Investigations/Disciplinary: 4 full time	Legal Department 11 full time	Joint Monitoring Unit 36 staff	JMU 4 staff deployed on ICAS business	

Appendix VIII

Applicability of Recommendations in Review Group's Report to Different Categories of Companies

The following table relates to the Recommendations contained in Chapters 12 to 15 (inclusive) - which are directed at specific categories of companies. Some of the Recommendations could be related to audit firm size rather than category of client company.

The following is a definition of different categories of companies covered in the table:

Public Limited Companies (PLCs): Companies where members' liability is limited. At least seven shareholders. No upper limit on the number of shareholders. Shares may be offered for sale to the public.

Financial Institutions¹⁰⁰: While legislation to give effect to the recommendations will have to define precisely what constitutes a financial institution it should include the following: credit institutions, insurance undertakings, investment firms, moneybrokers, stockbrokers, credit unions, exchanges and IFSC entities.

Public Interest Companies: Further work needs to be done to clearly define a public interest company. This can be done in the context of preparing legislation to give effect to the recommendations. For the purposes of this Report, the Group has adopted the definition contained in the ICAI Ethical Guide for Members¹⁰¹ which is as follows: *"There are some unlisted companies and organisations, in both the public and private sectors, which are 'in the public eye' because of their size or the product or the service they provide. Example of such companies and organisations would be large charitable organisations and trusts, major monopolies, duopolies, building societies, industrial and provident societies or credit unions, deposit taking organisations and those holding investment business client money."*

¹⁰⁰There are a number of small financial entities (for example, retail investment intermediaries, insurance intermediaries and small credit unions) which fall into the small business category. The degree to which the recommendations (in Chapter 15) apply to these smaller financial entities has to be examined further.

¹⁰¹ICAI Ethical Guide, Part C, Statement 1, para. 19.6

Medium Sized Companies: Medium sized private companies are currently defined in company law as companies having: (a) a balance sheet total that does not exceed £6 million; (b) a turnover of £12 million and (c) not more than 250 employees¹⁰². A private company can be treated as a medium sized company if it satisfies at least two of these three criteria.

Small Companies: a small private company is a sub-set of the above and is defined as a company having: (a) a balance sheet total that does not exceed £1.5 million, (ii) a turnover of not more than £3 million and (c) not more than 50 employees.

Companies exempt from audit¹⁰³: Certain private limited companies and partnerships with a turnover not exceeding £250,000 and a balance sheet total not exceeding £1.5 million and the number of employees not exceeding 50 are exempted from the requirement to have a statutory audit.

Note: It should be noted that not all companies fit into the above categories. For example, some unlimited companies may not fall within the definition of medium sized companies, are not PLCs and could not be considered to be public interest companies. The precise application of the recommendations to such companies will need to be clarified in the context of preparing legislation to give effect to the Report. However, they should at least be regarded as coming within the scope of any recommendation which applies to medium sized companies.

¹⁰²SI 396 of 1993 European Community (Accounts) Regulations

¹⁰³Companies (Amendment) (No. 2) Act, 1999, (No. 30 of 1999) Part 3.

Table 1¹⁰⁴

Chapter 12: Auditor Independence

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 12.1 There is a need to introduce additional safeguards to protect the independence of an auditor of a client company from the threat posed by the provision of non-audit services to the client company. This is best achieved through the development and maintenance of a framework for auditor independence.</p>	✓	✓	✓	✓	✓	X
<p>Recommendation 12.2 Non-audit fees paid by a company to their audit firm and the nature of the services provided should be disclosed and analysed in adequate detail in the annual financial statements.</p>	✓	✓	✓	✓	✓	X

¹⁰⁴In this Table, a "✓" means that the recommendation applies and an "X" means that the recommendation does not apply.

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 12.3 When the non-audit fee earned by an audit firm from a client company exceeds the audit fee then the audit committee of the client company must set out in the annual report to shareholders the reasons why the non-audit services were obtained from the audit firm and confirm that it is satisfied that this does not compromise the independence of the auditor.</p> <p>Recommendation 12.4¹⁰⁵ The maximum allowable proportion of overall fee income contributed by any one client company or group of client companies to the total portfolio of the audit firm should, at most, be limited to 10%. A lower limit of 5% should apply in the case of listed companies, financial institutions and public interest companies and more formal monitoring for compliance with this requirement should be put in place.</p>	✓	✓	✓	X	X	X
5%	5%	5%	10%	10%	X	

¹⁰⁵Also applies to audit firms

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 12.5 The Review Group recommends that the following principles apply in relation to non-audit services:</p> <ul style="list-style-type: none"> • audit firms should not audit their own work; • audit firms should not provide non audit services to an audit client that affect the numbers in the financial statements such as valuation; • audit firms should not provide internal audit services. <p>A professional standard should be developed (in the manner outlined in Chapter 8, Section 2.4) that prohibits the provision of specified non-audit services by an audit firm to an audit client company.</p> <p>The Oversight Board should be empowered to impose a professional standard, prepared by the Oversight Board, on the professional accountancy bodies to address this issue. However, this power should only be exercised where an undue amount of time is being taken to develop the standard.</p>	✓	✓	✓	X	X	X

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 12.6¹⁰⁶</p> <p>The audit engagement partner and staff of a firm should be presumed to know everything relevant to the audit of a client company that other partners in the firm or an associated firm are aware of in relation to the company. A firm appointed as auditor of a company needs to have in place appropriate procedures to ensure that the partner responsible for the audit function is made aware of any other relationship which exists between any department of the audit firm and the company when that relationship could affect the audit firm's responsibilities as auditors.</p>	✓	✓	✓	✓	✓	X

¹⁰⁶ Also applies to audit firms

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 127¹⁰⁷ Audit firms should be required to set out their general policy concerning risks to auditor independence and to document how risks to auditor independence are dealt with in relation to individual client companies during an audit. The general policy of the firm towards the identification and management of risks to audit independence should be set out in the letter of engagement. Information relevant to the management of risk during the audit engagement should be included in the management letter or a separate letter addressed to the Audit Committee.</p>	✓	✓	✓	✓	✓	X
<p>Recommendation 128 The audit contract should be awarded on an annual basis in an open and transparent manner. This should include consideration by audit committees on an annual basis whether to put the audit contract out to tender. The audit committee should justify its decision in its recommendation to shareholders on the appointment of auditors as outlined in Recommendation 13.4.</p>	✓	✓	✓	X	X	X

¹⁰⁷ Also applies to audit firms

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 129 The Oversight Board should undertake, within three years, a review of the level of non-audit fees and should make known its judgement as to whether or not any new rules are required to safeguard auditor independence.</p>	✓	✓	✓	X	X	X

Chapter 13: Corporate Governance Structures and the External Audit

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 13.1 Boards of Directors of PLCs, financial institutions and public interest companies should be required by legislation to establish audit committees the membership of which is made up of non-executive directors.</p>	✓	✓	✓	X	X	X
<p>Recommendation 13.2 Audit committees should have regular meetings each year.</p>	✓	✓	✓	X	X	X
<p>Recommendation 13.3 Each audit committee should have a formal written charter, approved by the Board of Directors, that specifies the scope of the committee's responsibilities and how it carries out those responsibilities, including structure, processes and membership requirements.</p>	✓	✓	✓	X	X	X

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 13.4 Shareholders should approve the appointment of auditors and set their fees, based on a recommendation from the audit committee rather than management as is currently the case. This should include a consideration on whether it is appropriate, or not, in any given year to change auditors or to send the audit contract out to tender as outlined in Recommendation 12.8.</p>	✓	✓	✓	X	X	X

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 13.5 In its charter, the audit committee should be given the following responsibilities:</p> <ul style="list-style-type: none"> ensuring receipt from the external audit firm of a formal written statement outlining all current and relevant previous business and personal relationships between the audit firm and the company; for actively engaging in a dialogue with the audit firm so that all relationships that may impact on the objectivity and independence of the auditor are fully disclosed; approving the procedures for the appointment of the audit firm to provide any other services; assessing and approving in advance all contracts with the audit firm having regard to all business and personal relationships between the company and its audit firm; monitoring the number of former employees of the audit firm currently employed in senior positions in the company and assessing its impact on auditor independence; reviewing the audit firm's statement concerning their general policy to risks to independence (see Recommendation 12.7); approving in advance any contracts with the audit firm payment of which will be made on a contingency basis. 	✓	✓	✓	X	X	X

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 13.6 Audit committees of companies should meet their external auditor a number of times each year, both in the presence of management and independent of management. Such meetings must be held at both the planning stage of the audit and following the completion of the audit.</p>	✓	✓	✓	✗	✗	✗
<p>Recommendation 13.7 Management letters from auditors to the Board of Directors should refer to the existence of any other audit related letters (e.g. letters of detail) and should make these available to the Board and the audit committee on request.</p> <p>Management letters should be available to the Board and the audit committee in advance of approval of the financial statements. Given the tight reporting deadlines, a preliminary draft containing all issues but possibly excluding some management responses is acceptable.</p> <p>Audit committees should establish a time frame within which management responses should be received in respect of management letters, internal audit reports and any other audit related letters (e.g. letters of detail).</p>	✓	✓	✓	✗	✗	✗

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 13.8 All PLCs, financial institutions and public interest companies should have a properly resourced internal audit function set up independently of management and the external auditor.</p>	✓	✓	✓	✗	✗	✗
<p>Recommendation 13.9 Audit committees should meet the internal auditors regularly at times without management present.</p>	✓	✓	✓	✗	✗	✗
<p>Recommendation 13.10 The internal auditor's appointment should be endorsed by the audit committee and internal audit reports to the Board and to the audit committee should be retained for six years.</p>	✓	✓	✓	✗	✗	✗
<p>Recommendation 13.11 Internal audit programmes, and all internal audit reports and findings, should be made available to the external auditor at the earliest possible opportunity.</p>	✓	✓	✓	✗	✗	✗

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 13:12 Audit committees should prepare an annual report for presentation to the shareholders. This should include their view on the Directors' compliance report. (Recommendation 14.1)</p> <p>Recommendation 13:13 The above recommendations concerning the duties of audit committees and their relationships with external auditors and internal auditors should be set out in legislation for PLCs, financial institutions and public interest companies.</p>	<p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>	<p>X</p> <p>X</p>	<p>X</p> <p>X</p>	<p>X</p> <p>X</p>

<p>Recommendation</p> <p>Recommendation 14.1 Directors of a company should be required to report on an annual basis to the shareholders on the company's compliance with its obligations under company law, taxation law or other relevant statutory or regulatory requirements. The report should confirm that any instances of non-compliance have been reported to the relevant regulatory authority and that in all other respects the company has complied with its obligations under company law, taxation law and other relevant statutory or regulatory requirements. The report should be appended to the annual financial statements.</p>									
<p>PLC's</p>	<p>✓</p>								
<p>Financial Institutions</p>	<p>✓</p>								
<p>Public Interest Companies</p>	<p>✓</p>								
<p>Medium Sized Companies</p>	<p>✓</p>								
<p>Small Companies</p>	<p>✓</p>								
<p>Exempt Companies</p>	<p>✓</p>								

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 14.2¹⁰⁸</p> <p>The external auditors should report as to whether, in their opinion, the Directors' report of the company's compliance with its obligations is reasonable.</p> <ul style="list-style-type: none"> In making their report, the auditors should specifically address whether the directors have made appropriate disclosure concerning any circumstances of which the auditors are aware that give reasonable grounds to believe the company has not, or may not have, fulfilled its obligations. Where in the auditor's opinion such circumstances have not been so disclosed by the directors, and the directors have not amended their report, the auditors should include relevant information in their report. <p>This report should be appended to the annual financial statements.</p>	✓	✓	✓	✓	✓	✓
<p>Recommendation 14.3¹⁰⁹</p> <p>In situations where the Directors have not issued the report referred to in Recommendation 14.1 within a specified timeframe then the external auditors will have a duty to report that failure to the Director of Corporate Enforcement.</p>	✓	✓	✓	✓	✓	✓

¹⁰⁸ This recommendation will not apply to those companies who decide to avail of the exemption from statutory audit.
¹⁰⁹ This recommendation will not apply to those companies who decide to avail of the exemption from statutory audit.

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 14.4¹¹⁰ As part of the continuing professional development programme for their auditing members, each of the recognised accountancy bodies should include refresher courses on auditors' statutory obligations under the Companies Acts (including the additional obligations outlined in Recommendations 14.2 and 14.3) and similar legislation and on their duties under the body's code of ethics.</p>	X	X	X	X	X	X

¹¹⁰ Applies to all auditors

Chapter 15: The Audit of Financial Institutions

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 15.1 The accountancy profession should commence work as a matter of urgency on updating and strengthening auditing pronouncements relating to the audit of Irish financial institutions. The accountancy profession should engage in prior consultation with the Central Bank in advance of revision to auditing pronouncements.</p>	X	✓	X	X	X	X

<p>Recommendation</p> <p>Recommendation 15.2 The external auditors of a financial institution should provide an annual positive statement to the Central Bank on whether anything has come to their attention that gives rise to a legislative duty to report to the Central Bank. In order to ensure proper consideration of all relevant information, accounting firms undertaking audits of financial institutions should establish lines of communication sufficient to ensure that non-audit work undertaken for a financial institution is brought to the attention of the partner responsible for its audit so he can consider it in the course of his work.</p>	<p>PLC's</p> <p>X</p>	<p>Financial Institutions</p> <p>✓</p>	<p>Public Interest Companies</p> <p>X</p>	<p>Medium Sized Companies</p> <p>X</p>	<p>Small Companies</p> <p>X</p>	<p>Exempt Companies</p> <p>X</p>
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Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 15.3</p> <p>There should be increased liaison between the Central Bank and the external auditors of financial institutions. To facilitate this, a protocol concerning the exchange of information should be agreed between the Central Bank and the accountancy profession. If necessary, legislation should be enacted to permit this exchange of information.</p>	X	✓	X	X	X	X
<p>Recommendation 15.4</p> <p>The Central Bank should have the power to obtain reports from external auditors or other reporting accountants on financial institutions' accounting and other records, their internal control systems, and any other issues that, in the opinion of the Central Bank, are appropriate or necessary for regulatory purposes.</p>	X	✓	X	X	X	X
<p>Recommendation 15.5</p> <p>The accountancy profession and the Central Bank should agree a protocol, and if necessary, legislation should be enacted, to make audit working papers available on request to the Central Bank.</p>	X	✓	X	X	X	X

Recommendation	PLC's	Financial Institutions	Public Interest Companies	Medium Sized Companies	Small Companies	Exempt Companies
<p>Recommendation 15.6 The Central Bank should automatically receive management letters from external auditors of financial institutions at the same time as the 'final' (i.e. incorporating management response) management letter is issued to the regulated entity. The auditor should inform the Central Bank if no report is being issued.</p>	X	✓	X	X	X	X
<p>Recommendation 15.7 Since the Central Bank already has the legislative basis to appoint an external auditor (or other "appropriate person") for the purpose of the performance by the Central Bank of its statutory functions, it is not necessary that joint auditors be routinely appointed by the Central Bank to financial institutions.</p>	X	X	X	X	X	X

