



The September Fest 2020

Technical Stream

KnowledgeHUB - Top Technical Issues Autumn 2020

Presenter:

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7b. KnowledgeHUB - Top Technical Issues Autumn 2020

- Welcome to Your Webevent
- Introducing the Webevent Team
- Your Supporting Material
- Your Questions

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What are the implications for Irish and UK Auditors in a Post BREXIT world

Mike O'Halloran

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BREXIT and its implications on audit registration

- Deal or no deal?
- UK firm Vs. Irish firm
- BEIS & FRC guidance in February 2020
- Guidance from the RABs

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Irish firms auditing UK Companies

- Initial indications are that Irish member firms of Recognised Supervisory Bodies in UK will continue after 31 December
 - ACCA
 - CAI
 - ICAEW
 - ICAS

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FRC Guidance for Irish auditors

Most EEA auditors who have qualified in Ireland will not need to sit an aptitude test, even after the end of the TP, as their audit qualification is recognised by professional bodies that are recognised in both the UK and Ireland. The only auditors who may need to sit an aptitude test are those who are qualified as members of CPA Ireland.

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UK firms auditing Irish Companies

- IAASA and AG advice
 - Auditors considered to be “UK Based” will not be eligible to remain on the Irish register in hard BREXIT.
- Are RABs legally empowered to remove auditors from the register at the end of the TP?
- CAI View
 - Not legally empowered to do this.
 - Would require a change in company law
 - If they are forced to remove firms from register they would work towards re-registering firms

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Re-registration

- RABs looking into methods of re-registering auditors who are removed from the register (post 31 December).
- May include an application by aptitude test. Exemption can be granted.
- FRC & IAASA developing reciprocal arrangement
- CAI working with IAASA on a method of “grandfathering” as many firms a back onto Irish audit register without having to do aptitude test.
- “UK based” auditors will be “third country auditors”

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Aptitude test

- Any auditor who is removed from the register must either complete or be exempt from an “aptitude test”
- Test will likely cover company law and tax law
- Exemption will depend on;
 - Irish relevant CPD
 - Visit history
 - Experience in performing Irish audits

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What does it mean to be “UK based”

- Not defined at present
 - What about a firm in Newry vs a firm in Dundalk?
 - What about a firm with an office south of the border with RIs who reside in the north?
 - What about a firm in Derry with a market day office in Donegal?
 - What about a firm in Fermanagh with a PO box in Cavan?
 - What about a firm in Cork with an RI who holds a UK passport?

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How can firms prepare for BREXIT?

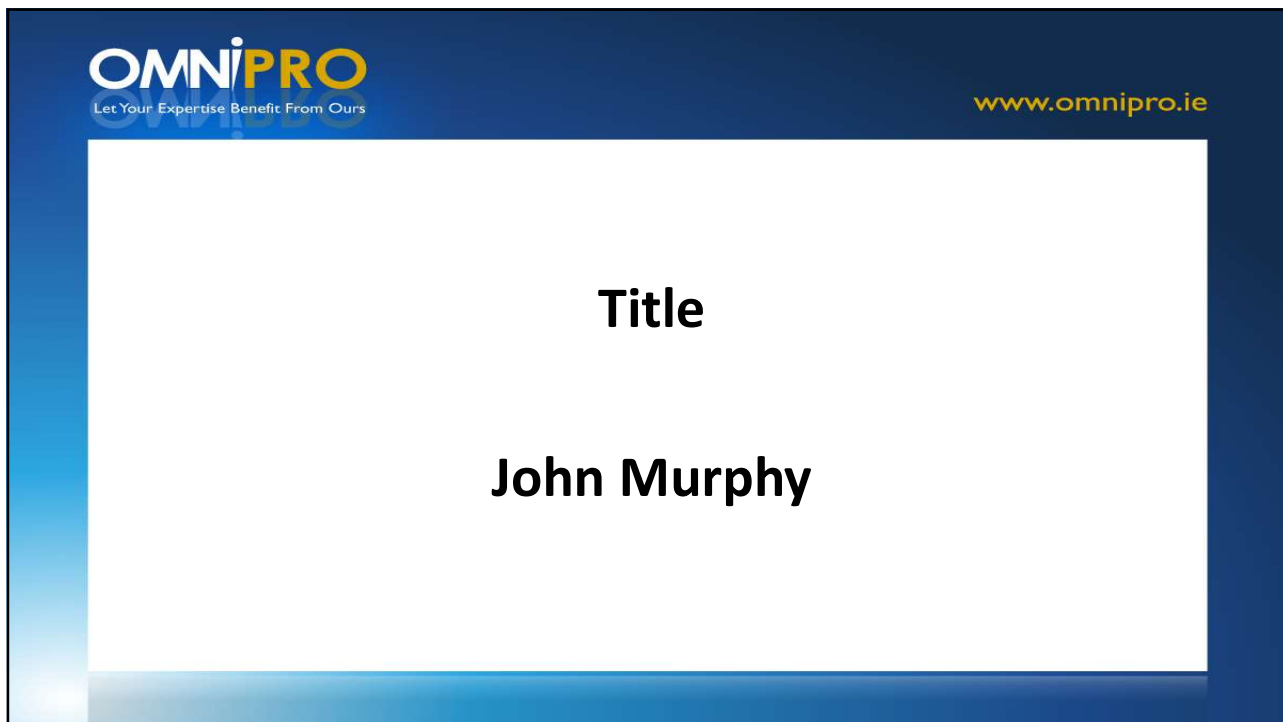
- Continue to engage with your accounting body
- UK firms identify ROI audits
- Consider timing of when audits are expected to be signed
- UK firms discuss audits with ROI members of international networks
- Discuss timings with clients

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How can firms prepare for BREXIT?

- Consider impact of a delay in finalising audits (tax, covenants, company law, CRO etc).
- Consider whether Irish audit registration is worth it

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Slide 13 is a title slide with a dark blue header. The header contains the OMNIPRO logo on the left, which includes the tagline "Let Your Expertise Benefit From Ours", and the website address "www.omnipro.ie" on the right. The main content area is white and contains the word "Title" in a large, bold, black font, followed by the name "John Murphy" in a slightly smaller, bold, black font.

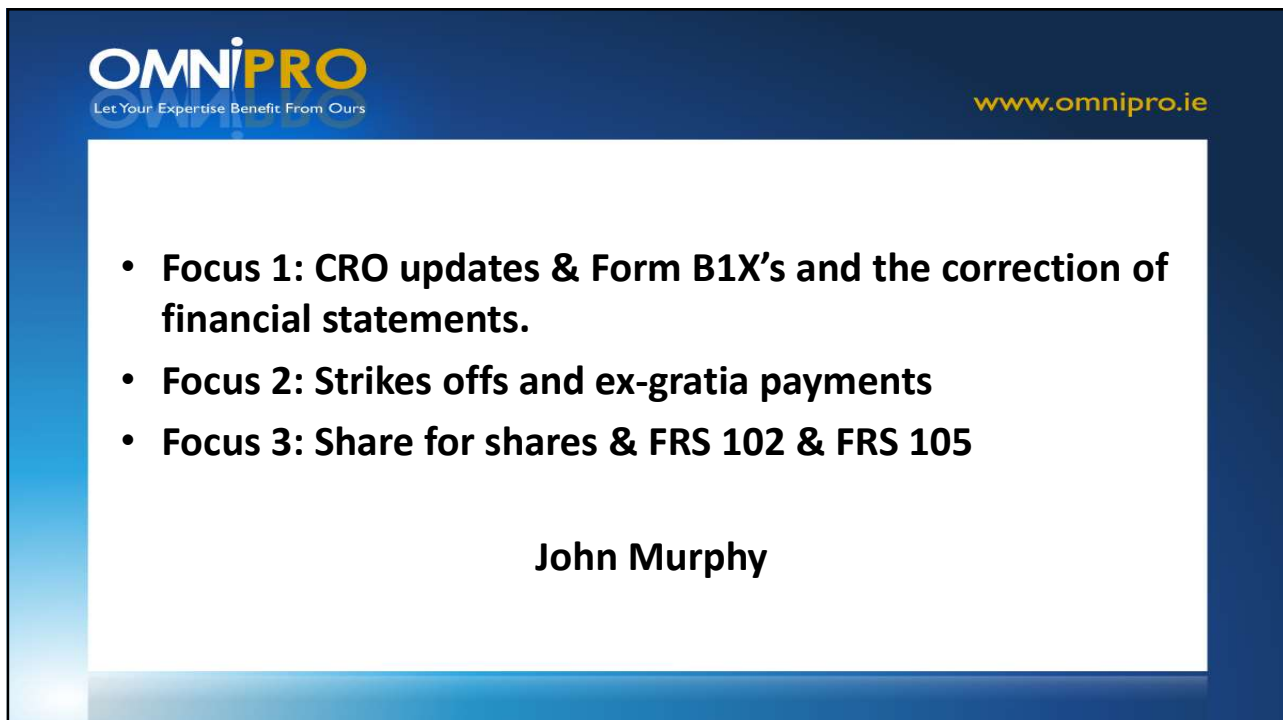
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Title

John Murphy

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- **Focus 1: CRO updates & Form B1X's and the correction of financial statements.**
- **Focus 2: Strikes offs and ex-gratia payments**
- **Focus 3: Share for shares & FRS 102 & FRS 105**

John Murphy

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Topical updates - CRO

- Buyback/redemption of shares – Wef 31/7 Form B7 required for these – S.92 CA H5 also
- Annual returns due between 18 March and 31 October have until 31 October
- Registrar of friendly societies have until 31/12/20
- Uploading B1 & FS's at same time – 56 days from ARD – Expected this Qtr - Companies (Amendment) Act 2019 expected to be commenced
- More Functionality on CORE to file B10, B2, G1Q;
- B1X – replacement of financial statements – Section 368 CA – Revenue changing view & returning docs so be aware
- Beneficial ownership register reminder letters – Also – Requirement to file changes in RBO & have in minutes – 14 days to file once notice received (technically 44 days) – requirement issue regulation 11 notice;

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Strike off's and ex-gratia payments

- Ex-gratia payments – S201 – ex-gratia – 'Office-holder'
- Minutes of meeting important
- “ in recognition of past service the company are paying XX a termination package of €x,xxx. In order to proceed with the strike-off process the directors have agreed to remain on the Board solely for the purposing of meeting the legal requirements of the strike-off process.”

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Share for shares

- Normal rule – 22.8
- Section 22.8 FRS 102 follows S.72 & 75 CA 2014
- Two options here
- Section 17.8 – no option
- Our recommendation & why?

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Acting as Company Secretary through a Limited Company

Colm Owens

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Acting as Company Secretary through a Limited Company

- IESBA Intl Code of Ethics was issued in April 2018. At this stage most of the Institutes have adopted the IESBA Code of Ethics at the basis for their Codes of Ethics;
- Serving as a director or officer of an audit client is covered in section 523 of IESBA Intl Code of Ethics (and the new CAI Code of Ethics);

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Acting as Company Secretary through a Limited Company

Serving as a director or officer of an audit client (Section 523).

- Section 523 required firms to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence (Section 523.1).
- It notes that serving as a director or officer of an audit client creates self-review and self-interest threats and the section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances (Section 523.2).
- While not defined in the Code of Ethics, the general consensus would be that the term 'officer of the company' would encompass the office of company secretary.

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Acting as Company Secretary through a Limited Company

Service as Director or Officer

- Section R523.3 states that a partner or employee of the firm or a network firm shall not serve as a director or officer of an audit client of the firm.

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Acting as Company Secretary through a Limited Company

Service as Company Secretary

- Section R523.4 states that a partner or employee of the firm or a network firm shall not serve as Company Secretary for an audit client of the firm, unless;
 - (a) This practice is specifically permitted under local law, professional rules or practice;
 - (b) Management makes all relevant decisions; and
 - (c) The duties and activities performed are limited to those of a routine and administrative nature, such as preparing minutes and maintaining statutory returns.
- Notes that the position of Company Secretary has different implications in different jurisdictions.
- Duties might range from administrative duties to duties as diverse as ensuring that the company complies with regulations or providing advice on corporate governance matters.

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Acting as Company Secretary through a Limited Company

Service as Company Secretary

- Usually this position is seen to imply a close association with the entity. Therefore, a threat is created if a partner or employee of the firm or a network firm serves as Company Secretary for an audit client. (Section 523.4 A1)
- The Code is silent on whether this perceived close association with the client and the potential threat to independence extends to a limited company associated with the firm acting as Company Secretary to an audit client.

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Acting as Company Secretary through a Limited Company

The Conceptual Framework

- In deciding on an Ethical matter, when a particular section does not give the exact answer, a firm will need to refer back to the guidance in The Conceptual Framework (Section 120).
- Section R120.4 states that when dealing with an ethics issue, the professional accountant shall consider the context in which the issue has arisen or might arise.
- When applying the conceptual framework, the professional accountant shall:
 - (a) Exercise professional judgment;
 - (b) Remain alert for new information and to changes in facts and circumstances; and
 - (c) Use the reasonable and informed third party test (see below) (Section R120.5)

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Reasonable and Informed Third Party

- Section 120.5 A4, states that the reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party.
- Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made.
- The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.

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Acting as Company Secretary through a Limited Company

Reasonable and Informed Third Party

- On the basis of the above, ask yourself whether a 'reasonable and informed third party' would conclude that a limited company associated with the firm (with same individuals (directors / partners) in each entity) acting as Company Secretary creates a potential threat to independence (that cannot be eliminated by applying safeguards)?
- If the conclusion is yes then, either the limited company should not act as Company Secretary to the audit client or the audit firm does not act as auditor to the client.
- However, if the firm accepts the role as auditor and the client appoints a new company secretary, the Company Secretary company can still provide company secretary services, as these would be considered as administration services.
- In this case the audit firm will need to assess the potential threat to independence from providing non-audit services and apply appropriate safeguards to address the risk.

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Acting as Company Secretary through a Limited Company

Companies (Statutory Audits) Act 2018

- The new Companies (Statutory Audits) Act 2018 incorporated in legislation provisions in relation to independence that were previously include in the Ethical Standards or the various Codes of Ethics.
- Similar to the IESBA Code of Ethics, the Act references a 'reasonable and informed third party' test in order to conclude on whether, taking into account the safeguards applied, the statutory auditor's or audit firm's independence would be compromised.
- Like the IESBA Code of Ethics, the Act is silent on whether potential threat to independence extends to a limited company associated with the firm acting as Company Secretary.

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Acting as Company Secretary through a Limited Company

Companies (Statutory Audits) Act 2018

In summary;

- Section 1535 (1), prohibits a statutory auditor or audit firm from carrying out a statutory audit if there is any threat of self-review, self-interest, advocacy, familiarity, or intimidation, created by any direct or indirect financial, personal, business, employment or other relationship (between the auditor / firm & the audit client); and
- Section 1535 (2) (a) prohibits a person from acting as statutory auditor of an undertaking if he or she is an officer or servant of the undertaking.

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

- IESBA Intl Code of Ethics was issued in April 2018. At this stage most of the Institutes have adopted the IESBA Code of Ethics at the basis for their Codes of Ethics;
- Changes in Professional Appointments are covered in section 320 of the Code of Ethics;

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

Client and Engagement Acceptance

- Requires professional accountants to assess any threats in the acceptance of a new client;
- Threats might be created, from questionable issues associated with the client (involvement in illegal activities, dishonesty, questionable financial reporting practices or other unethical behaviour);
- A self-interest threat is created if the engagement team does not possess, or cannot acquire, the competencies to perform the professional services

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

Changes in Professional Appointment

- Accountant shall determine whether there are any reasons for not accepting an engagement when accountant;
 - (a) Is asked by a potential client to replace another accountant;
 - (b) Considers tendering for an engagement held by another accountant; or
 - (c) Considers undertaking work that is complementary or additional to that of another accountant
- Possible safeguards include;
 - Communicating with existing or predecessor accountant;
 - Obtaining information from other sources.

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

Communicating with the Existing or Predecessor Accountant

- Shall at least seek to contact the existing or predecessor accountant;
- Will usually need the client's permission, preferably in writing;
- If unable to communicate with the existing or predecessor accountant;
 - Shall take other reasonable steps;
 - If enquiries are not answered, the proposed accountant shall write to the existing accountant by recorded delivery service;
 - Entitled to assume silence implies there was no adverse comment to be made;
 - However, this does not lessen the requirement above to take other reasonable steps.

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

Communicating with the Proposed Accountant

- When an existing or predecessor accountant is asked to respond to a communication from a proposed accountant, the existing or predecessor accountant shall:
 - (a) Comply with relevant laws and regulations governing the request; and
 - (b) Provide any information honestly and unambiguously.
- An existing or predecessor accountant is bound by confidentiality.
- Whether permitted or required to discuss the affairs of a client will depend on the nature of the engagement and:
 - (a) Whether the existing or predecessor accountant has permission from the client for the discussion; and
 - (b) The legal and ethics requirements relating to such communications and disclosure.

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

Transfer of records

- Existing accountant shall deal promptly with any reasonable request for the transfer of records; and
- May have the right of particular lien if there are unpaid fees.
- The Code of Ethics is silent regarding guidance over 'lien in relation unpaid fees';
- No charge shall normally be made unless there is good reason to the contrary.

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

AML considerations

- Care must be taken when communicating all relevant facts to a proposed accountant in situations where the existing or predecessor accountant knows or suspects that their client is involved in money laundering or a terrorist activity steps.
- It is important that the proposed accountant;
 - Not to specifically enquire whether the existing accountant has reported suspicions of money laundering or terrorism
 - Not to ask whether client identification or 'knowing your client' procedures have been carried out

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Changes in Professional Appointment, Issues regarding Fees & Books and Records Issues

AML considerations

- If the existing accountant has made one or more suspicious activity reports relating to money laundering or terrorism, the existing accountant shall not disclose that fact to the prospective accountant, or make other disclosures that could amount to tipping off (section R320.7B).
- Disclosure of money laundering or terrorist suspicion reporting by the existing accountant to the proposed accountant needs to be avoided because this information may be discussed with the client or former client (section 320.7 A3).

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Auditing financial statements where a Revenue Audit is ongoing

Lisa Cosgrave

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Auditing financial statements where a Revenue Audit is ongoing

- Is there a limitation of scope?
- Should a potential liability be recognised?
 - Provision or contingent liability
- Should the audit report be modified?
 - Emphasis of matter paragraph
- Are there going concern issues as a result?
 - A material uncertainty?

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Proprietary Directors – Post Year End Bonus/Salary

Yvonne O’Sullivan

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Proprietary Directors – Post Year End Bonus/Salary

- Minute – approving salary
- Run 2 payrolls
- s112 – Earnings basis – Proprietary Director
- 2020 payroll but 2019 income – 2019 F11
- Paid within 6 months of fin yr end – s997 TCA 1997 – credit for tax deduction where timing difference
- Include on F11 – override pre-populated amount
- Paid after 6 months – s996 TCA 1997 – Unpaid remuneration. TDM 42-04-23
- Amend Dec 2019 payroll. Interest accrued on daily basis until date of payment

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Why OmniPro

Our Why - Our core belief is simply this : Accountants can and do change lives. So we get up every morning to bring them the tools, advice and training so that they can build outstanding businesses for themselves and their clients too. In this way we change lives, communities and our world. We would live to do that together with you.

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Why OmniPro

How We Do That –

- We do accountants
- We connect with accountants.
- We learn about accountants so we can understand them.
- We work out what accountants want and need
- We find the best solution for accountants in any given situation
- One Firm One Solution

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Why OmniPro

What We Do -

We provide accountants with information products, consulting and training in the areas of;

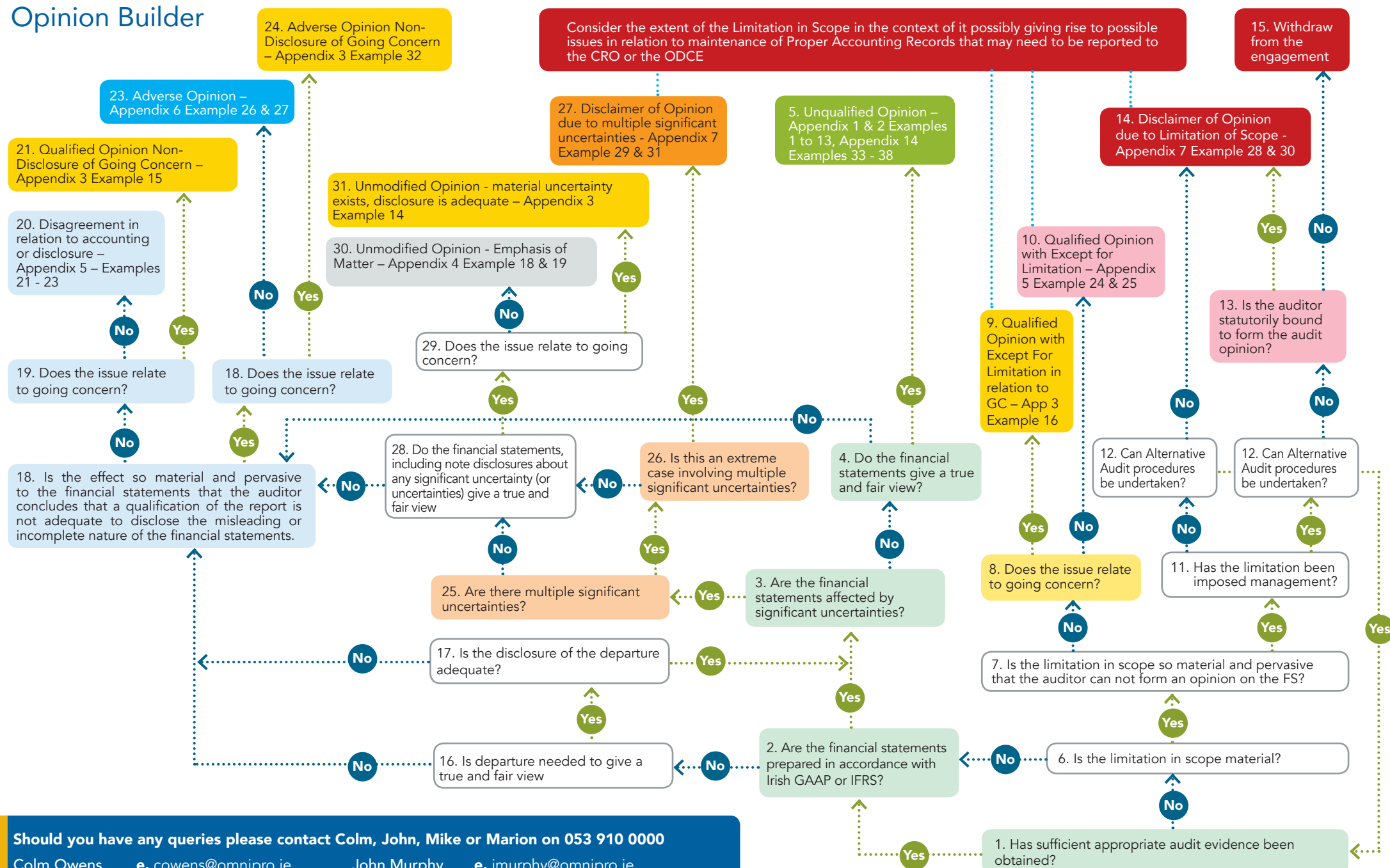
- practice management, business development & marketing;
- company secretarial & taxation;
- audit & financial reporting;
- professional regulation and disciplinary defence.

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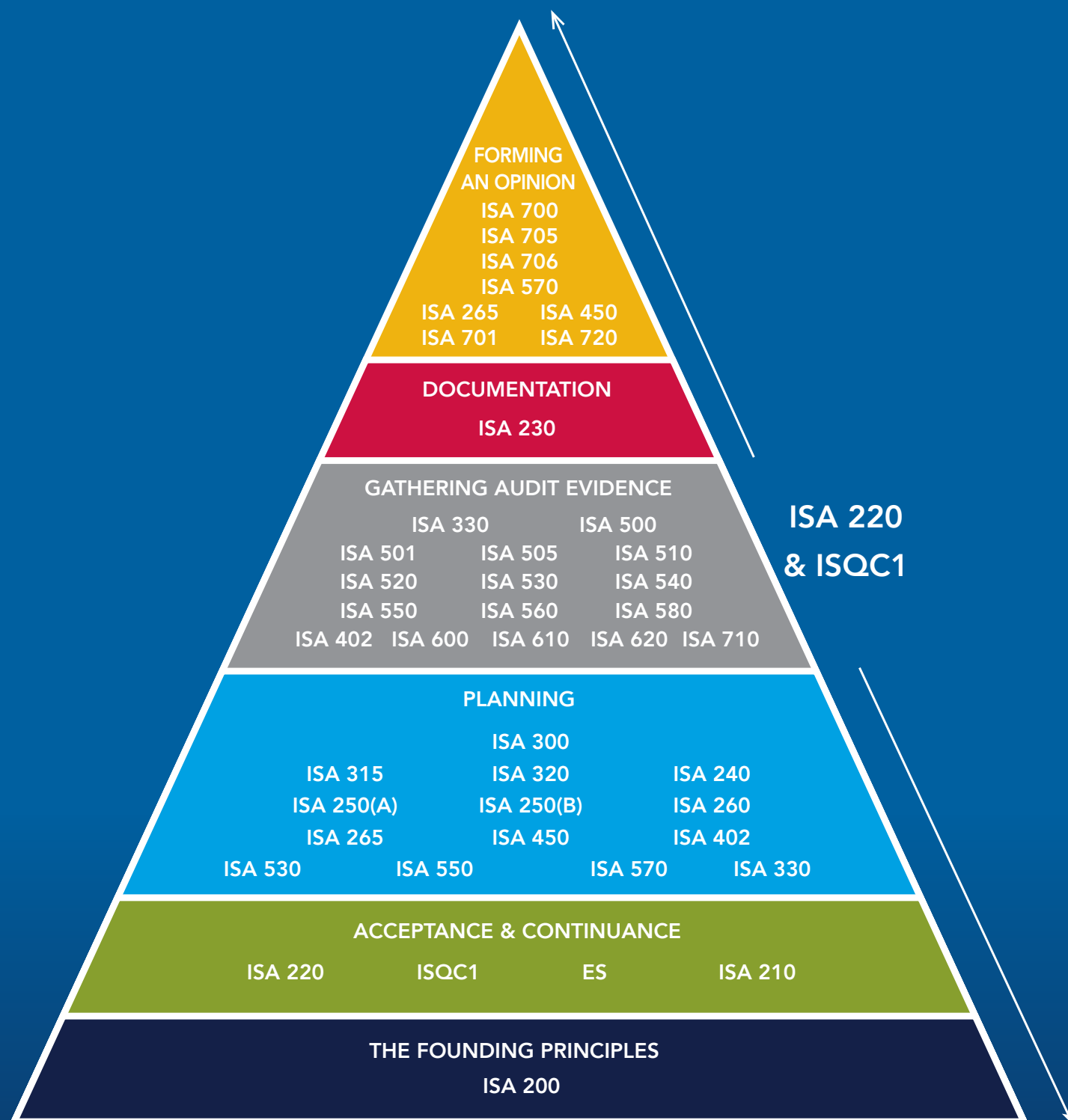
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