

Accountancy Profession Act 1979
Cap. 281

**Directive Number 4 issued in terms of the Accountancy Profession Act (Cap 281)
and of the Accountancy Profession Regulations 2009**

In exercise of the powers conferred by article 8(2) of the Accountancy Profession Act (hereinafter referred to as “the Act”), the Accountancy Board, with the approval of the Minister for Finance is hereby issuing the following directive to holders of practising certificates in auditing under the Act:

I Name and commencement date

- 1 This directive may be cited as the Accountancy Profession (Quality Assurance) Directive and may also be referred to as the “Quality Assurance Directive”.
- 2 This directive shall come into force on the eighth (8th) day immediately following the day on which it is published (the “Effective Date”) and shall, as from the Effective Date replace Directive 4 previously issued by the Board.
- 3 Parts II – XXI of this Directive shall not apply to the statutory audit of annual and consolidated financial statements of public-interest entities where it is inconsistent with Part XXII of this Directive and Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.
- 4 The quality assurance of statutory auditors of public-interest entities is regulated by article 26 of the said Regulation (EU) No. 537/2014.

II Definitions

3. (a) In this Directive:

“Board” means the Accountancy Board;

“Body of persons” includes a limited liability company, and any fellowship, society, or other association of persons, whether corporate or unincorporate, and whether vested with legal personality or not;

“connected undertaking” means an undertaking which is effectively managed or promoted as on epractice with the firm or as a related undertaking of the firm;

“Continued professional education” hereinafter referred to as “CPE” shall mean activities that should contribute to the continued professional development of statutory auditors;

“a statutory audit firm” or “firm” shall mean a firm of practicing certificate holders, registered in terms of article 10 of the Act, in public practice;

“a third-country statutory auditor or a third-country statutory audit firm” shall mean a statutory audit firm or statutory auditor registered in accordance with article 7(6) of the Act;

“Statutory auditor” shall mean a practicing certificate holder in public practice and where applicable shall include an entity that controls such parties and an entity that is controlled by such parties in public practice;

“Part Time statutory auditors” shall mean statutory auditors in public practice whose normal hours of work, calculated on a weekly basis or on an average over a period of up to one year, are less than twenty-five hours in any one week;

“Public interest entities” shall mean:

- (a) entities governed by the law of a Member State whose transferable securities are admitted to trading on a regulated market of any Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC;
- (b) credit institutions as defined in point 1 of Article 3(1) of Directive 2013/36/EU of the European Parliament and of the Council (1), other than those referred to in Article 2 of that Directive;
- (c) insurance undertakings within the meaning of Article 2(1) of Directive 91/674/EEC; or entities designated by the Government as public-interest entities.

“Public practice” shall mean the following activities carried out by holders of a practicing certificate in auditing:

- (a) acting as a statutory auditor or a statutory audit firm, excluding, for the avoidance of doubt, a practicing certificate holder who is in the employ of another statutory auditor or a statutory audit firm;
- (b) signing any report or certificate on financial statements in circumstances where reliance is likely to be placed on such report or certificate by any other person, or when a statutory audit firm or a statutory auditor does any other thing which may lead the third party to believe that accounts have been prepared, approved or reviewed by such statutory auditor or statutory audit firm; or
- (c) holding oneself out, or allowing oneself to be held out, as being available to undertake any of these activities in (a) and or (b) above.

“Quality Assurance Unit” and “QAU” shall mean the Unit set up under the provisions of rule 14 this Directive;

“Practicing certificate” shall mean a practising certificate in auditing issued in terms of Article 4 of the Act; and

“holders of practicing certificate” shall mean an individual, holding a practising certificate in auditing issued under the Act, or a firm registered in terms of article 10

of the Act and in public practice:

(b) The provisions of this Directive shall be interpreted in the light of the Act and of the regulations issued in terms thereof and shall be read in conjunction with any other relevant directives and guidelines which may be issued from time to time.

(c) Unless the context indicates otherwise terms used in this Directive and not defined shall have the meaning assigned to them in the Act.

III Purpose and scope

4. The objective of this Directive is to ensure that all statutory auditors and statutory audit firms maintain the highest possible professional standards.
5. The provisions of this Directive shall apply to all statutory auditors and all statutory audit firms.

IV Responsibility

6. It is the responsibility of each statutory auditor in public practice to ensure that he/she and or his firm comply with the provisions of this Directive.
7. The Board, after consultation with the QAU shall determine whether a firm is subject to the provisions of this Directive. Such a decision of the Board shall be notified by registered mail to any person to whom such decision applies and shall be subject to appeal in terms of article 15B of the Act.
8. The fact that compliance with the provisions of this Directive may be undertaken by the compliance principal or by any other principal, a statutory auditor in public practice on behalf of any firm shall not diminish the responsibility of any other statutory auditor in public practice/principal of the firm to ensure that both the firm, including its connected undertakings, and himself/herself individually complies with and abides by the provisions of this Directive.

V Quality Assurance Process

9. The Quality Assurance Process is intended to be a means through which the Board provides assurance as to the quality of the professional work of statutory auditors public practice and statutory audit firms and on the maintenance of appropriate levels of professional standards thereby. The Quality Assurance process shall be conducted in a transparent manner and satisfaction of this obligation shall require among others the publication by the Board of annual work programmes and activity reports as part of the annual report specified in article 7(19) of the Act.
10. The QAU shall act on behalf of the Board in the implementation and supervision of the Quality Assurance process contemplated in the provisions set out in this Directive.
11. The Quality Assurance process shall include:
 - (i) the submission of a detailed return issued in a form and at a time prescribed by the Board;

- (ii) periodic review visits to statutory auditors and statutory audit firms with the object of carrying out an assessment of compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the statutory auditor or the statutory audit firm supported by adequate testing of audit files;
 - (iii) the drawing up of a report which contains the main conclusions of the Quality Assurance process in respect of any particular firm; and
 - (iv) the annual publication of the overall results of the Quality Assurance process.
12. The QAU shall determine the selection of statutory auditors and statutory audit firms in respect of which to conduct the Quality Assurance process including the conduct of periodic review visits, as well as the methods to be adopted in the conduct of the said process and visits and in the review of the detailed returns.

VI Professional Standards

13. Statutory auditors and statutory audit firms are required to comply with all laws, regulations, directives, and professional guidelines which seek to ensure the maintenance of appropriate professional standards and in particular the provisions of the Act and the regulations, directives and guidelines issued in terms thereof, other professional standards which may be mandated by law, standards or directives issued by any other relevant regulatory authority, and guidance issued by any approved accountancy body.

VII The QAU

14. (a) The QAU shall be composed of a Head of Unit supported by a team of inspectors and shall report and be answerable to the Board.
- (b) Save as aforesaid and subject to such directions as may be given thereto by the Board, the QAU may make its own rules and otherwise regulate its own procedure.
- (c) The QAU shall ensure that such agents are persons of integrity who have the necessary qualifications, education, expertise and relevant experience in statutory audit and financial reporting and receive specific training on quality assurance review to ensure that they can carry out their duties competently and impartially.
- (d) The QAU shall ensure that such agents adopt a code of conduct appropriate to their duties and responsibilities. Without prejudice to the generality of the foregoing, this code shall include provisions aimed at ensuring that there are no conflicts of interest between the reviewers and the firms under review, including prohibiting such persons from being engaged in public practice throughout the entire period during which they are acting as agents of the QAU.
- (e) A person shall not be eligible to be appointed as agent until at least three years

have elapsed since that person ceased to be a partner or an employee of, or otherwise associated with, that statutory auditor or audit firm.

- (f) Such agents shall declare that there are no conflicts of interest between them and the statutory auditor and the audit firm to be reviewed.

15. The QAU shall have the following responsibilities and powers:

- (i) assisting the Board in drafting of policies in relation to quality assurance, including:
 - (a) recommending to the Board amendments to this Directive and all other directives and guidelines which have a bearing on the operation of the quality assurance system;
 - (b) recommending to the Board the content and frequency of submission of any return required by this Directive and submitting this for the formal approval of the Board;
 - (c) recommending to the Board on and establishing policies with respect to the form and frequency of review visits conducted in terms of this Directive:

Provided that in all cases review visits shall take place on the basis of an analysis of the risk and for those auditors performing audits of entities requiring an audit under the European Union Law at least every six (6) years and in the case of statutory auditors and statutory audit firms carrying out audits of public interest entities at least every three (3) years.

Provided further that reviews shall be appropriate and proportionate in view of the scale and complexity of the activity of the statutory auditor or statutory audit firm.

Provided further also that reviews relating to medium-sized and small undertakings shall take account of the fact that the auditing standards adopted in accordance with law are designed to be applied in a manner that is proportionate to the scale and complexity of the business of the audited entity.

- (ii) acting on behalf of the Board in ensuring the application of the provisions of this Directive and ensuring compliance therewith and with any other regulations governing the proper performance of professional work by statutory auditors and statutory audit firms.
- (iii) requiring the co-operation of statutory auditors and statutory audit firms and the production of any document or information it considers appropriate to the proper performance of its duties.
- (iv) reviewing all returns made under the provisions of this Directive, investigating failure to make such returns or reports and reviewing all returns received by the Board in terms of the Annual Return and Annual Fees Directive as amended.

- (v) reviewing all reports made under the requirements of this Directive and recommending to the Board the taking of such regulatory action as it may deem appropriate in the particular circumstances.
- (vi) authorising, with the approval of the Board, any duly appointed agent to enquire into all matters related to the exercise of its functions under this Directive and for this purpose the QAU may, at its discretion, delegate certain of its responsibilities and powers to such agent. In particular, the QAU may require any such agent to make appropriate enquires to confirm whether or not a statutory auditor of a firm is complying with the requirements of this Directive (by writing, visiting the statutory auditor's or the statutory audit firm's office or offices, using a periodic return, third party enquiry or in any other way). In this respect the requirements at article 14 (c) - (f) shall apply "*mutatis mutandis*" to such agents, besides that the QAU, after obtaining the written approval of the Board, may enter into such arrangements as it may consider appropriate, to compensate such agents for the carrying out of the duties and responsibilities it has assigned to them.
- (vii) To establish appropriate procedures to ensure that the confidentiality of any information obtained thereby which is identified by the firm to constitute strategic commercially sensitive information is adequately protected;
- (viii) To make written submissions to a disciplinary committee appointed in terms of sub-article (16) of article 7 of the Act on any of its findings as may be relevant to any enquiry held in terms of paragraph (a) of sub-article (1) of article 15 of the Act.

VIII Provision of information to the QAU and its duly appointed agents

16. In exercising its powers and carrying out its duties under this Directive, the QAU (and any of its duly appointed agents) has the power, to the extent reasonably necessary in the particular circumstances of the case, to require a statutory auditor or a statutory audit firm to provide access to the place or places from which they carry on their profession and to all and any information held by or concerning the statutory auditor or statutory audit firm. Without prejudice to the generality of the foregoing, this information may include among others, books, papers and records – whether electronic or otherwise relative to the firm, or its clients. The disclosure and provision of the relative information in such circumstances is deemed to take place in the course of the statutory auditor or statutory audit firm obtaining directions from the body regulating the profession and such disclosure and provision is a necessary measure in the interest of preventing, investigating, detecting and prosecuting breaches of ethics within the profession.

IX Disclosure of Information

17. In exercising its powers and carrying out its duties under the provisions of this Directive, the QAU (including, for the avoidance of doubt, all and any agents appointed thereby in terms of this Directive):

- (i) shall determine on a case by case basis, the extent to which identification of any particular client is necessary in order to properly exercise its powers and carry out its duties;
- (ii) shall treat all information as covered by a duty of professional secrecy, but may disclose any information if in its opinion, such course of action is appropriate in the following circumstances:
 - (a) to a disciplinary committee appointed by the Board in terms of sub-article (16) of article 7 of the Act, to investigate complaints against warrant holders, and firms;
 - (b) to the Board in connection with the Board's duties and responsibilities set out in the Act, the regulations and any directives (including for the avoidance of doubt, this Directive) issued in terms thereof;
 - (c) to other regulatory authorities for the purpose of protecting the public Interest.

X Waivers

18. The Board may waive or relax any of the requirements of this Directive if it is satisfied that altering the requirements of the Directive will not result in any undue risk to all or any of the clients of any statutory auditor and statutory audit firm or to the general public.

XI Compliance Principal

19. All statutory audit firms are required to appoint a compliance principal.

XII Returns

20. All statutory auditors or audit firms are required to provide such returns, statements or other information, as the QAU may consider necessary and the said information shall be provided in such form and within such time frames as may be set by the QAU.
21. All returns shall be subject to an internal desk-top review process and all statutory auditors and statutory audit firms are required to provide all such further details as may be requested as a result of the review.
22. The Board shall make available to the QAU all returns, statements or other information from statutory auditors and statutory audit firms and shall grant to the QAU access to the Board's database containing information extracted from such returns.

XIII Periodic Visits

23. The QAU may at its discretion:
- (a) determine the selection of statutory auditors, and statutory audit firms for a periodic visit;
 - (b) determine the professional activities to be reviewed;
 - (c) produce a report on the results of the visit; and
 - (d) report back to the particular statutory auditor for the statutory audit firm the results of the visit after obtaining approval from the Board.
24. The Board may, upon receipt and consideration of such reports:
- (a) require any statutory auditor or statutory audit firm to make improvements to its professional standards;
 - (b) require any statutory auditor or statutory audit firm to seek external support and assistance to implement improvements;
 - (c) require a third party external review or a follow up visit;
 - (d) recommend the issue of an order imposing such restrictions and / or conditions in respect of any practicing certificate issued by the Board;
 - (e) determine that an enquiry should be held in terms of paragraph (a) of sub-article (1) of article 15 of the Act by the disciplinary committee appointed in terms of sub-article (16) of article 7 of the Act;
 - (f) determine that regulatory action may be required urgently stating the need for urgent action.

XIV Restrictions and conditions

25. The Board, acting on the advice of the QAU, may issue an order imposing such restrictions or conditions on the manner in which a firm conducts its practice if it considers that any of the circumstances mentioned below exist, or are likely to exist, and the restrictions or conditions contemplated below are justified in the circumstances:
- (a) the statutory auditor or the statutory audit firm has not complied with the provisions of this Directive;
 - (b) the statutory auditor or the statutory audit firm is likely not to comply with the provisions of this Directive in the immediate future;
 - (c) the holding by the statutory auditor or the statutory audit firm of a practicing certificate or the holding of such practicing certificate without restrictions or conditions could have an adverse effect on all or any of its clients or the general public;
 - (d) the statutory auditor or the statutory audit firm no longer fulfils one or more of

the eligibility requirements for the holding of a practicing certificate;

- (e) the statutory auditor or the statutory audit firm has not complied with its professional indemnity obligations under the Act or under any regulations or directives issued thereunder;
 - (f) the statutory auditor or the statutory audit firm is regularly late in submitting any required returns or reports under the Act, or under any regulations or directives issued thereunder;
 - (g) the statutory auditor or the statutory audit firm has not settled the annual fees mandated by this Directive or any charge or costs due under this or any other Directive issued by the Board, within thirty (30) days of the service of a notice by the Board requesting the settlement of any such fees, charges or costs;
 - (h) the statutory auditor or the statutory audit firm has not complied with any restriction or condition imposed by the Board under this Directive;
 - (i) the statutory auditor or the statutory audit firm has not complied with any provision of the Act, or of any regulations or directives issued thereunder.
26. After the issue of an order in terms of paragraph 25 above, within a period of not more than two (2) calendar weeks thereafter, the Board shall be obliged to grant to the statutory auditor or the statutory audit firm an opportunity to make oral or written representations thereto. Having considered any such representations the Board may deem fit to:
- (a) withdraw or vary the order with effect from such date as may be determined by the Board; or
 - (b) retain the order in effect.

Such decision of the Board shall be notified by registered mail to any statutory auditor or statutory audit firm to whom such decision applies and shall be subject to appeal in terms of article 15B of the Act.

27. Any statutory auditor or any statutory audit firm that is subjected to any act determined in terms of paragraph 24 or paragraph 25 above, shall be obliged to comply in full with the terms of the particular action, restriction or condition imposed thereon within a reasonable period of time fixed by the Board. Should any default be committed by the particular firm in this respect, the Board shall be entitled to take such further disciplinary and/or regulatory action in respect of such default as it may deem fit. Any decision of the Board imposing disciplinary and/or regulatory measures shall be notified by registered mail to any statutory auditor or statutory audit firm to whom such decision applies and shall be subject to appeal in terms of article 15B of the Act.

28. The Board may impose a regulatory penalty, subject to the following terms and conditions:

- (a) the Board shall not be entitled to impose the regulatory penalty before the firm agrees that a breach of the provisions of this Directive has been committed thereby;
- (b) after considering any representations made by the firm in respect of the penalty and the payment date(s), the Board shall determine the quantum of the penalty and when it is to be paid and this determination shall be final, conclusive and not subject to appeal. The Board will set this out in writing in the letter sent thereby to the statutory auditor or to the statutory audit firm, proposing the imposition of the penalty:

Provided that the penalties for the breaches listed in Schedule 1 hereof shall not exceed the amounts prescribed in the said schedule;

- (c) if the statutory auditor or the statutory audit firm accepts the penalty which is being proposed for imposition thereon by the Board and the relative terms thereof, written confirmation in this sense must be received by the Board within a period of two (2) calendar weeks from the date of service of the letter from the Board containing the proposal, in which case the proposed regulatory penalty and the relative terms shall become effective and binding on the statutory auditor or the statutory audit firm, so however that in such case no further disciplinary action shall be taken in respect of the statutory auditor or the statutory audit firm;

29. If a statutory auditor or the statutory audit firm does not agree that a breach of the provisions of this Directive has been committed, or does not notify its acceptance of the penalty as set out in paragraph 28(c) above, or does not fully adhere to the terms of the penalty imposed thereon by the Board, the Board may determine that disciplinary action should be taken in respect of the particular firm in terms of article 15 of the Act.

30. The Board may issue written guidelines detailing the manner in which Regulatory Penalties, mentioned in paragraph 28, shall be imposed.

XVI Restrictions or conditions in respect of practising certificates

31. Without prejudice to the other provisions of this Directive, the Board may issue an order imposing restrictions or conditions in respect of any practicing certificate where it is of the view that all or any of the circumstances referred to in paragraph 25 above exist or may exist.

32. After the issue of an order imposing restrictions or conditions in terms of paragraph 31 above, within a period of not more than two (2) calendar weeks thereafter, the Board shall be obliged to grant the statutory audit or audit firm an opportunity to make oral or written representations thereto. Having considered any such representations the Board may deem fit to:

- (a) withdraw or vary the order with effect from such date as may be determined by the Board; or
- (b) retain the order in effect.

Such decision of the Board shall be notified by registered mail to any statutory auditor or any statutory audit firm to whom such decision applies and shall be subject to appeal in terms of article 15B of the Act.

XVII Enquiries in terms of Article 15 of the Act

33. If the Board considers that any of the circumstances referred to in paragraphs (i) to (iv) of sub-article (1)(a) of article 15 of the Act exist or may exist in respect of any statutory auditor or audit firm, the Board may order an enquiry to be held, with the required degree of urgency, by the disciplinary committee appointed under sub-article (16) of article 7 of the Act and apart from any penalties contemplated elsewhere in this Directive, the penalties contemplated in the Act may be imposed on the particular statutory auditor or statutory audit firm where it is found guilty of the particular acts or omissions in terms of law.

XVIII Dispensation

34. If it is impossible or impractical for any statutory auditor or statutory audit firm to comply with any of these provisions at any time, it shall be obliged to notify the Board in writing. Such notification must be received by the Board within a period of two (2) calendar weeks from the date from when the particular situation arose and specifying the reasons therefore and the action which the statutory auditor or the statutory audit firm proposes to take in order to return to a situation of full compliance with the provisions of this Directive.
35. If the Board determines that the statutory auditor or statutory audit firm is taking all practical steps required to resolve the problem and that the continued holding by the particular firm of any practicing certificate would not be against the public interest, it may grant a dispensation from the requirement to comply with any or all provisions of this Directive for such period of time as the Board deems fit, so however that such period shall in no case exceed ninety (90) days from the date when the situation referred to in paragraph 34 above arose. If the Board is not satisfied with the steps being adopted or proposed to be adopted by the statutory auditor or the statutory audit firm to resolve the problem, the Board may take such action as it may deem fit in terms of the provisions of the Act, the Regulations and this Directive. A decision, if any, then taken by the Board shall be notified by registered mail to the statutory auditor or to the statutory audit to whom such decision applies and shall be subject to appeal in terms of article 15B of the Act.

XIX Continuing responsibility

36. If a statutory auditor or a statutory audit firm no longer holds a practicing certificate, disciplinary action may still be taken in respect of the statutory auditor or the statutory audit firm and/or all or any of the principals thereof, for any failure to comply with the provisions of this Directive during the time in which it held any such certificate. A statutory auditor or statutory auditor or a statutory audit firm shall also be subject to subsequent disciplinary action if it fails to comply with any provision having a continuing effect even after the statutory auditor or the statutory audit firm ceases to hold such practicing certificate. Furthermore the Board's right to recover any

unpaid fees or other amounts due from a statutory auditor or a statutory audit firm under the provisions of this Directive shall continue to subsist even after the statutory auditor or the statutory audit firm ceases to hold the practicing certificate. Any decision of the Board imposing disciplinary measures in terms of this rule shall be notified by registered mail to the statutory auditor or to the statutory audit firm whom such decision applies and shall be subject to appeal in terms of article 15B of the Act.

XX The implementation of orders

37. Subject to any other provision of this Directive, an order made by the Board under this Directive shall enter into effect as soon as notice thereof is served on the particular statutory auditor or statutory audit firm or at such later date as the Board may specify.

The serving of notice

38. Except where otherwise provided, a notice or any other document to be served under this Directive shall be delivered by hand, or sent by registered mail. In this respect the following shall apply:

- (a) If delivered by hand, the said notice or other document must be handed to the statutory auditor or in case of a statutory audit firm to a principal thereof and service thereof shall be deemed to have been effected as soon as such document is handed to the said statutory auditor or principal.
- (b) If sent by registered mail, the said notice or other document shall be addressed to the statutory auditor or in case of a statutory audit firm to a principal thereof and be sent to the latest address given by the statutory auditor or the statutory audit firm to the Board; service thereof shall be deemed to have been effected five business days after the date on which the particular notice or other document is posted.

XXI Fees

39. Statutory audit firms, with the exception of an audit firm which is not engaged in public practice, an accountancy firm engaged in public practice and sole practitioners who do not carry out audits, shall be required to submit an annual return issued by the QAU and to pay, by the 31st January of each year, an annual regulatory fee in accordance with the list of fees prescribed in Schedule 2:

Provided that where two or more statutory audit firms registered with the Board are connected undertakings, as they are effectively managed and promoted as one practice, these shall be required to pay one regulatory fee annually, which fee shall be calculated on the basis that the statutory audit firms are deemed to be one firm, and this as prescribed in the list of fees under Schedule 2

40. The Board shall determine the quantum of the annual regulatory fee and the manner in which such fee is calculated shall be such as to cover in whole or in part the direct and indirect costs of the quality review process.

41. A statutory auditor or a statutory firm shall pay an additional fee charged at the rate of €34.94 (thirty-four euro and ninety-four cents) per man hour to cover the costs of any visit which the Board considers to be required to ensure that the firm is operating to the required professional standards:

Provided that the hours charged for such visit shall be limited to what is reasonably required to achieve the purpose of the visit.

XXII Special Provisions applicable to Statutory Auditors of Public Interest Entities (PIEs)

This Part applies to statutory auditors of Public-Interest Entities (PIEs) and any previous provision of this Directive which is inconsistent with this Part shall not apply to statutory auditors of PIEs and the provision in this Part will apply.

42. For the purposes of this Part:

- (a) ‘inspections’ means quality assurance reviews of statutory auditors and audit firms, which are led by an inspector and which do not constitute an investigation within the meaning of article 7 (1) of the Act;
- (b) ‘inspector’ means a reviewer who meets the requirements set out in paragraph (a) of the first subparagraph of article 46 of this Part and who is employed or otherwise contracted by the Ministry for finance for services required by the Accountancy Board in the course of its duties;
- (c) ‘expert’ means a natural person who has specific expertise in financial markets, financial reporting, auditing or other fields relevant for inspections, including practising statutory auditors.

43. The Board shall establish an effective system of audit quality assurance.

The Board shall carry out quality assurance reviews of statutory auditors and audit firms that carry out statutory audits of public-interest entities on the basis of an analysis of the risk and:

- (a) in the case of statutory auditors and audit firms carrying out statutory audits of public-interest entities at least every three years; and
- (b) in cases other than those referred to in paragraph (a), at least every six years.

44. The Board at the request of the QAU shall have the following responsibilities:

- (a) approval and amendment of the inspection methodologies, including inspection and follow-up manuals, reporting methodologies and periodic inspection programmes;
- (b) approval and amendment of inspection reports and follow-up reports;
- (c) approval and assignment of inspectors for each inspection.

45. The Board shall organise the quality assurance system in a manner that is independent of the reviewed statutory auditors and audit firms.

The Board shall ensure that appropriate policies and procedures related to the independence and objectivity of the staff, including inspectors, and the management of the quality assurance system are put in place.

46. The Board shall comply with the following criteria when appointing inspectors:
- (a) inspectors shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;
 - (b) a person who is a practising statutory auditor or is employed by or otherwise associated with a statutory auditor or an audit firm shall not be allowed to act as an inspector;
 - (c) a person shall not be allowed to act as an inspector in an inspection of a statutory auditor or an audit firm until at least three years have elapsed since that person ceased to be a partner or employee of that statutory auditor or of that audit firm or to be otherwise associated with that statutory auditor or audit firm;
 - (d) inspectors shall declare that there are no conflicts of interest between them and the statutory auditor and the audit firm to be inspected.

By way of derogation from paragraph (b) of article 42, the Board may contract experts for carrying out specific inspections when the number of inspectors within the Board is insufficient. The Board may also be assisted by experts when this is essential for the proper conduct of an inspection. In such instances, the Board and the experts shall comply with the requirements of this article. Experts shall not be involved in the governance of, or employed or otherwise contracted by professional associations and bodies but may be members of such associations or bodies.

47. The scope of inspections shall at least cover:
- (a) an assessment of the design of the internal quality control system of the statutory auditor or of the audit firm;
 - (b) adequate compliance testing of procedures and a review of audit files of public-interest entities in order to verify the effectiveness of the internal quality control system;
 - (c) in the light of the findings of the inspection under paragraphs (a) and (b) of this paragraph, an assessment of the contents of the most recent annual transparency report published by a statutory auditor or an audit firm in accordance with article 18 of this Act.
48. At least the following internal quality control policies and procedures of the statutory auditor or the audit firm shall be reviewed:
- (a) compliance by the statutory auditor or the audit firm with applicable auditing and quality control standards, and ethical and independence requirements, including those set out in Directive Number 2, the Accountancy Profession (Code of Ethics for

Warrant Holders) Directive and article 18B of the Act as well as all relevant laws, regulations and administrative provisions;

- (b) the quantity and quality of resources used, including compliance with continuing education requirements as set out in Directive Number 1, the Accountancy Profession (Continued Professional Education) Directive; and
- (c) compliance with the requirements set out in Section 290.12A of Directive Number 2, the Accountancy Profession (Code of Ethics for Warrant Holders) Directive.

For the purposes of testing compliance, audit files shall be selected on the basis of an analysis of the risk of a failure to carry out a statutory audit adequately.

The Board shall also periodically review the methodologies used by statutory auditors and audit firms to carry out statutory audits.

In addition to the inspection covered by the first subparagraph, the Board shall have the power to perform other inspections.

- 49. The findings and conclusions of inspections on which recommendations are based, including the findings and conclusions related to a transparency report, shall be communicated to and discussed with the inspected statutory auditor or audit firm before an inspection report is finalised.

Recommendations of inspections shall be implemented by the inspected statutory auditor or audit firm within a reasonable period set by the Board. Such period shall not exceed 12 months in the case of recommendations on the internal quality control system of the statutory auditor or of the audit firm.

- 50. The inspection shall be the subject of a report which shall contain the main conclusions and recommendations of the quality assurance review.

Schedule 1
Quality Assurance Penalties

The regulatory penalties for the following breaches shall not exceed the following:

Re-scheduling of review visit without justifiable reason	€232.94
Failure to respond to any requests made by the QAU within the time limits set out in such requests	€23.29 per day
Delays in submission of fees and returns due	€23.29 per day
Failure to submit documentation requested by the Board or the QAU within the specified time	€23.29 per day
Failure to provide access to information in terms of paragraph 16	€23.29 per day
Failure to respond to the Board on requested remedial action	€23.29 per day

Schedule 2
Quality Assurance Regulatory Fee

(Rule 39)

The regulatory fees shall be the following:

For statutory audit firms with five or more principals	€5,950.50
For statutory audit firms with less than five but more than two principals	€1,630.56
For statutory audit firms with less than three but more than one principal	€582.34
For full time sole practitioners	€232.94
For part time sole practitioners	€116.47