
CHAPTER 14


Auditors

14.1 Background

- 14.1.1 When the Minister set up the Review Group in February 2000, among the issues it was asked to consider was the regulation and duties of auditors from the perspective of company law. However, this task was overtaken by events.
- 14.1.2 In Autumn 1999 as a continuation of the inquiry into evasion of deposit income retention tax (DIRT), the Subcommittee on *Certain Revenue Matters* of the Dáil Éireann Public Accounts Committee (PAC) held public hearings at which representatives of a number of financial institutions, State authorities and other relevant parties (including auditors of the relevant financial institutions) were examined on oath. The PAC's subsequent report in December 1999¹ recommended, inter alia, that the Department of Enterprise, Trade and Employment establish a Review Group to examine in detail a number of matters, including auditor independence, the auditing of financial institutions and the role of the external auditor in establishing statutory compliance. The Minister established such a group, the Review Group on Auditing (RGA), to examine the issues raised in the PAC report and the additional issue of self-regulation in the auditing profession. The RGA completed its report in July 2000.²
- 14.1.3 Mindful of the fact that the RGA was a dedicated review body for the auditing profession with a broader area for examination than company law, the Company Law Review Group believed that the most appropriate approach to take in discharging its own task was to offer its views on the RGA recommendations as part of the consultation process which took place following publication of the RGA report. The intention of this consultation process was to help shape the legislation that will ensue from the RGA report. In considering that report the Company Law Review Group concentrated on recommendations in Chapters 11 to 14 of the RGA report, as these are the issues of particular relevance to company law. The Company Law Review Group focused on implementation rather than policy issues, as it did not see its role as producing an alternative to the RGA report. Consistent with the duration set for consultation on that report, the Company Law Review Group gave its comments on the recommendations in the RGA report to the Minister on 3 November 2000. Because the comments are a response to the recommendations in the RGA Report they are set out in tabular form and are attached as an Appendix to this chapter.
- 14.1.4 In considering the RGA recommendations, the Company Law Review Group was mindful of its brief to simplify company law. For that reason the Company Law Review Group expressed concern to the Minister that small companies, especially those exempt from the audit requirement, should not be imposed upon or unduly burdened by the legislation which will result from the RGA report. This was adverted to in particular with regard to recommendation 14.1 of the RGA report.
- 14.1.5 The Company Law Review Group also noted that at the time it made its comments to the Minister there were three separate proposals requiring that corporate abuse be reported to the authorities. These were set out in the then Company Law Enforcement Bill 2000, the Criminal Law (Theft and Fraud Offences) Bill 2000 and in the RGA report. The Company Law Review Group took (and strongly maintains) the view that it was important that the requirements of the three items of proposed legislation should be both consistent and enforceable.
- 14.1.6 The legislation arising from the RGA report will reflect the process of consultation which took place, including consultation with the Company Law Review Group. The legislation is currently being drafted and is expected to be published early in 2002. The main outcome from the RGA report will be the establishment of the Irish Auditing and Accounting Supervisory Authority (IAASA) as a new supervisory body.

1 Parliamentary Inquiry into DIRT – First report by the Committee of Public Accounts Pn. 7963.

2 Stationery Office Pn. 8683.



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Comments on Recommendations in the Report of the
Review Group on Auditing
